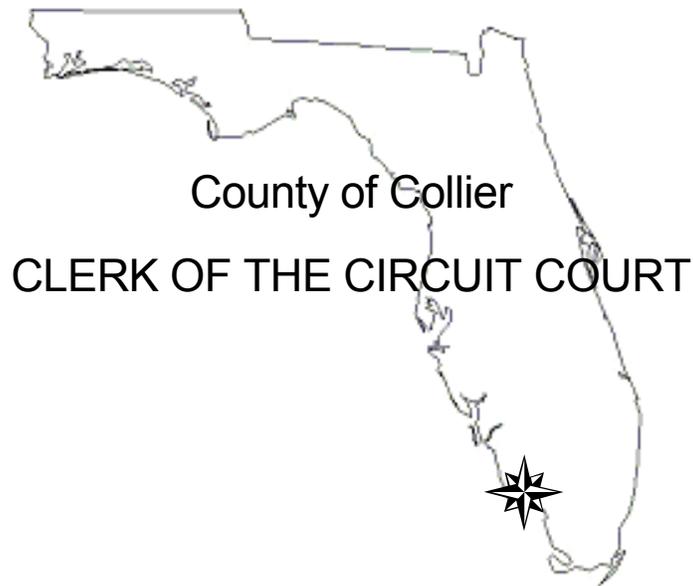


**Collier County Clerk of the Circuit Court
Internal Audit Department**

Audit Report 2003 – 5

Parks and Recreation Audit - Part I
Expenditures and Fixed Assets



County of Collier
CLERK OF THE CIRCUIT COURT

Dwight E. Brock
Clerk of Courts

COLLIER COUNTY COURTHOUSE
3301 TAMAMIAMI TRAIL EAST
P.O. BOX 413044
NAPLES, FLORIDA 34101-3044

Clerk of Courts
Accountant
Auditor
Custodian of County Funds

November 4, 2003

Honorable Tom Henning, Chairman
And Members of the Board of County Commissioners
3301 Tamiami Trail East
Naples, Florida 34112

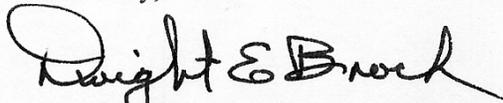
Re: Audit of Parks and Recreation Part 1 Expenditures and Fixed Assets
(Report No. 2003-5)

Chairman:

The enclosed report discusses the findings and recommendations of the above captioned audit performed by the Internal Audit Department. We thank the Parks and Recreation Department for their cooperation in the performance of this audit.

If you have any questions about this report, please feel free to contact the auditor, Ilonka Washburn, at 774-8412.

Sincerely,



Dwight E. Brock
Clerk of the Circuit Court

Enclosure

cc: James V. Mudd, County Manager

Memo

To: The Honorable Dwight E. Brock, Clerk
From: Patrick Blaney, CFE, CPA
Date: November 4, 2003
Re: Audit of Audit of Parks and Recreation Part 1 Expenditures and Fixed Assets

Please find attached our audit report of the Parks and Recreation Part 1 Expenditures and Fixed Assets. This report includes the Parks and Recreation responses to our findings & recommendations.

Internal Audit gratefully acknowledges the cooperation and assistance of Parks and Recreation and other Board of County Commissioners employees.

If you have any questions about this report, kindly contact Ilonka Washburn at 774 – 8412 or me.

**Collier County Clerk of the Circuit Court
Internal Audit Department**

Phone (239) 774-8075
Fax (239) 775-5861
2671 Airport Road S., Suite 102
Naples, FL 34112

Audit Report 2003 - 5

Parks and Recreation Audit - Part I Expenditures and Fixed Assets

Audit Report 2003 - 5

Parks and Recreation Audit - Part I

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Parks and Recreation Audit - Part I

Expenditures and Fixed Assets

Background Information

Audit Purpose, Objectives, & Scope

The purpose of this audit was to determine the effectiveness and efficiency of the Parks and Recreation Department's programs in addition to determine whether existing controls are sufficient to ensure that department goals are accomplished. The specific objectives included determining the effectiveness of controlling expenses and fixed asset inventories as well as determining how efficiently the department's tasks were accomplished. The scope of this audit was limited to transactions during the 2002 and 2003 fiscal years.

