

MANATEE COUNTY CLERK OF THE CIRCUIT COURT
INTERNAL AUDIT DEPARTMENT

PARKS AND RECREATION DEPARTMENT
AUDIT OF CONTRACTED EMPLOYEES

A U D I T R E P O R T

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A U D I T R E P O R T

The Internal Audit Department conducted a limited scope audit of contracted employees at the Manatee County's Parks and Recreation Department for the audit period October 1, 1998 through May 31, 1999. The audit was performed in accordance with *Generally Accepted Governmental Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards for the Professional Practice of Internal Auditing*, issued by the Institute of Internal Auditors.

BACKGROUND:

The Parks and Recreation Department provides recreational special interest classes for citizens of Manatee County. Classes are offered at the Activity Center, the Racquet Center, the Gymnasium, and the Golf Course. The Department also has agreements with several schools, where a limited number of classes are offered to students at the schools. All classes are taught by independent instructors who are contracted by the Board of County Commissioners. The contracts specify the services to be performed and the compensation to be paid to the service providers. Manatee County collects participants' payments and subsequently pays the service providers their contracted share of the revenues after the services have been rendered.

The Parks and Recreation Department also provides athletic services for the citizens of Manatee County that require the services of qualified independent contracted officials for the Department's athletic events. The Board of County Commissioners has granted the authority to the Director of the Parks and Recreation Department or his designee to enter into fee agreements for the services of these athletic officials. The contracted officials are paid monthly in accordance with a Board approved fee schedule after services have been rendered.

PURPOSE/OBJECTIVE:

The audit purpose / objectives included, but were not limited to, the following:

- Verify all contracted employees performing services for Manatee County's Parks and Recreation Department have a valid, Board approved contract.
- Determine whether the fees collected are accurate and in accordance with Board approved contract rates.
- Verify Manatee County receives their appropriate share of the revenues from the contracted services in accordance with the Board approved contracts.

PURPOSE/OBJECTIVE: Continued

- Verify the contracted employees are paid in accordance with their Board approved contracts.
- Determine whether internal controls are adequate to ensure the participants receiving the services have paid the County.

SCOPE:

The Internal Audit Department performed a limited scope audit of contracted employees employed by the Parks and Recreation Department. These contracted employees work in any one of four areas of the Parks and Recreation Department: the Activity Center, the Racquet Center, the Gymnasium and the Golf Course. Since each of these areas has unique procedures for the collection and payment processes, testwork was performed individually on each area. The athletic officials were also tested under the testwork performed at the Gymnasium.

The scope of the audit included examining evidence supporting the revenue collected from program participants and payments made to the contracted employees for each area described above, in compliance with their Board of County Commissioners' approved contracts for the eight month period ending May 31, 1999. Controls over the cash handling procedures and the monitoring of contract requirements were also reviewed.

METHODOLOGY:

Internal control evaluations were accomplished by flow charting the key operations of this specified area, discussions with management and staff, observations, and analytical and substantive testing of individual internal controls. Risk analysis was used to establish priorities of audit objectives.

IRREGULARITIES, ABUSE, OR ILLEGAL ACTS:

No indications of irregularities, abuse, or illegal acts were discovered during the audit for the period ending May 31, 1999 in the Audit of Contracted Employees for the Parks and Recreation Department.

TEST OF COMPLIANCE:

Internal Audit tested compliance to the Parks and Recreation Department's contracts with independent contractors in order to obtain an understanding of internal controls and to assess control risk. Tests performed were limited to the specific areas included in the Purpose/Objective section of this report and appeared to provide sufficient evidence to support an opinion on compliance and internal controls for the areas tested. Except as noted in our audit report, tested items were in compliance with ordinances, resolutions, and other policies established by the Parks and Recreation Department.

STATEMENT ON INTERNAL CONTROL STRUCTURE:

In planning and performing the audit of contracted employees under the Parks and Recreation Department for the period ending May 31, 1999, the internal control structure was considered in order to determine the auditing procedures for the purpose of this report. As a result, we noted in the audit report significant matters involving the internal control structure and its operations that are considered reportable conditions under standards established by the U.S. General Accounting Office, *Government Auditing Standards*. Reportable conditions involve matters relating to significant deficiencies in the design or operation of the internal control structure, that in our judgment, could adversely affect the organization's ability to record, process, summarize and report on data consistent with management's intentions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions, as defined above. In addition, because of the inherent limitations in any internal control structure, significant deficiencies in the design or operation of the internal control structure may exist and not be detected. We believe the conditions identified in our audit report constitute reportable conditions as previously defined.

MANAGEMENT TEAM AND MANAGEMENT ACTION PLAN:

A Management Action Plan will be used for each Area of Improvement reported. Management Action Plans are corrective actions with implementation dates developed in cooperation with the Department's Management Team and the Internal Audit Department. The Management Team includes the Director of Parks and Recreation Department and the Program and Administrative Services manager.

