



City of Greensboro

Date: May 5, 2008
To: Mitchell Johnson, City Manager
From: Internal Audit Division
Subject: Employee Benefit Association Fund Review

The Internal Audit Division has performed a review of the Employee Benefit Association Fund. Attached you will find our review report; the committee response; and our replies to their responses. We feel that our recommendations have been sufficiently addressed as we move forward. If you have any questions or need additional information, please let us know. Thanks.

Len Lucas
Internal Audit Director

Cc: Bob Morgan, Deputy City Manager
Matthew Holmen, Employee Benefit Fund Committee Chairperson



Date: April 8, 2008
To: Mitchell Johnson, City Manager
From: Internal Audit Division
Subject: Employee Benefit Association Fund Review

The Internal Audit Division has completed a review of the Employee Benefit Association Fund for the period of July 2004 to June 2007. The Employee Benefit Fund (EBF) was established "to improve the fellowship among employees." The revenue for the activities is largely from vending commissions received from canteen facilities where the majority of activity is attributable to City employees. Retiring employees are eligible to receive a predetermined dollar amount based on years of service.

Internal Audit reviewed cash receipts and disbursements to determine if the committee had been operating within the acceptable guidelines outlined in established policies and procedures. We examined commission revenues and verified them to the monthly statements. Interest earned revenues recorded in the general ledger were compared to the statements from the North Carolina Capital Management Trust (NCCMT) account. Cash receipts from the sale of fundraiser items were logged and traced to final recordings in the general ledger. Internal Audit also evaluated the internal controls over cash receipts, disbursements and inventory to determine if they were designed properly and operating effectively.

The results of Internal Audit's review and our recommendations are outlined below.

Finding: The EBFC could not provide Internal Audit with an executed contract with the vendor for the canteen services. Internal Audit also checked with the City Clerks' office for a copy of a contract, but a contract could not be located. It appears that the EBF has been operating based on the Request for Proposal.

Recommendation: The EBF committee Chairperson should work with the legal department in drawing up a contract for the canteen services.

Finding: Internal Audit found that the vending agreement (RFP) includes a pepsi machine placed at the UNCG park-n-ride at the Coliseum that serves the public majority. This is not in line with the Bylaws of the EBF which states that the "contract includes all vending machines in which a majority of machine activity is attributable to City employees." Therefore, all revenue from this machine from November 2006 forward should benefit the Coliseum.

Recommendation: The EBF committee should determine how much of the revenue received by the EBF belongs to the Coliseum and transfer those funds as soon as possible.

Finding: As of June 30, 2007, the NCCMT account had not been adjusted for the changes in fund balance since April of 1999. Accounting was notified regarding adjustments for change in fund balance to the NCCMT account in prior audits and they agreed to adjust the account on a monthly basis. However, adjustments have not been made which has resulted in the EBF receiving interest on funds that should belong in the General Fund.

Recommendation: Accounting should designate someone to this task to ensure that this is being accomplished and monitor the NCCMT bank account to ensure it agrees with the General Ledger.

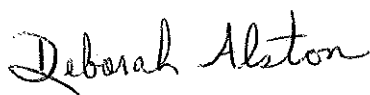
On a positive note, Internal Audit found that:

- **Members of the committee were very knowledgeable about the EBF.** This is (in part) a direct result of the requirement that two (2) members, one from Finance and the other from Human Resources, be stable members of the committee. It is apparent that the members are committed to doing a great job and in fact have done a tremendous job in bringing this committee up to standards. All records were readily available and in good order. The control environment (attitude of the members) is conducive to continual enhancement of the internal controls as evidenced by the new standard operating procedures that have been instituted during the period of this review.
- **The attached Statement of Revenues, Expenses and Account Balances for the fiscal years 2004-2007 shows increases in revenues over expenses totaling \$9,449.41.** Commission revenues increased in fiscal year 2007 from the prior three fiscal periods. The Chairperson and Treasurer review the Budget and Cost of Operations Statement and discuss the financial condition of the fund with the members at each meeting. However, this increase includes some 2007 fiscal year revenues from the machine in question at the Coliseum, in which the amount readily can not be determined.
- **Commission statements from the vendor (Compass Group) are being reviewed to determine if the vendor is complying with the terms agreed upon.** Some errors were found, but they have been corrected.

