

AUDIT

PACK SQUARE CONSERVANCY

THROUGH JUNE 30, 2008

BY: TIM FLORA, CPA
INTERNAL AUDITOR
BUNCOMBE COUNTY, NC
OCTOBER 2008

TABLE OF CONTENTS

	<u>PAGE</u>
EXECUTIVE SUMMARY.....	1
INTRODUCTION	
BACKGROUND	1
OBJECTIVE	1
PACK SQUARE AGREEMENT COMPLIANCE.....	2
PACK SQUARE CONSERVANCY FINANCIAL POSITION.....	3
FINANCIAL STATEMENT ASSERTIONS AND INTERNAL CONTROLS	3
BUDGET PROCESS AND CONTROLS.....	3
CURRENT FINANCIAL POSITION	3
APPENDIX	
PACK SQUARE CONSERVANCY RESPONSE.....	4

EXECUTIVE SUMMARY

In 2001, the Pack Square Conservancy (PSC or Conservancy) was given authority by Buncombe County and the City of Asheville to oversee the planning, design, fundraising and construction of 6.5 acres of public land known as the Pack Square Renaissance Area. Originally estimated to cost over \$10.5 million, the budget now reaches just over \$20 million and completion is now slated for August 2009, which is several years past its original completion date. The County conducted an audit to evaluate the Conservancy's financial and budget position and controls, and to determine if the Conservancy is adhering to a 2001 agreement signed by it, the City, and County.

The audit found four instances of noncompliance by the Pack Square Conservancy with the 2001 agreement. This included not getting its capital budget approved by the County Commissioners, failure to periodically report expenditures and disbursements, failure to seek Commissioner approval for renovations beyond December 31, 2006, and failure to provide quarterly reports of the Project's progress. It was also found that the Conservancy's budgeting procedures lack adequate controls to properly gauge budget progress. Monthly budget reports to Board members had calculation errors which overstated funds available. The amount overstated as of June 30, 2008 is \$188,307.

With the majority of contracts awarded and the Project moving into its anticipated final year until completion, at June 30, 2008, the Conservancy had an estimated \$13.3 million in expected costs to incur. Of this amount, the Conservancy had nearly \$500,000 in available funds, \$8.1 million in accounts receivable, and a need to raise the remaining amount of \$4.7 million.

INTRODUCTION

BACKGROUND

The Pack Square Conservancy is a nonprofit organization formed in 2000 to develop a comprehensive plan for 6.5 acres of public space leading from the County Courthouse and Asheville City Hall to the Vance Monument. This area is identified as the Pack Square Renaissance Area. Through a 2001 agreement with the City of Asheville and Buncombe County, the Conservancy was given the authority for overseeing the planning, design, fundraising and construction of this project. While the City and County maintain ownership of the property, funding for park renovations is the responsibility of the Conservancy. Following the completion of the design phase, the Conservancy broke ground on the new Pack Square Park in 2005. Intended to be complete by August 2006, the anticipated completion is now August 2009. In 2004, the renovation estimate was over \$10.5 million. The Conservancy now estimates total project cost to be just over \$20 million.

OBJECTIVE

To ensure good stewardship of County taxpayer resources, an audit of the Pack Square Conservancy was performed. This audit included an evaluation of the Conservancy's financial

position and budgeting activities, and a review of the original 2001 agreement to determine Conservancy compliance with the agreement terms.

PACK SQUARE AGREEMENT COMPLIANCE

On August 14, 2001, the City of Asheville, Buncombe County, and the Pack Square Conservancy entered into a formal agreement delineating responsibilities for the development of the Pack Square Renaissance Area. Certain reporting and approval conditions were required of the Pack Square Conservancy. Items of the agreement where the Conservancy is noncompliant are listed below.