MANAGEMENT SUMMARY:

The Parks and Recreation Department is staffed by dedicated individuals who appear enthusiastic and pride themselves on customer service. Based on the audit performed, it appears the Parks and Recreation Department has been adequately monitoring contracted employees and ensuring that these services are meeting the needs of County residents, as well as protecting the interest of Manatee County. The audit identified several areas where improvements can be made; although reportable, these areas are considered relatively minor in relation to the operations of the Parks and Recreation Department over contracted employees. The following describes the testwork performed with the corresponding conclusions.

Except as noted in this report, the Parks and Recreation Department substantially complies with the following:

1. All instructors had a valid contract approved by the Board of County Commissioners;
2. Fees collected were accurate and in accordance with Board approved contract rates;
3. Manatee County was receiving their appropriate share of the revenues from contracted services;
4. Contracted employees were paid in accordance with their Board approved contracts; and
5. Internal controls were adequate to ensure the participants receiving the services have paid the County.

The audit revealed the following areas for improvement for Special Interest Classes held at the Parks and Recreation Department's Activity Center:

- Discount monthly fees are paid by program participants in advance. When an instructor cancels a class, it has been the practice to revert back to the daily rate, having the discounted amount absorbed by the missed classes. The Management Team through its Management Action Plan intends to implement a new procedure that will prorate the monthly fees paid by program participants.
(See Area for Improvement #1 on page 7.)
- Various controls existed but were not effective to ensure services were provided to program participants who have paid. These controls included the use of class sign-in sheets, performing spot checks of classes in session, and the use of late payment forms. The Management Team through its Management Action Plan has reintroduced the procedure requiring the submission of all class sign-in sheets to the Activity Center; and will update procedures requiring the periodic spot checks of instructors' classes and will reintroduce the use and retention of the late payment forms.
(See Area for Improvement #2 on page 7.)

The audit revealed the following areas for improvement for the Racquet Center and the Gymnasium:

- Controls over services provided to program participants who have paid were limited to the instructors taking attendance prior to the class from a list prepared by the office staff. Independent physical counts of program participants by Racquet Center and the Gymnasium personnel were not performed. The Management Team through its Management Action Plan will update procedures requiring periodic spot checks of instructors' classes by Racquet Center and the Gymnasium personnel to ensure the accuracy of the class attendance sheet.
(See Area for Improvement #3 on page 8.)
- The Racquet Center does not always issue customer receipts in compliance with Florida Statutes 219.02(1). The Management Team through its Management Action Plan will purchase a new printer that prints duplicate receipts.
(See Area for Improvement #5 on page 9.)

Testwork at the various areas of the Parks and Recreation Department found that the current process used to record the collection of fees and the payment to instructors relies heavily on a paper trail of documentation. This system, while effective, is not efficient. The Management Team through its Management Action Plan has purchased a point-of-sale automated computer system and it is anticipated that it will increase the efficiency of the current process.
(See Area for Improvement #4 on page 9.)

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We appreciate the efforts of Parks and Recreation Department's management in timely addressing the issues raised during the audit and aggressively seeking solutions to these matters. We believe through the implementation of the Management Action Plans included in this report, controls will be strengthened, improving accountability over contracted employees. We commend the Parks and Recreation Department for providing a valuable service to Manatee County.

AUDIT REPORT AUTHORIZATION:

This audit report has been reviewed and authorized by:

Richard J. Orienti, CIA, CFE
Director of Internal Audit

R. B. "Chips" Shore
Clerk of the Circuit Court and Comptroller

AREA FOR IMPROVEMENT #1

Subject: Special Interest Classes at the Activity Center - Accuracy of Fees Collected

Most of the contracts approved by the Board of County Commissioners for contracted employees give a program participant the option to either pay monthly or a daily rate. The monthly rate is a discounted rate. The majority of the fees collected by the Activity Center for Special Interest Classes were in compliance with their Board approved contract rates. It was noted however, that when monthly fees are collected and the instructor cancels one or several classes, it has been the practice to revert back to the daily rate, thereby absorbing the discount. This is a disadvantage to program participants who are being penalized when instructors cancel a class and are not receiving the benefit for having prepaid their classes.

Management Action Plan:

- A new procedure will be implemented that will prorate the monthly fees paid by program participants when an instructor cancels a course. This new procedure will be developed and implemented by December 31, 1999.

AREA FOR IMPROVEMENT #2

Subject: Special Interest Classes at the Activity Center – Controls Over Services Rendered

Internal controls were evaluated to ensure that services are provided only to program participants who have paid. Although internal controls appeared to exist, follow-up was not performed to ensure the controls' effectiveness. Examples of this included the following:

1. A procedure existed that required contracted employees to have a student sign-in sheet for each class. Out of 25 classes examined, 11 classes or 44% did not submit their sign-in sheets to the Activity Center. Procedures did not exist to control the submission of sign-in sheets.
2. A procedure was implemented prior to audit fieldwork that required the documentation of the spot checking of special interest classes. A review of the documentation indicated that the spot checking was limited to an overall assessment of how the class was conducted, and did not count or verify the participants at the site or on the sign-in sheet.
3. Late Class Payment forms, used to follow-up on participants who attended classes without paying, were accidentally disposed of for the time period examined.

