

Special Events

January 8, 2007

Report #638

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EXECUTIVE SUMMARY

AUDIT REPORT #638

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OFFICE OF THE COUNCIL AUDITOR
Suite 200, St. James Building



January 8, 2007

Audit Report #638

EXECUTIVE SUMMARY

INTRODUCTION

The Special Events Office is responsible for producing City sponsored events such as the Florida/Georgia Weekend Festivities, World of Nations Celebration, New Year's Celebrations, and the Sea & Sky Spectacular. The General Fund budget for Special Events in 2005/2006 was \$3.7 million of which \$2.1 million was budgeted for event expenses that occur throughout the year. For 2006/2007 the budget was approved for \$4.1 million of which \$2,064,047 is budgeted for event expenses.

There was a previous audit of the Special Events Office that was completed in 2002. When compared to the findings in the previous report and this current report, it appears as though the Special Events Office has not implemented most of our recommendations that were previously made.

STATEMENT OF OBJECTIVES

The objectives of the audit were as follows:

1. To determine that all receipts and disbursements of the Special Events Trust Fund are appropriate and in accordance with the City's standard operating procedures for cash receipts and disbursements.
2. To determine that all receipts and disbursements to and from the Special Events Imprest Checking Account are related to an event and in accordance with the City's procurement procedures.
3. To determine that all contributions and revenue generated from an event are deposited intact in the Special Events Trust Fund and that all event expenses are appropriate and event related.
4. To observe the 2006 World of Nations Celebration in order to evaluate the controls over the cash collection and deposit process for an event.

AUDIT CONCLUSIONS

By Objective

1. Money received within the Special Events Office was not deposited in a timely manner.
2. The Special Events Imprest Checking Account was used for questionable disbursements, such as lunches, supplies, and snack foods. Also, checks were written to “cash” for start money for an event.
3. All revenue for the events tested was deposited into the Trust Fund and this revenue should be expended before any General Fund revenue. Instead the Trust Fund balance increased while the General Fund paid for 69% of all event expenditures. Also, the event files did not always have adequate documentation.
4. There was no segregation of duties over cash handling procedures, there was no formal system for tracking revenue and inventory during an event, and event money was not deposited nightly.

AUDIT FINDINGS

- Special Events Trust Fund receipts were not deposited on a timely basis [1-1]
- The Special Events Office received revenue for other organizations [1-2]
- Questionable disbursements were made out of the imprest checking account. [2-1] through [2-5]
- Sixty-nine percent of all event expenditures were paid out of the General Fund [3-1]
- The event files did not have adequate documentation [3-2] [3-3] [3-4] [3-5] [3-7]
- Some event expenditures did not appear to be event related [3-6]
- Event money was not deposited nightly [4-1]
- Special Events did not recover all the money spent on the sale of merchandise [4-2]

INTERNAL CONTROL WEAKNESSES

- Checks were written to “cash” to obtain start money for an event [2-1]
- There was no segregation of duties over cash [4-1]
- No formal system for tracking revenue and inventory during an event [4-2]

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Honorable Members of the City Council
City of Jacksonville

INTRODUCTION

The Special Events Office is responsible for producing City sponsored events such as the Florida/Georgia Weekend Festivities, World of Nations Celebration, New Year's Celebrations, and the Sea & Sky Spectacular. The budget for Special Events in 2005/2006 was \$3.7 million of which \$2.1 million was budgeted for event expenses occur throughout the year. This amount supplements the Special Events Trust Fund when sponsorship money received is less than event expenditures. For 2006/2007 the budget was approved for \$4.1 million of which \$2,064,047 is budgeted for event expenses.

The Special Events Trust Fund accounts for the sponsorship money received as well as ticket sales and the related expenses for special events promoted by the City. The Special Events Office also has an imprest checking account for \$100,010 which is reimbursed through a "Petty Cash/Imprest Fund Reimbursement" request as checks are written. The reimbursement is paid from the pooled cash account within the Special Events Trust Fund and is processed by the General Accounting Division.

There was a previous audit of the Special Events Office that was completed in 2002. When compared to the findings in the previous report and this current report, it appears as though the Special Events Office has not implemented most of our recommendations that were previously made.

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2. To determine that all receipts and disbursements to and from the Special Events Imprest Checking Account are related to an event and in accordance with the City's procurement procedures.

3. To determine that all contributions and revenue generated from an event are deposited intact in the Special Events Trust Fund and that all event expenses are appropriate and event related.
4. Observe the 2006 World of Nations Celebration in order to evaluate the controls over the cash collection and deposit process for an event.

STATEMENT OF SCOPE AND METHODOLOGY

The scope of our audit was all event related activity from July 1, 2005 through March 31, 2006.