Recommendations: Internal Audit strongly recommends that a person in Finance/Accounting be required to remain on the committee permanently. This person has been performing duties of benefit to the committee that should be a part of the accounting function for all general ledger accounts. For example, the review of the EBF general ledger accounts by the Treasurer resulted in the correction of many coding errors over the period of this review. The accounting expertise along with the reconciliation process has been of tremendous benefit to the committee in establishing internal controls in the written procedures. This arrangement also facilitates the need for the committee to have a permanent stable location for files that are properly maintained.

Internal Audit also recommends that the EBF Chairperson create a separate book or binder for all of the guidelines (SOP's) that have been created.

Internal Audit would like to thank the members of the EFBC for the courtesy and cooperation extended to us during this review. They were very receptive to the suggestions made. Internal Audit requests a written response to the findings and recommendations from the Chairperson of the EBFC by April 22, 2008. If you have any questions or comments regarding the details of this review, please call us at 373-2203.



Deborah Alston
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Bob Morgan, Deputy City Manager
Matt Holmen, Chairperson for the Employee Benefit Fund Committee

City of Greensboro
Employee Benefit Association Fund
Statement of Revenue, Expenses and Account Balance
For the Fiscal Years Ended 6/30/04 through 6/30/07

	Year Ended 6/30/07	Year Ended 6/30/06	Year Ended 6/30/05	Year Ended 6/30/04
Beginning Account Balance	102,654.73	102,457.63	101,807.46	118,578.52
REVENUES:				
Commission for Concessions	72,834.54	63,398.27	59,072.15	56,522.38
Sales of Material	2,825.60	4,141.51	6,734.50	3,522.25
Interest Earned from Investments	6,057.87	4,621.62	2,254.80	971.90
TOTAL REVENUES	81,718.01	72,161.40	68,061.45	61,016.53
EXPENSES:				
Sale Items:				
Sweatshirt Purchases/Shirts	1,268.65	465.00	3,194.04	1,011.90
Movie Tickets			1,100.00	
Coliseum - Tickets				1,785.32
Travel Stainless Coffee Mugs				914.30
Glass Mugs				
Baseball Caps			500.00	
Zipper Totes				730.10
Attraction Books	0.00	1,170.00	737.50	195.00
Retirements:				
Cash Gifts as Salaries & Wages	5,550.00	6,625.00	5,400.00	8,800.00
FICA/Retirement Expenses	466.48	677.36	449.09	716.27
Health Coverage	0.00	0.00	(6.16)	111.36
Dental Coverage	0.00	0.00	(0.43)	8.23
Life Insurance	0.00	0.00	(0.55)	10.96
Party Expenses	3,555.81	3,295.00	3,137.14	3,844.95
Xmas Treats/Biscuitville/Drinks/Bojangles				2,268.00
Annual Employee Day / or Gift Cards				52,475.00
Postage	57,690.00	55,139.00	47,777.50	
Rental Space for Canteen Rooms	23.69	370.74		
In-House Printing	4,222.20	4,222.20	4,222.20	4,222.20
Discounts for Employees (YMCA, etc)	176.61			
Miscellaneous	162.43		500.00	500.00
TOTAL EXPENSES	73,115.87	71,964.30	67,411.28	77,787.59
TOTAL REVENUE OVER (UNDER) EXPENSES	8,602.14	197.10	650.17	(16,771.06)
ENDING ACCOUNT BALANCE	111,256.87	102,654.73	102,457.63	101,807.46

Date: April 29, 2008

To: Deborah Alston, Len Lucas, Internal Audit Division

From: Employee Benefit Fund Committee (EBFC)

Subject: Employee Benefit Association Fund Review

The Employee Benefit Fund Committee (EBFC) has received and reviewed Internal Audits review. We would like to thank the Internal Audit Division for their review of the EBFC and the advice that they have given to help us better manage the Fund. The review found several findings that needed to be addressed, and we are working on those findings at this time.

Outlined below is what we are doing to address these findings:

Finding: The EBFC could not provide Internal Audit with an executed contract with the vendor for the canteen services.

Response: The current agreement we have with our canteen vendor expires at the end of this calendar year (December 2008), so we are looking to contact legal to determine if we need to draw up a contract for the time between now and then. When the new contract is negotiated in December-January timeframe we will be working with purchasing to make sure a contract is created this time.

