# Audit Department

500 S Grand Central Pkwy Ste 5006 • PO Box 551120 • Las Vegas NV 89155-1120
(702) 455-3269 • Fax (702) 455-3893

Angela M. Darragh, CPA, CFE, CISA, Director

March 31, 2015

Mr. Don Burnette
Clark County Manager
500 South Grand Central Parkway, 6th Floor
Las Vegas, Nevada 89155

Dear Mr. Burnette:

We recently completed an audit of the Department of Parks and Recreation's Arts Fund. The audit was conducted at the request of the department's Director to fulfill requirements set in the Clark County Ordinance, Chapter 2.90.040 § (a) (4). The ordinance requires an annual audit of the apportioned funds for the Percent of the Arts Program. The objective of our audit was to determine whether expenditures made from the County Arts fund met the requirements set forth in the Annual Arts Plan and Clark County Ordinance, Chapter 2.90. We examined all expenditures made from the County Arts Fund for the period of July 1, 2013, through February 25, 2015. Our last day of fieldwork was March 13, 2015.

Our audit identified that administrators of the Percentage of the Arts program maintained sufficient documentation for expenditures and disbursements made from the County Arts Fund. However, we identified the following areas of potential improvement:

- Budget variance justification for Operating Expenses was not discussed in the Arts Plan.
- Documentation regarding the selection of project sites, juries, and works of art was insufficient.
- Inventory purchased with the County Arts Fund was not segregated from inventory purchased from other funds.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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DON BURNETTE, County Manager

A draft report was provided to the Director of Parks and Recreation and her response is included. We appreciate the cooperation and assistance provided by the Department of Parks and Recreation.

Sincerely,

Angela M. Darragh

Angela M. Darragh, CPA
Audit Director

AUDIT DEPARTMENT

# Audit Report

## Department of Parks and Recreation 2015 County Arts Plan

March 2015

Angela M. Darragh, CPA, CISA, CFE
Audit Director

***AUDIT COMMITTEE:***
*Commissioner Steve Sisolak*
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## BACKGROUND

The Clark County Department of Parks and Recreation's primary responsibility is to service the indoor and outdoor recreational needs of Southern Nevada. Recreational activities include more than 1,600 acres of parks and open play space, pools and water parks, recreation and senior centers, special events, sports and fitness activities, and fine arts programming. The department's mission is to enrich the community through excellent parks, programs, and services. As part of their mission, the Percent for the Arts Program was created.

The Percent for the Arts Program is funded through the apportionment of 5% from the Room Tax Collection Commission that is receipted annually into the County General Fund and 5% of the County's share of the Special Ad Valorem Capital Projects Tax. According to the County Ordinance, the combined amount of the apportionments shall not exceed $1.25 million. All moneys collected in the fund must be used exclusively for a specified purpose or function relating to a work of art or an artistic program and be used in accordance with the County Arts Plan.

The County Arts Plan is a document that is prepared and approved by the Board of County Commissioners on an annual basis. The County Arts Plan discloses information regarding program administration, selection criteria for art project sites, recommendations for future art related projects or programs, and status updates for any art projects or programs that have been completed or remain in progress.

For July 1, 2014 through June 30, 2015, the County Arts Plan is expected to receive $775,000 and current expenditures are budgeted at $1,680,066.

## OBJECTIVES, SCOPE, AND METHODOLOGY

The engagement was performed at the request of the Department of Parks and Recreation to fulfill requirements set in the Clark County Ordinance, Chapter 2.90.040§ (a) (4), which requires the audit of apportioned funds on an annual basis.

The objective of this audit is to determine whether expenditures made from the County Arts Fund meet the Annual Arts Plan and Clark County Ordinance, Chapter 2.90 requirements.

To accomplish our objective, we conducted a preliminary survey that included reviewing applicable policies, procedures, statutes, interviewing management staff, examining supporting documentation for

expenditures, and observing art sites to confirm work of art pieces.

The following detailed procedures were performed:

- We examined the Trial Balances in SAP for the County Arts Fund from July 1, 2013 through February 28, 2015 to determine where expenditures were recorded within the fund.
- We examined all invoices and other related documentation for expenditures made from the County Arts Fund for July 1, 2013 through February 28, 2015, and traced the invoiced or billed totals to financial records in SAP for completeness.
- We examined all items purchased from the County Arts Fund for July 1, 2013 through February 28, 2015 to ensure that the item was used for the operation of the art fund or promotion of arts projects. The pricing and quantities for goods or services were also examined for reasonableness.
- We examined all letter of agreements and other related documentation for disbursements made to artists and vendors for July 1, 2013 through February 28, 2015, and traced the disbursed totals to financial records in SAP for completeness.
- We examined all letter of agreements and other related documentation for disbursements made to artists and vendors for July 1, 2013 through February 28, 2015 to ensure that the services related to the creation of a work of art, art maintenance, or art education program.
- We examined the Annual Arts Plan dated December 2012 and May 6, 2014 to ensure that all identified arts projects, services, and programs were budgeted within the plan and approved.
- We observed the storage area of leftover inventories on March 3, 2015 for operating and office supplies to assess the control activities over inventory purchased with the County Arts Fund.
- We observed the existence of works of art across Clark County on March 12, 2015 to confirm the existence of the project, its compliance to the County Ordinance as a “work of art”, and if the site was within the approved boundaries noted in the County Ordinance.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence

to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## RESULTS IN BRIEF

Administrators of the Percent for the Arts Program maintained sufficient documentation for expenditures and disbursements made from the County Arts Fund. We identified several areas for improvement. These areas include:

- *Substantiation for budget variances*. The Operating Expense amount budgeted for July 1, 2014 through June 30, 2015 was 73% higher than the amount incurred for July 1, 2013 through June 30, 2014. The Arts Plan did not include justification for such increase.

- *Documentation for selection process*. Documentation regarding the selection of project sites, juries, and works of art were insufficient. Project site and jury member selection criteria are disclosed in the Annual Arts Plan, but documentation did not exist to substantiate site or jury member selection. Work of art selections are based on criteria assessed by Jury members, but documentation did not exist to substantiate work of art selection. Additionally, criteria for work of art selection are used by jury members, but are not disclosed in the arts plan.

- *Physical controls over operating supplies*. Inventory purchased with the County Arts Fund was not segregated from inventory purchased from other funds.

Each finding includes a ranking of risk based on the risk assessment that takes into consideration the circumstances of the current condition including compensating controls and the potential impact on reputation and customer confidence, safety and health, finances, productivity, and the possibility of fines or legal penalties.

## DETAILED RESULTS

### Operating Expense Budget Variance (HIGH)

From the Annual Arts Plan dated May 6, 2014, the division incurred $10,100 in operating expense for July 1, 2013 through June 30, 2014. The Percent for the Arts Program and its office at the Winchester Cultural Center was established sometime between October 1, 2013 and December 31, 2013. Operating expenses made during this period included the purchase of assets such as a computer, a laptop, monitors, office phone, office supplies and office furniture. Operating expenses for July 1, 2013 through June 30, 2014 also included the purchase of supplies related to the Summer Business Institute program. Supplies included items such as paint, painting tools, and miscellaneous craft devices.

For July 1, 2014 through June 30, 2015, the division recommended a budget of $17,500 for operating expenses. The division does not anticipate additional large ticket items to be purchased, and will continue with another Summer Business Institute program.

The anticipated operating expenses for July 1, 2014 through June 30, 2015 in comparison to July 1, 2013 through June 30, 2014 increased by 73%. The reason for this variance was not reflected in the Annual Arts Plan.

*Recommendation*

1. Implement a budget review process to ensure that the division discloses all planned expenditures related to the operations of the arts fund and its projects, and that clarification is provided for significant increases for budgeted expenses.

### Documentation over Site, Jury, and Work of Art (HIGH)

For each "work of art" project, a selection process is in place that involves an Art Committee and Jury. For each project, the first item to determine is a site. According to the Annual Arts Plan, a site is selected based on a set of criteria, and is approved by the Art Committee. Once a site is chosen, an artist is selected by a selection jury. Members of the jury change for each project and consist of individuals and artist professionals from the community. Jury members are asked to select artists based on a set of standards, ranging from artistic ability to quality of work. For the period July 1, 2013 through February 28, 2015, two "work of art" projects existed: The Clark County Children's Festival Mosaic and Whitney Neighborhood Utility Boxes (Zap 6).

We reviewed Arts Committee meeting minutes, and found that no detail was included to substantiate the selection of the project site. Additionally, insufficient documentation was maintained for selection jury, such as the name and position within the community. Furthermore, we found that documentation was not maintained in order to substantiate the selection of artist for projects and the selection criteria were not detailed in the Annual Arts Plan.

*Recommendation*

1. Update policies and procedures to include the use of standardized forms for site, jury, and work of art selection. These forms should then be maintained in accordance with document retention policies, in order to substantiate the selections made with projects being funded by the County Arts Fund.

**Operating Supplies for Arts Fund Not Segregated (MEDIUM)**

We found that anti-graffiti coating and leftover art project paint was not stored in a manner that would prevent unauthorized use.

