

**Community Programs Division Audit
Parks and Recreation Department
December 2008**

Patrice Randle, City Auditor
Craig Terrell, Assistant City Auditor
Michelle Brown, Staff Auditor



City Auditor's Office

December 26, 2008

Honorable Mayor and Members of the City Council:

I am pleased to present the City Auditor's Office's report on the Community Programs Division Audit of the Parks and Recreation Department. The purpose of the audit was to determine whether the Parks and Recreation Department has established adequate controls over operations to ensure that the Community Programs Division meets its goals effectively and efficiently.

Management concurs with seven of our eight audit recommendations. Management's responses to our audit findings and recommendations, as well as target implementation dates and responsibilities, are included in the following report. Within twelve months, the City Auditor's Office will conduct a follow-up audit and comment on management's implementation of these audit recommendations.

We would like to thank the Parks and Recreation Department for their cooperation and assistance during this project and we look forward to continuing our efforts to ensure that the Community Programs Division is meeting its goals effectively and efficiently.

A handwritten signature in cursive script that reads 'Patrice Randle'.

Patrice Randle, CPA
City Auditor

- c: Jim Holgersson, City Manager
Fiona Allen, Deputy City Manager
Robert Byrd, Deputy City Manager
Gilbert Perales, Deputy City Manager
Trey Yelverton, Deputy City Manager
Pete Jamieson, Parks and Recreation Director

**Community Programs Division Audit
Table of Contents**

	<u>Page</u>
Executive Summary	1
Audit Scope and Methodology	2
Background	2
Detailed Audit Findings.....	6

Community Programs Division Audit



Office of the City Auditor
Patrice Randle, CPA
City Auditor

Project #07-12

December 26, 2008

Executive Summary

The City Auditor's Office reviewed activity during Fiscal Year 2007 and Fiscal Year 2008

Citizen satisfaction is high

Authorized recreation center staffing is adequate to meet customer needs

Opportunities for Improvement

- *Departmental guidance regarding cost recovery objectives*
- *Cost recovery model and fee policy*
- *Compliance with the Youth Programs Standards of Care*

As part of the Fiscal Year 2007 Annual Audit Plan, the City Auditor's Office conducted an audit of the Community Programs Division of the Parks and Recreation Department (Parks). The audit was conducted in accordance with generally accepted government auditing standards. The objectives of the audit were to determine whether:

- The Community Programs Division meets its performance and cost recovery goals
- Program fees and revenue are reasonable and maximized
- Recreation center operations meet the needs of customers and have adequate staffing to maintain or improve customer service
- Expenditures contribute to the goals and objectives of the Community Programs Division
- Parks has appropriate controls to ensure compliance with the established Standards of Care
- Facility use agreements were established in accordance with City Ordinance

While the City Auditor's Office noted that citizen satisfaction with Parks programs is high, it also noted that Parks has struggled with reaching a balance between offering affordable programming to citizens while maintaining adherence to a cost recovery goal that has not been approved or established by executive management or City Council.

The City Auditor's Office also noted that although Parks has established appropriate standards and guidelines related to youth care and facility use agreements, Parks has not established adequate monitoring controls to ensure compliance with the established standards.

The findings and recommendations are discussed in the Detailed Audit Findings section of this report.

Audit Scope and Methodology

The Community Programs Division Audit focused on transactions within the Parks' Community Programs Division from October 1, 2006 through June 30, 2008.

The audit was conducted in accordance with generally accepted government auditing standards. The following methodology was used in completing the audit:

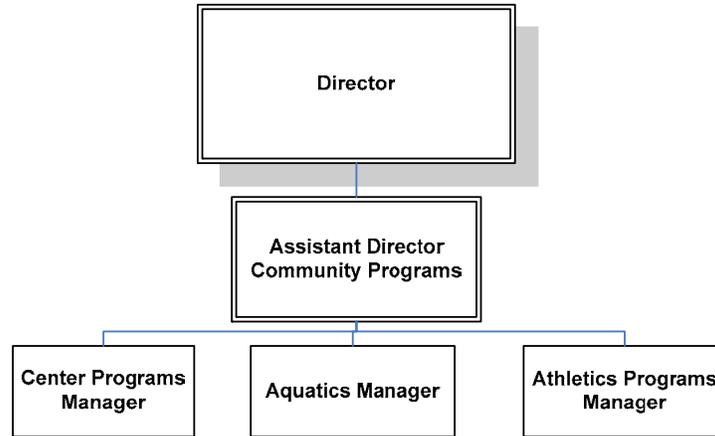
- Interviewed Parks staff knowledgeable of the operations
- Gained an understanding of the activity and registration management software (CLASS) utilized by Parks
- Verified compliance with established Standards of Care and facility use agreements
- Selected a sample of transactions from CLASS and verified that appropriate fees were charged, collected, deposited and recorded in the City's general ledger system
- Surveyed other cities and organizations as necessary for benchmarking and identification of best practices
- Reviewed data in the City's timekeeping system