For objective one we reviewed all deposits made to the Special Events Trust Fund to determine that all were event related. We also reviewed for any discrepancies between the amount posted to FAMIS and the amount recorded on the cash receipt (CR). We obtained the receipt books located in the Special Events Office and traced all receipts to a CR and then to the event close out sheet. We noted the timeliness of the deposit of monies received in the Special Events Office.

For objective two we obtained and reviewed the check registers and reconciliations from July 2005 through March 2006 for the Imprest Checking Account. We noted if the items on the check register agreed to supporting documentation and determined whether it was an appropriate deposit or disbursement.

For objective three we reviewed five out of ten events that occurred between July 2005 and March 2006. The events reviewed were Freedom, Fanfare and Fireworks (4th of July), Florida/Georgia Weekend Festivities, Sea and Sky Spectacular, New Year's Eve and the NCAA Basketball Championship. Next, we obtained all event files selected from our sample and created spreadsheets for revenue and expenditure items. For all revenues and expenditures we documented whether or not it was deposited into or paid from the Imprest Checking Account or the General Fund. For revenue items we determined if the amount received agreed to a contract or other agreement. We also documented whether or not the revenue received was properly approved. For expenditure items we determined if they were properly approved based on the City's Procurement procedures and noted whether or not the expenditure was event related.

For objective four we observed the cash, ticket and merchandise sales procedures for the 2006 World of Nations Celebration. During our observation we documented the internal controls over cash, tickets, and merchandise. After the event we reviewed all reconciliations performed for the entire event and noted any discrepancies.

STATEMENT OF AUDITING STANDARDS

We conducted our audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and

perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity, or function under audit. This audit also included an assessment of applicable management controls and compliance with requirements of laws and regulations when necessary to satisfy audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

AUDIT CONCLUSIONS

By Objective

1. Special Events Trust Fund receipts within the Special Events Office were not deposited in a timely manner.
2. The Special Events Imprest Checking Account was used for questionable disbursements, such as lunches, supplies, and snack foods. Also, checks were written to “cash” for start money for an event.
3. All revenue for the events tested was deposited into the Trust Fund and this revenue should be expended before any General Fund revenue. Instead the Trust Fund balance increased while the General Fund paid 69% of all event expenditures. Also, the event files did not always have adequate documentation.
4. There was no segregation of duties over cash handling procedures, there was no formal system for tracking revenue and inventory during an event, and event money was not deposited nightly.

AUDITEE RESPONSES

Verbatim responses from the auditee have been inserted and *italicized* after the respective finding and recommendation. We received these responses from the Special Events Office, via Theresa O’Donnell Price, Director of Special Events in a memorandum dated August 3, 2007.

AUDIT OBJECTIVE #1

To determine that all receipts and disbursements of the Special Events Trust Fund are appropriate and in accordance with the City’s standard operating procedures for cash receipts and disbursements.

Finding 1 – 1 Receipts are not deposited timely

The Special Events Office used receipt books to account for cash, checks or money orders that were received in person or in the mail. The completed receipt documented the amount of the check, cash or money order received, the event name, the check or money order number, the person’s name, and date. The receipt books were pre-numbered and included three copies. There were 121 receipts totaling \$91,482 from July 1, 2005 through March 31, 2006 and they were

reviewed to determine the timeliness of the deposits. A total of \$63,768 or 69.7% was not deposited within three days of receipt. According to the City's Standard Operating Procedures for Cash Receipts, "*Monies shall be deposited same day as received. If receipt of money is after deposit, then monies are locked in the safe or cash box. Any exception to the standard daily deposit must be requested in writing and approved by the Director of Administration and Finance.*" Although the rule states that money should be deposited the same day received, our office used a 3 day grace period to allow for circumstances outside of the Special Events Office's control. The timeliness of deposits was a finding in the 2002 audit of Special Events.

Recommendation to Finding 1 – 1

We recommend that all money received within the Special Events Office be deposited the same day received.

Auditee Response to Finding 1 – 1

- *Following the 2002 audit, the Office of Special Events was directed that deposits could be forwarded to the Treasury or Accounts Receivable departments by 11:30 a.m. each day for delivery and validation to the Tax Collector. The Office of Special Events has followed this procedure, but has discovered that some receipts are not being validated on the day received. This concern was relayed by the Office of Special Events to the Council Auditors when the audit process began in March 2006.*
- *The Office of Special Events was following a policy of processing receipts within five days based off the audit report of 2002. We now understand, as stated in this report, Monies shall be deposited same day as received. If receipt of money is after deposit, then monies are locked in the safe or cash box. During this audit it was also noted that according to Section 110.102, Every person who has City funds in his hands or possession shall pay them to the Treasurer or the Tax Collector without delay and in all cases within 30 days of their receipt. Ord. 83-591-400, § 1; Ord. 86-1305-736, § 3).*
- *Of the 121 deposits totaling \$91,482 noted in the audit, our office processed 82 three days of receipt, 20 were processed within four days of receipt, six within five days, one within six days, two within eight days of receipt, and one within 12 days of receipt The remaining nine receipts were requests from a vendor for a written receipt, void receipts or the Office of Special Events acting as liaison for the sale of tickets specifically for The River Runs North movie premier event produced by the St. Johns River Alliance.*
- *Our office should not be penalized for utilizing the agencies that were recommended in the 2002 audit. But upon reviewing the timeliness of the validation after processing the deposits, we will not longer utilize another agency for delivery of the funds to the Tax Collector but will assign an employee this task to ensure the funds are validated on the day they are processed and this should be done with 24 hours of receipt of the funds.*