The anti-graffiti coating was purchased with the County Arts Fund and maintained in a separate room within the Winchester Cultural Center's storage room. The separate room had a lock that was inoperable. The left over art project paint was also purchased with the County Arts Fund, and was maintained outside of the separate room, alongside other operating supplies and equipment purchased with other funds. While key access is required to access the storage room, keys are assigned to all employees at the Winchester Cultural Center.

Additionally, operating supplies purchased with the County Arts Fund are stored at the Winchester Cultural Center's main storage room and are not periodically inventoried. Therefore, there is no way to determine whether there was unauthorized use of operating supplies for purposes not associated with the Arts Plan.

*Recommendation*

1. Segregate operating supplies purchased with the County Arts Fund from other inventory.
2. Repair the lock of the separate room within the storage room.
3. Implement procedures to appropriately manage the inventory of operating supplies. Procedures should include periodic reviews of inventory for comparison to invoices and inventory records.

**MANAGEMENT RESPONSE**

# MEMORANDUM

JANE PIKE
DIRECTOR

MINDY MEYERS
ASSISTANT DIRECTOR

Clark County Parks and Recreation

**TO:** **ANGELA M. DARRAGH, AUDIT DIRECTOR**

**FROM:** **JANE PIKE, DIRECTOR, PARKS AND RECREATION**

**SUBJECT:** **2015 ARTS PLAN AUDIT RESPONSE**

**DATE:** **MARCH 26, 2015**

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Clark County Parks and Recreation Department is committed to providing its residents with a range of parks, recreation and cultural opportunities to improve quality of life in Southern Nevada. Offerings and amenities include more than 1,600 acres of parks and open play space, pools, water parks and spray pad features, recreation and senior centers, special events, sports and fitness activities, public art, interpretive displays and cultural arts programming. The Percent for the Arts Program was created to further the department's mission of enriching the community through excellent parks, programs, and services.

The Percent for the Arts Program is funded through the apportionment of 5% from the Room Tax Collection Commission that is receipted annually into the County General Fund and 5% of the County's share of the Special Ad Valorem Capital Projects Tax not exceed $1.25 million. All monies collected in the fund are to be used exclusively for a specified purpose or function relating to a work of art or an artistic program in accordance with the County Arts Plan which is prepared and approved by the Board of County Commissioners on an annual basis. The County Arts Plan provides information regarding program administration, project sites, and recommendations for future art related projects or programs, as well as previously approved project updates.

In accordance with the County Arts Plan, the first audit of the program was completed earlier this month. The audit identified three areas of deficiencies and provided recommendations for improvement. The department has provided its response to each finding as follows:

**Implement a budget review process to ensure that the division discloses all planned expenditures related to the operations of the arts fund and its projects, and that clarification is provided for significant increases for budgeted expenses.**

*The Department agrees that a budget review process is necessary and since program inception, this has been implemented as a part of the County's budget submittal process as well as disclosed to the Board of County Commissioners as part of the County Arts Plan Annual Report and Recommendations. Operational expenses budgeted for FY 2014 were comprised primarily of start-up equipment and supplies whereas those budgeted during the first full year of operations (FY 15) are more reflective of*

*the true operational costs anticipated and incurred by this program. Expenditures included mailing and posting of public art opportunities, artistic supplies for Summer Business Institute Program, grafitti coating, paint and associated supplies etc. The Arts Plan document was intended to provide an annual overview of the program and was never designed to incorporate the line item budget request. Budget requests submitted to Finance can be provided as backup if so desired.*

**Update policies and procedures to include the use of standardized forms for site, jury, and work of art selection. These forms should then be maintained in accordance with document retention policies, in order to substantiate the selections made with projects being funded by the County Arts Fund.**

*The Parks and Recreation Department concurs with this finding and will document the criteria associated with project site selection, jury composition, and artist selection. These processes and associated forms will be made a part of the department's Policies and Procedures Manual; be distributed to the Art Committee as a supplement to the current by-laws and be referenced in the Annual Arts Plan. Documentation will be maintained in accordance with the County's document retention policies.*

**Segregate operating supplies purchased with the County Arts Fund from other inventory. Repair the lock of the separate room within the storage room. Implement procedures to appropriately manage the inventory of operating supplies. Procedures should include periodic reviews of inventory for comparison to invoices and inventory records.**

*The Parks and Recreation Department agrees with the assessment. Supplies have now been segregated and the lock on the storage room door has been repaired. An inventory of all supplies purchased using County Arts funds will be prepared and staff will conduct quarterly inventory audits.*

If you should require additional information or clarification, please let me know. Thank you.

cc: Mindy Meyers, Assistant Director
Cliff Fields, Manager
Candy Rutledge, Senior Program Administrator
Patrick Gaffey, Program Supervisor