2001 Agreement Requirement	Non-Compliant Items
PSC shall coordinate capital funding for the Project and submit a budget for the Project to the City and County for approval.	The last approved budget of \$10.565 million was approved by County Commissioners on September 7, 2004. The PSC is currently operating with a \$20.003 million budget.
PSC shall obtain and apply revenues to fund the Project...It shall inform the City and County on a regular basis of its planned and actual expenditures and disbursements.	No periodic expenditure statements were identified except for those requested by County officials.
PSC reserves the right, in its sole discretion, to delay the entering into construction contracts for the Project or to proceed with construction of the Project for any reason . . . However, in no case shall the completion of the Project construction be delayed beyond December 31, 2006 without the consent of the City and County.	No approval on record of Commissioners consent to Project extension beyond December 31, 2006.
PSC agrees to provide status reports to City and County on Project design and construction at not less than quarterly intervals until Project completion consistent with the approved design.	While an occasional update could be identified, there were no regular quarterly updates provided to Commissioners or other County officials.

Recommendation: The Pack Square Conservancy should seek approvals from the Board of Commissioners for both the current capital budget and for the construction delays beyond the December 31, 2006 deadlines as stated in the agreement. Moving forward, the Conservancy should implement a quarterly reporting system that formally updates the County on the progress of the Project. It is suggested that this reporting mechanism be done in a written format and be submitted to the Buncombe County Manager.

PACK SQUARE CONSERVANCY FINANCIAL POSITION

FINANCIAL STATEMENT ASSERTIONS AND INTERNAL CONTROLS

Since its inception the Pack Square Conservancy has received annual financial reviews from a local Certified Public Accountant. Since a financial review is less in scope than a full financial audit, an examination of the Conservancy's financial statements was performed to determine that financial assertions are realistic and that internal controls over cash management are adequate. Particular attention was given to the accounts receivable as donations are the key source of revenues for the Conservancy.

Findings: Based upon additional testing procedures performed, there is no indication that the financial assertions presented in the December 31, 2007 financial statements are inaccurate. As well, the Conservancy appears to have adequate internal controls over its cash disbursement procedures. While there were some pledges that appeared to be questionable in the accounts receivable, the cumulative amount in question was well below that allowed for in the Conservancy's allowance for doubtful accounts.

BUDGET PROCESS AND CONTROLS

The current budget of just over \$20 million was developed based upon information provided by an outside vendor and implemented by the Conservancy in June 2007. Expenditures are tracked and applied to this budget on a monthly basis and presented to the PSC Board of Director.

Findings: The Conservancy's budgeting procedures lack adequate controls to properly gauge budget progress. The June 2007 budget has not been updated since its inception to reflect changes from awarded contracts or other commitments. It was also found that the monthly budget results spreadsheet that is presented to its Board had calculation errors and as of June 30, 2008, the Remaining Budget available total was overstated by \$188,307. Of an original \$2.3 million identified in the budget for contingencies, an estimated \$1.6 is already anticipated to be needed. This leaves an estimated \$700,000 available. The majority of the park's construction is yet to be completed.

Recommendation: The Conservancy should update its budget line items to reflect changes in contracts and commitments. Contingencies and other available funds should be reassigned as necessary to reflect the most current, up-to-date information. This updated budget should be presented at each monthly Conservancy Board of Directors meeting for approval. Increases in the total budget need to be approved by the County Commissioners.

CURRENT FINANCIAL POSITION

Of the total current budget, as of June 30, 2008, total expenditures are \$6.7 million, leaving \$13.3 to be spent. To cover the remaining expenditures, the conservancy had \$500,000 cash on hand, \$3.8 million of federal grant money available, and \$4.3 million in net pledges receivable. This receivable includes the \$1.15 million commitment from the County. This leave the Pack Square Conservancy with the need to raise an additional \$4.7 million in order to meet its current capital budget. This amount does not include the \$1.5 million required to fully fund its anticipated \$2 million endowment.



PACK SQUARE CONSERVANCY, INC

October 7, 2008



Tim Flora
Internal Auditor
Buncombe County
PO Box 7526
Asheville NC 28802

Dear Tim:

As you requested, this is in response to your draft audit report from the review you conducted of the Conservancy's records through June 30, 2008.

Auditor's Finding #1

The last approved budget of \$10.565 million was approved by County Commissioners on September 7, 2004. The PSC is currently operating with a \$20.003 million budget.

Auditor's Recommendation

The Pack Square Conservancy should seek approvals from the Board of Commissioners for the current capital budget.

Auditor's Finding #3

No approval on record of Commissioners consent to Project extension beyond December 31, 2006.