Golf and tennis programs were not included in this audit, as they are not a part of the Community Programs Division. Parks' golf program is included in the Fiscal Year 2009 Annual Audit Plan and will be reviewed at that time. The Aquatics Division's daily operations, staffing, hiring procedures, and compliance with health and safety standards were not included in this audit due to time constraints and the fact that the City's Office of Management and Budget completed an assessment of aquatics programs in 2006.

The Workforce Services Department indicated that Parks employees undergo a pre-employment background check and that select positions are also subject to a drug and credit check. Due to privacy policies, the City Auditor's Office was unable to conduct testing related to this matter and is, therefore, unable to comment on compliance with laws or Standards of Care provisions related to drug testing, background and credit checks.

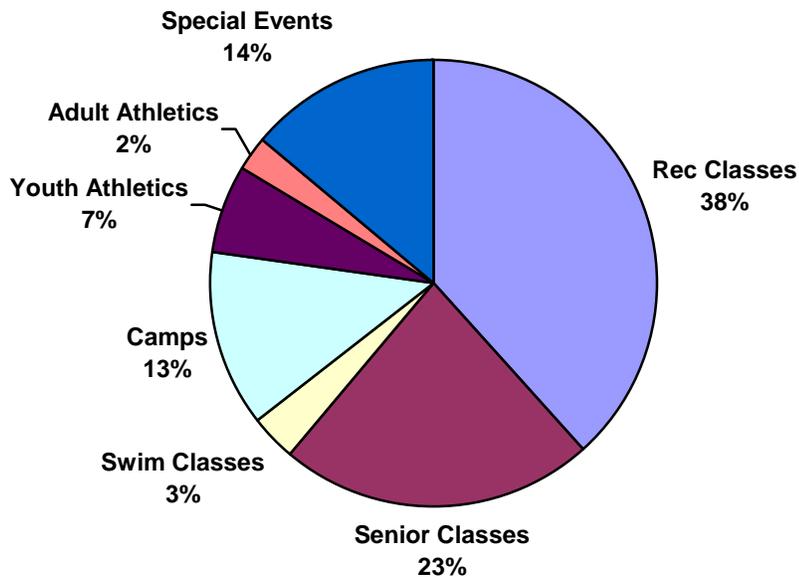
Background

As noted in the City's Fiscal Year 2008 Budget, Parks is responsible for the majority of the City's leisure service programs and resources. Parks' mission is to provide quality facilities and services that are responsive to a diverse community and sustained with a focus on partnerships, innovation and environmental leadership. The Community Programs Division is structured as follows:



Parks offers numerous programs at each of its five recreation centers, two senior centers, seven pools and athletic fields. The City provides fee and non-fee based programs for all ages. The Community Programs Division has been recognized nationally and led many successful programs directed at the City's youth. In 2008, Arlington was selected as one of America's 100 Best Communities for Young People and has been designated a Playful City USA community. Additionally, Parks has lead initiatives and programs like the Mayor's Youth Council, Lock It In! '08, and the Drop Out Summit. The following chart indicates the percent of participation in the various types of programs offered by the Division in Fiscal Year 2007. (Note: Individuals are counted more than once if they are registered in more than one category.)

