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William J. Mulcahy, CIA

Mayor and City Council, City of Dunwoody and
City of Dunwoody Audit Committee
Monday February 10, 2020

Internal Audit work in this quarter –

- a. Continuous Monitoring of Quarterly Financial Report.
- b. Purchasing Card process and procedures, with testing of transactions in one month.
- c. Internal Audit Plan by quarter for 2019.
- d. Internal Audit Plan by quarter for 2020.

Continuous Monitoring of Quarterly Financial Report – This audit is deferred, as is normal for the fiscal year end, as it takes longer to close the books at year end.

Purchasing Card Process and Procedures Report – As part of the 4th Quarter 2019 Internal Audit Plan, I performed the procedures listed below in the scope section on the City of Dunwoody's Purchasing Card program, including gasoline cards for purchase of gas for police cars.

Scope –

- a. Reviewed for reasonableness the City of Dunwoody, Finance and Administration Department, Purchasing Card Policies noting the policies provide for segregation of duties between purchasing and approval and the policies had provisions for: Program Administration, Roles and Responsibilities, Use of the Card, Program Compliance and Legal Issues.
- b. Reviewed and found reasonable the form that card holders are responsible to review and sign that they know, understand and will comply with the policies.
- c. Reviewed the list of card holders, noting recognizable names for City Manager, CFO and other employees, and at the same time noting a proper segregation of duties between Program Administration, Accountant, Purchaser and Auditor responsibilities.
- d. Selected one monthly statement for detailed review.
- e. Read both the commercial account summary statement and the detail support of the transactions, noting reasonableness and no unusual items.
- f. City procedures include verification that p-card receipts are not also used in reimbursements via accounts payable.
- g. Review Police Department procedures over review and analytics related to gas credit card to make Police car gas purchases and enforcement of the 25 mile take home Police car limit.

Audit Summary - In connection with the scope of my work described above, of the City of Dunwoody's monthly commercial account statements, I identified no city expenditures or other financial matters that I as the internal auditor determined to be not in compliance with

- a. the provisions of the charter
- b. the applicable city budget, and
- c. applicable ordinances, resolutions, or other actions duly adopted under the provisions of the charter.

The controls and procedures supporting the Purchasing Card Process and procedures were deemed adequate. Further, the policies which provide internal controls for the segregation of duties were being followed in all cases selected in the detailed test.

Comment on internal controls. During the year, a Purchasing card holder missed the deadline for submitting certain receipts and did not appropriately respond to the normal requests for submitting receipts timely. Then the Purchasing card was suspended in line with City procedures, the money involved was refunded to the City, and the card holder no longer works for the City. The internal controls operated effectively.

Internal Audit plans for 2019 by quarter – as approved by Mayor and City Council at 12/18/18 meeting.

- 1st Quarter 2019 - Cash Handling and bank reconciliations, including Municipal Court and Police. **Status - Completed**
- 2nd Quarter 2019 - Disbursements. **Status - Completed**
- 3rd Quarter 2019 - Accounts payable and Purchasing Procedures. **Status - Completed**
- 4th Quarter 2019 - Procurement Card: This report will provide comments on the pcard policy, oversight of the policy and compliance with the policy, and includes fuel card purchases, primarily used for police cars. **Status – Completed**

Internal Audit plans for 2020 by quarter – as approved by Mayor and City Council at 11/18/19 meeting.

- 1st Quarter 2020 - Complete Ball Field internal audit
- 1st Quarter 2020 - Hotel Excise Tax – analytical review of collections
- 1st Quarter 2020 - Follow up on implementation of 2019 Cash Recommendation
- 2nd Quarter 2020 - Theater
- 2nd Quarter 2020 - Read / Review 12/31/19 CAFR before filing
- 3rd Quarter 2020 - Accounts payable, disbursements and purchasing procedures
- 4th Quarter 2020 - Procurement Card: This report will provide comments on the pcard policy, oversight of the policy and compliance with the policy, and includes fuel card purchases, primarily used for police cars.

Respectfully submitted,
William J. Mulcahy, CIA
City Internal Auditor
City of Dunwoody

NOTICE: Mulcahy Accounting and Risk Consulting (MARC) is a consulting and internal audit firm composed of an expert specializing in risk and advisory services. MARC is not licensed or registered as a public accounting firm and does not issue opinions on financial statements or offer attestation services.



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William J. Mulcahy, CPA, CIA, MS

Mr. Eric Linton
City Manager
City of Dunwoody

February 10, 2020

Dear Mr. Linton:

In agreement with my contract to perform a compliance review of the Dunwoody Senior Baseball (DSB) administration of the ball fields, I submit this written report to document my earlier verbal updates.

