

Internal Audit Division
City of Greensboro



May 14, 2010

TO: Rashad Young, City Manager
FROM: Internal Audit Division
SUBJECT: Hope Project Grant Review

The Internal Audit Division has completed our review of The Hope Project. Attached you will find our review report; the departmental response and our reply to their responses. We feel that sufficient corrective actions have been implemented to our recommendations as we move forward. If you have any questions or need additional information, please let us know. Thanks.

A handwritten signature in black ink, appearing to read "Len Lucas".

Len Lucas, Internal Audit Director

Cc: Bob Morgan, Deputy City Manager
Denise Turner, Assistant City Manager for Community Affairs & Communications
Greg Jackson, Director of Parks & Recreation

Internal Audit Division
City of Greensboro



April 26, 2010

TO: Greg Jackson, Director of Parks & Recreation
FROM: Internal Audit Division
SUBJECT: Hope Project Grant Review

The Internal Audit Division has conducted a review of expenditures of grant funds awarded by the Weaver and Joseph M. Bryan Foundations for the Hope Project. A haphazardly-selected sample of expenditures totaling an amount of **\$42,114.48** was tested to determine if funds are being spent in accordance with grant requirements.

The scope of this review was limited to determining if expenditures incurred were in compliance with grant specifications. In order to accomplish this, Internal Audit requested a copy of the grant contracts and reviewed grant requirements and limitations. We obtained the general ledger and haphazardly selected a sample size of 15% of all expenditures incurred from July 2008 through the end of February 2010 and requested documentation supporting the expenses incurred. We reviewed supporting documentation to determine if grant funds were being spent on allowable costs in accordance with grant requirements. Furthermore, Internal Audit visited the Folk Teen Center, from which the Hope Project operates, to obtain an understanding of the operations and internal control structure surrounding the expenditure process. Internal Audit performed an evaluation of the internal control structure to ensure funds are spent judiciously and in compliance with the grant contracts.

As a result of our review, we found the following areas of concern and offer our recommendations:

Findings:

- **Grant requirements and limitations as specified in the grant contracts are broad and general.** In the absence of specific guidelines established by the grantors in the grant contracts, the Hope Project should establish guidelines that ensure funds are spent in a judicious manner and for appropriate expenses, including parameters of allowable expenses, authorization procedures, and reviews of the general ledger and expenses incurred to determine if grant funds are being spent in compliance with grant contracts.

- **There are no formal controls in place to ensure proper spending of grant funds and recording of expenses in the general ledger.** No specific guidelines address the authorization of expenditures on behalf of the Hope Project beyond guidelines that are established by the City of Greensboro in regards to service contracts, purchase orders, and p-card usage. Furthermore, a review and reconciliation process is not in place that ensures expenses incurred are accurately reflected in the general ledger and that all charges made to the general ledger account are Hope Project expenses. Also, not all supporting documentation for charges, especially charges incurred internally, is kept on file with the Parks & Recreation Analyst serving as the record-keeper for the Hope Project.
- **In one instance, sales tax was included in the expense charged against the grant account.** Sales tax should be charged to NC Sales Tax (101-0000-00.1390) and County Sales Tax (101-0000-00.1400). No review was in place to ensure accuracy of expenses being recorded in the general ledger.
- **Hope Project Year 1 Budget (Accounting Unit 220-5024-01) was overspent by \$583.39.** The deficit was created due to a number of expenditures incurred in FY 2009-2010 (Hope Project Year 2) being charged incorrectly to Accounting Unit #220-5024-01 (Hope Project Year 1). When only taking into consideration expenses incurred during FY 2008-2009, Year 1 of the Hope Project, there was a surplus of \$35,988.70.
- **Reporting of YEAR 2 Budget & Expenditures in the Quarterly Report to Weaver and Bryan Foundations is not complete.** Due to YEAR 2 expenses being charged to the YEAR 1 account code, the Budget and Expenditure Report does not capture all YEAR 2 expenses and therefore understates expenses incurred. Accounts affected include Salaries & Wages (4110), Roster Wages (4140), FICA Contribution (4510), Retirement Contribution (4520), Health Coverage-Active (4610), Dental Coverage-Active (4650), Life Insurance- Active (4710), Telephone- Equipment Cost (5111), Telephone- Cost of Calls (5112), Cellular Phones (5114), Program Supplies (5237), Gasoline Fuel (5244), Consultant Services (5413), In-House Printing Services (5431), and Desktop Services (5432).
- **Sometimes Quarterly Reports are not issued on a timely basis to the Weaver and Bryan Foundations.** The report for the first quarter of fiscal year 2009-2010 lagged two months from the quarter-ended September 30, 2009 until issuance on November 3, 2009. Reports for the quarters-ended 12/31/10, 03/31/09, and 06/30/09, were issued on 02/18/09, 05/12/09, and 08/17/09, respectively, or approximately one and a half months after quarter-end.