Audit Methodology & Procedures

This audit was performed in accordance with Generally Accepted Government Auditing Standards. The Internal Audit Department interviewed the appropriate Finance Department staff responsible for the processing of Parks and Recreation expenses and fixed assets, and key Parks and Recreation department personnel. Additionally, the auditor reviewed ordinances, statutes, policies, and procedures relevant to the Parks and Recreation expense and fixed asset programs. Sampling was used to test accuracy and compliance of Parks and Recreation Fund transactions and fixed assets with applicable regulations.

Background

The Public Services Division provides the citizens of Collier County with a wide variety of traditional governmental services that preserve and enhance the quality of life throughout the community.

There are eight departments within the Division, including Domestic Animal Services, University Extension Service, Library, Museum, Parks and Recreation, Human Services, Veterans Services, and Emergency Medical Services. The Parks and Recreation Department is further segregated into five areas: Beach and Water parks, Immokalee, Naples Area, Golden Gate Community Center, and the Summer Food Services Program. The mission for all five areas identically states: "Our mission is to enhance and improve the quality of life in Collier County by effectively identifying, developing and delivering comprehensive services and facilities." While the mission is the same for all areas and in some cases the programs/services are identical there are some unique programs to each area. The following is a list of applicable programs for each area:

Beach and Water parks: Departmental Administration/Overhead; Park Rangers – Beaches and Community Parks; Maintenance; Beach Raking; Remittances to Municipalities.

Immokalee: Community Center/Parks; Childcare/Preschool, After school, No School Days, Vacation Camps, Summer Camps; Aquatics; Fitness; Park Maintenance; Rangers.

Naples Area: Marketing; Park Maintenance; Athletics Programs; Aquatics; Fitness; Transfer to General Fund.

Food Service Grant: serves lunches and snacks to eligible participants during the summer camp time frame.

Golden Gate Community Center: Childcare/Preschool, After school, No School Days, Vacation Camps, Summer Camps.

Public Services Departments are funded primarily by ad valorem taxes augmented by various user fees. The division's fees are reviewed annually to reduce the need for additional ad valorem tax support.

The Parks and Recreation Department is attempting to attain national accreditation, which could be used for recognition to improve their internal and external standing, as well as aid in the application and subsequent receipt of grant money.

Internal Audit divided the Parks and Recreation Department into three parts for audit purposes. This first part concentrates on the expenditures and fixed assets of all the five areas of Park and Recreation.

Section
2

Parks and Recreation Audit - Part I

Expenditures and Fixed Assets

Findings

Credit Cards lack internal control

While the initial use of credit cards was thought to ease a burdensome purchasing process by allowing responsible employees to make responsible decisions, the following purchases are questionable. Credit card purchases were reviewed for the time period 10/02 through part of 6/03. (The initial time period selected was from 10/02 until 5/03 but was extended to include part of June to test whether Park and Recreation's (P&R) newly initiated policy had taken effect.) The fragmentation of June therefore did not have a great impact as the June receipts were predominantly used for control purposes to determine whether P&R's claim could be verified as to having implemented a new policy dated June 1/03 requiring approval of credit card purchases prior to being made.

To enable a detailed review, all credit card purchases for the above time period were entered onto a spreadsheet. This enabled a thorough analysis of all purchases whereby it became apparent that credit card purchases were not only used for items already covered by blanket purchase orders but also for items excluded from the credit card purchase program. Some of the items explicitly excluded from credit card purchases but still purchased were: fuel, oil, telephone charges, food, and items available on County Contracts or on blanket purchase orders. Other items bought on credit cards included curtains, computers, printers, TV's, summer camp cruises, Busch Gardens tickets, DVD's, VCR's, boomboxes, etc. Some of these items like computer accessories, televisions, printers, cameras, DVD players, CD players, games, etc., could have been brought with FPO's.

Additional issues:

In two cases duplicate payments were made totaling \$298.00 overpayment. On two other items taxes had been paid in the total amount of \$26.64, Collier County, as a government entity is not required to pay taxes on items purchased. While the amounts in both instances are not quantitatively alarming they indicate a lack of necessary control.

In another case a coordinator split one \$1,500 purchase into three \$500.00 payments, the maximum limit for a credit card purchase.

In 15 instances purchases of less than \$10.00 were made, raising the question of whether the cost of processing such invoices exceeds the benefit derived from such purchases?

In 19 instances Visa receipts were attached to the payment log rather than detailed receipts of the items purchased. This prevents a comprehensive review of purchases.