AREA FOR IMPROVEMENT #2Continued

Management Action Plan:

- The procedure requiring instructors to submit class sign-in sheets for all classes has been reintroduced. Sign-in sheets will subsequently be monitored and used as part of the procedures to ensure the participants on the sign-in sheet have paid for the class. This procedure has been effective since October 1, 1999.
- Procedures for performing periodic spot-checks of instructors' classes will be updated. The personnel responsible for the spot checks will be required to take an independent count of the program participants and ensure the accuracy of the sign-in sheets. Documentation of the spot checks will also be established. The implementation of the updated procedures will be effective December 31, 1999.
- Procedures for Late Payment Forms will be reintroduced. In addition, current procedures will be updated to include the retention of the forms in compliance with State record retention law. Implementation will be effective December 31, 1999.

AREA FOR IMPROVEMENT #3

Subject: Contracted Employees at the Racquet Center and the Special Interest Classes at the Gymnasium – Controls Over Services Rendered

Internal controls at the Racquet Center and the Gymnasium were evaluated to ensure that services are provided only to program participants who have paid. Controls are currently limited to the instructor taking attendance prior to the class from a list prepared by the office staff. Neither the Racquet Center nor the Gymnasium personnel take independent physical counts of program participants to ensure all participants have paid the County.

Management Action Plan:

- Procedures for performing periodic spot-checks of instructors' classes will be updated. The personnel responsible for the spot checks will be required to take an independent count of the program participants and ensure the accuracy of the class roll taken. Documentation of the spot checks will also be established. The implementation of the updated procedures will be effective December 31, 1999.

AREA FOR IMPROVEMENT #4

Subject: Manual Accounting System

The current process used to record the collection of fees and payment to the instructors is a manual system that relies heavily on a paper trail of documentation. This system, while effective, is not efficient.

Management Action Plan:

- A point-of-sale automated computer system was purchased subsequent to audit testwork. It is expected to make the current process employed by the various areas at the Park and Recreation Department more efficient. Implementation of the new system is currently in progress and it is expected to be fully functioning by October 1, 2000.
- A new procedure is being considered where instructors will be responsible for billing the County for services rendered. It is anticipated that this would reduce the staff time required to compile the information necessary to process instructors' payments. If approved, new procedures will be developed for verifying the information submitted by the instructors. A decision will be made by December 31, 1999.

AREA FOR IMPROVEMENT #5

Subject: Racquet Center – Issuance of Receipts

Florida Statutes 219.02(1) requires the issuance of a receipt for each collection of public money received. The Racquet Center does not issue a receipt to customers on all transactions. Customer receipts are used to verify the receipt of payments on the Racquet Center's books.

Management Action Plan:

- A new printer will be purchased that will print duplicate receipts. The purchase of the printer is expected by December 31, 1999.

MEMORANDUM

TO: The Board of County Commissioners

FROM: R. B. "Chips" Shore, Clerk of the Circuit Court

DATE: October 26, 1999

RE: The Parks and Recreation Department Audit of Contracted Employees Audit Report Release

It is our shared concern that individual Commissioners, as managers of the Manatee County Government, be made aware of internal audit report findings in a timely manner. To assist you in this matter, we will announce the anticipated issuance date of Audit Reports so individual Commissioners may seek a private briefing.

Our Internal Audit Department is finishing the audit report of the Parks and Recreation Department Audit of Contracted Employees. We expect to release the audit report on October 28, 1999. Should individual Commissioners desire to receive a verbal briefing of this information, please call Richard Orienti for an appointment at extension 4170.

RBS/RJO

cc: Ernie Padgett, County Administrator

MEMORANDUM

TO: Daniel P. Hopkins, Director of the Parks and Recreation Department

FROM: R. B. "Chips" Shore, Clerk of the Circuit Court, County Comptroller and Auditor

DATE: October 28, 1999

RE: Internal Audit Report – Parks and Recreation Department Audit of Contracted Employees

Enclosed is the Internal Audit Report for the Parks and Recreation Department Audit of Contracted Employees as of May 31, 1999. Our Internal Audit Department will perform a follow-up audit of the Areas of Improvement included in this report in approximately six months to verify implementation of Management's Action Plan.

I wish to thank you and your staff for their courteous and professional cooperation with our Internal Auditors throughout the audit. If you have any further questions regarding this report, please feel free to contact Richard Orienti at extension 4170.

RBS/RJO

Enclosures

cc: Manatee County Board of County Commissioners
Ernie Padgett, County Administrator
Cindy Turner, Program Manger

MEMORANDUM

TO: City Desk Editor, Bradenton Herald
City Desk Editor, Manatee AM
Islander Bystander
Sid Thomas, Editor
WHNZ, Newsroom

FROM: R. B. "Chips" Shore, Clerk of the Circuit Court, County Comptroller and Auditor

DATE: October 28, 1999

RE: Announcement of the Release of an Internal Audit Report

My office is releasing today the Internal Audit Report for the Parks and Recreation Department Audit of Contracted Employees which was performed as of May 31, 1999. Copies may be obtained by contacting the Internal Audit Department at (941) 741-4017. Copies of the report can either be mailed or picked up at the County Courthouse room 158.



