



April 1, 2011

Dr. Carolyn Graham, DCAO, Human Services

The Office of the Inspector General has completed an investigation in the Cultural Arts Division of the Department of Parks, Recreation, and Community Facilities. This letter informs you of the results of the investigation.

Complaint

The Office of the Inspector General received a complaint alleging that the Cultural Arts Manager purchased gift cards for the Mayor's Youth Academy (MYA), and that the purchases from the cards were not supported with appropriate documentation. The allegation also indicated that several computers and cameras purchased by the Cultural Arts Manager for the MYA are missing.

Legal Requirements

In accordance with the Code of Virginia, §15.2-2511.2, the City Auditor is required to investigate all allegations of fraud, waste and abuse. Also, the City Code 2-231 requires the Office of the Inspector General to conduct investigations of alleged wrongdoings.

Findings

Gift Cards

The Cultural Arts Manager purchased 22 gift cards for \$1,800, consisting of 17 prepaid Mastercards totaling \$1,550, and five gift cards from a retailer totaling \$250. These gift cards were purchased from City funds, and were used for the MYA. Upon inquiry, the Cultural Arts Manager identified the City employees and the contracted MYA facilitators that received each card. The Cultural Arts Manager maintained a listing of the cards and receipts for the purchases.

The investigator noted the following issues related to these gift cards:

- The Cultural Arts Manager made two purchases worth \$92 using the above gift cards that had already been paid by the City. In addition, the Cultural Arts Manager submitted a petty cash reimbursement for these purchases, which resulted in the City paying for the same purchases twice. When this occurrence was pointed out to the Cultural Arts Manager, he acknowledged it and indicated that this was an “error,” and showed his willingness to pay the excess reimbursement back to the City.
- The Cultural Arts Manager claimed he gave one City employee and one MYA facilitator a total of three gift cards. Both individuals indicated they did not receive the cards.
- Four of the gift cards (\$300 in total) purchased by the Cultural Arts Manager were not included on the listing of cards. The investigator found two of these cards (\$50 each) and their supporting documentation. However, the whereabouts of the other two cards (\$100 each) and their use is not known. This event raises the possibility that City funds may have been misappropriated.
- Gift card purchases of \$112 were not supported with receipts. Therefore, it is not clear that the gift cards were used for the City’s operations.
- While most of the purchases on the gift cards appeared appropriate, the investigator noted that \$20 of gas was purchased by one of the MYA facilitators for his personal vehicle.

Cameras and Computers

In July 2010, the Cultural Arts Manager purchased 11 cameras totaling \$1,978, and three laptop computers totaling \$1,647 from a retailer for the MYA. The investigator noted the following issues related to the cameras and laptop computers:

- The investigator counted the inventory and noted that two cameras were missing. The Cultural Arts Manager could not locate these cameras and stated that he was not aware that the cameras were missing. This resulted in a \$360 loss to the City. Through discussion with the Cultural Arts Manager, the investigator determined that some cameras were reclaimed once the MYA was completed in August 2010, but relevant documentation was not maintained.
- The Department of Information Technology (DIT) indicated they would not support the three laptops since they were not purchased using the proper City procurement procedures for purchasing computers. DIT prohibited use of these computers on the City’s network. This resulted in additional wasted expenditures of \$1,647. The Cultural Arts Manager stated he was not aware of the proper ordering process for computers, so he purchased the computers from a retailer without knowing he was violating City Policy.
- The Cultural Arts Manager purchased extended warranties totaling \$509 for the 11 cameras and 3 laptops. The investigator questioned the necessity of these warranties, and determined the Deputy Director, to whom the Cultural Arts Manager was reporting to in

July 2010, did not approve the purchase of the warranties and requested that they be returned. The Cultural Arts Manager stated when he attempted to return the warranties; they could not be refunded since the returns were outside the grace period allowed by the retailer.

Other issues

During the course of this review, the investigator noted other instances where money and inventory were wasted or improperly controlled by the Cultural Arts Manager. The investigator found:

- The Cultural Arts Manager purchased \$4,393 of lights and other electrical materials for the Pine Camp Community Center in April 2010. The Cultural Arts Manager requested the Citywide Maintenance Office to paint a portion of these lights. In September 2010, the electricians at the Citywide Maintenance Office were asked to install the lights, but they noted that a fire retardant paint was not used. The electricians also determined the lights purchased were not suitable for installation at the Pine Camp location since they did not meet the voltage requirements. Due to the fire safety issues and improper voltage, none of the lights could be installed. The Cultural Arts Manager admitted to the investigator the \$972 of lights that were painted was a total loss. However, he recently found out that the remaining \$3,421 of lights and other materials could be used if transformers and other electrical equipment were purchased to resolve the voltage issues associated with these lights. The additional cost of the transformers and other electrical equipment needed for this purpose is not known. If the electricians had been consulted prior to the purchase of these lights, the issues above could have been prevented and no additional costs would have been necessary.
- The 2010 MYA had 12 facilitators who were hired by the Cultural Arts Manager on a temporary basis at an hourly rate. Most of these facilitators attended six meetings and other events from 6/5/10 through 7/1/10. They worked most weeks during July and August until the MYA was completed. No sign-in sheets to properly account for their time were maintained for the six initial meetings and two full weeks in July. When sign-in sheets were used during other weeks, there were three days where one of the facilitators did not sign-in, but was paid for the entire day. The investigator also noted 25 instances in July and August where a facilitator was either overpaid or underpaid since a Cultural Arts staff member did not accurately calculate the facilitators' working hours on the sign-in sheet for a given day. The Cultural Arts Manager stated he did not review the calculations by his staff to ensure the facilitators were accurately paid.

Conclusion

The management of the Cultural Arts Division appears to need significant improvement. In addition, the lack of proper recordkeeping could result in financial losses or additional liabilities for the City. As presented in this memorandum, the following actual or potential losses may have occurred to the City as follows:

Improper petty cash reimbursement	\$92
Missing gift cards	\$200
Inappropriate gas purchase	\$20
Missing cameras	\$360
Unsuitable lights	\$972
Unauthorized warranties	\$509
Unusable computers	<u>\$1,647</u>
Total actual or potential losses	<u>\$3,800</u>

In addition to the costs listed in the table above, the City will incur further costs to modify the current lighting system at Pine Camp to meet the voltage requirements of the facility.

If you have any questions, please contact me at extension 5640.

Sincerely,



Umesh Dalal, CPA, CIA, CIG
City Auditor/Inspector General

Cc: Byron Marshall, Chief Administrative Officer