Finding: Internal Audit found that the vending agreement (RFP) includes a pepsi machine placed at the UNCG park-n-ride at the Coliseum that serves the public majority.

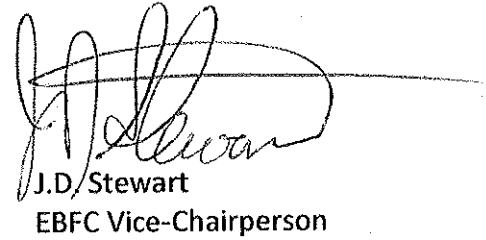
Response: After some research into why this was put on our contract, it appears that it was intended to have this machine put on a separate contract; but it appears to have slipped through the cracks. We will be working with Finance, the Coliseum and our canteen vendor to move this machine onto a separate contract going forward. Since we are not sure if we can track the money for this specific machine we will be speaking with the Coliseum to see if we can just make the adjustment for going forward and to not worry about the past revenue.

Internal Audit has also recommended that the EBFC committee member from Finance, become a permanent member. As a result of the last audit it was recommended that the HR and Finance committee members become permanent members, and at this time only the HR committee member has become permanent. The EBFC would like to request some help in requesting that Finance provide a permanent member to the committee.

Besides the above findings, Internal Audit also recommends that the EBFC Chairperson create a separate book for all of the guidelines (SOP's) that have been created. At this time the EBFC chairperson is reviewing all of the guidelines (SOP's) and adding to the Chairperson's binder. After this is done, all committee members will also be given copies of all of the guidelines (SOP's).



Matthew Holmen
EBFC Chairperson



J.D. Stewart
EBFC Vice-Chairperson

Cc: Mitchell Johnson, City Manager



City of Greensboro

Date: May 2, 2008
To: Matt Holmen, Chairman for the Employee Benefit Fund Committee
From: Internal Audit Division
Subject: Reply to Employee Benefit Fund Committee

The Internal Audit Division has reviewed and carefully considered your response provided to our review dated April 29, 2008. We feel that your responses to our findings and recommendations are sufficient. We recommend that the EBFC work with accounting to make sure the NCCMT account has been adjusted for the prior years.

Internal Audit would also like a copy of the executed contract for the canteen services when it is completed for our files.

The Internal Audit Division would like to thank you for your cooperation and response to the findings and recommendations. The members of the EBF (to include prior member Sandy Land) have done an excellent job over the period of this review and are to be highly commended. If you have any questions, please feel free to contact me at 373-2203.

Deborah M. Alston
Internal Auditor

Len Lucas
Internal Audit Director

cc: Mitchell Johnson, City Manager
Bob Morgan, Deputy City Manager

Lucas, Len

From: Lucas, Len
Sent: Thursday, May 08, 2008 10:28 AM
To: Wilson, Anita; Alston, Deborah
Cc: Smith, Christina; Roberts, Jeff; Druga, Marlene; Smith, Susan
Subject: RE: Employee Benefits Fund Review

Thanks for the update.

THANKS!
Len Lucas
373-2823

From: Wilson, Anita
Sent: Thursday, May 08, 2008 10:26 AM
To: Lucas, Len; Alston, Deborah
Cc: Smith, Christina; Roberts, Jeff; Druga, Marlene; Smith, Susan
Subject: Employee Benefits Fund Review

I want to briefly respond to you in reference to the findings related to the NCCMT account adjustments stated in your memo dated April 8, 2008. I have talked with both Christina Smith and Jeff Roberts concerning the reconciliation process. According to our records, the accounts were brought into balance in April of 2007 and adjustments have been made, by comparison of fund balance and NCCMT account statements, on a monthly basis from that point forward. As of today, we are current through March 31, 2008. The April 08 adjustment will be made when the NCCMT monthly statements are received. The back-up information is available in Christina Smith's office if there are further questions.

I regret that there was a period of time when this seemingly "fell through the cracks"; however, I believe we are on track and moving in the right direction. If further information is needed, please feel free to contact me.

Anita B Wilson
Treasury Division
City of Greensboro NC
(336) 373-2817

Conserve Water Now!

5/8/2008