Finding 1 – 2 Revenue Received for Other Organization

In reviewing the Special Events Office receipt books there was \$440 of revenue received within the Special Events Office for “The River Runs North”. When the Council Auditor’s Office asked about the receipts, we were told orally that the Special Events Office was acting as a liaison and the money was collected for another organization and subsequently transferred to the St. John’s River Alliance.

Recommendation to Finding 1 – 2

We recommend that the Special Events Division not collect money for another organization.

Auditee Response to Finding 1 – 2

- *The Office of Special Events did keep accounting records of monies received for The River Runs North event that were subsequently transferred to the St. Johns River Alliance. The Office of Special Events was requested to act as a liaison with the St. Johns River Alliance on behalf of the city.*
 - *A spreadsheet and information sheet on ticket consignment and checks received was available for the auditor’s review, but was never requested.*
-

AUDIT OBJECTIVE #2

To determine that all receipts and disbursements to and from the Special Events Imprest Checking Account are related to an event and in accordance with the City’s procurement procedures.

Internal Control Weakness 2 – 1 Start Money

During our review of the imprest checking account we noticed that five checks were made payable to “cash”. This money was used during an event as start money. The start money was re-deposited along with the cash collections from the event. It cannot be determined that 100% of the start money was deposited intact due to multiple deposits made. Writing checks to “cash” was a finding in the 2002 audit of Special Events. The total amount of the checks made payable to cash was \$38,400.

Recommendation to Internal Control Weakness 2 – 1

Checks should not be written to “cash”. We recommend that the Special Events Office coordinate with Treasury and discuss options on the best possible way to write a check to acquire start money for an event. We also recommend that as soon as the full amount of start money has

been collected as revenue during an event it should be deposited for the exact amount of start money originally withdrawn.

Auditee Response to Internal Control Weakness 2 – 1

- *The Office of Special Events followed, what it thought to be, the procedure set forth by the Administration and Finance Department. Upon the audit recommendation these checks will be written to Special Events Trust Fund.*

Finding 2 – 1 Questionable Disbursements from Imprest Checking Account

We examined all disbursements from the imprest checking account and noted if the disbursements were event related or if they were questionable. It appears as though the imprest checking account was used as an expense account in some circumstances. As stated in the Standard Procedure Manual for Imprest/Petty Cash Funds in Part IV, “*The imprest fund is intended to be an adjunct to the City’s Procurement and payment mechanism; it is not intended to by-pass existing Purchasing and Accounting code policies.*” There were disbursements totaling \$10,533 that appear to be questionable. **See Exhibit A for more detail.**

Recommendation to Finding 2 – 1

We recommend that Special Events not make these kinds of purchases given the lack of authorization.

Auditee Response to Finding 2 – 1

- *As stated in the Special Events Trust Ordinance this revenue is “to assist in defraying the operational and productions cost and expenses of city-sponsored and city-cosponsored special events, as such special events are determined by the Mayor or City Council.” These funds should adhere to the Ordinance in the definitions of purchases not the Imprest/Petty Cash Funds. The Office of Special Events will need to visit the idea of changing the verbiage of the ordinance so that it will list what cost or expenses are related to events because this seems to be a grey area for the auditors.*

Council Auditor’s Rebuttal to Finding 2 – 1 Response

The City’s Standard Procedure Manual for Imprest/Petty Cash Funds must be adhered to. The policies and procedures for the City of Jacksonville are supplements to the Ordinance Code where gray areas exist.

Finding 2 – 2 Food Purchases

Included in the questionable disbursements totaling \$10,533 in finding 2 – 1 were purchases of snacks foods and related items and lunch meetings paid for by the Special Events Office for a total of \$4,357. There is no specific authorization that allows these kinds of purchases to be made.

Recommendation to Finding 2 – 2

We recommend that Special Events not make these kinds of purchases given the lack of authorization.

