



City of Albuquerque

Office of Internal Audit

FOLLOW-UP OF THE
FUND 225 USE AND TRACKING – CULTURAL SERVICES
DEPARTMENT

PERFORMANCE AUDIT

Report #21-17-102F

Date: June 23, 2021

INTRODUCTION

The Office of Internal Audit (OIA) issued Audit No. 17-102, Fund 225 Use and Tracking-Cultural Services Department on October 24, 2018. OIA has completed a follow-up to determine the corrective actions that the Cultural Services Department (CSD) has taken in response to the report. The report contains one recommendation, which has now been implemented and is considered closed.

BACKGROUND

OIA completed a performance audit of the CSD's use and tracking of the Cultural and Recreational Projects Fund 225 (Fund 225) for fiscal year 2017. The City of Albuquerque's (City) Department of Finance & Administrative Services (DFAS) – Office of Management & Budget (OMB) added a section to the 2018 Comprehensive Annual Financial Report (CAFR) that established the purpose of Fund 225, "to account for contributions and donations earmarked for specific purposes..." Fund 225 revenue provides financial support to the City's museum, balloon center, libraries, and community events with the goals of human and family development, and recreation and cultural engagement. The objectives of the audit were to determine whether revenues collected were used for the intended purpose of Fund 225 and whether CSD had an effective process for ensuring Fund 225 was used to support the intent and appropriated projects of the fund. The scope of the audit included fiscal years 2016 and 2017.

The audit found that CSD did not have an effective process to ensure the proper fiscal management of Fund 225 and resources were not used for the fund's intended purpose. Specifically, only contributions and donations should be collected and deposited into Fund 225. However, revenues deposited into the fund included collections from other CSD operations, such as lost books, facility rental agreements, special events, admission fees, interest earnings and a management agency sponsorship contract that enhances special events offered to the public. These other revenue sources significantly increased the amount of revenues allocated to Fund 225. Collectively, Fund 225 non-contribution/non-donation revenues for fiscal years 2016 and 2017 totaled approximately \$2.2 million. Additionally, the

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audit found that Fund 225 revenues were used to cover gaps in capital and operational costs, which did not comply with specific appropriation categories approved by City Council. Such expenses included equipment purchases, repair and maintenance projects, overtime security staffing, KiMo Theater operations, and repaving the Albuquerque Museum's parking lot. By utilizing revenues that should not have been allocated into the Fund, the audit found that CSD overspent Fund 225 budgeted amounts for fiscal years 2016 and 2017 by approximately \$677,000 combined.

OBJECTIVE

The objective of this follow-up was to determine whether CSD has taken the corrective actions recommended in OIA's October 24, 2018 audit report. Consistent with Government Auditing Standards, Section 9.08, promulgated by the U.S. Government Accountability Office, the purpose of audit reports includes facilitating a follow-up to determine whether appropriate corrective actions have been taken. This follow-up is a non-audit service. Government Auditing Standards do not cover non-audit services, which are defined as professional services other than audits or attestation engagements. Therefore, CSD is responsible for the substantive outcomes of the work performed during this follow-up and is responsible to be in a position, in fact and appearance, to make an informed judgment on the results of the non-audit service. OIA limited our scope to actions taken to address our audit recommendation from the final audit report dated October 24, 2018 through the submission of actions on April 30, 2021.

METHODOLOGY

To achieve the objective, OIA:

- Obtained documentary and written testimonial evidence from CSD.
- Reviewed documentary evidence to understand and verify the status and nature of the corrective actions taken.
- Verified the status of the recommendations that CSD has reported as implemented.

Further information pertaining to the audit scope, limitations and methodology can be found in Appendix A of the original audit report.

RESULTS

The one recommendation addressed in the original audit report is now closed. See ATTACHMENT 1.

