



Parks and Recreation

Internal Audit

September 2017

# **Bernalillo County Internal Audit Parks and Recreation**

## **Executive Summary**

### **SUMMARY OF PROCEDURES**

REDW performed internal audit procedures for the Parks and Recreation Department over rental fees collected for community centers, sports fields/park usage and special events. We obtained and understanding for the processes in place to assess and collect fees at the various Parks and Recreation locations.

We performed the following procedures:

- Obtained an understanding of Park and Recreation’s processes for the collection of fees related to the rental of community centers, sport fields/park usage, and special events. Additionally, we obtained an understanding of the process for collecting, depositing and recording revenue from the entrance fees at special events.
- Tested a selection of rental fees charged for the use of community centers to determine if an application was completed, the correct fee was assessed based on rental type and entity, and the receipt agreed to the fee schedules and payment detail.
- Tested a selection of rental fees charged for the sports fields/park usage to determine if an application was completed, proper payment was assessed in accordance with the approved fees, a receipt agreed to the application and recorded payment, proof of insurance was provided by the renter, if applicable, and the rental was approved by the Parks and Recreation Director.
- Tested a selection of vendors renting space at special events to determine if an application was completed, payment received, deposited timely, was for the correct amount as stated in the application and agreed to payment recorded.
- For all instances where payments were received, we tested to determine if a daily reconciliation was performed and signed off by two individuals, the deposit slip agreed to reconciliation, and the deposit was completed within 24-hours.

## SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

During the course of the audit we identified areas which appeared to be functioning properly. These areas included adequate oversight of the collection, tracking and recording of fees at Los Padillas community center, and timely deposits of fees collected for sports fields/park usage.

As a result of our testing, the following significant high and moderate risk observations were identified:

- 1) ***Noncompliance with cash handling AI:*** There were 15 instances identified where cash receipts were not deposited in 24-hours in accordance with County policy. Additionally, there were 27 rental fees tested that did not have documentation to determine if the daily reconciliation was performed by two individuals.
- 2) ***Inconsistent special event processes:*** There were two vendors identified who were given unauthorized discounts. There were no processes in place to ensure all vendors participating in special events were charged consistent fees.
- 3) ***Community center rental fees were not charged in accordance with the approved rates:*** There were nine community center rental fees which were not charged in accordance with the approved rates. The rate change for rental fees was communicated to the community centers; however, the old rates were still available in the system and being utilized in assessing rental fees.
- 4) ***Rental details on the application did not match the system:*** There were 20 community center rentals tested that had application information, including times, total hours, and room type, which did not match the system calendar maintained by Parks and Recreation.

\* \* \* \* \*

Further detail of our purpose, objectives, scope, and procedures are included in the internal audit report.

We received excellent cooperation and assistance from the Parks and Recreation Department during the course of our interviews and testing. We sincerely appreciate the courtesy extended to our personnel.

REDW LLC

Albuquerque, New Mexico  
November 21, 2017

# **Bernalillo County Internal Audit Parks and Recreation**

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# **Bernalillo County Internal Audit Parks and Recreation**

## **Report**

### **INTRODUCTION**

We performed the internal audit services described below solely to assist the Bernalillo County Parks and Recreation Department in evaluating the processes related to the collection of rental fees for community centers, sports fields/park usage and special events. Our services were conducted in accordance with the Consulting Standards issued by the American Institute of Certified Public Accountants and the terms of our Professional Services Contract agreement for internal audit services. Since our procedures were applied to samples of processes, it is possible that significant issues related to the areas tested may not have been identified.

Although we have included management's responses in our report, we do not take responsibility for the sufficiency of these responses or the effective implementation of any corrective action.

An entrance conference was held on August 23, 2017, and fieldwork began September 1, 2017. An exit conference was held on October 2, 2017.

### **PURPOSE AND OBJECTIVES**

The Parks and Recreation Department is responsible for the oversight of a variety of community spaces. This includes renting community centers, sport fields and parks, and vendor spaces during special events. Our internal audit evaluated the assessment, collection and tracking of rental fees for the areas listed above to ensure that fees were charged in accordance with approved rental fee rates, were collected, tracked and recorded in accordance with County policies.