Registration by Category FY 2007



Total Participants = 51,601
Source: CLASS

Through Fiscal Year 2007, Parks was comprised of accounting units in the General Fund as well as in a Park Performance Fund. General Fund activities included planning, asset management, field/median maintenance, pools and non-revenue generating activities at recreation facilities. The remaining accounting units, including golf, tennis, and recreation center programming, were in the Park Performance Fund. The Park Performance Fund is set up to allow departments to recover the cost of programs through their revenue. Additionally, departments would be able to reinvest any revenues over expenditures in those programs. In Fiscal Year 2008, Parks moved the accounting units associated with the following facilities and 18 employees from the General Fund to the Park Performance Fund:

- Cliff Nelson Recreation Center
- Dottie Lynn Recreation Center
- Hugh Smith Recreation Center
- Meadowbrook Recreation Center
- Senior Recreation Center-Eunice
- Senior Recreation Center-New York
- Athletic Centers
- Youth Services
- Bob Duncan Center
- Aquatics Administration
- Allen Bolden Pool
- Bad Koenigshofen Pool
- Helen Wessler Pool
- Howard Moore Pool
- Hugh Smith Indoor Pool
- Randol Mill Pool
- Woodland West Pool
- Arlington Tennis Center

A \$2,458,041 General Fund subsidy to the Park Performance Fund, in the form of an interfund transfer, was provided to support these programs and positions at the beginning of Fiscal Year 2008. Management plans to continue to provide assistance to the Park Performance Fund in the form of an interfund transfer.

Detailed Audit Findings

1. No formal cost recovery model or fee policy

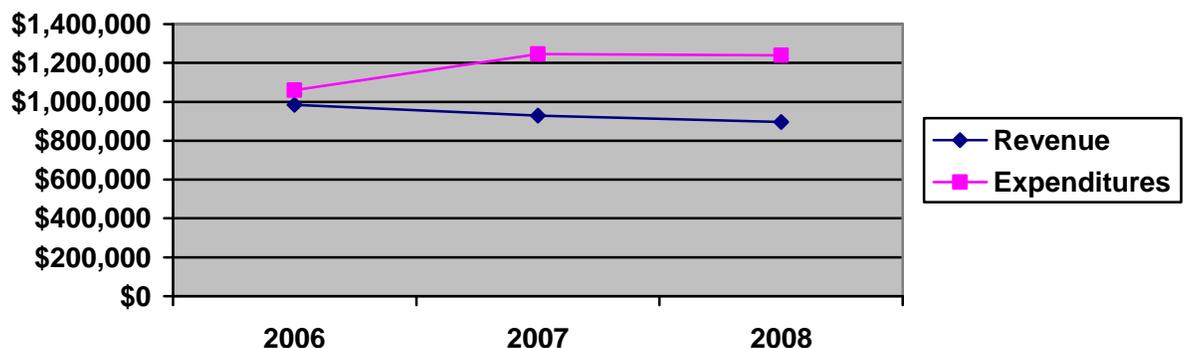
The Parks Director is appointed by the City Manager and is responsible to the City Manager in conducting department business. Although Parks has received some general guidance in recent years related to overall budgetary practices, Parks has not established an overall cost recovery model. Parks has not received formal direction concerning cost recovery or a fee policy. Such models have been used in other cities to provide guidance for determining which programs and services should be fee-based and to provide a method to ensure that current and future services are priced at a level commensurate with the organization's objectives for cost recovery. Other cities have found that establishing a formal cost recovery model has:

- Provided a structure to calculate fees for recreation programs
- Allowed departments to cover appropriate costs, based on who is served and the type of program
- Provided a systematic framework for the removal of programs not generating the designated minimum cost recovery
- Allowed decision makers to decide how a General Fund subsidy should be allocated

During the audit, Parks informed the City Auditor's Office that a consultant (GreenPlay LLC) had been retained by the City to perform a park facility needs analysis and to develop a cost recovery model. Although the City Auditor's Office was able to observe some preliminary results of the consultant's work, a final report was not expected until after the completion of the City Auditor's Office's fieldwork. It is expected that after completion of the consultant's work, Parks will be able to present a cost recovery model to City management and/or City Council for review and approval.

The need for a comprehensive cost recovery model and fee policy can be illustrated by a review of the Aquatics Division. As shown in the graph below, expenditures have outpaced revenue for the last three years. All pools (except for Bad Kongshofen) operated at a loss in Fiscal Years 2006 and 2007.