Note 1. All comments I make about the Facility Usage Agreement between the City of Dunwoody and DSB are based on an unsigned agreement I was provided. A signed agreement was not available.

Note 2. DSB internal control lack a proper segregation of duties as the Treasurer can without appropriate supervision, purchase, issue checks, including to himself, deposit money, record revenue and is responsible to reconcile the bank statements, although documentation of bank account reconciliations I requested were not available.

Note 3. The City of Dunwoody should be putting enough money aside in a sinking fund for major renovations when the turf at the ball fields needs replacement in the future.

I prepare this report in the format of the project scope.

Project Scope, for the ball fields in Dunwoody –

1. Review on site the documentation of the computation and accumulation of the money owed and paid to Dunwoody.
2. Compare the computation method to the contract.
3. Compare amounts owed with bank statement deposits at the City of Dunwoody.
4. Analyze ball field revenue for reasonableness.
5. Prepare schedules and exhibits, summarizing analysis and findings.
6. Provide a written and verbal report, as well as periodic updates as the work progresses.

Update as of February 10, 2020

1. Review on site the documentation of the computation and accumulation of the money owed and paid to Dunwoody.

- a. The DSB calculation of payment due to the City of Dunwoody for 2019 shows zero due but that DSB did contribute \$10,000 to a sinking fund for future major maintenance costs that may occur.
- b. The City of Dunwoody invested in capital improvements to make the property usable for baseball fields. I understand that in 10 to 12 years a major update will be needed and may cost about \$500,00 to \$1,000,000. The City should be putting aside \$50,000 to \$100,000 a year to have a sinking fund to pay for the major renovation. (Note DSB is not the only user of the baseball fields, so the monies set aside should come from each of the users.) If the City wants to pay for the renovations from then current general funds in the future, it can.

2. Compare the computation method to the contract.

Per the Facility Usage Agreement Section I item h between The City of Dunwoody and Dunwoody Senior Baseball, the City agrees to:

“Provide monies within the City budget for the Association to apply on an annual basis for funds to be used towards facility improvements and appropriate maintenance of the facilities. These funds can only be used for facility capital projects and not for any programming or operational costs, such as, but not limited to, baseball, uniforms, insurance and umpires. The City Council will determine on a yearly basis which projects it wishes to fund and at what amount. The City and DSB would jointly manage the projects and all funds will remain with the City.”

Internal Audit Comment – In the 2019 City budget zero monies were provided for capital projects and no Capital projects were approved per Linda Nabers, Director of Finance.

Per the Facility Usage Agreement Section II item m between The City of Dunwoody and Dunwoody Senior Baseball, the Association (DSB) agrees to:

“Beginning January 1, 2019, the Association must pay the City 10% of net revenues generated by tournament rentals fees if the net annual revenue is less than \$100,000 per year. The amount will increase to 15% of annual net revenues if the amount exceeds \$100,000 per year. The Association is also entitled to make contributions towards capital improvements to the Facility. The annual fee will be the greater of the two. These funds will be used towards the repair and replacement costs for the facility. Payment will not be rendered until December 15, 2019 and then each subsequent year on that date.”

- a. In their calculation of “net revenues” DSB actually used “modified net income” which lowered the amount due to the City.
Auditor Comment – City of Dunwoody needs to have this corrected.
- b. In their calculation of the amount due the City, DSB used a two-step calculation with 10% of net tournament on the first \$100,000 and 15% on amounts over \$100,000. I read the agreement to mean when net revenues are over \$100,000 then its 15%.
- c. In their calculation of the annual fee, DSB showed Capital Improvements of \$41,633 that DSB had spent and therefore counted it as contributions towards to the facility. DSB says the

\$41,633 spent on Capital Improvements counts toward their payment to the City and since its more than its amount due based on net revenues, no additional amount is due

Internal Audit Recommendation #1– the agreement should have a schedule which illustrates how to calculate the fees to be paid by DSB to the City.

Internal Audit Recommendation #2 – the City should consider a minimum rent payment annually for major replacements and additional amounts for smaller repairs and replacements.

3. Compare amounts owed with bank statement deposits at the City of Dunwoody.

a. The DSB calculation of payment due to the City of Dunwoody shows zero due but that DSB made a payment of \$10,000 for a sinking fund for future major maintenance costs that may occur. I confirmed the deposit was made into the City’s bank account.

