



Date: July 1, 2009
To: Bob Morgan, Interim City Manager
From: Internal Audit Division
Subject: Piedmont Triad Partnership Water Quality Review 2007-2008

The Internal Audit Division has performed a review of The Piedmont Triad Water Quality Partnership for the 2007-2008 fiscal year. Attached you will find our review report; the departmental response; and our replies to their responses. We feel that our recommendations have been sufficiently addressed as we move forward. If you have any questions or need additional information, please let us know. Thanks.

A handwritten signature in black ink, appearing to read 'Len Lucas', with a long horizontal flourish extending to the right.

Len Lucas
Internal Audit Director

Cc: Andy Scott, Interim Assistant City Manager for Economic Development
Allan Williams, Water Resources Director



Date: June 4, 2009
To: Allan Williams, Water Resources Director
From: Internal Audit Division
Subject: Piedmont Triad Water Quality Partnership Review 2007-2008

The Internal Audit Division has completed a review of the Piedmont Triad Water Quality Partnership, hereafter referred to as the Partnership, for fiscal year 2007-2008. The Partnership is made up of local area governments who contribute based on population; it is currently in its sixth year. The Partnership is administered by Lavelle Donnell and Kristine Williams of the Water Resources Department.

The objectives of our review were to:

- Provide knowledge of the background and the membership of the Partnership.
- Verify that the expenditure report matches the general ledger for each year of the program.
- Determine what expenditures are allowable under the agreement for the Partnership. Test expenditures to verify that they are allowable under the agreement.
- Verify that expenditures and revenue match the 2007-2008 Budget report from the 2007-2008 Annual Report.

Background

The Partnership was formed originally in 2003 with eleven local area units of government. These included Piedmont Triad Regional Water Authority, Guilford County, Forsyth County, Randolph County, City of High Point, City of Winston-Salem, Town of Jamestown, City of Randleman, City of Archdale, Town of Kernersville, and the City of Greensboro. According to the original contract, the Partnership was to continue for five years with an automatic renewal for two successive five year terms. Decisions are made by the management committee which includes one representative per entity as established in the bylaws; there are also four elected officers who serve a yearly term. Each year there is a budget ordinance made to amend the budget and establish a separate account for each year of the Partnership. The City's participation amount of \$7,500, based on a population of 200,000 or more, is transferred from the Stormwater Management Fund.

Grant Expense Summary Worksheets

The Grant Expense Summary worksheets are compiled by the Department for the Partnership to see a detail of the expenditures. The balance of revenue for each year simply rolls forward to the new account that is set up for the next year. All of the expenditures on the spreadsheets matched Lawson with the exception of a charge for \$.30 in year 5 that was mistakenly listed as \$1.60.

However, there were several adjustments that were made to the general ledger that were carried into the spreadsheet. In the year 1 account in fiscal year 2005, \$.88 of expenditures were moved to the year 2 account as a result of a budget adjustment to reclassify expenses from one year's account to the next year's account. In year 2 \$.22 was moved to year 3, an additional \$.46 was added to year 3 and taken from year 4 and \$.29 was moved from year 4 to year 5. Budget adjustments must be even amounts and as a result journal entries were made to move the cents. These additions and subtractions, although immaterial, misstate the actual expenses for each

move the cents. These additions and subtractions, although immaterial, misstate the actual expenses for each year of the project. It is our recommendation that the expenses should be left in the current year account. This should not cause a problem with the expenditure budget, considering that in each of the years' accounts, there has been unspent revenue that is moved to the next years' account.

Allowable Expenditures

The purpose of the Partnership is "to train citizens and businesses with regard to stormwater rules including water quality protection and management and surface water pollution and prevention, NPDES (National Pollutant Discharge Elimination System) stormwater regulations, and best management practices in the development of a Randleman Lake Stormwater Management Plan, as applicable". The agreement sets forth the cooperation of the governments to "produce television ads, brochures and stream signs and/or other stormwater quality education components as set forth herein in Exhibit A. Exhibit A for FY 07-08 includes support for the Carolina Yards and Neighborhoods Program, an animated television commercial and curriculum guides for local schools.

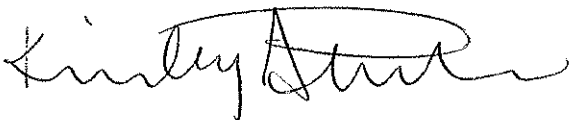
After pulling all of the invoices for FY 07-08, which spanned years 4 and 5 of the Partnership, the campaigns included Lenny the Lifeguard, Motor Oil, and Carolina Yards and Neighborhoods. Purchases for the Lenny the Lifeguard campaign included television commercials, advertising materials such as coloring pages and kits, and curriculum guides and student workbooks. The curriculum guides included stormwater and pollution education for 5th graders in the Randolph County, Winston-Salem/Forsyth County, Guilford County and Alamance/Burlington School Systems. The Motor Oil campaign consisted of television commercials, movie advertising, radio advertising and promotional oil funnels. Expenditures for the Carolina Yards and Neighborhoods included newspaper and television advertising. All of the expenditures listed above are allowable under the agreement.

