

**Audit of the Cooperative
Extension Office's
Master Gardener Program
Bank Account**

**Report by the
Office of County Comptroller**

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**Report No. 400
March 2009**

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March 31, 2009

Richard T. Crotty, County Mayor
And
Board of County Commissioners

We have conducted an audit of the Cooperative Extension Office's Master Gardener Program Bank Account. The audit was limited to a review of the internal controls over the Master Gardener Program bank account. The period audited was October 1, 2006 through May 31, 2008.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Responses to our Recommendations for Improvement were received from the County Extension Director and are incorporated herein.

We appreciate the cooperation of the personnel of the Cooperative Extension Division during the course of the audit.

Martha O. Haynie, CPA
County Comptroller

c: Ajit Lalchandani, County Administrator
Larry A. Jones, Director, Health and Family Services Department
Glinder Stephens, County Extension Director & Division Manager
Edmund L. Thralls, Extension Agent & Master Gardener Coordinator

EXECUTIVE SUMMARY

Executive Summary

We conducted a review of the internal controls over the bank account of the Cooperative Extension Office's Master Gardener Program (Program). The period audited was October 1, 2006 to May 31, 2008. The audit objectives were to determine the following:

- Whether expenditures from the Program bank account were adequately supported, properly approved, and in compliance with University Guidelines; and
- Whether controls were adequate to reasonably ensure all recorded donations and other receipts intended for the Program bank account were properly applied to the Program bank account.

In our opinion, controls over expenditures from the Program bank account were adequate and in compliance with University Guidelines. However, controls were not adequate to reasonably ensure all donations and other receipts intended for the Program bank account were collected, recorded, and properly applied to the Program bank account. Specifically, we noted the following:

We noted several instances where the Program was not in compliance with the guidelines provided by the University of Florida. For example, we found that 58 of the 60 individual collections received during the audit period were not supported by detailed income receipts.

We found that the Program does not have procedures detailing their current practice of handling disbursements and has not documented in writing the types of expenses that are program-related and do not require specific approval from the Advisory Committee.

We found two blank checks that were signed by one of the account owners prior to when the check was actually needed.

The bank statement balance for the Program bank account is not reconciled with the actual cash book balance.

Program personnel do not prepare a budget of the amounts they expect to spend on training nor do they perform an accounting of the amounts they actually spent.

We learned that University Guidelines permit Program funds to be processed through county accounts if approved by the University administration, which could help to eliminate most of the control weaknesses noted.

The Division concurred with all of the Recommendations for Improvement. Corrective action is either completed, underway, or planned as noted herein.

ACTION PLAN

**COOPERATIVE EXTENSION OFFICE'S
MASTER GARDENER PROGRAM BANK ACCOUNT REVIEW
ACTION PLAN**

NO.	RECOMMENDATIONS	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS	
		CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED
1.	We recommend the Orange County Master Gardener Program complies with the University of Florida Guidelines for Bank Accounts in County Extension Offices. Specifically,					
A)	Detailed income receipts should be written for every transaction;	✓			✓	
B)	All collections over \$500 should be deposited within one business day;	✓			✓	
C)	A separate official pre-numbered Orange County receipt book should be maintained specifically for the Program with all receipt copies kept intact;	✓			✓	
D)	Checks for \$500 or more must have two authorized signatures. This condition should be incorporated as a requirement of the bank, if possible; and,	✓			✓	
E)	The Program's books and records should receive an annual review by the oversight committee or other acceptable audit authority.	✓				✓
	Further, the Advisory Committee members should promptly remove the inactive account owner through the bank and select a replacement.	✓			✓	
2.	We recommend Program personnel performs the following:					
A)	Develops policies and procedures that detail expenditures which are appropriate for Master Gardener training and do not require specific approval. Anything outside this list must be approved by a majority of the Advisory Committee members and such	✓				✓

