

February 18, 2009

Internal Audit Report 2009-04

Asset Management

Eagle River/Chugiak Parks, Recreation and Community Development

Introduction. Eagle River/Chugiak Parks, Recreation and Community Development (Eagle River Parks and Recreation) has an annual budget of about \$3.9 million with five full-time, six part-time, and 36 temporary employees. These employees maintain 16 developed parks, three major facilities, 14 athletic fields, and two million square feet of turf. They also provide a summer camp for 800 individuals. To accomplish their stated mission, Eagle River Parks and Recreation employees utilize both reportable and non-reportable equipment. Municipal Policy and Procedure (P&P) 24-13, *Fixed Asset and Infrastructure Accountability*, provides policies and procedures for maintaining fixed asset accountability and financial reporting.

Objective and Scope. The objective of this audit was to determine if Eagle River Parks and Recreation complied with P&P 24-13 for recording, inventorying and safeguarding fixed assets. Specifically, we reviewed fixed asset accountability procedures, performed a physical inventory of selected fixed assets and reviewed fixed asset retire/disposal records to determine whether the fixed asset records in PeopleSoft were accurate.

The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit was performed during the period of October through December 2008. The audit was requested by the Assembly.

Overall Evaluation. Generally, Eagle River Parks and Recreation complied with P&P 24-13. However, fixed asset records could be improved. Specifically, some fixed assets were not recorded in PeopleSoft and other fixed assets were coded to the wrong general ledger accounts.

FINDINGS AND RECOMMENDATIONS

1. Fixed Asset Records Need Improvement.

a. Finding. PeopleSoft fixed asset records were not current. We found the following problems:

- *Fixed Assets Not Recorded* - More than 60 fixed assets were not recorded in PeopleSoft. These items included a file cabinet, a cash register, and shop equipment such as an airless paint sprayer, a 6 piece tool kit, and an ice auger.
- *Duplicate Fixed Assets* - Three fixed assets had duplicate records in PeopleSoft. These assets included a tractor, a snow blower, and a utility trailer.
- *Some Fixed Assets Not Located* - We could not locate three fixed assets listed in PeopleSoft records. Specifically, an air compressor, a cordless drill, and a battery charger could not be located. We were told that the air compressor and battery charger had been disposed of years ago and the cordless drill was stolen. However, these same items were marked as found during the last physical inventory performed in April 2008.

b. Recommendation. The Eagle River Parks and Recreation Director should ensure that PeopleSoft fixed asset records are properly maintained.

c. Management Comments. “Management concurs with the Internal Auditor’s finding and recommendation to ensure that PeopleSoft fixed asset records are properly maintained and reported as required by P&P 24-13. Management has taken steps to inform and direct in writing both staff and facility contractor of requirements to meet P&P 24-13.”

d. Evaluation of Management Comments. Management comments were responsive to the audit finding and recommendation.

2. Fixed Assets Coded to Wrong General Ledger Accounts.

- a. **Finding.** Our audit revealed 15 fixed assets, totaling \$11,286, coded to the wrong general ledger accounts. For example, three bear proof trash cans, two digital cameras, and six concrete planters were coded to a supplies account instead of the fixed asset accounts. As a result, there was no assurance that the assets were properly accounted for and safeguarded. Policy and Procedure 24-13, requires that all purchases of fixed assets are coded to fixed asset (5000 series) general ledger accounts instead of supply or maintenance accounts (2000 series).
- b. **Recommendation.** The Eagle River Parks and Recreation Director should ensure that all fixed asset purchases are coded to the proper general ledger accounts.
- c. **Management Comments.** “Management concurs with the Internal Auditor’s finding and recommendation that the Eagle River Parks and Recreation Director ensure all fixed asset purchases are coded to the proper general ledger accounts. Internal controls are being reviewed and steps taken to correct recording procedures. Facility contractor has been notified and directed to review/correct any coding errors.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

Discussion With Responsible Officials. The results of this audit were discussed with appropriate Municipal officials.

Audit Staff:
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