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CITY OF CORAL GABLES, FLORIDA

Internal Audit of the Community Parks and Recreation Department

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EXECUTIVE SUMMARY

Overview

Crowe LLP (“Crowe” or “we”) performed internal audit procedures during August and September 2018 related to The City of Coral Gables’ Parks and Recreation Department (“the Department”). The overall objective was to review and document policies related to the City’s recreational supplies and equipment and to test the department’s operational procedures. Crowe determined where gaps in controls existed in order to provide recommendations for improvement.

Summary of Results

The following is a summary of our observations as a result of our procedures. We listed the opportunity for improvement and corresponding risk rating. Supplemental information can be found on page 5 of this report.

Process	Observation #	Opportunity for Improvement	Risk Rating**
Registration Documentation	1	Implement a written policy regarding documentation for new participant registration	High
Current Written Registration Policy	2	Update written policy for program registration for implementation of RecTrac	Moderate
Audit Trail for Fees Charged	3	Documentation and details maintained within RecTrac	High
Inventory	4	Complete annual inventory per City policy	Moderate

**For explanation of *Risk Rating* determination, refer to page 3.

INTRODUCTION

Background

The Parks and Recreation Department focuses on positively impacting Coral Gables residents and guests by providing opportunities and services that promote their growth, socialization, and family involvement. This is facilitated through programming, exceptional parks, and facilities that meet community desires while providing excellent care and customer service.

The Department's mission is to enhance the quality of life for residents and guests of all ages through recreational opportunities and facilities that create memorable life experiences.

Objective and Scope

The objective of the procedures performed was to evaluate and test the design and effectiveness of internal controls and to determine that selected processes implemented, are in compliance with City Policies, and that the Department is operating effectively and efficiently related to areas tested. In summary, this internal audit evaluated the following:

- Assess aspects of the Department, including registration and charges to determine the integrity and compliance of the processes with City Code and applicable regulations.
- Obtain an understanding of the City's inventory control procedures.
- Determine areas where improvements can be made to the process and also to provide better customer service to residents.

The detailed procedures performed can be found starting on page 4 of the report.

The specific procedures performed were based on selective testing and sampling. Although our testing was performed in some areas without exception, we can provide no assurance that exceptions would have been detected had procedures been changed or expanded.

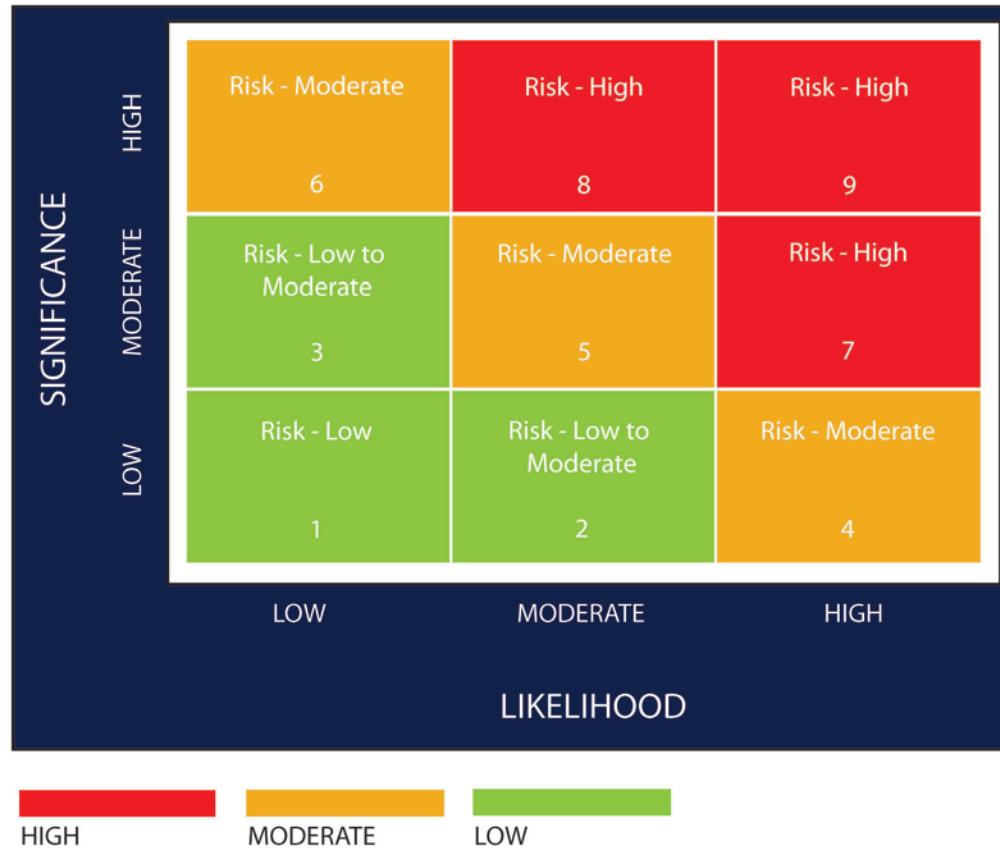
It should also be recognized that internal controls are designed to provide reasonable, but not absolute, assurance that errors and irregularities will not occur, and that procedures are performed in accordance with management's intentions. There are inherent limitations that should be recognized considering the potential effectiveness of any system of internal controls. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes on judgment, carelessness and other factors. Internal control procedures can be circumvented intentionally by management with respect to the execution and recording of transactions, or with respect to the estimates and judgments requirement in processing of data. Controls may become ineffective due to newly identified business or technology exposures. Further, the projection of any evaluation of internal control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, and that the degree of compliance with procedures may deteriorate.