Pool Revenue and Expenditures



Source: Lawson Financial System

When compared to other municipalities, the City of Arlington appears to recover a higher percentage of its costs to provide aquatic services. There are currently no procedures in place to determine whether pool fees are reasonable or meet the stated cost recovery objectives of the City. Among the questions to be answered are:

- At what point is a service terminated for failure to meet cost recovery objectives?
- Which services are considered necessary regardless of cost recovery?
- What costs (capital, maintenance, operating, debt service, etc.) should be included in calculating cost recovery?

The following paragraph illustrates a need for direction and a comprehensive fee policy.

The City's Comprehensive Annual Financial Report indicates that parks and recreation services, along with most other basic services, are accounted for in the governmental activities section of the Statement of Activities. This statement includes the Park Performance Fund, which is classified as a non-major governmental special revenue fund. According to governmental generally accepted accounting principles, special revenue funds are normally used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. At the City, the Park Performance Fund has historically been used to account for activities that are expected to recover their costs through user fees. As noted in the background section of this report, the City has moved various accounting units previously associated with the General Fund to the Park Performance Fund. As a result, the General Fund subsidizes the Park Performance Fund for the costs previously associated with the General Fund. Accounting units previously funded by the General Fund were merged with accounting units that were historically associated with the Park Performance Fund, reducing the ability to separately identify those costs that were previously funded by the General Fund. For example, the costs to operate the Elzie Odom Recreation Center (salaries, services, utilities and supplies) were previously funded by the General Fund. These costs are now recorded in the same accounting unit used to record the costs to run programs that are expected to recover their costs.

Although not required by formal policy, Parks has established a goal of realizing a cost recovery rate of 110% or better for Park Performance Fund operations that include programs offered by the Community Programs Division. Parks has calculated cost recovery on a quarterly basis by dividing the number of classes achieving cost recovery by the number of classes held. However, the calculation is based on a pro forma basis before actual expenditures are made. Parks identifies expected instructor, supplies and other miscellaneous costs for each class and based on that estimate, determines the number of class participants needed to "breakeven". If the number of participants does not reach the breakeven point, the class is not held. There is no attempt to reconcile actual program costs to the estimated costs. Thus, the City does not determine if their cost recovery goals have truly been achieved on an actual cost basis.

Recommendation:

The Parks and Recreation Department Director should, in conjunction with GreenPlay LLC, develop, seek approval and implement a cost recovery model and fee policy based on City management and City Council direction.

Management's Response:

Concur.

Additional Comments. The Parks and Recreation Department began a Resource Allocation and Core Service Assessment in Fiscal Year 2008. This was the beginning of a plan to determine cost recovery goals for Parks and Recreation facilities system-wide. Recommendations have been delayed until work is completed on a Recreation Needs Assessment.

Target Date: September 2009

Responsibility: Gary Packan, Assistant Director, Parks and Recreation

Recommendation:

The Parks and Recreation Department Director should establish a methodology to calculate program cost recovery on an actual cost basis.

Management's Response:

Concur.

See above comment.

Target Date: September 2009

Responsibility: Gary Packan, Assistant Director, Parks and Recreation

2. Activity-based accounting not used

According to Lawson, the company that manufactures the City's accounting software, there are many benefits to using activity-based accounting. These benefits include a more accurate picture of costs that can, in turn, lead to better decision making. Parks does not use activity-based accounting to track individual program revenues or expenditures. The City Auditor's Office was, therefore, unable to utilize the City's accounting system to identify athletic programming revenues and expenditures by sport and season.

The City's current accounting structure consists of four levels: fund, accounting unit, activity code and account number. Accounting units are separated by department and division. For example, each recreation center within Parks has its own accounting name and number. This hierarchy can be seen in the example below.

Fund:

Park Performance Fund, 3000

Accounting Unit:

Cliff Nelson Rec Center, 500203

Dottie Lynn Rec Center, 500206

Activity Code:

Day Camps (Not Used)

Art Classes (Not Used)

Special Events (Not Used)

Account Number:

Salaries, 50005

Supplies, 60010

Utilities, 62001

By using separate accounting units, management is able to differentiate between recreation centers but is unable to separate costs by class without using an activity code. While the system has the capability, the City is currently not using activity codes outside of grants and capital projects. According to Parks management, since the system is relatively new, assistance is needed from the Financial Services Department to implement activity-based accounting. While drawbacks may exist, the use of activity-based accounting would allow management to:

- Incorporate the actual cost of salaries and supplies into the calculation of fees
- Monitor the achievement of cost recovery objectives
- Monitor the necessity and reasonableness of expenditures

Recommendation:

The Parks and Recreation Department Director should, in conjunction with the Financial and Management Resources Director, utilize activity-based accounting as necessary to record revenue and expenditures by program.

