

May 23, 2016



LETTER OF TRANSMITTAL

CHAIRMAN TOOKER AND MEMBERS OF THE TOWN OF WESTPORT'S BOARD OF FINANCE:

I respectfully submit the enclosed final internal audit report of the Town of Westport's Wakeman Town Farm ("the Farm"), IA 16-01. This audit was performed by Cohn Reznick, LLP as part of Westport's recent endeavor to outsource internal audits. The time, patience and cooperation of all parties involved in this audit are greatly appreciated.

I will be working with representatives of Wakeman and town administrators to understand their response to the recommendations and how they can be implemented.

Thank you for the opportunity to provide this information to the Board of Finance.

Very Truly Yours,

A handwritten signature in black ink, appearing to read "Lynn Scully", is written over a horizontal line.

Lynn Scully
Audit Manager/Senior Accountant, Town of Westport

CC: JAMES MARPE, FIRST SELECTMAN
GARY CONRAD, DIRECTOR OF FINANCE
EILEEN FLUG, RTM CHAIR
JEFFREY WIESER, CHAIRMAN, RTM FINANCE COMMITTEE

Town of Westport, Connecticut

Wakeman Town Farm
Internal Audit Report

TOWN OF WESTPORT, CONNECTICUT

WAKEMAN TOWN FARM

INTERNAL AUDIT REPORT

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Scope of Project

SCOPE OF PROJECT

Based upon the services requested in your request for proposal and the scope and work plan included in our response, we performed the following procedures:

1. We obtained a thorough understanding of the Farm's current internal controls and policies and procedures. This understanding was obtained from interviews with Farm employees and Parks and Recreation Department employees as to the functions they currently perform and the related policies and procedures currently in place.
2. Based upon the understanding, we obtained of the current internal controls and policies and procedures obtained. We evaluated the risk of errors or fraud that can occur in the process and provided recommendations to strengthen internal controls or upgrade current procedures to best practices.

We also provided recommendations for improving efficiency when identified.

3. We performed a testing of cash disbursements.
4. Based upon our understanding of the current cash receipt processes, we did not perform a test of cash receipt transactions due to the following:
 - a. Certain transactions are processed directly by the Parks and Recreation Department from the department's website
 - b. Other transactions are processed by credit card or pay pal
 - c. For certain program and cash receipt collections, there was no independent supporting documentation for the amount being deposited (completeness).

This will be discussed further in the recommendations section of the report.

5. We obtained an understanding of the Town's policies and procedures that apply to this activity and provided recommendations to strengthen internal controls or upgrade current procedures to best practices.

REPORT PRESENTATION

The recommendations are identified with codes as to the type of recommendation as follows:

IC	Internal control
BP	Best Practice
OP	Operational
EFF	Efficiency

Certain recommendations may have more than one code, if applicable.

The recommendations have also been coded using a department code and a recommendation number for future reference and monitoring of the status.

**Cash
Receipts**

CASH RECEIPTS

OBJECTIVE

To review the current policies, procedures and internal controls over cash receipts.

BACKGROUND

Currently, the Wakeman Town Farm (the Farm) collects the following types of revenues:

- a. Program fees
- b. Membership fees
- c. Logo wear
- d. Community Supported Agriculture (CSA) fees
- e. Donations (operations)

Cash receipts are collected using multiple processes.

Certain cash receipts are collected by the Farm volunteers for each of the revenues noted above.

For certain events, a ticketing service is used for registration and the Farm receives a check from the vendor for the net amount. The Farm also accepts credit card payments. These payments are sent directly to the bank account.

The cash receipts are brought to the Parks and Recreation Department to be deposited. The Farm's Treasurer prepares supporting documentation (worksheet) for the amounts being deposited, but does not provide any supporting documentation for the amounts deposited by revenue source.

Other program fees are collected by the Parks and Recreation Department. Registrations are completed through the Parks and Recreation register software program and can be completed in person or on-line through the Parks and Recreation Department's website.

The Farm's program fees are accounted for separately in the register software program and are deposited into the separate Town bank account for the Farm.