**COOPERATIVE EXTENSION OFFICE'S
MASTER GARDENER PROGRAM BANK ACCOUNT REVIEW
ACTION PLAN**

NO.	RECOMMENDATIONS	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS	
		CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED
	approval must be documented;					
B)	Ceases the practice of signing blank checks;	✓			✓	
C)	Ensures supporting documentation exists, is complete, and substantiates the amount being reimbursed for all expenditures incurred; and,	✓			✓	
D)	Reviews reimbursement requests carefully to ensure individuals are not reimbursed for sales tax incurred for the purchase of personal items.	✓			✓	
3.	We recommend the Program bank account is reconciled monthly by someone without access to the account.	✓			✓	
4.	We recommend Program personnel prepare an annual budget detailing the amounts they expect to spend on the training of Master Gardeners. In addition, an accounting should be performed annually of the amounts budgeted compared to the amounts actually spent.	✓				✓
5.	We recommend the County considers operating the Program bank account as a County fund.	✓				✓

INTRODUCTION

Background

The Master Gardener Program is a volunteer-driven program for citizens interested in gardening and in giving back to their communities. Interested participants must complete over 70 hours of education encompassing all areas of gardening. In return for this education, these citizens are asked to donate at least 75 hours of volunteer service during the following year. Volunteers serve their community by answering homeowner questions on the telephone, helping to maintain demonstration gardens, conducting plant clinics, testing soil pH, and promoting environmentally friendly horticultural practices.

The Master Gardener Program is operated by the Orange County Cooperative Extension Division within the Health and Family Services Department. The mission of the Orange County Master Gardener Program (Program) is to train a core of volunteers to assist the county agent in delivering information to residents on how to design, plant, and care for their plants and landscapes in an environmentally friendly way. The Program is operated as a partnership between Orange County and the University of Florida. The Residential Horticulture Extension Agent, whose position is funded 90 percent by Orange County and 10 percent by the University of Florida, is also the Master Gardener Coordinator and is responsible for coordinating Orange County's volunteer recruiting, training, and management efforts.

A bank account was established for all Program-related monies. While the account is overseen locally by the Environmental Horticulture/Master Gardener Advisory Committee (Advisory Committee), the University of Florida provides county extension offices with guidelines on how the account should be established and managed. The Advisory Committee was established in accordance with these guidelines and is responsible for supporting the educational programs offered through the Residential Horticulture area, one of which is the Master Gardener Program.

**Scope, Objectives,
and Methodology**

The audit scope included a review of the internal controls over the bank account of the Cooperative Extension Office's

Master Gardener Program. The period audited was October 1, 2006 to May 31, 2008. The audit objectives were to determine the following:

- Whether expenditures from the Master Gardener Program bank account were adequately supported, properly approved, and in compliance with University Guidelines; and
- Whether controls were adequate to reasonably ensure all recorded donations and other receipts intended for the Master Gardener Program bank account were collected and properly applied to the Master Gardener Program bank account.

To achieve our objectives, we performed the following tests:

To determine whether expenditures were adequately supported and properly approved, we obtained all bank statements for the Program bank account during the audit period. We summarized the withdrawals made from the account to ensure supporting documentation existed, proper prior approval was obtained, and the purpose appeared reasonable. We also reviewed all checks written during the audit period to ensure they were processed in accordance with applicable guidelines. In addition, we calculated the total amount spent on training and compared it to the total amount collected in fees.

To determine whether expenditures were in compliance with University Guidelines, we spoke with Program staff to gain an understanding of their current practices. We also contacted the bank to ensure the account was established and operated according to these guidelines.

To determine whether controls over cash receipts were adequate, we summarized the recorded deposits made into the account to ensure all were processed according to applicable guidelines and supported by detailed income receipts. We also reviewed the Program receipt book to ensure the accountability of all recorded receipts.

INTRODUCTION



Audit of the Cooperative
Extension Office's Master
Gardener Program Bank Account

Overall Evaluation

In our opinion, controls over expenditures from the Master Gardener Program bank account were adequate and in compliance with University Guidelines. However, controls were not adequate to reasonably ensure all donations and other receipts intended for the Program bank account were collected, recorded and properly applied to the Program bank account. Opportunities for improvement were noted and are described herein.