Management's Response:

Do Not Concur.

Additional Comments. Parks and Recreation Department staff met with Office of Management and Budget staff in early 2007 to discuss activity-based accounting. Both departments agreed that unique accounting codes for 400 activities and 17 locations would create too complex an accounting structure, particularly for payroll, revenue processing and budgeting. Following City Council's consideration and endorsement of a cost recovery model, as part of the Recreation Needs Assessment, we will implement measures to track the cost recovery of programs and services offered by the Department.

Target Date: June 2009

Responsibility: Gary Packan, Assistant Director of Parks and Recreation

Audit Comment:

While the City Auditor's Office recognizes that creating separate activity codes for each individual program or class may be cumbersome, it appears feasible that the Parks Department could group categories of classes together. For example, it may be beneficial for a recreation center to segregate the cost of "youth classes" versus creating specific activity codes for each type of youth class (e.g., ballet, arts).

3. Non-compliance with the established Youth Programs Standards of Care

The Texas Human Resource Code allows qualifying municipalities that provide recreation, camp and after school programs to elementary age (5-13) children to receive a licensing exemption providing the governing body annually adopts, by ordinance, Standards of Care after a public hearing. The City of Arlington currently receives this exemption and annually adopts Standards of Care after a public hearing and City Council approval. The City Auditor's Office noted several issues while reviewing compliance with the Standards of Care, including missing or incomplete employee certifications, participant enrollment information, staff evaluations, and inspections, all of which are required by the Standards. The City Auditor's Office conducted testing in two of the four recreation centers that provide youth day camps and observed that the Dottie Lynn Recreation Center had four current day camp employees without CPR/first aid certification. The employees had been working for as many as six months without proper certifications. According to management, the employees were hired in between times when the CPR/first aid classes were held. The employees obtained proper certifications in May 2008.

The City Auditor's Office also noted that employee evaluations are not being used as required at the Elzie Odom Recreation Center and are not being fully documented as required at the Dottie Lynn Recreation Center. While both centers are properly conducting and documenting evaluations at the end of summer camps, staff at the Elzie Odom Recreation Center is not conducting additional evaluations prior to the end of camp. The Dottie Lynn Recreation Center does conduct additional evaluations prior to the end of camp; however, the evaluations are informal and are not documented. Employee evaluations are meant to address issues with employees and camp participants during the course of camp. If evaluations are not conducted as required, problems could be left unresolved until the end of camp.

Additionally, the Elzie Odom Recreation Center does not maintain complete participant enrollment information as outlined in the Youth Programs Standards of Care. The City Auditor's Office noted that two participants of the 18 sampled were missing parental signatures in one or more of the following fields: field trip authorization, liability waiver, consent to administer medicine, and medical information and release. According to staff, it is difficult to ensure that parents fully complete each form and staff tries to get the parents to complete the form on their next visit. Missing signatures violate the Youth Programs Standards of Care and increases the City's potential liability, should the participant become ill or injured while in the City's care.

Finally, the Standards require weekly visits from the Center Programs Manager and daily observation of camp activity by facility managers and Program Coordinators. The Elzie Odom Recreation Center is not managed by a Center Program Manager, so those duties are the responsibility of the Athletic Programs Manager. According to management, these visits were

documented through 2006; however, due to issues with staff morale, documentation was discontinued. Management indicated that daily and weekly inspections are still completed, but not documented. There is no record of daily and/or weekly inspections or other documentation to determine whether Parks is in compliance with the Youth Programs Standards of Care.

Recommendation:

The Parks and Recreation Department Director should ensure that facilities comply with the Youth Programs Standards of Care, including employee CPR/first aid certifications, completed and documented staff evaluations, complete participant information and documented inspections by the Center Programs Manager/Athletic Program Manager and facility staff or should revise the Youth Programs Standards of Care as deemed necessary.

Management's Response:

Concur.

