

FOLLOW-UP REVIEW**CITY AUDITOR**

Report Date:	February 24, 2020
Department:	Arts and Culture
Subject:	Nonprofit Support Organization (NPSO) Agreements
Lead Auditor:	Kate Witek

OBJECTIVE

The objective of this follow-up review is to verify that corrective actions agreed to in the Arts and Culture department Nonprofit Support Organizations audit were implemented as agreed and the actions were effective in resolving underlying audit findings.

SCOPE & METHODOLOGY

To accomplish our objective, we:

- Evaluated updated affiliation agreements to verify inclusion of recommended measures.
- Verified quarterly revenue and reimbursement payments between the City and the NPSO.
- Confirmed Arts and Culture developed policies and procedures for grant administration.
- Interviewed staff to assess compliance with new agreements, policies, and procedures.

BACKGROUND

On December 3, 2018 we issued an audit report to the Arts and Culture department. The objective of the audit was to determine whether effective internal controls were in place to minimize or mitigate any potential risks associated with the City's relationships with nonprofit support organizations (NPSOs). The audit concluded there were opportunities for the City to improve the system of internal controls in place to help govern its relationships with NPSO's and proposed 19 recommendations regarding written agreements, staff activities, and grants.

CONCLUSION

18 of 19 recommendations were successfully implemented. Recommendation 2-8, City employees should not have NPSO credit cards, has not been fully implemented. Arts and Culture did remove NPSO credit card from employees. However, since the credit accounts were not closed, there were instances where credit card information was stored in an online account or with an electronic payment device and employees did not verify the payment method prior to purchase. The Arts and Culture department did not anticipate transactions of this types with NPSO credit cards and steps to prevent this from occurring in the future are in progress.

See below for a complete list of the recommendations and their implementation status.

No additional follow up review is planned at this time.




Section 1: Written Agreements

Recommendation	Implemented
1-1: The City's relationships with NPSOs should be formally documented in written agreements, which should include clearly defined, specific roles and responsibilities of both parties.	✓
1-2: If the City is to provide staff time to the NPSO, i.e. for administrative or other duties, this should be clearly stated in the agreement, with specific parameters for what is included. It should also be clearly stated that all work performed by City employees is assigned and supervised by City staff.	✓
1-3: All significant terminology should be clearly defined, especially terms that are used to allocate revenues, expenses, or key responsibilities. For example, if membership revenues are allocated to the NPSO, the terms "membership" and "membership revenues" should be clearly defined.	✓
1-4: Promotional offers which may impact revenues, if initiated by the NPSO, should be pre-approved in writing by the Department Director or designee. An example of this might be a membership promotion that includes free companion passes or discounts.	✓
1-5: The City's Standard Terms and Conditions, which are included in most of the City's contractual agreements, should be included in the NPSO agreements, if deemed applicable by the City Attorney's office.	✓
1-6: Agreements should specify the manner and frequency of reporting and reimbursements.	✓
1-7: Expenditures to be funded by the NPSO should be pre-authorized and processed on a reimbursement basis only. The reimbursement requirement would not apply to grants or sponsorships in which funding is provided to the City in advance of the expenditures.	✓
1-8: City employees should not be permitted to serve as officers of NPSOs or voting members on NPSO boards.	✓

Section 2: Staff Activities

Recommendation	Implemented
2-1: City staff working on behalf of an NPSO or engaging in activities which are funded by an NPSO, should be required to comply with all City policies, procedures, and Personnel Rules.	✓
2-2: City staff time spent on behalf of NPSOs should be tracked and used to inform resource-sharing decisions.	✓
2-3: Cash/check/cc handling by City employees should fully comply with all applicable City policies. This includes recording transactions in City systems, and depositing funds into City accounts.	✓
2-4: Any funds received on behalf of the NPSOs should be passed through to the NPSO via City disbursements on an agreed upon schedule.	✓
2-5: Reimbursement requests submitted to NPSOs should be processed on an agreed-upon schedule (if not monthly, at least quarterly), and should be accompanied by appropriate supporting documentation.	✓
2-6: If a check payable to an NPSO is received by City staff, it should immediately be restrictively endorsed, placed in a secure location, and deposited promptly. The NPSO should be notified of all incoming checks as soon as possible.	✓
2-7: All expenditures, regardless of purpose or funding source, should be processed through City systems and in accordance with City policies and procedures. No payments should be transacted directly between an individual employee and an NPSO.	✓
2-8: City employees should not be issued NPSO credit cards. City procurement cards should be used when a credit card purchase is necessary.	♦

Section 3: Grants

Recommendation	Implemented
3-1: Grant-related information and documentation should be maintained in a central repository, with appropriate controls designed to ensure the information can be retrieved by those who need it. While there are several ways to accomplish this, a SharePoint site might work well, as it would allow for document tracking, role-based access controls, and protection against accidental loss of data.	
3-2: City staff should review grant documents carefully to determine whether the grant has been awarded to the City or the NPSO. Those awarded to the City should remain with the City, and should be entered into the City's Grant Lifecycle Management system. Those awarded to the NPSO should be received by (or immediately forwarded to) the NPSO; and the NPSO Bookkeeper (or equivalent) should be provided with copies of the award documents, for tracking and disbursement purposes.	
3-3: The Arts and Culture department should develop policies and procedures for grants administration, including protocols to ensure documentation, reporting, and reimbursement requests consistently meet grantor and City requirements. For example, employees responsible for grant-funded activities should be provided with written guidance on how to accurately track/record/report eligible expenses; and grant requirements should be provided in writing to those responsible for meeting them.	

 Implemented

 In Progress