INTRODUCTION

Risk Management

Risks are evaluated based on its “significance” to management’s strategy and its “likelihood” to occur. This will result in a risk profile of the highest risks to the organization as presented below:

Risk Model



PROCEDURES PERFORMED

PROCEDURES PERFORMED	RESULTS
<i>Program Participants & Fee Schedules</i>	
1) Gain an understanding of the internal operations and document internal controls over the registration process by reading and understanding any policies and interviewing key personnel.	<p>We obtained the registration policy and procedure and noted that it was a draft that was last updated September 18, 2018. There is no current final written policy for the registration process. Per interviews with key personnel, the Department recently implemented a new IT system (RecTrac) and they have not implemented a formal policy yet.</p> <p style="color: red;">Refer to opportunity for improvement #2</p>
2) Test the member registration process to ensure that new members were properly registered in accordance with City policies (each participant had the appropriate waivers signed, registration documents, proof of residency) and that correct fees were charged.	<p>We selected 40 participants registered across various Parks and Recreation Programs.</p> <p>Crowe noted exceptions relating to missing required documents for participant registration.</p> <p style="color: red;">Refer to opportunity for improvement #1.</p> <p>Crowe noted exceptions relating to the fees charged to participants due to lack of supporting documentation.</p> <p style="color: red;">Refer to opportunity for improvement #3.</p>
3) Gain an understanding of the internal operations and document internal controls over the inventory by reading and understanding any policies and interviewing key personnel.	<p>We obtained the City's Parks and Recreation Department finance policies and procedures for Inventory Control.</p> <p>Through our request for the latest inventory listing, we learned that the most recent inventory listing was as of June 30, 2016.</p> <p style="color: red;">Refer to opportunity for improvement #4.</p>
4) Select a sample of items in inventory to determine if they physically exist through observation of the items selected.	<p>We selected 25 items in inventory to observe and determine if the inventory was present and still in use through physical observation of the item selected.</p> <p>We noted no exceptions.</p>
5) Select a sample of items purchased to determine if the purchase was supported by appropriate documentation.	<p>Crowe selected 5 items purchased and reviewed the supporting invoice and approval.</p> <p>We noted no exceptions.</p>

OBSERVATIONS AND RECOMMENDATIONS

1. OPPORTUNITY FOR IMPROVEMENT – Registration Documentation: **HIGH RISK**

During our testing of the registration process of new participants we identified instances where new participants were registered, but did not have all of the proper documents needed for registration. We selected a sample of forty (40) participants. Of those 40, four (4) participants either did not have a valid photo ID, signed waiver, proof of age, or proof of residency in RecTrac. Not obtaining and reviewing proper documentation could lead to incorrect fees being charged.

Recommendation: We recommend that a written policy be put into place regarding new participant registration. This policy should include which documents a new participant should bring with them in order to register. Parks & Recreation employees should ensure that all documents are uploaded into RecTrac to ensure the appropriate fees are charged and for recordkeeping purposes. In addition, someone independent of the registration should periodically review the registrations on a simple basis to determine that all proper documentation is in the file.