Additional Comments. Staff concurs with these findings based on Audit's interpretation of the Standards of Care drafted by the Parks and Recreation Department and adopted by the City Council in April 2008. Youth standards of care are updated and presented to the Council annually as required by the Texas Department of Protective and Regulatory Services.

As part of the 2009 adoption process, staff will more clearly define and monitor standards relative to safety certifications, participant documentation, employee performance reviews and management/safety oversight.

Target Date: April 2009

Responsibility: Bill Gilmore, Assistant Director of Parks and Recreation

4. No procedures to monitor compliance with Facility Use Agreements or City Ordinance

The Parks' Chapter of the City Ordinance calls for co-sponsored organizations that enter into facility use agreements to comply with certain requirements, including insurance, criminal background checks, coach training, profit generating and financial management and record keeping. According to Parks management and the City Attorney's Office, the City is not responsible for ensuring that co-sponsored organizations comply with these requirements. It is the organization's responsibility to act in accordance with the City Ordinance and, upon request, provide documentation of such. The Parks Department has not established any procedures for requesting or obtaining information from co-sponsored organizations. Since Parks does not monitor these requirements, they do not know if the organizations are in compliance. The City Auditor's Office was, therefore, unable to determine if co-sponsored organizations have complied with financial, criminal background, training and field usage requirements.

Recommendation:

The Parks and Recreation Department Director should coordinate with the City Attorney's Office to determine appropriate controls to monitor co-sponsored organizations' compliance with requirements set forth in the City Ordinance.

Management's Response:

Concur.

Additional Comments. The Department will continue working closely with the City Attorney's Office to determine procedures for obtaining information from partnering organizations to ensure compliance with their facility use agreements and City ordinances. A master checklist will be created for all Arlington Sports Committee organizations for tracking the various requirements of these agreements and ordinances.

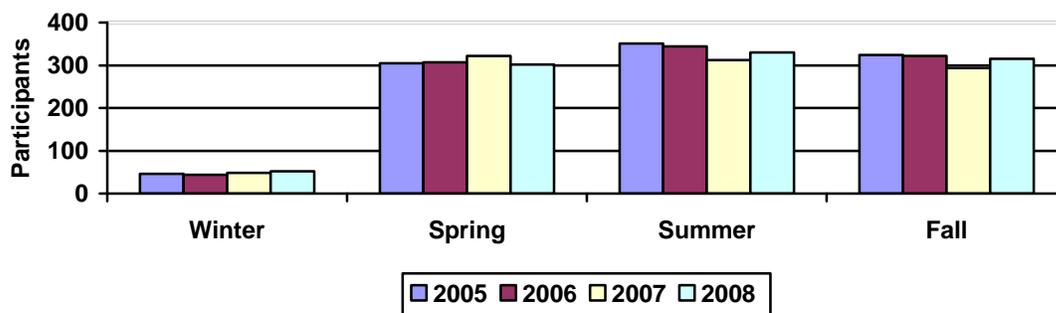
Target Date: February 2009

Responsibility: Clif Spangler, Sports Facilities Manager

5. Effective methodologies to obtain citizen feedback not established

According to Parks management, staffing and budgetary constraints do not allow management to survey citizens not already using City facilities, as suggested by sound business practice. Thus the City cannot determine why programs are not being used by some citizens and are unable to address with advertising or programming. For example, softball participation has seen little, if any, increase over the last three years and staff indicates this trend is a result of new facilities in other cities, like the Big League Dreams in Mansfield. Additionally, Aquatics revenue has been flat over the past two years. These examples indicate that further surveying may be necessary to determine why facilities are not being used and develop advertising and programming that will attract more citizens and increase participation as a whole.

Softball Participation by Year



Source: CLASS

Recommendation:

The Parks and Recreation Department Director should explore other options, such as online surveys, partnering with the University of Texas at Arlington, etc. to reach and obtain feedback from more citizens.

Management's Response:

Concur.

Additional Comments. The Department recognizes the need to survey both existing customers and those not currently utilizing our programs. A statistically valid, city-wide survey was conducted in Fall 2007 as part of the Indoor Facility Needs Assessment and

the City will be conducting a city-wide survey in October 2009 that contains a Parks and Recreation component. The Department also received survey responses from 2,904 program participants in Fiscal Year 2008. The Department is also exploring the use of online survey tools such as Survey Monkey, and integrating these tools in our internet and marketing initiatives. Finally, the department has initiated a secret shopper program that will provide both customer service and program feedback for all recreation facilities.

