

**Donations Follow-Up Audit
August 2012**

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Donations Follow-Up Audit



Office of the City Auditor

Patrice Randle, CPA
City Auditor

Project # 12-08

August 31, 2012

Executive Summary

*All prior audit
recommendations have
been fully implemented*

Fully Implemented

- *Single,
comprehensive
policy*
- *Additional review
of information
related to
charitable
programs*
- *Enhanced
promotion of Water
Utilities' payment
assistance program*

The City Auditor's Office has completed a follow-up to the May 2012 Donations Audit. The follow-up audit was conducted in accordance with generally accepted government auditing standards, except for peer review. Those 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. The objective of the follow-up was to determine the implementation status of prior audit recommendations.

There were four recommendations included in the initial audit report for which management concurred and one for which management substantially concurred. The City Auditor's Office concluded that all of the prior audit recommendations have been fully implemented.

With relation to prior audit recommendations, management has:

- 1) created a single, comprehensive donations and sponsorship policy;
- 2) ensured departments are aware of policy and procedures related to account balances for completed or discontinued accounts and the proper recording of donations and related expenditures;
- 3) requested additional information from Catholic Charities concerning payment assistance account balances; and
- 4) enhanced the City's website and promotion of the Water Utilities' payment assistance program.

Audit Scope and Methodology

The City Auditor's Office reviewed various documents relating to this follow-up audit. The following methodology was used in completing the audit.

- Reviewed initial audit report and management's responses
- Reviewed updated policies and procedures
- Reviewed reports and account balances related to donations

Status of Prior Audit Recommendations

Recommendation:

The City Manager should require a single, comprehensive policy and procedures document that addresses the solicitation, receipt, disbursement, monitoring and reporting of donations received by the City of Arlington. The donations policy should include, but not be limited to:

- forms of donations accepted (e.g., U. S. currency, personal property);
- requirement that donations be spent as designated by the donor;
- direction as to how donations not specified by the donor shall be spent;
- direction as to how unexpended balances for programs or projects that have been completed, discontinued or deemed unfeasible should be spent;
- to whom and how often donations should be reported; and,
- at what level should donations require City Manager and/or City Council approval.

Management's Response:

Substantially Concur. A sponsorship and donation policy currently exists and will be updated to include the above items with the exception of "to whom and how often donations should be reported." This item should not be solidly set in policy, but should be more flexible to address changing reporting preferences.

Target Date: July 31, 2012

Responsibility: Sherry Wright, Assistant Director Financial Operations

Implementation Status:

Fully Implemented. The City has created a single, comprehensive policy for donations and sponsorships. The policy includes general guidelines and definitions as well as specifics related to each point suggested by the City Auditor's Office, with the exception of to whom and how often donations should be reported. In addition, the policy includes etiquette details, forms to be used, and samples of completed forms for reference. The City Auditor's Office also noted that updates were made to the Donations and Sponsorship section of the City's Communications Policy. The policies were created/updated in July 2012 and a global email was sent to City employees notifying staff of the changes.

Recommendation:

The City Manager should require that donation account balances that are associated with programs that have been completed, discontinued, etc. be dispensed in accordance with the established written policy.

Management's Response:

Concur. Departments will be directed to follow the Sponsorship and Donations Policy for the above referenced account balances.

Target Date: July 31, 2012

Responsibility: Sherry Wright, Assistant Director of Financial Operations

Implementation Status:

Fully Implemented. The new Donation and Sponsorship policy contains direction related to unexpended balances for discontinued or completed programs. The policy states that the Department Director can transfer the remaining funds to another activity, program or project if the donor has not specifically requested the return of unexpended funds. The Department Director is responsible for ensuring that the funds are properly returned to the donor.

The City Auditor's Office noted that, of the 15 activity codes (cited in the initial audit report as having an account balance, but no activity beyond FY2009), five activity code balances did not change, seven balances have been cleared, and three have had activity in the year. These activities are detailed in the following table.