## **SCOPE AND PROCEDURES PERFORMED**

**In order to gain an understanding of the processes and laws/regulations, we interviewed the following personnel:**

- Debbie Jo Almager, Director of Parks and Recreation
- Lorri Romero, Administrative Officer II
- Mark Griego, Administrative Officer II
- Andr'e Dickson, Los Padillas Community Center Manager
- Manuel Garcia, Los Padillas Community Center Assistant Manager
- Carrie B. Moritomo, Cultural Services Manager
- Maria Serros, Fitness Coordinator
- Corina Cortez, Parks and Recreation Accountant

**In order to gain an understanding of the processes we read relevant portions of:**

- Administrative Instruction (AI) No. AD 02 – Collection of Monies and Handling Requirements, revised May 09, 2017
- Revenue Collection Procedures, revised March 27, 2006
- Facility Use Agreements Application Package, as of December 8, 2016
- Park Use Agreement, approved December 29, 2014
- Use Field Agreement
- Standard Rental Fees Schedule, effective July 1, 2017

**We performed the following testwork:**

***Special events:*** Obtained a listing of all special events that occurred in fiscal year 2017. We selected two events, from a total of four, and obtained a listing of all vendors who rented space during those events. We then selected 20 from a total of 108 vendors renting space at two special events, and tested to determine if an application was completed, the receipt issued agreed to the application charge and the revenue collected was properly deposited. Additionally, we obtained an understanding of the process for collecting entrance fees at special events and tested that the collection process was performed in accordance with County policies.

***Community center rental fees:*** Obtained a listing of all community centers, and selected three community centers from a total of eight. For each of the three community centers selected, we obtained the calendar of all rentals that occurred during fiscal year 2017, and selected a total of 60 rentals. For each rental selected, we tested to determine if an application was completed, the correct fee was assessed based on the rental type and hours requested on the application, and the receipt issued agreed to the appropriate rental fee schedule and the payment receipt detail.

***Sports fields/park usage rental fees:*** Obtained a listing of all sports fields/park usage rentals that occurred during fiscal year 2017, and selected 20 from a total of approximately 150 rentals. For each rental selected, we tested to determine if an application for rental was completed, the

correct fees were assessed based on usage type the receipt issued agreed to the appropriate rental fee and the payment receipt detail, the rental was approved by the Parks and Recreation Director, and proof of insurance was provided, if applicable.

**Reconciliations and deposit of cash receipts:** For each of the rentals selected above, we tested to determine if a daily cash receipts reconciliation was performed by two individuals, the deposit slip agreed to daily reconciliation, and the deposit was completed within 24-hours in accordance with County policies.

## **OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES**

During the course of the audit we identified areas which appeared to be functioning properly. These areas included adequate oversight of the collection, tracking and recording of fees at Los Padillas community center, and timely deposits of fees collected for sports fields/park usage.

As a result of our testing, REDW identified the following observations:

### **1) Noncompliance with cash handling AI**

The County's AI No. AD 02 – Collection of Monies and Handling Requirements, states that all cash, checks and money orders received are to be deposited within 24-hours. Additionally, the Parks and Recreation Department policy requires that two individuals sign off on the daily cash reconciliation. Our testing of 100 rental fees across community centers, sports fields/park usage, and special events determined that:

- 15 rental fees tested were not deposited within 24-hours, 14 of which were for special events vendors, where the rental fee received was held for up to 15 days before deposit. Additionally, there were no segregation of duties in place related to the receipt, tracking and deposit of the special event rental fees.
- 27 rental fees tested did not have adequate documentation that the cash reconciliation was completed by two individuals, 22 of which were community center rentals at Paradise Hills Community Center.

**Potential Risk: High** – If adequate segregation of duties and reconciliations over cash collections are not in place and deposits are not made within 24-hours, there is a risk that there may be theft or fraudulent activity.