Auditee Response to Finding 2 – 2

- *Exhibit A of Finding 2-1 contains nine purchases, four of these are from blanket orders approved by the Procurement and Supply Department. The other four purchases should be supported by the Procurement Administrative Code which has awarded the Office of Special Events the capability to order food for meetings or events. Often the ability to provide food and beverages is a vital component and directly relates to the success of City of Jacksonville-produced events. One specific example is providing food and beverages to the volunteers who assist in activities, set up and coordination of these events.*
- *We disagree with this finding and believe that if the Procurement and Supply Department has approved these purchases and we followed procurement procedures and it is our opinion that the auditors should address this with Procurement instead of the Office of Special Events.*

Council Auditor’s Office Rebuttal to Finding 2 – 2 Response

The use of an imprest checking account to make purchases from a current blanket order encumbrance violates the City’s Standard Procedure Manual for Imprest/Petty Cash Funds. The reason that imprest funds are not allowed to be used to pay for blanket order purchases is because the City’s Accounting Division has no way of knowing about the purchase in order to charge it against the blanket order.

Finding 2 – 3 Purchases outside Procurement Process

The Special Events Office purchased easels for \$240 and spent \$333.33 on gifts for participants in the Light Parade for a total of \$573.33. These purchases were also included in the amount of \$10,533 in finding 2 – 1. The purchase of gifts for the participants in the Light Parade included a charge for tax for \$21.81 and the tax was refunded back as a store credit.

Recommendation to Finding 2 – 3

We recommend that the Special Events Office not make these types of purchases given the lack of authorization. If Special Events determines that these types of expenditures are critical to its mission, we recommend that the Special Events Office pursue changes to the Ordinance Code to specifically authorize the unique expenditures necessary to produce events.

Auditee Response to Finding 2 – 3

- *According to the procedure set forth by the City of Jacksonville Purchasing Department, only one quote is required for expenditures under \$2,500. This audit finding also relates to the purchase of “gifts” and the allowance thereof. This particular purchase was for prizes for captains participating in the Jacksonville Light Parade. These prizes or “gifts” act as incentives to participate in this event as there is no compensation or monetary awards provided. Captains’ participation in this event is vital to the success of this event.*

In addition, this finding references an amount of \$21.81 that was tax charged in error that was corrected and credited back to the account.

Finding 2 – 4 Casual Labor

Included in the amount of \$10,533 in finding 2 – 1 is payment of \$125 to an individual for services. This individual was hired to provide transportation services. “Salaries, including casual labor” is considered an unallowable expense according to Part VI (F) of the Standard Procedure Manual for Imprest/Petty Cash Funds.

Recommendation to Finding 2 – 4

We recommend that casual labor not be paid for out of the imprest checking account.

Auditee Response to Finding 2 – 4

- *We did not realize that labor could not be paid out of the trust fund because the Special Events ordinance states this revenue is “to assist in defraying the operational and productions cost and expenses of city-sponsored and city-cosponsored special events” and this is a cost associated to an event.*

Finding 2 – 5 Purchase of a Golf Cart

Included in the amount of \$10,533 in finding 2 – 1 is a golf cart that was purchased by the Special Events Office for Metropolitan Park and was purchased outside of the procurement process for \$5,478. This purchase was in exchange for Metropolitan Park concession buyout fees. This type of purchase is considered an unauthorized purchase. Also, the golf cart is considered tangible personal property and should be entered on the City’s property record.

Recommendation to Finding 2 – 5

We recommend that the Special Events Office not purchase items for other City departments in exchange for fees. We also recommend that the City’s General Accounting Division be contacted to tag this item and add it to the City’s property record.

Auditee Response to Finding 2 – 5

- *This purchase was necessary because of the acreage of Metropolitan Park. The City’s General Accounting Division had been notified to inventory this item into property of the City of Jacksonville. The purchase of the golf cart was not done in “exchange” for any services or waived fees.*

Council Auditor’s Office Rebuttal to Finding 2 – 5 Response

We have written documentation showing that the golf cart was purchased in exchange for fees. We stand by our finding.

AUDIT OBJECTIVE #3

To determine that all contributions and revenue generated from an event are deposited intact in the Special Events Trust Fund and that all event expenses are appropriate and event related.

Finding 3 – 1 Trust Fund Revenue over Expenses

Per Section 111.105 of the Municipal Code the Special Events Office should use the trust fund “to assist in defraying the operational and production costs and expenses of City-sponsored or City-cosponsored special events”. Therefore, the Trust Fund revenue should be expended before the General Fund money is spent. A total of 69% of event expenditures were paid out of the General Fund. It does not appear that the Special Events Office is using the trust fund to its fullest extent to help defray the costs of events. The Special Events Trust Fund could have reimbursed the General Fund \$489,330 for event expenses originally paid from the General Fund. See below for details:

| Event | 4th of July | NCAA | New Year’s | FL/GA | Sea & Sky | Total |
|--------------------------------|-------------------------------|---------------|-------------------|----------------|----------------------|------------------|
| Trust Fund Net Amount | \$81,885.90 | \$175.77 | \$6,092.01 | \$105,073.27 | \$296,103.45 | \$489,330.40 |
| General Fund Net Amount | (\$299,461.30) | (\$96,441.68) | (\$36,590.86) | (\$174,893.28) | (\$432,608.60) | (\$1,039,995.72) |