The Director of P&R is trying to change the present mindset by discouraging credit card use. Effective 6/1/03, P&R policy requires authorization slips prior to purchases being made. It became obvious through the purchases reviewed for June that pre-approval of credit card purchases is not yet a norm. In essence, of the 39 credit card purchases made during the first half of June only one had approval prior to purchase and an additional one had approval the same date as the purchase. Of the remaining 37 purchases 21 had no supervisory approval attached and the remaining 16 had either been approved well after the purchase or had not been signed at all. After the fact approval or no approval will be considered evidence of nonconformance. Most items bought, including an exterior wall clock and TV's, did not warrant being purchased with a credit card but should have been purchased through the appropriate channels, i.e., purchase orders. It can be concluded that Parks and Recreation management needs to provide more supervision of credit card purchases made by their employees.

Presently the only control/approval function being observed is that of the Fiscal Technician's approval for payment. Credit card receipts are handed to the Fiscal Technician (approval authority up to \$500) for approval and are then carried over onto an Activity and Payment log from which they are then send to the finance department for final payment.

Finally the question remains: what happens to all the TV's, computers, printers, etc., that are bought under the credit card purchases, therefore under the allowable \$750.00 limit to be a recorded fixed asset. There is no effective control implemented to tag those items as Collier County property, to ensure continued public use of the same.

Recommendations

It is difficult to keep track of all credit card expenses without regular evaluation. One possible way to review expenditures monthly would be to list all items from the Activity and Payment logs onto a spreadsheet, allowing management to review all credit card purchases and ensure that they are only for allowable items. Management should analyze repetitive items, and if necessary, establish blanket purchase orders. Credit card purchases without prior approval should not be considered for payment unless agreed to by management.

Credit card minimums should be considered and established, as the cost of processing a credit card receipt below \$10.00 exceeds the benefit resulting from this purchase.

Invoices should be thoroughly reviewed to prevent overpayment (paying the same item twice) and the payment of taxes as well as invoices split into several transactions to allow payment of then unauthorized expenditure.

A list of available Blanket PO's should be distributed and available to everyone to ensure that purchases are not made on items available on an existing Blanket PO.

While FPO's are more cumbersome to both the employee and the vendor it will provide the additional step of pre-approving a purchase rather than after the fact approving it.

The overall control of credit card purchases is up to the individuals allowing spontaneous shopping to occur rather than purchases made on a need basis. While P&R is a department with varied needs and responsibilities it is a government entity with responsibility to the public and should therefore implement more scrutiny and ensuing control over their purchases. Items such as TV's, computers, and printers should be logged at the individual centers they are bought for as stated in their "Collier County Parks & Recreation Policies and Procedures Manual" effective October 1997, and revised October 2002. While they may not be within the fixed asset limit they are definitely well above a disposable value.

Response:

Parks and Recreation Department Response:

Response to Audit Findings on Credit Card Usage (Section 2) (Exhibit 1)

As stated in the audit report, the County implemented the use of credit cards as an attempt to ease a burdensome purchasing process and to allow responsible employees to make responsible purchases. In 1999, when the purchasing card program was instituted, the Purchasing Department directed the Parks and Recreation Department to replace field purchase orders with credit cards for purchases under \$500.

Since the institution of the purchasing card program, some instances have occurred in which employees used credit cards to purchase items related to the course of business but not permitted for purchase with a credit card, or items available on blanket purchase order. In each of those instances, the employee who used the purchasing card erroneously was instructed of the infraction and reprimanded if necessary. The Parks and Recreation Department takes these infractions seriously, and is proud that they are very few in number. Rather than reflecting a lack of internal controls as the audit report suggests, the Parks and Recreation Department sees these instances as an indication of a need for training personnel on County and Department purchasing policy, and in each instance has taken the opportunity to educate the employee involved.

In order to reduce the volume of purchasing card use, and therefore limit the possibility of error in use, in June of 2003 the Parks and Recreation Department implemented an internal purchasing card policy that is more restrictive than the policy authorized by the Purchasing Department. Under the new policy credit cards are only to be used when a purchase order cannot or on an emergency basis. *This policy does not require pre-approval by a manager because emergency use*, by definition, presupposes unavailability of both pre-approval and purchase order use. The policy does require manger (*sic*) approval after the fact for each emergency purchase.