4. Analyze ball field revenue for reasonableness.

a. I asked for the written policy on how revenues are determined and was told it was not available and later told it was available but either way, I have not received it.

b. I asked for the link between the ball fields schedule, revenue and bank account and was told in writing “...it will be very difficult and time consuming...” and I was given “(16) factors that complicate this issue”.

c. I saw deposits made months after the Tournament and it was explained that Tournaments pay after they have the Tournament. I asked for a list of unpaid Tournament fees and list was not available.

Auditor Comment – Tournament fees should be paid in advance

Internal Audit Conclusion to date - So far adequate documentation not yet provided to conclude on reasonableness of ball field revenue.

5. Prepare schedules and exhibits, summarizing analysis and findings.

a. DSB needs to establish internal controls for segregation of duties between purchasing, invoice approval, cash disbursements including check signing, and bank reconciliations. Currently the DSB Exec VP, Treasurer performs all these duties.

b. Monthly bank reconciliations were not available for 2018. Subsequent to my asking for the monthly bank reconciliations one was prepared for 12/31/2018, which had the following items

1. Check # 4918 dated 11/20/18 for \$8,621.13 paid by and to DSB Exec VP, Treasurer John Crawford for 14 purchases on his personal credit card between 5/15/18 and 7/3/18.

Auditor Comment -Documentation to date for this transaction is inadequate and there is no independent Supervisory approval.

2. Check # 4924 dated 5/2/19 for \$8,143 Under Name of payee “check” includes an explanation of “In order to take advantage of the City’s sales tax exempt status and to help out both Better Business Systems and Baldwin Business systems, DSB will pay Baldwin Business systems directly and the City will pay Better Baseball for the carpeting portion of the effort. DSB will cut a check to the City for \$8,143 that will be then paid to Better Baseball.”

Auditor Comment – The Director of Finance has located another check with same check #4924 and amount \$8,143 but this time dated 2/14/19.

3. Unnumbered check (noted as an EFT) dated 4/16/19 for \$19,600 is for renovation of Fields 4 and 5 at Marcus Jewish Community Center of Atlanta, which DSB rented. It includes laser grading, moving back the grass line, adding dirt, and placing bases at various distances.

Auditor Comment – Need to gain an understanding of DSB and City of Dunwoody approval of this transaction if appropriate, and how it is accounted for from a tournament revenue, expense and Capital Improvements standpoint.

6. Provide a written and verbal report, as well as periodic updates as the work progresses.

a. This is my written report on this phase of the internal audit work. I am available continue the work, if requested.

Let me know if you have any questions.

William J. Mulcahy

William J. Mulcahy, CPA, CIA, MS
President and CEO
Mulcahy Accounting and Risk Consulting

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Convention Visitors' Bureau of Dunwoody
 YTD Statement of Revenues and
 Expenses Through December 31, 2019

Convention & Visitors' Bureau of Dunwoody
 Fund 950 Balance Sheet
 As of December 31, 2019

Description	Balance	
<u>Assets</u>		
Bank of N Ga-Reserve Acct	0.00	
Piedmont Bank Checking Acct	234,054.09	
Piedmont Prime Money Mkt Acct	33,308.98	
Piedmont CD Account	252,665.50	
Cash in Banks		520,028.57
Due from Other Funds-100	0.00	
Accounts Receivable	150,000.00	
Due from other Funds-275	0.00	
Prepaid Items	0.00	<u>150,000.00</u>
Total Current Assets		<u>670,028.57</u>
Capital Assets/Mach & Equip	21,950.05	
Accum Depreciation-Mach & Equip	(20,242.74)	
CDs - non-current	284,289.90	
Non-Current Prepaid Items	8,835.61	<u>294,832.82</u>
Total Non-Current Assets		<u>294,832.82</u>
Total Assets		<u><u>964,861.39</u></u>
<u>Liabilities</u>		
Accounts Payable	(1,473.82)	
Total Liabilities		<u>(1,473.82)</u>
<u>Equity</u>		
Retained Surplus	516,633.69	
Retained Surplus-reserve for revenue shortfall	270,000.00	
Total Beginning Equity	786,633.69	
Total Revenues	1,884,913.30	
Total Expenses	1,705,211.78	
Total Revenue Over/(Under) Expenses	179,701.52	
Total Equity & Rev. Over/(Under) Exp.		<u>966,335.21</u>
Total Liabilities, Equities, & Rev. Over/(Under) Exp.		<u><u>964,861.39</u></u>

Convention Visitors' Bureau of Dunwoody
 YTD Statement of Revenues and
 Expenses Through December 31, 2019