The donations for the renovation project are currently being directed to, deposited and accounted for by the Friends of Park and Recreation and not the Town.

Bank reconciliations for the Farm account are completed by the Town.

PROCEDURES

We reviewed the cash receipts collection process and related internal controls.

CASH RECEIPTS

RESULTS OF PROCEDURES PERFORMED

Based upon our review of the cash receipts process, we have the following recommendations:

CR 2016-001

CONDITION (IC):

Currently, cash receipts are held at the Farm by the Farm manager until they are transmitted to the Treasurer for deposit (approximately weekly). When the cash receipts are provided to the manager, a receipt is not provided to document the transmittal.

RECOMMENDATION:

We recommend that the Farm manager prepare the deposit transmittal form and use one copy to document the transmittal of the cash receipts to the Treasurer.

In addition, to increase the timeliness of deposits, we recommend that consideration be given to having the Farm manager transmit the cash receipts directly to the Parks and Recreation Department.

CR 2016-002

CONDITION (IC):

The Farm sells merchandise (T-shirts, hats, etc.) with the Farm logo. In addition, these items are often given away as promotional items. Currently, there is no formal control or accounting for the inventory of the merchandise.

RECOMMENDATION:

We recommend that formal policies and procedures be developed and implemented with respect to purchase, sale and accounting for inventory. This should include the authority and documentation for merchandise used for promotional purposes.

CR 2016-003

CONDITION (IC):

Currently, there is no independent supporting documentation provided to support the amounts being transmitted by the Farm to the Parks and Recreation Department.

RECOMMENDATION:

We recommend that adequate supporting documentation accompany the monies being transmitted to the Parks and Recreation Department for deposit.

CASH RECEIPTS

CR 2016-004

CONDITION (EFF):

Currently, the Treasurer prepares a supporting schedule of the revenues collected by type (account number) to the Parks and Recreation Department with the deposit. The Parks and Recreation Department then prepares the deposit transmittal.

RECOMMENDATION:

We recommend that the deposit transmittal be prepared by the Farm Treasurer in lieu of a separate schedule.

CR 2016-005

CONDITION (BP):

Currently, the Farm participates in the Community Supported Agriculture program. The Farm receives revenues for providing produce to the members of the program. The Farm also receives an administrative fee per person in the program. 50% of this fee is then paid to the Farm assistant manager for administering the program (preparing packages and managing pick up). The fee is not being paid through payroll, but through a vendor check.

RECOMMENDATION:

We recommend that a formal agreement be developed and implemented for this payment.

We also recommend that the Town determine whether this payment should be made through payroll vs a vendor payment.

CR 2016-006

CONDITION (IC):

Currently, the Farm has several events on the Farm property (Family Fun Day, Green Day, other small events). For these events, payment is made at the door (\$5 per person and \$20 per family). Payments are made by cash, check and credit card. For some events a clicker is used to track attendance, but the information is not used to reconcile/project actual cash receipts.

RECOMMENDATION:

We recommend that formal procedures be implemented to use the clicker or a ticket system to document the attendance at the events. The number of tickets sold or the amount on the clicker should be used to estimate the amount collected. This should be compared to the actual amount collected for reasonableness. This reasonability analysis should be documented and approved.

CASH RECEIPTS

CR 2016-007

CONDITION (IC):

Currently, the Farm sells food items at the events held at the Farm. There is no cash register or other formal process to document the amount collected.

RECOMMENDATION:

We recommend that a formal process be implemented to account for and reconcile the food sales to actual amounts collected and deposited.

CONDITION (IC):

Currently, the checks are not stamped "for deposit only" when received.

RECOMMENDATION:

We recommend that all checks be stamped "for deposit only" when received.

NON CASH DONATIONS

CR 2016-008

CONDITION (BP):

Currently, the Farm receives non cash donations from volunteers of their time performing Farm related maintenance (working in the gardens, lawn mowing, etc.). In addition, there are donations made of materials from local businesses to support the Farm (left over plants, etc.).

These donations are not accounted for or tracked.