Recommendation to Finding 3 – 1

The Special Events Trust Fund has a fund balance of \$1,207,204 and an Equity in Pooled Cash balance of \$1,226,204 as of April 17, 2007. For 2006/2007 the Special Events Office (General Fund) has an approved budget for \$4.1 million of which \$2,064,047 is budgeted for miscellaneous services to supplement the Special Events Trust Fund when event revenues are less than event expenses. We recommend that the Special Events Trust Fund be annually budgeted for all event revenues and expenditures. If a General Fund contribution is needed then one should be budgeted to have a balanced budget. We also recommend the Municipal Code Section 111.105 be changed so the Special Events Trust Fund is not self appropriating and requires council approval of an annual budget.

Auditee Response to Finding 3 – 1

- *The Special Events Trust Fund is self appropriating and should stay this way. This trust fund is used to offset the budget received from the General Fund for the Office of Special Events. It should be noted that the operating budget of the Office of Special Events realized a one-time increase for expenditures related to Super Bowl activities in 2005. This is due, in part, to the use of monies from the Special Events Trust Fund to help offset yearly events produced by this office. The information requested from this office was provided to the Council Auditors for review.*

Finding 3 – 2 No supporting or inadequate documentation

When reviewing the event revenue of \$671,203 and expenditures totaling \$1,505,935 for supporting documentation located in the event file there were 32 instances where the documentation was inadequate or it was not in the event file for a total amount of \$269,106.

Recommendation to Finding 3 -2

We recommend that all revenues and expenditures be clearly documented to ensure that the documentation is adequate enough to verify the amounts.

Auditee Response to Finding 3 – 2

- *The Office of Special Events does not agree with this finding. We have manual documentation supporting the revenue and back up documentation on expenditures. The event files that were reviewed were the accounting files and these are used to track event revenue and expenditures. We have various other files such as vendor files, sponsorship files, event files and media files that would contain more detailed information.*

Council Auditor’s Rebuttal to Finding 3 – 2 Response

During the course of our field work, we provided ample opportunity for the Special Events Office to clear findings by providing the necessary files and documentation. This did not occur for the 32 instances within our finding.

Finding 3 -3 Contract/Agreement not signed

During our review of the documentation located in the event file it was noted that some contracts or agreements were not signed by the Special Events Office or the vendor. There were 47 instances where a contract or agreement was not signed by the Special Events Office or the vendor for a total amount of \$136,250.

Recommendation to Finding 3 - 3

We recommend that all agreements and contracts be signed and dated by both parties and a copy maintained in the corresponding event file.

Auditee Response to Finding 3 – 3

- *The Office of Special Events does not agree with this finding completely as we know of ten occasions when the contract was not signed. The event files that were reviewed were the accounting files and are used to track event revenue and expenditures. We have various other files such as vendor files, sponsorship files, event files and media files that would contain more detailed information and are maintained by the designated staff. We offered the vendor files, pulled sponsor contracts and entertainment contracts for review, but because all this information was not contained in the accounting files so, it was inconsequential.*

Council Auditor’s Rebuttal to Finding 3 – 3 Response

The additional documentation alluded to by the Special Events Office was provided to us months after we asked for it and was inadequate.

Finding 3 – 4 Vendor Application or Sponsorship Not Properly Approved

Based on the documentation provided in the event file we could not determine whether or not a vendor application or sponsorship contract was properly approved. There were two instances totaling \$2,000.

Recommendation to Finding 3 – 4

We recommend that all applications and sponsorship information be clearly documented and ensure that the documentation is adequate enough to verify the amounts.

Auditee Response to Finding 3 – 4

- *We agree and in the future will comply with the proper approval of signatures on vendor and sponsors agreements.*

Finding 3 – 5 Vendor Fee Paid was Different than Contract Amount

There were six instances where the vendor fee paid to the Special Events Office was different from the contract creating a difference of \$1,950 that was not collected. There are two contracts that the vendor must sign, the Vendor Contract Application and the Vendor Contract Rules and Regulations, to purchase a space during an event. There were different sizes of spaces available for purchase, but those amounts and specifications were not in the contract for the 4th of July event. The Special Events Office was using amounts based off contracts from 2004.

Recommendation to Finding 3 – 5

We recommend the standard contract form be updated to include space sizes and applicable fees. Both the Vendor Contract Application and the Vendor Contract Rules and Regulations should be combined as one contract and have all amounts stipulated along with the Office of General Counsel's approval of the form per Municipal Code 111.105.