**Recommendation:** Processes should be implemented to deposit cash within 24-hours for all rental fee collections, including special events. Segregation of duties should be implemented to ensure that individuals collecting cash do not also record, reconcile and deposit receipts. Additionally, a process should be determined to ensure all daily cash reconciliations are performed and documented in accordance with the policy.

**Management's Response:** Cultural Services Section has or will make the following improvements to their processes to ensure cash and checks will be receipted and deposited within the mandated 24-hour period of time:

- Designate one additional staff member to be able to accept and receipt payments.

- Prior to January 2018, will have credit card capability in order to accept credit card payments for future special event vendor fees in calendar year 2018.
- Will submit an email request to create pay codes in advance of advertising for vendors to ensure as payments are received they are receipted and deposited within 24-hours.
- Vendors will be required to submit an application and relevant permits, licenses, and insurance to staff prior to being accepted to special events, selected through a juried process, and payments will only be collected after vendors have been notified of acceptance to the event.
- Complete cash handling training and review of AI – AD02 Collection of Monies and Handling Requirements.
- Designate a secondary person to sign off on all deposits to ensure deposit reconciliation is performed in accordance with policy by January 2018.

## 2) *Inconsistent special event processes*

Vendors renting space for special events should be assessed fees in accordance with an approved rate schedule. Our testing determined that there were no documented procedures to ensure vendors were charged consistent fees. We identified two vendor rentals where an employee and veteran discounts were given; however, the Department does not allow for discounts for rental services. Additionally, there was not a process in place to ensure a complete list of participating vendors was made and all rental fees were reconciled to that listing to ensure all fees were properly tracked and collected. There were two vendors tested that did not have evidence of participation including an application and payment support therefore, we were unable to determine if that vendor participated in the event.

**Potential Risk: Moderate** – If there is not a consistent process followed to assess fees for vendors renting space at County-sponsored special events, there may be a risk that vendors are given inappropriate discounts or unfair treatment.

**Recommendation:** Procedures should be created to ensure rental fees for special events are charged consistently. If discounts are determined to be appropriate, this should be included in the documented process and applied consistently at all events. Additionally, a process should be created to reconcile the listing of participating vendors to the fees collected from vendors to ensure fees are properly tracked.

**Management’s Response:** In FY18, Cultural Service staff implemented a new event day vendor check in process to confirm participation and reconcile payments.

In order to improve the reconciliation process:

- Vendors will be required to submit an application and relevant permits, licenses, and insurance to staff prior to being accepted to special events;
- Vendors will be selected through a juried process; and,
- Payments will only be collected after vendors have been notified of acceptance to the event. All payments must be submitted 48 hours in advance of an event in order for a vendor to participate.

### ***3) Community center rental fees were not charged in accordance with the approved rates***

Community center rental fees are approved by the County Commission and are applied to every community center by the Parks and Recreation Accountant. The community centers are notified via email when a rental fee change occurs. Our testing determined that 9 of 60 community center rentals tested were charged fees that did not agree to the updated approved Short-Term Facility Use Fees Schedule. It was determined that the old fees schedules continued to be available within the system.

- One of nine incorrect rental fees were from Los Padillas.
- Three of nine incorrect rental fees were from Mountain View.
- Five of nine incorrect rental fees were from Paradise Hills.

Additionally, one rental at the Paradise Hills Community Center had a \$10 charge above the approved rental fee, where an explanation for the charge was not documented.

**Potential Risk: Moderate** – If rental fees are not updated for all community centers in accordance with the Commission-approved rates, there may be a risk that the County is incorrectly charging the public to use the community center spaces. In addition, if documentation is not maintained there is a possibility that the incorrect fee was charged.

**Recommendation:** Community center rental fees should be updated in the system upon approval, and the expired fees should be deactivated so there is not confusion between which rates should be applied. Community center managers should be informed of the updated rates, and should ensure that the system is charging the correct rate for each rental application submitted. Standard rental fees should be posted at all community centers so that employees can double check the system is charging the correct rate. The community center managers should ensure that employees collecting rental fees charge the correct amount, and any additional payment (e.g. donation) should be documented.