Auditor's Recommendation

The Pack Square Conservancy should seek approvals from the Board of Commissioners for construction delays beyond the December 31, 2006 deadline.

Response to Findings #1 and #3

One focus of your report is the Conservancy's compliance with the agreement between the County, the City and the Conservancy executed in 2001. As you recommend, we will immediately submit a request through the County Manager to the Board of

Tim Flora
October 7, 2008

Commissioners for their approval of our current capital budget and for an extension of the construction deadline beyond December 31, 2006.

Finding #2

No periodic expenditure statements were identified except for those requested by County officials.

Finding #4

While an occasional update could be identified, there were no regular quarterly updates provided to Commissioners or other County officials.

Auditor's Recommendation for Findings #2 and #4

Moving forward, the Conservancy should implement a quarterly reporting system that formally updates the County on the progress of the Project. It is suggested that this reporting mechanism be done in a written format and be submitted to the Buncombe County Manager.

Response to Findings #2 and #4

We disagree with your conclusion that we have not provided periodic expenditure statements or regular updates to Commissioners or other county officials. One of the provisions of the County/City/Conservancy agreement is the appointment of representatives from both the County and the City to the Conservancy's Board of Trustees. A key responsibility of that representative would be to serve as the liaison for communication between the entities, and we have relied on that to take place with the appointments of both Commissioner Stanley and Commissioner Gantt. We assumed that their knowledge of and presence during Board discussion on budget, schedule and other important matters would be relayed back to the Board of Commissioners.

Each month since our Board was formed, the members have received a meeting packet containing the previous month's minutes, the previous month's financial statement, detailed reports on fundraising, construction and contracts status, and any other current information pertinent to the project. Members receive their packets via e-mail prior to the regular monthly meetings, whether they attend the meetings or not. I have enclosed an example in the form of the March 2008 board packet.

Tim Flora
October 7, 2008

In addition, beginning in 2004 I personally issued periodic project updates via e-mail to our Board, which would include Commissioners Stanley and Gantt, as well as to other parties involved in the project including Buncombe County Assistant Manager Jon Creighton and County Manager Wanda Greene. I have enclosed copies of some of those updates from the past four years for your reference.

Also, our office sends a monthly electronic newsletter to hundreds of stakeholders, to all of our local elected officials, county and city staff, and others involved with the project. A copy of the most recent "Park Notes" is enclosed for your reference. We have held formal presentations for city and county elected officials and their staff on March 10, 2004; June 28, 2006; April 3, 2007 and May 17, 2007. We provided an update to the Chamber's Governmental Affairs Task Force, which includes County Commissioners and City Council members, on January 22, 2008.

We fully expect to continue to provide the County with information on the project, through all of these means. While it is regrettable that the County has chosen not to have a Commissioner continue to sit on our Board, we hope that a new appointee will fulfill the communication and liaison role that is such a critical link between our two organizations. I would propose, in response to your suggestion for quarterly updates submitted to the County Manager, that we instead follow the same model for regular communication that we use with the City – that is, to provide the County Manager with the same Board packet that the county's appointed representative receives on a monthly basis. We currently issue the packet to the Mayor's office, so that it becomes public record.

Finding #6

The June 2007 budget has not been updated since its inception to reflect changes from awarded contracts or other commitments. The monthly budget results worksheet that is presented to (the) Board had calculation errors.

Auditor's Recommendation

The Conservancy should update its budget line items to reflect changes in contracts and commitments. Contingencies and other available funds should be reassigned as necessary to reflect the most current, up-to-date information. This updated budget should be presented at each monthly Conservancy Board meeting for approval. Increases in the total budget need to be approved by the County Commissioners.

Tim Flora
October 7, 2008

Response to Finding #6

The discrepancy between our budget worksheet and our financial statement has been corrected, and we will be adjusting our contingencies within the budget as need arises. We appreciate the work that you did to identify those oversights.

Thank you for your careful and thorough examination of our records. We are grateful for the County's support of the park project, and believe that your report will provide them with the assurance that our Board is conducting good stewardship of our donors' trust.

Sincerely,

A handwritten signature in cursive script that reads "Marilyn Geiselman". The signature is written in black ink and is positioned above the printed name and title.

Marilyn Geiselman
Executive Director

Enclosures