Auditee Response to Finding 3 – 5

- *The event in question was the Fourth of July. This event had four different vendor fees associated with it – Met Park food vendor, Met Park art/craft vendor, Met Park merchandise vendor and Southbank food vendor. Each different vendor was charged a different pad fee for location of real estate. Our vendor coordinator at the time was new and did not realize that four applications were needed for this event. We have updated our vendor applications to eliminate this problem.*

Finding 3 – 6 Non-event related expenditures from the General Fund

In addition to the items paid from the Special Events checking account for \$10,533 in finding 2-1 there were General Fund expenditures that did not appear to be event related that totaled \$16,830 **See Exhibit B for more detail.**

Recommendation to Finding 3 – 6

As mentioned in finding 2 – 3, we recommend that the Special Events Office not make these types of purchases given the lack of authorization. If Special Events determines that these types of expenditures are critical to its mission, we recommend that the Special Events Office pursue changes to the Ordinance Code to specifically authorize the unique expenditures necessary to produce events. Also, for each event there should be written objectives and a list of items necessary to plan the event and those objectives should be approved by the Director of Parks, Recreation, Entertainment, and Conservation or Designee.

Auditee Response to Finding 3 – 6

- *Each purchase in question was justified to the auditor and was a direct or indirect cost related to the event. We will visit updating the ordinance so that instead of stating “to*

assist in defraying the operational and production costs and expenses” it will list certain expenditures so it will be clearly stated but not limited to expenses.

Finding 3 – 7 No Evidence of Proper Approval

We reviewed all purchase orders and blanket orders for the events selected. Based on documentation provided in the event file there was no evidence to determine whether or not the purchases were properly approved based on the City’s Procurement Procedures. There were 38 instances that totaled \$234,198. It was also documented that there is no segregation of duties over the whole procurement process within the Special Events Office. Since this testing the City has implemented a new procurement tool called JaxPro in an effort eliminate paper documents. Currently, within this system only the Special Events accountant has the ability to requisition, approve, and receive all purchases.

Recommendation to Finding 3 – 7

We recommend that the Special Events office keep proper documentation in the event files, which includes all quotes obtained, if required, for each purchase. We also recommend the employees who are involved with planning an event have the ability to requisition within JaxPro, the accountant approve the requisition based on objectives written for the event and the amount budgeted for the event, and someone other than the employee who created the requisition and the accountant “receive the goods”.

Auditee Response to Finding 3 – 7

- *The accounting event file is used for tracking of expenditures and revenue and not all inclusive. As stated in Finding 2-2, any procurement discrepancy should be addressed with the Department of Procurement and Supply because blanket and purchase orders were issued.*
 - *In the Office of Special Events, the individuals involved planning and producing the event secure quotes for items requested, type a purchase order request, have the supervisor initial off the order, and then forward to the accountant and/or administrative aide (employee started 11/06) for input. After the purchase order is input, the Chief will approve and sign the purchase. At that point, quotes are scanned and attached and then approved for City Procurement approval. Before payments are processed the individual responsible for the purchase will approve that the item and/or the service was received. There is a segregation of duties.*
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AUDIT OBJECTIVE #4

To observe the World of Nations Celebration (WONC) in order to evaluate the controls over the cash collection and deposit process for an event.

Internal Control Weakness 4 – 1 Segregation of Duties

There was no segregation of duties over cash in the Special Events Office. During the audit we noticed that the accountant handles all cash duties. The accountant counts the cash received during an event, prepares and makes the deposit, performs the reconciliations to the supporting documentation and during the weekend events the accountant has the combination to the safe.

Recommendation to Internal Control Weakness 4 – 1

We recommend a Special Event employee, other than the accountant, have the combination to the safe and count the cash. The accountant needs to recount the cash and prepare the deposit in front of the individual that originally counted the cash and both should initial the deposit slip to certify that two people have counted the cash and agree on the amount of the deposit. Two people need to be present while counting cash. After the event the accountant should reconcile the supporting documentation from the event to confirm that all money has been deposited. The City Standard Operating Procedures for Cash Receipts Part II B (2) states, “*a segregation of duties has to be established to avoid the same employee receiving, receipting, maintaining custody, and reconciling the cash receipts.*” Also, Part II C (2) states, “*each area of operation should have a backup employee trained to prepare the deposit and to ensure deposits are made.*”

Auditee Response to Internal Control Weakness 4 – 1

- *An additional administrative staff member has been added who should be able to assist in this function.*
- *Also, during the course of our events we do hire additional staff to assist the accountant with these responsibilities who is familiar with city guidelines.*

Internal Control Weakness 4 – 2 No Formal Tracking System

There was not a formal system of tracking revenue and merchandise inventory at an event. Some ways of tracking revenue at an event include writing amounts on a scratch sheet of paper or a piece of cardboard. Based on our observation and review of the reconciliations performed at the WONC there needs to be a more formal system of tracking money, tickets sold, and merchandise. Also, there were no consequences for a cashier being over or short. There is an increased risk of theft since there was no formal system of tracking revenue received during an event.