2007-2008 Budget from the Annual Report

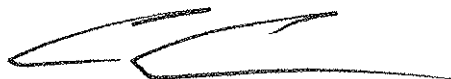
The 2007-2008 Budget report is made up of the cost share revenue, television commercials for both Lenny the Lifeguard and Used Motor Oil campaigns, Carolina Yards and Neighborhoods newspaper ads, radio and movie advertising for the Used Motor Oil campaign, and associated outreach tools. After compiling copies of the checks from participating governments, the totals matched the current year cost share revenue.

Total expenditures for FY 2007-2008 for the various campaigns totaled \$71,824.21. The total for the television commercials for the Lenny the Lifeguard campaign was \$20,268.75; however, the report listed the total as \$20,686.75. The Department confirmed that the reported total was incorrect and corrected the report going forward. Also, one of the invoices did not accurately break out the commission due to the Coliseum. The Coliseum agreed to leave the invoice as is due to the age and insignificant amount of the commission. The totals for the Used Motor Oil campaign advertising were \$30,709 for television, \$1,840 for radio, and \$8,917.68 for movie; these figures matched the report. Other expenses for website hosting and outreach tools were \$95.40 and \$6,806.83, respectively; these also matched the report totals.

We would like to thank the staff of the Water Resources Department for their courtesy and cooperation during this review. We request a response by June 19, 2009. If there are any questions concerning this review or our recommendations, please call us at 373-2230.

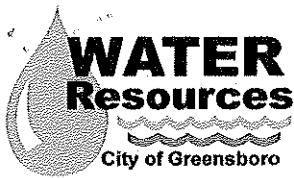


Kimberly Strickland
Internal Auditor



Len Lucas
Internal Audit Director

cc: Andy Scott, Interim Assistant City Manager for Economic Development



Administration
(336) 373-2055
Fax (336) 412-6305

Customer Service
(336) 373-2344
Fax (336) 412-3932

Water Supply
Mitchell Plant
(336) 373-5855
Fax (336) 373-5834

Townsend Plant
(336) 373-7530
Fax (336) 373-7526

Water Reclamation
North Buffalo Plant
(336) 373-5913
Fax (336) 274-7585

T.Z. Osborne Plant
(336) 373-7740
Fax (336) 373-7720

Construction & Maintenance
(336) 373-2033
Fax (336) 412-3936

Meter Services
(336) 373-2071
Fax (336) 574-4067

Engineering
(336) 373-2055
Fax (336) 412-6305

Stormwater Management
(336) 373-2055
Fax (336) 373-3119

MEMORANDUM:

Date: June 18, 2009

To: Len Lucas, Internal Audit Director

From: Allan Williams, Water Resources Director

Subject: Response to PTWQP Review Findings

A handwritten signature in black ink, appearing to read "Allan Williams", is written over the "From:" line of the memorandum.

Water Resources has reviewed the Piedmont Triad Water Quality Partnership Review Findings. The information contained within the report is accurate. We noted one recommendation and one mistake in our records that was brought to our attention.

The recommendation dealt with Accounting's practice of moving extra cents of expenses forward each year to end the previous year with an even dollar amount. This is not the Water Resources Department's practice, but rather the Finance Department's practice to assist with closing out accounts. We believe that if there is a problem with the practice, Internal Audit should bring it to the attention of the Grant Administrator, Deborah Alston, with the Finance Department.

We appreciate Kimberly pointing out the typo on our annual report, which was corrected immediately.

We appreciate the opportunity to comment.

cc: Andy Scott, Interim Assistant City Manager for Economic Development
Kimberly Strickland, Internal Auditor
Kristine Williams, Water Resources Business Manager



City of Greensboro

Date: July 1, 2009
To: Allan Williams, Water Resources Director
From: Internal Audit Division
Subject: Piedmont Triad Water Quality Partnership Review 2007-2008

We have received your response regarding the Piedmont Triad Water Quality Partnership Review for 2007-2008. We agree with your response and we will address the Finance Department concerning the moving of cents between accounts at the close of the account.

Thank you for response. If there are any questions concerning this review or our recommendations, please call us at 373-2230.

A handwritten signature in black ink, appearing to read "Kimberly Strickland".

Kimberly Strickland
Internal Auditor

A handwritten signature in black ink, appearing to read "Len Lucas".

Len Lucas
Internal Audit Director

cc: Andy Scott, Interim Assistant City Manager for Economic Development