CVB of Dunwoody	Total Annual Budget	YTD Budget	YTD Actual	Variance (% of YTD Budget)	Prior YTD Actual	Flux (Difference from Prior Year)
Revenues						
Interest Revenue	420	420	3,735	889%	6,631	(2,896)
Other Revenue	-	-	1,100		71	1,030
Rental Income	24,132	24,132	22,621	94%	16,882	5,739
Tax Revenue	1,757,840	1,757,840	1,857,457	106%	1,689,355	168,103
Residual Equity Transfer (Promotional Reserve)	-	-	-		-	-
Total Revenues	1,782,392	1,782,392	1,884,913	106%	1,712,938	171,975
Expenditures						
<i>Employees/Personnel</i>						
Salaries	428,544	428,544	432,442	101%	392,036	(40,407)
Benefits	49,200	49,200	49,286	100%	54,936	5,650
Payroll Taxes	42,854	42,854	32,757	76%	29,915	(2,842)
<i>Total Employees/Personnel Expenditures</i>	520,598	520,598	514,485	99%	476,887	(37,598)
<i>Administrative</i>						
Legal & Professional Fees	15,500	15,500	17,305	112%	16,137	(1,168)
Rent	105,912	105,912	124,608	118%	81,043	(43,565)
Employee Development	9,600	9,600	3,741	39%	5,898	2,157
IT Support	9,600	9,600	7,932	83%	11,514	3,582
Insurance	5,000	5,000	11,833	237%	1,611	(10,222)
Postage/Courier/Ovenight Mail	-	-	124		-	(124)
Telephone/Internet	7,320	7,320	7,765	106%	7,278	(487)
Licenses & Fees	600	600	-	0%	-	-
Miscellaneous	1,200	1,200	2,022	169%	3,636	1,613
Office Expense	2,400	2,400	4,241	177%	4,045	(196)
Meals & Meeting Expenses	2,500	2,500	2,837	113%	3,680	843
Travel	12,000	12,000	5,328	44%	5,383	55
Small Equipment	10,000	10,000	4,168	42%	133	(4,035)
Furniture & Fixtures	-	-	-		5,701	5,701
<i>Total Administrative Expenditures</i>	181,632	181,632	191,903	106%	147,921	(43,983)
<i>Marketing</i>						
Research	19,500	19,500	39,605	203%	38,584	(1,020)
Graphic Design	41,000	41,000	32,175	78%	5,770	(26,405)
Public Relations	54,000	54,000	38,141	71%	43,309	5,168
Website Management	36,000	36,000	58,061	161%	44,425	(13,636)
Website Marketing	70,500	70,500	85,474	121%	68,653	(16,821)
Advertising - Print	144,000	144,000	161,800	112%	125,243	(36,557)
Advertising - Digital	198,000	198,000	180,389	91%	179,768	(620)
Printing	12,600	12,600	8,537	68%	4,715	(3,822)
Postage/Courier/Ovenight Mail	1,200	1,200	753	63%	1,279	527
Dues & Subscriptions	48,600	48,600	50,693	104%	75,429	24,736
Memberships	12,000	12,000	17,949	150%	10,966	(6,983)
Customer Relationship Management Tool	13,500	13,500	-	0%	15,326	15,326
Photography	42,000	42,000	24,414	58%	17,143	(7,272)
Miscellaneous	1,200	1,200	391	33%	23	(368)
<i>Total Marketing Expenditures</i>	694,100	694,100	698,380	101%	630,634	(67,746)
<i>Promotional</i>						
Conventions and Trade Shows	66,000	66,000	74,385	113%	59,122	(15,263)
Event Hosting & Site Visits	63,400	63,400	54,884	87%	14,623	(40,261)
Sponsorships	84,000	84,000	27,824	33%	33,584	5,761
Group Sales Show Sponsorships	-	-	14,260		3,450	(10,810)
Meals and Business Development	4,200	4,200	1,955	47%	2,245	290
Meeting Bids and Incentives	12,000	12,000	2,654	22%	-	(2,654)
Promotions	77,700	77,700	77,230	99%	92,198	14,968
Travel	24,000	24,000	28,478	119%	23,211	(5,267)
Promotional Materials	24,000	24,000	18,773	78%	14,272	(4,501)
<i>Total Promotional Expenditures</i>	355,300	355,300	300,443	85%	242,706	(57,737)
Total Expenditures	1,751,630	1,751,630	1,705,212	97%	1,498,147	(207,065)
Total Revenues over/(under) Expenditures	30,762	30,762	179,702		214,791	379,040