Management Response / Action Plan: Of the sampling taken by the auditors there may have been instances where some of the accounts were rolled over (existing members only) from the previous registration system and documentation may not yet have been attached. These specific accounts would be updated once the existing membership lapsed. Also not all account/household participants are required to have proof of birth or grade attached, unless the program/activity they registered for specifically required one of those. The Department has revised the original registration policy to include language specific to the new registration policy and has included an internal monthly audit process for all newly created accounts across the Department. A listing of all new accounts will be pulled each month and a sampling of those accounts will be pulled for an internal audit by the Administrative Division. Errors and failure to attach the required documentation will be addressed with the site specific Supervisor and the respective staff member to have processed the registration.

2. OPPORTUNITY FOR IMPROVEMENT – Current Written Registration Policy: **MODERATE RISK**

We obtained the registration policy and procedure and noted that it was a draft that was last updated September 18, 2018. Per interviews with key personnel, the Department recently implemented a new IT system, RecTrac, and they have not implemented a formal policy yet.

Recommendation: The City should implement a current written policy as soon as possible for the implementation of the new system. Having a formal policy will help ensure that proper procedures are followed throughout the department.

Management Response / Action Plan: The Department has revised the original registration policy to include language specific to the new registration policy.

OBSERVATIONS AND RECOMMENDATIONS

3. **OPPORTUNITY FOR IMPROVEMENT – Audit Trail for Fee Charges:** **HIGH RISK**

During our testing of participant registration, we compared the fees charged to participants in RecTrac to the City's fee schedule. As participants are charged hourly for some activities (i.e. tennis lessons), it was difficult to determine if the proper hourly rate was charged as RecTrac only displayed the total fee charged and did not contain information specifying how many hours were charged. We could not verify discounts given to VAC volunteers on fee charges at the Venetian pool through our testing in RecTrac. There was no supporting documentation included in RecTrac to support the discount or special rate.

Recommendation: We recommend the number of hours be indicated in RecTrac such that another City employee or auditor can easily recalculate the fee charged to determine its accuracy. We further recommend for participants that are given a discount, appropriate documentation be included and maintained in RecTrac, showing that that the discount is for a city-approved purpose.

Management Response / Action Plan: The discrepancy in fees were specifically affected by tennis lessons as those had originally been set up in the City's fee resolution as hourly rates. Since these programs vary in frequency and time they were manually calculated by staff entering the programs. To avoid future errors in fees it has been decided to change the fee structure for tennis lessons in the upcoming City's fee resolution to set fees based on weekly/session programs similar to those of all other sport/athletic programs in the Department. This will be implemented for FY21 as the current 5-year fee schedule goes through FY20. Discounts will now be tracked in RecTrac through unique features linked to the approved and active household. These are set up as rules, which cannot be manually altered by staff in the shopping cart. They will be applied automatically, respective to the household or member feature. A Department wide discount policy has been created that will apply to all approved discounts, including employee and volunteer discount benefits. As proof the employee's ID or paystub will be attached to the household and for volunteers the volunteer approval letter or volunteer card will be attached to the household. Also the Administrative Division will now be included in the monthly employee separation email to notify the Department of employees who have separated with the City, and all benefit discounts will be removed accordingly.

4. **OPPORTUNITY FOR IMPROVEMENT – Inventory Observation/Count:** **MODERATE RISK**

While requesting information to complete our inventory observation procedures we noted that the last time an inventory observation was performed by the department was in fiscal year 2016.

Recommendation: We recommend that the department obtains the inventory listing from the City's finance department on an annual basis, or more frequently as determined by the department management. The department should formally review the listing for accuracy and perform a test count and/or observation of selected items. Physically observing the inventory will help management determine if the items are in the proper location and are kept in a safe operating condition.

Management Response / Action Plan: The Department maintained an annual asset inventory until 2016. However, after the Department was included in a City-wide fixed asset workshop the Department was under the assumption that from that point forward the inventory process would be maintained by the Procurement Division. It has since been clarified that although the Finance

OBSERVATIONS AND RECOMMENDATIONS

Department will be maintaining a fixed asset count for new/retired items meeting the fixed asset capitalization threshold of \$1,000, the department should resume its annual inventory practice effective immediately. The department will perform an annual inventory during each November to include items monitored by the department with cost below the \$1,000 threshold for the safeguard and security of the items.