



**Mecklenburg County
Department of Internal Audit**

Park and Recreation
Closeout Audit
Report 1822

August 30, 2018

Internal Audit's Mission	To support key stakeholders in cultivating an environment of accountability, transparency, and good governance.
Internal Audit Contacts	Joanne Prakapas, CPA/CFF, CIA, CRMA, CFE, Audit Director (980) 314-2889 or joanne.prakapas@mecklenburgcountync.gov Christopher Waddell, CIA, CRMA, Audit Manager (980) 314-2888 or christopher.waddell@mecklenburgcountync.gov
Staff Acknowledgements	Crystal Turner, CIA, CFE, Auditor-in-Charge Deborah Caldwell, CIA, CISA, Information Technology Auditor Eric Davis, CIA, CISA, CRMA, Information Technology Auditor Frank Crutchfield, CIA, CRMA, Senior Auditor Gewreka Robertson, Internal Auditor Rhonda Minter, Internal Auditor Samita Shrestha, Internal Auditor
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MECKLENBURG COUNTY
Department of Internal Audit

To: Lee Jones, Director, Department of Park and Recreation

From: Joanne Prakapas, Director, Department of Internal Audit

Date: August 30, 2018

Subject: Park and Recreation Close-Out Audit Report 1822

The Department of Internal Audit has completed a close-out audit of the Department of Park and Recreation to assess whether the department has maintained accountability of key resources and records, and to assist succeeding director's transition of the office. Internal Audit staff interviewed key personnel and tested various revenue and expenditures between July 1, 2016 to October 31, 2017. Staff also verified change funds and conducted an inventory of capital and non-capital assets.

This audit was conducted in conformance with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

OVERALL EVALUATION

Overall, accountability of key resources and records has been maintained; however, opportunities exist to improve the design and operation of some control activities related to revenue, expenditures, capital assets, and non-capital assets.

CLOSE-OUT AUDIT SUMMARY

The table below summarizes the close-out audit results.

CLOSE-OUT AUDIT SUMMARY	
Focus Area	Observation
Revenue	Some deposits were not made in accordance with North Carolina General Statutes (N.C.G.S.) GS §159-32.
Expenditures	Supporting documentation for some expenditures was not maintained. In addition, supervisors/managers were performing incompatible duties such as approving purchases, receiving goods and services and approving purchase payments.
Change Funds	Cash funds on hand were counted and agreed to the amount authorized by County Finance.
Capital Assets	Some capital assets could not be physically verified. In addition, managers were performing incompatible duties such as reconciling physical inventory records, proposing capital assets adjustments, and approving disposals.
Non-Capital Assets	Some non-capital assets could not be physically verified.

Observations requiring risk mitigation are discussed in detail in the attached document.

We appreciate the assistance and cooperation you and your staff provided during the performance of this audit. Please feel free to contact me at 980-314-2889 if you have any questions or concerns.

c: County Manager
Assistant County Managers
Deputy County Attorney
Senior County Attorney
Board of County Commissioners
Audit Review Committee

BACKGROUND

The Mecklenburg County Park and Recreation Department (the “Department”) is responsible for operations, maintenance and programming of more than 210 facilities. The Department manages the County's approximate 17,700 acres of parks, greenways, golf courses, recreation centers, swimming pools, special facilities and nature preserves. Additional services include:

- Coordination and planning of neighborhood and community recreational opportunities and special events
- Strategic analysis to support facility, park and greenway planning, design and development
- Programming/activities for therapeutic recreation (to serve both special and select populations)
- Environmental education and stewardship of nature preserves
- Privatized management of five golf courses, and an equestrian center
- Marketing and public information about facilities programs

Revenue

The Department generates revenue from concessions, annual passes, daily admissions, fees and charges collected for facility rentals, class registrations, and other public access fees. Between July 1, 2016 thru October 31, 2017, the Department collected \$9.2 million in revenues. The Department had change funds totaling \$1,300.

Expenditures

Between July 1, 2016 and October 31, 2017, the Department processed 13,343 vendor payments.

Capital Assets

As of November 2017, the Department of Park and Recreation had 443 capital assets valued at \$10.2 million.

Non-Capital Assets

As of November 2017, the Department had 162 pieces of small equipment, 446 mobile devices, and 47 radios on hand.

Software Systems

The Department uses ActiveNet, a recreation software system, to manage its recreation activities and facilities, including class registration, customer account management, and point-of-sale transactions.

OBSERVATIONS AND RECOMMENDATIONS

Focus Area
Revenue

Observation

- 1.1 Deposits—Sixty-three of 438 or 14% of the cash receipts sampled were not deposited in the bank in accordance with N.C.G.S § 159-32 and County policy.

Recommendation

- 1.1 Internal Audit recommends management ensure locations schedule armored car service in advance of required deposit dates.

Focus Area
Expenditures

Observations

- 2.1 Supporting Documentation—Supporting documentation necessary for management to review and reconcile payments was not maintained for 11 of 40 or 28% of the transactions sampled.
- 2.2 Segregation of Duties—Some managers approved orders for goods and services, received the goods, and initially approved payments. This lack of segregation of duties could allow errors or fraud to occur without detection.

Recommendations

- 2.1 Internal Audit recommends management reemphasize to staff the County's account payable requirements and retain appropriate supporting documentation.
- 2.2 Internal Audit recommends management segregate responsibilities for purchase authorization, receipt of goods, and payment authorization. If adequate segregation of duties cannot be achieved, management should implement appropriate compensating controls.

Focus Area
Capital Assets

Risk Observations

- 3.1 Inventory Verification—Eleven of 175 or 6.29% of the capital assets assigned to the department could not be physically verified.

- 3.2 Segregation of Duties—Department managers counted, reconciled, and proposed capital asset inventory adjustments, as well as coordinated their disposal. Yet, adequate segregation of duties is an essential internal control to help prevent errors or fraud.

Recommendations

- 3.1 Internal Audit recommends the Department implement inventory management procedures that ensure capital asset acquisitions, dispositions, and changes of custody are completely and accurately recorded in the inventory records and supporting documentation is properly maintained.
- 3.2 Internal Audit recommends management segregate the responsibilities of reconciling the physical inventory, proposing adjustments, and approving disposals. If adequate segregation of duties cannot be achieved, management should implement appropriate compensating controls.

Focus Area
Non-Capital Assets

Observation

- 4.1 Inventory Management—Although the department maintained inventory records for small equipment and radios, records were incomplete and/or inaccurate. Consequently, non-capital asset errors and/or irregularities may not be timely detected and resolved.

Recommendation

- 4.1 Internal Audit recommends the Department implement inventory management procedures that accurately and completely document non-capital asset acquisitions, dispositions, and custody changes. Management should approve the final inventory list and supporting documentation should be retained. Further, the physical inventory list should be periodically reviewed, reconciled to current inventory records, updating as necessary with evidence of timely resolution for any discrepancies. All inventory counts should be performed by an independent party with no custodial responsibilities.