With the approval and fund raising campaign for the Building Project, offers for donations for both material and labor have been made by Farm supporters.

RECOMMENDATION:

We recommend that the Farm develop a form to capture the donated labor and materials. The form should document the donor's name, date, the services provided, number of hours of service donated, description of the materials provided and the estimated value of the materials.

This information may be useful for grant applications that require a matching of monies or services.

With respect to the building project, the same form can be used for the donation of materials. The estimated value should be verified, if the Farm is going to provide a letter to the donor for tax purposes.

State statutes govern the requirements for municipal building projects and, therefore, donations of labor must be in compliance with those regulations.

**Cash
Disbursements**

CASH DISBURSEMENTS

OBJECTIVE

To review the current policies, procedures and internal controls over cash disbursement receipts.

BACKGROUND

Most purchases for day to day operations are made by the manager and assistant manager based upon the approved budget. Large purchases are approved by the Farm's Committee. The manager approves the timesheets for instructors.

The Farm's Treasurer reviews vendor invoices, notes the account distribution and submits the invoices to be paid to the Parks and Recreation bookkeeper. This review includes a review of the credit card reimbursement submitted by the manager and assistant manager.

Reimbursements are processed for purchases made by volunteers. Currently, there is no standard form used to process the reimbursements.

The Parks and Recreation bookkeeper creates a purchase order and enters the invoice into the financial software to be paid. If the vendor is not a current vendor, the new vendor form must be completed and forwarded to the Town for approval. Once the vendor is approved and a W-9 has been received, the invoice can be processed.

Invoices are also e-mailed to the bookkeeper, with the e-mail used as evidence of approval.

PROCEDURES

1. We reviewed the cash disbursement process and related internal controls.
2. We selected a sample of cash disbursements and reviewed the supporting documentation and approvals.

RESULTS OF PROCEDURES PERFORMED

Cash Disbursement Testing

The results of our cash disbursement testing are detailed on Exhibit 1. The testing indicated in 2 instances there was not adequate supporting documentation and in 12 instances there was no documentation of the invoice being approved for payment. This could be a result of current practice of e-mailing the invoices to the Parks and Recreation bookkeeper requesting payment and the e-mail being the approval.

CASH DISBURSEMENTS

Based upon our review of the cash disbursement process, we have the following recommendations:

CD 2016-001

CONDITION (IC):

Currently, invoices or requests for payments are being presented to the Parks and Recreation Department bookkeeper in various formats, including hard copy invoices, e-mailed invoices and e-mail requesting payment. The information necessary to process the invoice is not always complete and the approvals not formally documented. Currently, there is no standard voucher form used to ensure the required information is complete.

RECOMMENDATION:

We recommend that a voucher form be developed and implemented to ensure that all the necessary information to process the invoice is provided and to document the approval of the disbursement.

CD 2016-002

CONDITION (IC):

Currently, there is no standard form used to process the volunteer reimbursements.

RECOMMENDATION:

We recommend that all reimbursements be processed using the Town's standard reimbursement form (if available) or that a reimbursement form be developed and implemented to ensure that all the necessary information to process the invoice is provided and to document the approval of the payment.

CD 2016-003

CONDITION (IC/EFF/BP):

Currently, there are a number of reimbursements being processed for volunteers who purchase items related to events or Farm operations. In order to process the reimbursement to a volunteer, each volunteer must be set up as a new vendor. The Committee and active volunteers will change over time. Due to the nature of the Farm's operations, these types of purchases will continue to be necessary.

CASH DISBURSEMENTS

RECOMMENDATION:

We recommend that consideration be given to establishing a petty cash fund to efficiently manage these types of reimbursements. This will eliminate the need to establish new vendors for each reimbursement and allow the Farm the flexibility to manage their events as needed.

We recommend that specific policies and procedures be developed and implemented that include strict policies for the types of items that the fund can be used for and the integration with the Town's purchasing policy.

CD 2016-004

CONDITION (IC):

Currently, the Farm is not following the Town's policies and procedures for approval of new vendors.