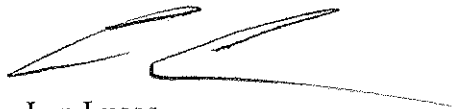
Recommendations:

- Establish authorization procedures that include a thorough review of supporting information to verify the propriety and validity of transactions. Approval authority is to be appropriate with the nature and significance of the transactions and in compliance with City of Greensboro policies and procedures. Approvals and authorizations should be documented and kept on file with other supporting documentation maintained by the record-keeper.
- Policies should be established to monitor operations. Reconciliations should occur on a weekly or monthly basis, in which expenses charged to the Hope Project general ledger account are traced, verified, and reconciled to documentation supporting the expense incurred. The review should ensure that expenses, including internally incurred expenses, are being reflected accurately, completely, and in the correct accounts, and that erroneous charges are not being recorded. Adjusting journal entries should be made to correct charges that are inaccurate or recorded in the incorrect account. Additionally, expenses should be reviewed by someone other than the person incurring and authorizing the expense to maintain proper segregation of duties.
- Supporting documentation for all transactions, including internally incurred expenses, should be maintained by the record-keeper, and reconciled to the general ledger on a monthly basis.
- Staff should accurately report Budget and Expenditures in the Quarterly Reports to the Weaver and Bryan Foundations. An adjusting journal entry should be made to capture YEAR 2 expenses in the YEAR 2 account (220-5024-02). Staff should ensure that as YEAR 3 begins in July 2010, expenses are charged to the correct Hope Project account to prevent this situation from arising again.
- Quarterly Reports should be issued on a timely basis after quarter-end. Staff should strive to issue Quarterly Reports to the Weaver and Bryan Foundations within thirty days after the quarter has ended. Furthermore, Quarterly Reports should be dated as of the day of issuance or staff should maintain other documentation supporting the date of issuance, such as dated letters or e-mails that are submitted with the Quarterly Reports to Foundation representatives.

Internal Audit would like to thank the staff members of the Hope Project for their courtesy and cooperation shown to us during this review. We request a written response by May 10, 2010. If you have any questions or comments, please call us at 373-2203.



Lynda Frei
Internal Auditor



Len Lucas
Internal Audit Director

cc: Bob Morgan, Deputy City Manager
Denise Turner, Assistant City Manager for Community Affairs & Communications

Parks and Recreation Department
City of Greensboro



May 10, 2010

TO: Len Lucas, Internal Audit Director
FROM: Greg Jackson, Director
SUBJECT: Response to Internal Audit Recommendations – Hope Project

Thank you for your April 26, 2010 memorandum of findings after auditing the Hope Project Grant. We agree with your comments and provide the following responses:

Recommendation

Establish authorization procedures that include a thorough review of supporting information to verify the propriety and validity of transactions. Approval authority is to be appropriate with the nature and significance of the transactions and in compliance with City of Greensboro policies and procedures. Approvals and authorizations should be documented and kept on file with other supporting documentation maintained by the record-keeper.

Response – Staff is following established procedures and has included the division manager in the approval and authorization process. Emails are being retained as documentation with all receipts being forwarded to the Department's Analyst who also serves as the record-keeper.

Recommendation

Policies should be established to monitor operations. Reconciliations should occur on a weekly or monthly basis, in which expenses charged to the Hope Project general ledger account are traced, verified, and reconciled to documentation supporting the expense incurred. The review should ensure that expenses, including internally incurred expenses, are being reflected accurately, completely, and in the correct accounts, and that erroneous charges are not being recorded. Adjusting journal entries should be made to correct charges that are inaccurate or recorded in the incorrect account. Additionally, expenses should be reviewed by someone other than the person incurring and authorizing the expense to maintain proper segregation of duties.

Response – Additional training is being scheduled with the Hope Project staff in order to implement a thorough monthly reconciliation process. When necessary, journal entries will be completed to correct any inaccuracies. The Parks and Recreation Analyst will review the expenses and maintain these records in the Administration files.

Recommendation

Staff should accurately report Budget and Expenditures in the Quarterly Reports to the Weaver and Bryan Foundations. An adjusting journal entry should be made to capture YEAR 2 expenses in the YEAR 2 account (220-5024-02). Staff should ensure that as YEAR 3 begins in July 2010, expenses are charged to the correct Hope Project account to prevent this situation from arising again.

Response – Parks and Recreation is working with the Finance Department to reconcile the year one and two accounts. Journal entries will be completed to charge the year in which the expenses occurred. The Department is also beginning to work on the transition into the 3rd and final year of the grant.

Recommendation

Quarterly Reports should be issued on a timely basis after quarter-end. Staff should strive to issue Quarterly Reports to the Weaver and Bryan Foundations within thirty days after the quarter has ended. Furthermore, Quarterly Reports should be dated as of the day of issuance or staff should maintain other documentation supporting the date of issuance, such as dated letters or e-mails that are submitted with the Quarterly Reports to Foundation representatives.

Response – The Department will submit quarterly reports to the foundations within 30 days of the quarter end. Proper dating will be recorded and all supporting documentation will be maintained.

Again, thank you for your assistance. Please let me know if you have any questions.

Sincerely,



Greg Jackson, Director

CC: Bob Morgan, Deputy City Manager
Denise Turner, Assistant City Manager
Lynda Frei, Internal Auditor
Dan Maxson, Administrative Services Manager
John Hughes, Youth and Community Programs Manager
Allison Staton, P&R Analyst
Jean Jackson, Youth First/Hope Project Interim Coordinator

Internal Audit Division
City of Greensboro



May 12, 2010

TO: Greg Jackson, Director of Parks & Recreation
FROM: Internal Audit Division
SUBJECT: Reply to Hope Project Response to Review

The Internal Audit Division has reviewed and carefully considered your responses provided to our review dated April 26, 2010. We feel that your responses to our findings and recommendations are sufficient and when implemented will address the areas of concern.

The Internal Audit Division would like to thank you for your appreciative attitude, cooperation, and prompt response to the findings and recommendations. If you have any questions regarding the audit or our recommendations, please contact Internal Audit at 373-2203.

A handwritten signature in cursive script that reads "Lynda Frei".

Lynda Frei
Internal Auditor

A handwritten signature in cursive script that reads "Len Lucas".

Len Lucas
Internal Audit Director

cc: Bob Morgan, Deputy City Manager
Denise Turner, Assistant City Manager for Community Affairs & Communications