The audit report raises the question of what happens to durable goods bought with credit cards. No County policy exists for the tracking of durable goods valued under \$750. Nonetheless, the Department recognizes this valid concern and has developed an internal policy awaiting Department director approval that will institute a control measure over all nonexpendable items under \$750 in value.

Auditor's Comment:

During the initial interview held on June 6, 2003 this auditor was informed that future credit card purchases would be accomplished only through a pre-approval process by the individual

supervisors. While true emergencies may be approved after the fact this auditor recommends the implementation of additional control through pre-approval of any non-emergency purchases.

Purchase Orders

Five purchase orders were selected from the current fiscal year in order to follow their processing. Of the five purchase orders selected, two warranted further investigation. One of them caught attention because even though the low bidder had been selected, further analysis revealed that the services offered were not identical. The question arises should not services be identical to allow accurate comparison? When Internal Audit asked appropriate personnel, they had not noticed the difference in services, and could not produce the specification sheet to allow comparison of bid to specifications. The other purchase order's acceptance of proposal lacked a signature.

Recommendations

Ensure that all purchase orders comply with purchasing rules and procedures and are signed as appropriate to allow for payment of services.

Fixed Assets in disarray

A sample of 35 fixed assets was selectively spot-checked. Most fixed assets sampled were not permanently and consistently marked in accordance with the "Rules of the Auditor General." Eight of the 35 items selected, or 23% of the sample, could not be identified due to missing property tag numbers. This coincidentally constitutes 25% of the total value selected. Another two items corresponding to yet another 30% of the total value selected had been previously disposed of but were still carried on P&R's books.

The "Rules of the Auditor General" specify the contents of individual property records for local government-owned tangible personal property. Those specifications include, among other things, physical location, make or manufacturer, year and/or model, and manufacturer's serial numbers. The absence of these required details in many of P&R's individual property records rendered locating selected fixed assets a challenge.

Fixed Assets represent public property, and as such must be traceable and accountable. Management should give fixed assets and property records the consideration and due diligence required by the "Rules of the Auditor General" and Florida Statutes. Fixed assets should be properly tagged, if necessary subdivided into categories using the same property tag number and easily located.

Parks and Recreation apparently attempted to regain control over their fixed assets by revising their fixed asset list but have not succeeded. During the verification of specified items it became apparent few assets like computers and maintenance vehicles could be easily verified, while many others became an exercise in futility, without a custodian of record.

The present condition of fixed assets of the Parks & Recreation Department is that public property is untraceable, that some of the items located took additional public resources (auditor and staff time) to locate, and finally that the department carries values on its books that no longer exist.

Recommendations:

"The Rules of the Auditor General," Chapter 10.400, "Local Government –Owned Tangible Personal Property, effective 5/1/02, states that each item of property shall be permanently, and if of similar nature, shall be consistently marked to facilitate ready identification of the items. It further states that if individual items are taken as a whole they may be designated as a group property item if the component items are separately identified within the record.

In order to regain control of its property, P&R should follow the "Rules of the Auditor General" and Florida Statutes relevant to fixed assets and property records explicitly.

Every cost center should have an assigned custodian of records responsible for their cost centers' fixed assets. Fixed assets should be verified annually by locating all involved components, permanently marking all assets and valuing each appropriately. By disposing of fixed assets or parts thereof without proper record keeping the cost or value of the item will remain on the control account instead of being removed or reduced from the account. While an annual inventory is a necessity it does not preclude the continuous update of the fixed asset list when additional items are either purchased or old items are disposed of.

Response:

Parks and Recreation Department Response:

Response to Audit Findings on Fixed Assets (Section 2) (Exhibit 1)

For the last three years, the Department has gone to great lengths to verify and update its fixed asset list. This has not been an easy task, as updates submitted to the Finance Department have not been reflected on succeeding years' lists. New purchases are added to the list, but disposed items are not removed.

The Department agrees wholeheartedly with the finding that assets should be subdivided into categories if necessary. In the past the Department had suggested this method to the Finance Department, but had been told that such a system was not possible. The Department is pleased that as part of the audit process the Finance Department has found a way to implement a system under which fixed assets can be subdivided. The Department will institute the process necessary to use this system immediately.

The Department has heretofore followed County policy on fixed assets, which makes no mention of the Rules of the State's Auditor General. The audit report's recommendation to follow these rules is appreciated and will be heeded here forward.