RECOMMENDATION:

We recommend that the Farm immediately begin following the Town's policies and procedures with respect to approval of new vendors. This will ensure the proper due diligence and that required forms and documentation are received on a timely basis. This will also allow timely payments to vendors.

TOWN OF WESTPORT, CONNECTICUT

**SUMMARY OF RESULTS
WAKEMAN TOWN FARM
DISBURSEMENT TESTING**

	PROPER SUPPORTING DOCUMENTATION	EVIDENCE OF INVOICE APPROVAL
NUMBER OF ITEMS TESTED	15	15
NUMBER OF EXCEPTIONS	2	12

Purchasing

PURCHASING

OBJECTIVE

To review the Farm's current policies, procedures and internal controls over purchasing and compliance with the Town purchasing policy

BACKGROUND

The Town's purchase requisition and purchase order system is not currently being used for the Farm's purchases. Purchase orders are being prepared by the Parks and Recreation bookkeeper after receipt of the invoice. The Farm has recently begun to follow the Town's purchasing policy with respect to quotes and bids.

Certain purchases are being made using the manager's Town issued credit card and are reimbursed under the Town's policies and procedures.

RESULTS OF PROCEDURES PERFORMED

Based upon our review of the purchasing process, we have the following recommendations:

PP 2016-001

CONDITION (IC):

Until recently, the Farm had not been following the Town's purchasing policy when making purchases for the Farm's activities and events.

RECOMMENDATION:

We recommend that the Farm immediately begin following the Town's purchasing policy for purchases. This would include purchases made using the Town issued credit cards.

PP 2016-002

CONDITION (IC):

Currently, the Farm is not using the Town's purchase requisition and purchase order system for cash disbursements. The purchase order is being prepared after the invoice is received by the Parks and Recreation bookkeeper. This process is inefficient and ineffective in ensuring that the purchase is properly approved and that the Town's purchasing policy is being adhered to. In addition, this process has caused delays in processing vendor payment for new vendors, since the new vendor approval process is not started until after the invoice is received.

PURCHASING

RECOMMENDATION:

We recommend that the Farm immediately begin using the Town's purchase requisition and purchase order system. This will increase the efficiency of processing Farm invoices and compliance with the Town's purchasing policy. It will also aid in ensuring that invoices are paid in a timely manner.

In addition, it will allow the formal documentation of the quotes obtained when required by the Town's purchasing policy.

RECOMMENDATION:

We recommend that the Farm/Town develop and implement a form to capture the data needed by Parks and Recreation Department bookkeeper to complete a purchase requisition. The form should include the following data: vendor name, address, e-mail, phone number, amount, account number, description of purchase, quote information (2) or whether the purchase is a sole source and requires a bid waiver. A completed W-9 should also accompany the form.

PP 2016-003

CONDITION (IC/EFF):

Due to the nature of the Farm operations, certain vendors or events are based upon a sole source vendor (farmer, chef).

RECOMMENDATION:

We recommend that the Town/Farm policies be updated to specifically address these types of purchase or that a bid waiver process/form be implemented.

Reporting

REPORTING

BACKGROUND

The activity for the Farm is accounted for as a budgetary special revenue fund and is included in the Town's annual audit report.

The current chart of accounts is based upon the approved budget.

The Farm conducts various events for which a detailed accounting (revenue and expenditures accounts) would assist in the management of Farm activities.

Currently, the Finance Department sends the Farm Treasurer monthly summary revenue and expenditure budget and actual reports.

The Treasurer also has access to the financial software to be able to run reports or check activity, but there have been some challenges in accessing the software remotely.

RP 2016-001

CONDITION (EFF/BP):

The Farm is maintaining additional off line accounting records in order to be able to access event revenues and expenditures activity to evaluate the fund raiser.

RECOMMENDATION:

We recommend that additional revenue and expenditure accounts be established under the budget lines to allow for the analysis of the Farm's significant fund raisers.

RP 2016-002

CONDITION (IC/BP):

The program registration software and related process used by Parks and Recreation generates rosters of the registered participants. Currently, the Farm is not being provided the rosters.