RECOMMENDATIONS FOR IMPROVEMENT

1. The Master Gardener Program Should Comply With the University of Florida Guidelines for Bank Accounts in County Extension Offices

The University of Florida developed and provided all Extension Directors with Guidelines for Bank Accounts in County Extension Offices (University Guidelines), which detail how the bank account must be set-up and operated. We tested the Master Gardener Program's (Program) compliance with these guidelines and noted the following:

- A) During our review of bank deposits, we identified 60 individual collections received during the audit period. Ninety-seven percent of these transactions (58 of 60) were not supported by detailed receipts. University Guidelines require that income receipts be prepared for every transaction. Such pre-numbered receipts must include the date, customer name, reason for receipt, amount received, type of transaction (cash, check or credit card), name of receiving party and the signature of the person receiving the funds.
- B) We noted receipts for \$500 or more were not deposited within one business day as required by University Guidelines. We identified five occasions on which deposits were made for \$500 or more during our review of deposits. Three of the five deposits included plant sale proceeds. For these deposits, we compared the date of the plant sale to the deposit date and found that all monies were deposited at least six days after the plant sale date. For the two remaining deposits, we were unable to determine whether the deposit was made timely due to the lack of receipts. University Guidelines require that collections held not exceed \$500 and that deposits be made within one business day when collections exceed this amount. There is an increased risk of theft or loss the longer monies are kept in the Program's possession.
- C) We found that receipt copies are torn out of the Program's receipt book rather than being maintained

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as a complete document. In addition, the receipt book used for the Program is a generic receipt book and is also used for programs run by another Extension Agent. Per University Guidelines, receipt books shall be retained as permanent records. Further, generic receipts should not be used. Receipt books should be obtained from the Comptroller's Finance and Accounting Department. As such, we were unable to determine if all monies received were deposited.

- D) During our test of disbursements, we identified five checks written for \$500 or more. However, none of the checks identified had two signatures as required by the University Guidelines. We also learned that the bank does not have such a restriction in place for checks cashed from the Program bank account.
- E) We found no evidence that the books and records of the Master Gardener bank account received a sufficient annual review for at least the past two years. In addition, we were informed that one had not been done in many years. According to the University Guidelines, the books and records pertaining to the account shall be reviewed annually by the oversight committee or other acceptable audit authority, such as the County Auditor or a local CPA. Without a sufficient annual review, errors or misstatements could go undetected.
- F) Per University Guidelines, bank accounts must be established under advisory committees or not-for-profit corporations. As a result, the Program's account was established under the ownership of three members of the Environmental Horticulture/Master Gardener Program Advisory Committee (Advisory Committee). During the audit period, one of the individuals stepped down from her responsibilities as a Committee member yet has not been removed as an account owner with the bank. Good internal controls require that those charged with ownership of the account be actively involved in the oversight of the

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Program. This individual continues to have full access to the Program's bank account even though she is not an active member of the Committee.

We Recommend the Orange County Master Gardener Program complies with the University of Florida Guidelines for Bank Accounts in County Extension Offices. Specifically,

- A) Detailed income receipts should be written for every transaction;
- B) All collections over \$500 should be deposited within one business day;
- C) A separate official pre-numbered Orange County receipt book should be maintained specifically for the Program with all receipt copies kept intact;
- D) Checks for \$500 or more must have two authorized signatures. This condition should be incorporated as a requirement of the bank, if possible; and,
- E) The Program's books and records should receive an annual review by the oversight committee or other acceptable audit authority.

Further, the Advisory Committee members should promptly remove the inactive account owner through the bank and select a replacement.

Management's Response:

We concur with the recommendation that the Orange County Master Gardener Program comply with the University of Florida Guidelines for Bank Accounts in County Offices.

Specifically,

- A) Detailed income receipts will be written for every transaction.