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ATTACHMENT 1

Recommendation	Responsible Agency	Department Response	OIA Conclusion	<u>OIA Use Only</u> Status Determination
<p><u>Recommendation:</u></p> <p>1. The Cultural Services Department (CSD) should review internal controls, develop processes, and assign responsibility to ensure:</p> <ul style="list-style-type: none"> • Only intended revenue is collected for the fund (i.e., contributions and donations). • The proper use of Fund 225 resources by making sure: <ul style="list-style-type: none"> ○ Contributions and donations are tracked to ensure funding is used for the specified project(s). ○ are used as intended by the established scope listings. ○ Spending does not exceed appropriated 	Cultural Services Department	<p>Revenue deposited into the fund has been limited to contributions, donations and sponsorships. The funds are made up of money collected from donation boxes at the museums, direct donations from the community, funding from associated foundations & non-profit groups that support the facilities, and sponsorships for special community events. Revenue received daily is reviewed by fiscal staff to verify the source as a donation, contribution or sponsorship before it is deposited into Fund 225. All revenue received daily is identified when collected or received and properly recorded on a daily transmittal form. This transmittal includes all the revenue intake for the day at any given facility in Arts & Culture. The donations, contributions and sponsorships are then identified and recorded in Fund 225 in the appropriate project/activity ID set up for the division. (Special Events, Library, Balloon Museum, Albuquerque Museum etc.)</p> <p>Any donations received that are earmarked for a specific use/purpose are given a new activity ID in the financial system so those funds may be spent as designated/earmarked.</p> <p>Other than specifically earmarked contributions, the remaining funds deposited into Fund 225 are</p>	<p>OIA reviewed CSD ledgers transmittal forms, daily summary reports, Summary Cash Drawer Report and FINPROD system payment records as of April 30, 2021. OIA verified Fund 225 revenue deposits were limited to contributions, donations, and sponsorships, as intended. These reports specifically itemize revenues from donations and all other revenues of collection OIA confirmed CSD fiscal staff utilize the Treasurer's Daily Report of Deposits transmittal forms to ensure all revenue received daily is identified and properly recorded. The Treasurer's Daily Report of Deposits form identifies how much revenue will be deposited into which City accounts, and contains four employee initials of authentication as a form of quality control. Additionally, OIA verified Deposit Reconciliation forms and Wells Fargo deposit record tickets are maintained for proper revenue</p>	<input type="checkbox"/> Open <input checked="" type="checkbox"/> Closed <input type="checkbox"/> Contested

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budgets.		<p>made up of small dollar donations received in donation boxes at the facilities or come directly from the community. These donations are not earmarked for any specific purpose, and therefore are spent on programs in those facilities.</p> <p>For Special Community Events sponsorships, the sponsors sign a form acknowledging that their donation will be spent on event expenses. The deposits are coded to the appropriate project/activity ID. If the funds do not meet the criteria for Fund 225, they are deposited into the General Fund 110.</p> <p>Annually, an estimate of contributions, donations and sponsorship revenue is submitted to the Office of Budget and Management (OMB) as part of the annual budget cycle. There is not a viable way to predict the amount and frequency of the donor community in a given fiscal cycle, so Arts & Culture submits an annual estimate based on the rolling average of previous years to OMB. The expenditures for the annual budget cycle match the estimated revenue intake figure because annual spend will not exceed the revenue. It is important to note that Fund 225 is a Life-To-Date fund. Contributions received in one fiscal cycle may not necessarily be spent in that same year. The contributions year-over-year accumulate in</p>	<p>tracking. FINPROD system payment records and bank deposit receipts substantiated donations were properly deposited into Fund 225 and any remaining non-contribution revenue was deposited into General Fund 110.</p> <p>Project identification (ID) numbers and activity ID numbers are generated in FINPROD system and track incoming and outgoing revenues.</p> <p>OIA verified the sponsorship application form, sponsorship donation agreement, daily deposit transmittal form and copies of checks received where sponsors agreed and acknowledged their contribution would be spent on the established scope listed in the agreement as intended. OIA inspection of Fund 225 revenue generating and spending tracking in CSD pivot tables, City fiscal year 2021 approved budget report detailing the available fund</p>	

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		<p>Fund Balance and may be spent down in future years based on the designation/earmark. Arts & Culture is careful to not overspend Fund Balance. As of June 30, 2020, Fund Balance in Fund 225 is \$1,380,242, of which \$1,000,000 is an earmarked donation for the construction of the new International District Library</p> <p>Data or documentation that demonstrates implementation:</p> <ul style="list-style-type: none"> • Daily Transmittal Forms are reviewed and verified before deposits are made into Fund 225. • Revenue and Spend data are reviewed monthly/quarterly using pivot tables of financial data by the Fiscal Manager, as is the ongoing practice to track department financial activity in all funds throughout the year. • Transactions that do not fit the criteria for Fund 225 are moved into the General Fund as appropriate. 	<p>balance, and fiscal years 2019 and 2020 actual expenses, illustrates spending does not exceed appropriated budget.</p>	