RECOMMENDATION:

We recommend that rosters be provided to the Farm on a monthly or other periodic basis.

We also recommend that the Farm's Committee and the Town develop a formal reporting policy that includes the type of reports required by the Town, the financial information requested by the Farm's Committee and the reporting dates.

Operational Methodology

OPERATIONAL METHODOLOGY

BACKGROUND

During the various interviews and meetings that were conducted as part of the information gathering for this project, various issues, concerns and questions were raised by both the Town and the Farm.

The following observations, comments and recommendations provided below are presented for discussion purposes for the Town and the Farm's Committee consideration.

OB 2016-001

CONDITION (OP):

Due to the unique nature of the Farm's Committee and volunteers and the activity being a Town budgetary special revenue fund, the authority for approval of certain types of transactions is not clearly defined and understood by the stakeholders.

RECOMMENDATION:

We recommend that the policies and procedures/memorandum of agreement be updated to address the following items:

- a. Specific authority of the Farm's Committee
- b. Requirement to post agendas and minutes
- c. Approval of disbursements not budgeted
- d. New sources of revenue (event or fund raisers) and the ability to incur costs to hold the event and use of the remaining funds (revenue and expenditure appropriation budget request)
- e. Process for contracting vendors described in Items 6 of the Town/Fram agreement

OB 2016-002

CONDITION (OP):

Due to the unique nature of the Farm's Committee, volunteers and operation of the Farm, weekly meetings are currently being held. In most cases, these meetings are for operational purposes but include a majority of the Committee members.

RECOMMENDATION:

We recommend that the Town/Farm formally determine whether the weekly meetings are considered a public meeting or workshop that does not have to be posted.

OPERATIONAL METHODOLOGY

OB 2016-003

CONDITION (OP):

During the interviews and meetings, it was noted that the timeliness of the processing of transactions was a concern to both the Town and the Farm. The main reason for the lack of timeliness appears to be the fact that certain aspects operations are being managed by volunteers with limited time vs employees. The limited time of the volunteers has also impacted the communication and implementation of the Town's policies and procedures.

RECOMMENDATION:

The Farm Manager is an employee of the Town.

We recommend that the manager be set up as a user on the Town's financial accounting software and be provided a computer to access the software at the Parks and Recreation offices.

RECOMMENDATION:

Based upon our review of the current processes and policies and procedures, we recommend that consideration be given to revising the job description and responsibilities of the Farm Manager to include the following:

- Initial approval of all invoices (as a component "department head")
- Submittal of invoices for payment to the Park and Recreation bookkeeper
- Ensuring the Town's purchasing policies are followed
- Submitting purchase requisitions
- Transmitting deposits to the Parks and Recreation Department

RECOMMENDATION:

The Treasurer should continue to approve the Manager's expense report and receive copies of all transactions (transmittal, etc.) and monitor the activity of the Farm to ensure proper monitoring and internal controls.

RECOMMENDATION:

We recommend that the mailing address for the Farm be changed to that of the Parks and Recreation's office. All donations should be mailed to the new address and not the Farm address.

OPERATIONAL METHODOLOGY

RECOMMENDATION:

We recommend that the Manager be considered a Parks and Recreation employee and added to any e-mail or other communications that Parks and Recreation employees receive to ensure compliance with the Town's policies and procedures.

OB 2016-004

CONDITION (OP):

It was noted that in certain instances, Farm volunteers drive program participants to the program location in their personal vehicles.

RECOMMENDATION:

We recommend that the Town review and develop and implement a form policy regarding the practice of transporting program participants in volunteer vehicles.

OB 2016-005

RECOMMENDATION:

We recommend that the current Farm policies and procedures be updated to include the detailed policies, procedures and forms recommended in this report.

Town Policies and Procedures

TOWN POLICIES AND PROCEDURES

TPP 2016-001

RECOMMENDATION:

We recommend that the cash transmittal forms which are completed when transmitting cash receipts to be deposited be prenumbered, and the sequence of the numbers issued be accounted for to ensure the completeness of the recording of all monies collected.