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- B) All collections over \$500 will be deposited within one business day.
- C) A separate official pre-numbered receipt book has been obtained from the commercial office supply vendor in August 2008, specifically for the Program, and all receipt copies will be kept intact. We will investigate and procure, as appropriate, an official pre-numbered Orange County receipt book.
- D) We understand that checks for \$500 or more must have two account-authorized signatures is a requirement of the University; however, the local bank does not facilitate such a requirement or stipulation and therefore, cannot be incorporated as a requirement of the bank. We will ensure that we will make this a policy internally and report it in any future audit of the Program funds.
- E) The Program's books and records are annually reviewed by two individuals that sign a document that indicates the program's bank records have been reconciled. To date, this has been considered as "other acceptable audit authority." This report is forwarded to the District Extension Director's Office at the University in January of each calendar year. Every effort will be made to see that more than just the bank statement is audited during these annual audits to include receipt book records and other cash transactions of the Program.

The Advisory Committee member identified in the audit review is in the process of being removed as an active account owner. A replacement has not been selected at this time since there are two current members of the Advisory Committee that are active account owners. In the future, an active account owner who resigns or is no longer an active member of the Advisory Committee will be removed from the account within one business day of notification.

2. Improvements Are Needed in the Master Gardener Program's Controls Over Expenditures

During our review of expenditures, the following issues were noted:

- A) The Advisory Committee is responsible for approving disbursements from the Program bank account. According to Program staff, their current practice allows disbursements to be made without obtaining approval from the Committee when the items being purchased relate to programs that have already been approved. Anything unusual or unrelated to an approved program must receive specific approval from a majority of Committee members.

We found that the Program does not have procedures detailing their current practice of handling disbursements. As a result, they have not documented in writing the types of expenses that are program-related and do not require specific approval from the Advisory Committee.

We identified several purchases that appear to be outside the normal course of business; however, approval from the Advisory Committee was not noted in their meeting minutes. For example, the Program spent over \$500 to purchase plants for a plant sale held at the Central Florida Fair even though the sale was conducted entirely by fair employees. While the proceeds of the plant sale were to be donated to the Program, the plants were provided to the fair on consignment without a written agreement specifying who is responsible for the plants. In another instance, tickets were purchased with Master Gardener monies so that 19 volunteers could attend a behind-the-scenes tour of Epcot. Good internal controls require that non-recurring purchases such as those mentioned above receive specific approval by the Advisory Committee due to their nature.

RECOMMENDATIONS FOR IMPROVEMENT



- B) During our review of the check register, we found two blank checks that were signed by one of the account owners. We also found documentation suggesting there is a common practice of having blank checks signed prior to when the check is actually needed. Checks should not be signed before the amount and payee are completed and the supporting documentation has been reviewed and approved for payment.
- C) Some of the supporting documentation submitted with reimbursement requests included copies of invoices and receipts that were incomplete or illegible. It is important that supporting documentation be complete and substantiates the amount being reimbursed.
- D) Many of the checks written from the Program bank account were for reimbursement to individuals that incurred expenses related to Master Gardener training or other related activities. We found that personal items were sometimes purchased at the same time and, while the purchase price of these items was removed from the reimbursement amount, the associated sales tax was not removed. Although the amounts in question were very small, it is not an appropriate practice.

We Recommend Program personnel performs the following:

- A) Develops policies and procedures that detail expenditures which are appropriate for Master Gardener training and do not require specific approval. Anything outside this list must be approved by a majority of the Advisory Committee members and such approval must be documented;
- B) Ceases the practice of signing blank checks;
- C) Ensures supporting documentation exists, is complete, and substantiates the amount being reimbursed for all expenditures incurred; and,

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- D) Reviews reimbursement requests carefully to ensure individuals are not reimbursed for sales tax incurred for the purchase of personal items.

Management's Response:

We concur with the recommendation that the Orange County Master Gardener Program personnel perform as recommended in the internal audit findings.