Department	Activity Code	Activity Code Description	Activity Code Balance During Initial Audit	Activity Code Balance During Follow-Up Audit
Code Compliance Services	121203	Animal Essay Contest	\$ 2,000.00	\$ -
Parks and Recreations	125012	Park Partners	\$ 1,849.03	\$ -
Workforce Services	121701	Wellness Program	\$ 669.45	\$ -
Water	121206	Pipe Taping Fund	\$ 388.44	\$ -
Police	128103	D.A.R.E.	\$ 335.45	\$ -
Code Compliance Services	124102	Neighborhood Celebration	\$ 300.00	\$ -
Police	128106	Law Enforcement Management	\$ 200.00	\$ -
Parks and Recreations	125015	Friends of Johnson Creek	\$ 2,226.19	\$ 1,540.15
Code Compliance Services	124110	Graffiti Removal	\$ 260.00	\$ 8.79
Fire	122201	AISD Fire Academy	\$ 65.86	\$ 13,759.48
Community Development & Planning	124114	Purvis House Relocation	\$ 40,000.00	\$ 40,000.00
Fire	122202	Fire Recognition	\$ 5,881.90	\$ 5,881.90
Community Development & Planning	124117	National Night Out	\$ 696.91	\$ 696.91
Parks and Recreations	125009	Recreation Center Special Events	\$ 24.00	\$ 24.00
Code Compliance Services	124101	Neighborhood Project Program	\$ 0.37	\$ 0.37
Grand Total			\$ 54,897.60	\$ 61,911.60

Recommendation:

The Financial and Management Resources Director should reiterate to each department, the importance of properly recording donations and related expenditures.

Management's Response:

Concur. Financial and Management Resources will communicate with each department to stress the importance of properly recording donations and related expenses.

Target Date: July 31, 2012

Responsibility: Sherry Wright, Assistant Director of Financial Operations

Implementation Status:

Fully Implemented. A global email was sent on 8/2/12 notifying City staff of the new Donation and Sponsorship policy. The email included the following language, "It is also important that all donations and their related expenditures be recorded properly. The Account Division of Financial and Management Resources is always available to provide assistance in this area." This statement serves to remind staff of the importance of recording donations and expenditures properly.

Recommendation:

The Water Utilities Director should request additional information from Catholic Charities when donation account balances are not being spent in a timely manner. Requested information should include, but not be limited to, the number of applicants who requested, but were denied assistance (e.g., did not meet eligibility requirements).

Management's Response:

Concur. Catholic Charities currently provides a Monthly Summary Report which Water Utilities reconciles each month. It is validated to ensure monthly disbursements match the payments posted to those customers' water accounts. Based on the recommendation, Water Utilities has submitted a request to Catholic Charities to include applicants who requested assistance but were denied on their Monthly Summary Report. Water Utilities currently reviews the balance monthly and contacts Catholic Charities if the funds are not being expended in a timely manner.

Target Date: June 1, 2012

Responsibility: Darryl Westbrook, Assistant Director of Water Utilities/Business Services

Implementation Status:

Fully Implemented. The City Auditor's Office reviewed recent Monthly Summary Reports provided by Catholic Charities, noting that the report has been modified to include a list of Arlington Water customers who were denied assistance. Arlington Water Utilities reviews the monthly reports and monitors balances, pledges and payments to ensure that funds provided to Catholic Charities, through donations, are expended in a timely manner.

Recommendation:

The Water Utilities Director should consider enhancing the City's website to better promote Arlington's water utility assistance program. Clear links to the Catholic Charities website and/or to a site that explains or describes the City's charitable contribution program could help decrease the likelihood of donations not being expended in a timely manner.

Management's Response:

Concur. Water Utilities will place a prominent link on the City's website to better inform citizens of the program. The link will be direct to the Catholic Charities website which will explain the charitable contribution program. Catholic Charities will be updating their website to insure the program information is displayed.

Target Date: July 31, 2012

Responsibility: Darryl Westbrook, Assistant Director of Water Utilities/Business Services

Implementation Status:

Fully Implemented. The City Auditor's Office reviewed the Arlington Water Utilities website, noting a Care and Share Program link on the home page. The link provides information about the Care and Share program, how to donate to the program, how donations are used and a downloadable Charitable Contribution Form. The payment locations section of the Water Utilities site contains information about Water Utilities' bill payment assistance, including a link to the Catholic Charities website. The City Auditor's Office also noted that the Catholic Charities of Fort Worth website now mentions that specific financial assistance is available for Arlington Water Utilities customers.