Target Date: September 2009

Responsibility: Shannon Rudiger, Parks Business Services Manager

6. Inadequate policies and procedures regarding customer refunds

While reviewing transactions within the CLASS system, the City Auditor's Office noted inconsistencies concerning customer refunds. These issues included the absence of a uniform refund policy and a review by proper management prior to refunds being issued.

Each facility that offers rentals has a policy concerning cancellations and refunds. Most require the retention of a \$25.00 administrative fee and a portion of the rental fee, depending on the date of cancellation. However, there is no stated policy on refunds issued for classes. The Fun Times Magazine only states that, "We value you as a customer. If you are not happy with the quality of a program, please tell staff immediately so that we have the opportunity to correct the situation or so we may credit your account for an activity at a later date." The facility manager makes a determination as to whether a refund is warranted. Since there is no uniformity, customers may encounter inconsistencies at facilities offering the same or similar classes. Additionally, full refunds may be given when only partial refunds are appropriate.

While the facility manager makes the determination that a refund is appropriate, refunds are processed by Parks Administration staff. Cash or check transactions are refunded by check through a payment authorization (PA). The PA requires the signature of a higher level manager before it can be processed. The City Auditor's Office noted that Parks currently has 30 employees authorized to approve PAs for refunds. In a sample of 13 refund transactions, there were six different approvers. It was also noted that of the 13 transactions, nine were approved by a manager other than the one responsible for the facility/program. This could lead to refunds being approved by a manager unfamiliar with the situation. Credit card transactions are processed by Parks Administration as well, but require no approval from management prior to the customer's credit card being refunded. This lack of control can result in abuse of the refund process.

Recommendation:

The Parks and Recreation Department Director should ensure that a uniform refund policy is established that requires proper approval by a limited number of managers prior to issuance.

Management's Response:

Concur.

Additional Comments. The Department does not currently have a refund policy other than a Satisfaction Guaranteed commitment of “We value you as a customer. If you are not happy with the quality of a program, please tell staff immediately so that we have the opportunity to correct the situation or so we may credit your account for an activity at a later date.” Creating a Refund Policy is a Fiscal Year 2009 Work Plan item.

Target Date: June 2009
Responsibility: Shannon Rudiger, Parks Business Services Manager

7. Part-time employee hours not properly monitored

According to City policy and Texas Municipal Retirement System (TMRS) guidelines, employees that work over 1,000 hours annually must contribute to TMRS. Those employees that work less than 1,000 hours contribute to the Part-time/Seasonal/Temporary Deferred Income Plan (PST/DIP). TMRS holds many benefits for its contributors including a two-to-one employer match that is not available on the PST/DIP. When part-time employees are hired, they are classified as part-time greater than 1,000 hours or part-time less than 1,000 hours and their retirement plans are set up accordingly. The City Auditor’s Office identified two Parks employees classified as part-time less than 1,000 hours that worked over the 1,000-hour requirement in 2007, resulting in a violation of City and TMRS policy. This overage indicates that employee hours are not properly managed to ensure that employees are contributing to the correct plan.

City policy also indicates that part-time employees are those that regularly work 36 hours per week or less. During the review, it was noted that one employee regularly worked over the 36 hours per week requirement. The City Auditor’s Office identified 37 instances during 2007 in which this employee worked over 36 hours per week. In sixteen of those instances, the employee worked over 40 hours. While this employee constantly works full-time hours, the employee is not entitled to the same benefits of a full-time employee, including sick, vacation, and holiday pay. While this is a violation of City and TMRS policy, it does not appear to be a violation of federal or state regulations.

Recommendation:

The Parks and Recreation Department Director should require that the Kronos report module be utilized by management to ensure that employee hours correctly reflect their part-time classification.

Management’s Response:

Concur.

Additional Comments. The Parks and Recreation Department requested Information Technology provide a Lawson report that will provide managers with the cumulative number of hours worked per employee. This report can be produced quarterly and will include all regular part-time and seasonal employees. This report will provide the tools necessary to manage part-time employee hours more closely.

Target Date: January 2009
Responsibility: Shannon Rudiger, Parks Business Services Manager