Recommendation to Internal Control Weakness 4 – 2

We recommend that a formal system be developed for reconciliations of tickets and merchandise. As stated in the previous audit from 2002, a spreadsheet should be created and a laptop computer used for a more efficient system and better accounting of money during an event.

Auditee Response to Internal Control Weakness 4 – 2

- *Every time money is distributed to a ticket or merchandise booth, the individual responsible for the money signs for it. Each time money is picked up from a location, it is noted on a cash disbursement/pick up sheet and re-counted when it is brought back to the designated “money room” with security provided by the Jacksonville Sheriff’s Office . At the end of the evening all monies are counted again. During the World of Nations Celebration, the tickets takers are overseen by a supervisor of the security company and our staff member, and if during the course of the day, there is a problem, the cash box along with the tickets are collected to check accuracy. We have had occasion to relinquish the services of a cashier. Due to the set up of the event and not having the proper ticket booths to work from, these employees are subject to work from eight-foot tables exposed to the weather. The city could enhance Metropolitan Park by providing the proper and necessary equipment to sell tickets which would alleviate this weakness and streamline the process.*
- *The Office of Special Events prefers to maintain manual documentation during an event in order to document disbursements/pick ups of cash and tickets.*

Finding 4 – 1 Event Monies

Money received during an event was not deposited nightly. After our observation of the 2006 WONC we asked for the deposit documentation and noticed that money was deposited only on Saturday May 6, 2006 and Sunday May 7, 2006 for the event which started Thursday May 4, 2006. The total amount of money deposited for the whole event was \$141,475.

Recommendation to Finding 4 – 1

We recommend that money be deposited daily in accordance with the City’s cash handling procedures.

Auditee Response to Finding 4 – 1

- *The money was secured in the safe each night. On Thursday and Friday of the World of Nations Celebration, these were designated as “Field Trip” days and all tickets were pre-paid; therefore no tickets were sold at the gates, only merchandise. Merchandise revenue totals for Thursday and Friday were \$226.00, \$560.00,*

respectively. This cash was not deposited due to the length of this multi-day event and to help ensure that we had change available for the duration of the event. Saturday and Sunday had tickets sales, merchandise sales and start money.

Finding 4 – 2 Sale of Merchandise

For the 2006 WONC the Special Events Office bought youth and adult T-shirts and hand held fans to sell. The total spent on the merchandise was \$6,711 and the total made on the sale of the merchandise was \$2,242. This is a loss of \$4,469 plus staff time spent.

Recommendation to Finding 4 – 2

We recommend that the Special Events Office not sell merchandise for an event but rather look for a vendor willing to sell merchandise for a particular event and pay for the rental of space.

Audtee Response to Finding 4 – 2

- *This merchandise is used throughout the year and sold again at the event. We are also asked by various agencies to supply memorabilia when they are soliciting new business, entertainment or goodwill with other cities and/or joint ventures and events.*

SUBSEQUENT EVENTS

Subsequent Event - Thefts within the Special Events Office

Thefts have been reported in the Special Events Office. The first theft was reported on April 10, 2006. An envelope, that contained coins from the 2006 Jazz Fest and a check, was left on the accountant's desk and discovered missing at the end of the day when the accountant went to lock up the money in the safe. The total amount stolen was \$132.25. The check that went missing was a personal check for \$100 from an employee that was cashed with event monies during the 2006 Jazz Fest. The other theft was reported on December 14, 2006. This was a theft of a City owned cell phone and a blackberry.

Recommendation

1. Money should be locked in the safe unless a deposit of money is being prepared.
2. Employees should not be allowed to cash checks with event cash received. The City's Standard Operating Procedures for Cash Receipts considers cashing checks from the City deposit a serious offense.
3. All thefts are required to be reported to the Council Auditor's Office. Per Section 102.104 of the Municipal Code, *whenever a custodian, property officer or accountable officer responsible for public funds or public property discovers a loss, unexplained disappearance or theft of the funds or property for which he is responsible or accountable, he shall report the apparent loss, unexplained disappearance or theft to the Council Auditor's Office at the same time as it is reported to the Office of the Sheriff as required by Section 122.810.*

Auditee Response to Subsequent Event

- *We concur and will adhere to your recommendation. During the audit when this arose, we questioned various agencies and they did not realize that we were supposed to report theft to the Council Auditor. Our office only reported these incidents to the police, security and building maintenance.*

Subsequent Event - Authorization to Purchase Food and Beverages

In Findings 2 – 3 and 3 – 6 we recommended that the Special Events Office pursue changes to the Ordinance Code to specifically authorize the unique expenditures necessary to produce events. On October 9, 2007 the City Council passed Ordinance 2007-1109-E which amended Ordinance Code Section 106.1202, which gives the Special Events Office authorization to spend budgeted funds on food and beverages on “all events and activities hosted, sponsored, produced or coordinated by the City’s Special Events Office”.