Auditor's Comment:

A subdivision of fixed asset categories would have been possible with or without the Finance Department's assistance. P&R could create subsidiary records for group property items, listing the components individually. For example, playground equipment could be number 1, with component parts being numbered: *1a, 1b, 1c, etc.*

In closing, each department is accountable for their assigned assets and therefore has the responsibility to ensure compliance with all applicable regulations and policies.

Finance and Accounting Response

Fixed assets are a responsibility that the Finance and Accounting Department invest a significant amount of resources to ensure its accuracy. The Department is reliant on outside departments to assist in this endeavor. For example:

- Fixed asset tags are created at the time of procurement of capital assets and outside departments are responsible for affixing the tags on the assets.
- When there is movement of assets such as transfers or dispositions, the outside departments are responsible for formally notifying Finance and providing the proper approval.
- Outside departments are responsible for their inventories and notifying Finance with any discrepancies.

Although the Parks and Recreation Departments response indicates that updates to the fixed asset system were submitted to Finance, our records indicate no such documentation had been received for the assets in question.

The prior and SAP fixed asset systems include numerous classifications of assets. In the event a department desires an additional classification, we would analyze the addition in relation to the cost versus the benefit.

The Finance and Accounting Department is a customer service oriented group and stands ready to assist each department in fulfilling its obligations.

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Parks and Recreation Audit - Part I

Expenditures and Fixed Assets

Conclusion

Incidentally, during this assessment Internal Audit became alert to the fact that the Collier Boulevard boat ramp was again closed for repair in July 2003. This ramp had been closed for repair during most of May 2003. The auditor investigated the matter by physically inspecting the boat ramp. On approaching the boat ramp the construction crew asked if Parks and Recreation employed us, as they had not seen anybody this week from Parks and Recreation. The construction company was completing warranty work requiring a second closure of the ramp to correct revealed deficiencies. Worth mentioning is the fact that there are at least two more closings anticipated as the reconstruction/addition of the parking lot is planned in two phases.

While the Parks and Recreation department is attempting to comply with all applicable rules it needs to continue its strive to succeed in implementing a control program that ensures compliance with all applicable rules and procedures as well as ensuring that all involved personnel are familiar with existing rules and existing contracts and/or purchase orders.

Response:

Parks and Recreation Department Response:

Response to Audit Conclusion (Section 3) (Exhibit 1)

The audit report concludes in part with a paragraph that is self-admittedly "incidental" and which describes a site visit to a capital improvement project by the auditor. This paragraph is indeed incidental, as this part of the audit is concerned with expenditures and fixed assets, not capital improvement projects. It should be eliminated.

The second paragraph aptly captures the Department's assessment of the current state of affairs with regard to its expenditures and fixed assets.

Auditor's Comment:

This report includes the visit to the boat ramp in order to recount the construction crew's inquiry whether we were from the Parks & Recreation Department, and their additional comment that they had not seen anyone from Parks & Recreation. This report only describes the facts as they were told to Internal Audit. When Internal Audit asked Parks and Recreation to provide documentation of site visits for July 15 and 16, 2003, which included the date of our visiting the boat ramp, they responded that Parks and Recreation does not write official inspection reports.

We therefore recommend that official site inspection reports should be created to document inspections, findings and plans of action for necessary corrections deemed appropriate.

Comment of The Clerk Of the Circuit Court to the Parks and Recreation's conclusion

The Clerk of the Circuit Court is charged by law with the responsibility to account for and audit the assets of the taxpayers of Collier County. While it is not economically feasible for the clerk to follow all expenditures that the Board of County Commissioners makes, we therefore must use our audit capabilities to identify areas that pose the greatest risk of loss to the taxpayer. The audit staff performs this task with the direction of the management team of the Clerk's Office. We then use these findings to identify areas where we feel we must devote our resources in order for the Clerk's Office to carry out our constitutional role in government. We secondarily share our findings with The Board of County Commissioners and the Public for their use as they see fit.

While you may feel that county roads and parks are not fixed assets, I must suggest that your feeling is not in conformance with government accounting policy (see GASB Standard 34). We are required to report those assets and depreciate them on the financial statements.

While we will always take into consideration everyone's feelings, and appreciate your insight, we are capable of determining what is important in our audits and will continue to make that determination.

Exhibit 1

Parks and Recreation's Response to Audit – Part I

Expenditures and Fixed Assets

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Response to Audit "Conclusion" (Section 3)

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