

**Citizen Support Organizations  
for Tennessee State Parks**

**Arthur A. Hayes, Jr., CPA**

Director

**Charles K. Bridges, CPA**

Assistant Director

**Teresa L. Hensley, CPA**

Audit Manager

**Herb Kraycirik, CPA**

In-Charge Auditor

**Andrea Warhurst, CPA**

Staff Auditor

**Leslie Bethea**

Editor

November 5, 1997

The Honorable Don Sundquist, Governor  
and  
Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243  
and  
The Honorable Milton H. Hamilton, Jr., Commissioner  
Department of Environment and Conservation  
401 Church Street  
Nashville, Tennessee 37243

Ladies and Gentlemen:

We have conducted a financial and compliance audit of selected activities of five citizen support organizations for the Tennessee State Parks.

We conducted our audit in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we obtain an understanding of management controls relevant to the audit and that we design the audit to provide reasonable assurance of the organizations' compliance with the provisions of laws, regulations, and contracts significant to the audit. The management of each support organization is responsible for establishing and maintaining the internal control structure and for complying with applicable laws and regulations.

As a result of our audit, we have included a list of recommendations at the end of this report which we believe will improve the controls over each organization's financial activities.

Very truly yours,

W. R. Snodgrass  
Comptroller of the Treasury

WRS/sk  
97/090

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit  
**Citizen Support Organizations for Tennessee State Parks**

---

## AUDIT SCOPE

We have audited the following citizen support organizations for the time periods indicated:

- Friends of Standing Stone State Park, Inc. (October 13, 1994, through December 31, 1996)
- Fort Loudoun Association, Inc. (January 1, 1995, through December 31, 1996)
- Friends of Radnor Lake, Inc. (January 1, 1995, through December 31, 1996)
- Friends of South Cumberland Recreation Area, Inc. (January 1, 1994, through June 30, 1996)
- Friends of Fall Creek Falls State Park, Inc. (January 1, 1995, through December 31, 1996)

Our scope included obtaining an understanding of management controls as they related to procurement, cash disbursements, cash receipts, and payroll and testing a sample of receipts and disbursements. The audit was conducted in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## AUDIT CONCLUSIONS

As a result of the audit, we have issued a list of recommendations designed to improve controls over each organization's financial activities.

---

"Audit Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit  
1500 James K. Polk Building, Nashville, TN 37243-0264  
(615) 741-3697

---

# **Audit Report**

## **Citizen Support Organizations for Tennessee State Parks**

---

### **TABLE OF CONTENTS**

---

	<u>Page</u>
<b>INTRODUCTION</b>	1
Background	1
Post-Audit Authority	1
<b>AUDIT SCOPE</b>	1
<b>OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS</b>	2
Management Controls	2
Recommendations	3

# **Audit Report**

## **Citizen Support Organizations for Tennessee State Parks**

---

### **INTRODUCTION**

---

#### **BACKGROUND**

In 1993, the Tennessee General Assembly passed legislation which officially sanctioned the organization of “citizen support organizations” to “maintain and enhance the purposes, programs and functions of the state park system, including, but not limited to, educational, interpretative and recreational functions.” The General Assembly further authorized the Commissioner of the Department of Environment and Conservation, with the approval of the Commissioner of the Department of Finance and Administration, to “enter into agreements with such organizations for the purpose of providing support, financial and otherwise, to specific park(s) or the state park system.” To date, 20 citizen support organizations have been created, although not all have entered into agreements with the Commissioner of the Department of Environment and Conservation. Each support organization is an independent nonprofit corporation and has its own governing body. Each support organization has aligned itself with a particular state park and works closely with the park manager of that park who advises the organization on ways in which it can help maintain and enhance the park.

#### **POST-AUDIT AUTHORITY**

This is the report on the financial and compliance audit of five citizen support organizations. The audit was conducted pursuant to Section 11-3-207, *Tennessee Code Annotated*, which states, “All annual reports and all books of accounts and financial records of a citizen support organization shall be subject to audit annually by the comptroller of the treasury.”

---

### **AUDIT SCOPE**

---

We selected five of the 20 citizen support organizations to audit. The organizations and periods audited are as follows:

Friends of Standing Stone State Park, Inc. (October 13, 1994, through December 31, 1996)

Fort Loudoun Association, Inc. (January 1, 1995, through December 31, 1996)

Friends of Radnor Lake, Inc. (January 1, 1995, through December 31, 1996)

Friends of South Cumberland Recreation Area, Inc. (July 1, 1994, through June 30, 1996)

Friends of Fall Creek Falls State Park, Inc. (January 1, 1995, through December 31, 1996)

Our scope included obtaining an understanding of management controls as they related to procurement, cash disbursements, cash receipts, and payroll and testing a sample of receipts and disbursements. The audit was conducted in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

---

## OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

---

### MANAGEMENT CONTROLS

Our objectives in reviewing internal controls and procedures focused on:

- determining whether cash receipts were properly accounted for and deposited timely;
- determining whether cash disbursements were adequately supported and properly approved;
- determining whether cash disbursements were made only to support the activities of the park;
- determining whether equipment purchased could be located and was being used for park-related activities;
- determining whether the cash balance at year-end shown on the books of account or checkbook could be reconciled to the balance shown on the bank confirmation; and
- making recommendations which will improve controls over financial activities.

We interviewed personnel of the support organizations to gain an understanding of the procedures and controls related to the above areas. We also reviewed supporting documentation for a sample of receipts and disbursements. As a result of this audit, we have issued a list of recommendations designed to improve controls over each organization's financial activities.

## RECOMMENDATIONS

1. The support organizations should issue prenumbered receipts for all donations with the name of the organization preprinted on the receipts. If the donation is by check, a copy of the check should be made and attached to the receipt.
2. The support organizations should purchase “for deposit only” stamps and use them to endorse all checks as soon as they are received.
3. Cash donations from donation boxes should be counted by two persons. The count should then be recorded on a count sheet and signed by the counters.
4. Donations should be deposited in the bank within one day of receipt.
5. On a monthly basis, someone other than the person who completes the receipts should reconcile the receipts to the deposits shown on the bank statements.
6. The support organizations should set up the checking accounts requiring two signatures for each check. If possible, someone who is not authorized to sign checks should prepare the checks. Also, the checks should be used in numerical order, and all canceled checks should be kept.
7. The support organizations should require that documentation (receipts or invoices) be reviewed before checks are signed. These receipts or invoices should then be canceled to prevent reuse.
8. On a monthly basis, someone who is not authorized to sign checks should reconcile all withdrawals shown on the bank statements to the checks that have been written.
9. If the support organizations have purchased equipment, they should place a prenumbered tag on the item and maintain an equipment listing which includes a description of the item, the tag number, and the serial number of the item.
10. If the support organizations are paying persons for services to the organization, they should have a written agreement with the person which shows either the total amount to be paid or the hourly wage. Time sheets should be maintained and signed by the supervisor and the person performing the service. These time sheets should reflect the dates worked and the number of hours worked on each date. In addition, the support organizations should determine if these persons are employees or independent contractors. If the persons are determined to be independent contractors, the support organizations must send them an IRS form 1099 if the amount paid to them is \$600 or more in a calendar year.
11. The support organizations should keep minutes of all board meetings and should have these minutes signed by a board officer.

12. If cost effective, the support organizations should purchase employee dishonesty insurance covering all persons with financial responsibilities.
13. The support organizations should register with the Division of Charitable Solicitations, Department of State.