Respectfully submitted,

Kirk A. Sherman, CPA
Council Auditor

Audit Performed By:

Heather Norsworthy

EXHIBIT A**Questionable Disbursements from the Imprest Checking Account****Finding 2 - 1**

| Date | Event | Amount | Description |
|-----------------------------------|-------------------------|--------------------|---|
| 7/4/2005 | Jazz Fest | \$66.25 | Lunch for the Special Events staff |
| 8/25/2005 | 4 th of July | \$24.94 | Reimbursement for candy |
| 10/19/2005 | FL/GA & Sea and Sky | \$1,692.47 | Snack foods and paper products |
| 12/7/05 | FL/GA | \$119.12 | Breakfast food |
| 12/19/2005 | Sea and Sky | \$1,510.98 | Snack foods and paper products |
| 1/19/2006 | Mayor's Office | \$180.60 | Beverages for the Mayor's office |
| 2/16/2006 | Sea and Sky | \$74.86 | Took two Clear Channel Reps to lunch. |
| 2/24/2006 | FL/GA | \$34.83 | Lunch meeting with SMG |
| 3/29/2006 | Jazz Fest | \$652.87 | Snacks and paper products |
| Subtotal for Finding 2 – 2 | | \$4,356.92 | |
| 8/24/2005 | N/A | \$240.00 | Easels for the Special Events Office |
| 12/13/2005 | Light Parade | \$333.33 | Stadium Seats for light parade participants |
| Subtotal for Finding 2 – 3 | | \$573.33 | |
| 8/25/2005 | 4 th of July | \$125.00 | Paid an individual for services to help with an event. |
| Subtotal for Finding 2 – 4 | | \$125.00 | |
| 9/28/05 | N/A | \$5,478.00 | Purchase of a golf cart for the Metropolitan Park coordinator |
| Subtotal for Finding 2 – 5 | | \$5,478.00 | |
| Total | | \$10,533.25 | |

EXHIBIT B**Non-event Related Expenditures from the General Fund****Finding 3 - 6**

| Date | Event | Amount | Description |
|-------------|-------------------------|--------------------|--|
| 6/23/2005 | 4 th of July | \$2,040.00 | 120 Packs of Film |
| 6/30/2005 | 4 th of July | \$123.82 | Wood and Stapler |
| 6/25/2005 | 4 th of July | \$386.68 | Plates, Napkins, Stickers, Cups, Patriotic Paper |
| 6/30/2005 | 4 th of July | \$48.48 | Cupcakes, Candy, Potato Chips |
| 6/30/2005 | 4 th of July | \$588.20 | Cups |
| 6/28/2005 | 4 th of July | \$171.80 | Cables ties, Padlock, Staples |
| 11/4/2005 | FL/GA | \$3,500.00 | Karaoke |
| 10/6/2005 | FL/GA | \$800.00 | Ice Sculpture |
| 10/20/2005 | FL/GA and Sea & Sky | \$150.00 | Rental of Copier |
| 10/23/2005 | FL/GA | \$95.89 | Cookies, Hard Boiled Eggs, Fruit Platter, Chicken Tenders Platter, Nibbler Platter |
| 10/21/2005 | FL/GA | \$129.41 | Screws and Dry Wall |
| 10/27/2005 | FL/GA | \$286.92 | Sharpies, Laminate, Display Maker |
| 10/24/2005 | FL/GA | \$147.47 | Roller, Roller Frame, White Enamel, Power Bit |
| 11/3/2005 | Sea & Sky | \$3,570.00 | 210 Rolls of Film |
| 11/5/2005 | Sea & Sky | \$50.26 | Paper Towels, Chinet, Cups |
| 11/6/2005 | Sea & Sky | \$167.60 | Doughnuts |
| 8/18/2005 | Sea & Sky | \$137.25 | Chicken, Meatloaf, Squash Casserole, Mash Potatoes and gravy for Sea & Sky Meeting 7/26/2005 |
| 4/27/2006 | Sea & Sky | \$300.00 | Meatloaf, Chicken and Dumplings, Squash Casserole, String Beans, 2 pies and a cake. |
| 10/24/2005 | Sea & Sky | \$2,082.50 | Car Magnets |
| 11/2/2005 | Sea & Sky | \$1,625.00 | Lunches for Volunteers. A total of 652 lunches |
| 10/12/2005 | Sea & Sky | \$166.80 | Sandwiches |
| 4/14/2005 | Sea & Sky | \$116.40 | Sandwiches and Pastries |
| 6/29/2005 | Sea & Sky | \$94.38 | Sandwiches and Dessert |
| 9/20/05 | Sea & Sky | \$51.45 | Food Tray |
| | Total | \$16,830.31 | |