**Management's Response:** Current facility rental fees will be posted at all community centers and attached to the Facility Use Agreements which renters must complete and sign. The new Community Services Section Manager will schedule training at all Community Centers to improve the facility rental process including such things as quoting and utilizing the correct fees, customer service, required documentation, etc. Any exceptions or deviations to the established process or fees should be documented by the facility manager recorded on the receipt and initialed explaining the need for the deviation. This will be completed in the first quarter of 2018.

### ***4) Rental details on the application did not match the system***

Community centers will enter application information for rentals to reserve the space and document the date, time and purpose of the rental. For 20 of the 60 community center rentals tested, the information on the application did not match the system/calendar maintained by Parks and Recreation, 19 of which were from the Paradise Hills community center. There was no documentation to evidence the reason the application information was different than the system.

**Potential Risk: Moderate** – If the information entered in to the system does not match the application information, there is a risk that the community centers may overbook rental space or incorrectly decline an application for rental space. This may result in the community center losing revenue or double booking rental events.

**Recommendation:** Employees should be trained at each center to consistently enter information into the system. Any changes including date, time, or total hours updates from the original application should be documented in the system (e.g. note that the applicant called and requested new times).

**Management's Response:** The new Community Services Section Manager will schedule training at all Community Centers to improve the facility rental process including such things as quoting and utilizing the correct fees, customer service, required documentation, etc. Any exceptions or deviations to the established process or fees should be documented by the facility manager recorded on the receipt and initialed explaining the need for the deviation. This will be completed in the first quarter of 2018.

**5) *Supporting documentation was not provided***

The Parks and Recreation department should have documentation to support each rental. The Paradise Hills community center was not able to provide applications for ten events. Additionally, one rental for sports fields/park usage did not have supporting documentation to determine if the event took place.

**Potential Risk: Low** – If the Parks and Recreation Department do not have documentation to support the occurrence of a rental, there may be a risk that rental fees are not being accurately collected. Additionally, if rental information is not accurate, there may be a risk that rental spaces are double booked.

**Recommendation:** Processes should be implemented to ensure adequate documentation is maintained to support the rental information entered into the system.

**Management's Response:** The new Community Services Section Manager will schedule training at all Community Centers to improve the facility rental process including such things as quoting and utilizing the correct fees, customer service, required documentation, etc. Any exceptions or deviations to the established process or fees should be documented by the facility manager recorded on the receipt and initialed explaining the need for the deviation. This will be completed in the first quarter of 2018.

All field rental payments will be handled by the Sports Program Office to ensure all proper documentation is in place prior to rental.

## **PROCESS IMPROVEMENT OPPORTUNITIES**

As a result of our testing, REDW identified the following best practice process improvement opportunities:

**1) *Entrance fees for special events***

Depending on the type of event, Parks and Recreation may charge fees for attendees. As the County continues to hold events where entrance fees are collected, there should be processes implemented to ensure that the number of attendees are accurately counted and the cash received is reconciled to the total number of attendees.

**2) Updates to the sports fields/park usage rental applications**

Sports fields/park usage applications did not have specifications for the amount of time that electricity was required during the rental. The applications should be updated to ensure that the renter is accurately paying for the time when electricity is required.

**3) Contract should be fully executed prior to event**

For the Bosque Chili Festival the contract did not include all required signatures prior to the event occurring. All contracts should be fully executed and signed by all authorized individuals prior to the occurrence of the event to ensure the County is legally protected with the agreement.

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This report is intended for the information and use of the Bernalillo County Parks and Recreation Department, the audit committee, members of Bernalillo County Commission and others within the organization.

We discussed and resolved other minor observations with management and received excellent cooperation and assistance from the Parks and Recreation Department during the course of our interviews and testing. We sincerely appreciate the courtesy extended to our personnel.

REDW LLC

Albuquerque, New Mexico  
November 21, 2017