- A) The Advisory Committee members will develop policies and procedures that detail expenditures which are appropriate for Master Gardener training and do not require specific approval. Anything outside this list will be approved by a majority of the Advisory Committee members and such approval will be documented in minutes, e-mail or other means as appropriate.
- B) We will cease the practice of signing blank checks.
- C) We will ensure supporting documentation exists, is complete, and substantiates the amount being reimbursed for all expenditures incurred. This was placed into effect at the beginning of the Master Gardener Training Program on August 19, 2008.
- D) The new procedures will include that no reimbursement requests will be honored or approved if the sales receipt includes purchase of personal items. Only receipts with specific items listed for use or consumption within the Master Gardener Program will be approved.

3. A Reconciliation of the Master Gardener Program Bank Account Should Be Performed Monthly

The bank statement balance for the Program bank account is not reconciled with the actual cash book balance. The Advisory Committee Treasurer (who has access to the account monies) prepares a balance sheet each month;

however, outstanding items are not accounted for in this reconciliation.

Strong internal controls over cash accounts require that bank accounts be reconciled on a monthly basis by someone that does not have access to the monies so that errors or other problems are recognized and resolved on a timely basis.

We Recommend the Program bank account is reconciled monthly by someone without access to the account.

Management's Response:

We concur with the recommendation that the Orange County Master Gardener Program reconcile the Program bank account monthly by someone without access to the account. During the process of this audit, the bank no longer provides a "hard copy" of the monthly statement. An owner on the account will log into the bank account in the presence of someone without access to the account and print a copy of the electronic statement for this review to be completed on a monthly basis.

4. Program Personnel Should Prepare an Annual Budget of the Amounts They Expect to Spend on Training

Those interested in becoming a Master Gardener are assessed a registration fee at the beginning of the training year. These fees are deposited in the Program bank account and are spent on items to facilitate the training of prospective Master Gardeners (i.e. books, training materials, refreshments and banquet supplies). We learned that Program personnel do not prepare a budget of the amounts they expect to spend on these items nor do they perform an accounting of the amounts they actually spent. We calculated the amount spent on training-related expenses for the 2007 and 2008 training years and compared it to the amount collected in registration fees during the same period. Our calculation revealed the following:

**RECOMMENDATIONS
FOR IMPROVEMENT**



	Class of 2007	Class of 2008
Total Collected	\$3,600	\$2,450
Total Expenses	3,841	2,042
Surplus / (Deficit)	(\$241)	\$ 408

Good business practices require that an organization budget and account for the money spent on specific programs. Without such, the Program Coordinator is unable to determine whether the fee charged to prospective Master Gardeners is sufficient to cover all expenses expected to be incurred or if they are spending more than collected.

We Recommend Program personnel prepare an annual budget detailing the amounts they expect to spend on the training of Master Gardeners. In addition, an accounting should be performed annually of the amounts budgeted compared to the amounts actually spent.

Management's Response:

We concur with the recommendation that the Orange County Master Gardener Program personnel prepare an annual budget detailing the amounts they expect to spend on the training of Master Gardeners. At the annual audit of the Master Gardener Fund account the "reviewers" will compare the amounts budgeted to the amounts actually spent on volunteers during training. Then future costs for training and training materials can be adjusted to prevent shortfalls or excessive collections as appropriate.

5. The County Should Consider Operating the Master Gardener Fund As A County Fund

As previously noted, the Program's account was established under the ownership of three members of the Advisory Committee. However, the University Guidelines permit Program funds to be processed through county accounts if approved by the University administration. By operating as an Orange County fund, the Program could enjoy monetary savings through the County's tax-exempt status while the Advisory Committee could save time managing the account.

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During the audit period, an estimated \$160 was spent on sales tax that could have been avoided if the account were set-up as a County fund and P-cards or direct vendor payments were utilized. In addition, utilizing a County fund could help to eliminate most of the control weaknesses noted in this report.

We Recommend the County considers operating the Program bank account as a County fund.

Management's Response:

We will take this recommendation under consideration after ensuring the program has come into compliance with the University of Florida Guidelines for Bank Accounts in County Offices.