



**Parks and Recreation Department –
Rental of Park Facilities
Audit Report A2019-08**

Issued by the
Internal Audit Office
September 26, 2019

**City of El Paso
Internal Audit Office
Parks and Recreation Department – Rental of Park Facilities Audit A2019-08**

EXECUTIVE SUMMARY

The Internal Audit Office has concluded its audit of the Parks and Recreation Department – Rental of Park Facilities. Based on the results of the audit, two findings were identified. One finding includes an internal control breakdown because there are no documented procedures for calculating facility rental rates and how to review invoices for the security and cleaning of facility rentals. The second finding is a violation of a City Procedure. Therefore, both findings are considered significant in nature.

Listed below is a summary of the findings identified in this report:

1. The Parks and Recreation Department’s Operating Guidelines do not have documented procedures for:
 - Calculating facility rental rates (recreation centers, senior centers, pools, fields, shelters, etc.) and miscellaneous rental fees (janitorial, security, lifeguard, etc.).
 - Reviewing invoices for the security and cleaning services of facility rentals.
2. Reservations for the rental and use of Parks Facilities are not being paid on time as required by the Parks and Recreation Department’s Operating Guidelines and the Rental Permit requirements. A judgmental sample of 25 Parks Facility Rental Reservations for the month of April 2019 identified the following:
 - Eight out of 25 (32%) rental reservations were not paid on time as required by the Parks and Recreation Department’s Operating Guidelines and the Rental Permit requirements.

For a detailed explanation of the findings, please refer to the individual finding contained in the body of this Audit Report.

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BACKGROUND

According to the City of El Paso’s Municipal Code 13.24.200, Section: B-1&2 – *Park and Recreation Facility Use and Fee Authorization*; “the Parks and Recreation Department Director or designee is authorized to rent city-owned park and recreational facilities to the citizens of El Paso for recreational, educational, or leisure-time activities, programs, or events. These rentals are permitted as long as they do not conflict with activities, programs, or events officially sponsored by the City of El Paso; scheduled school activities, programs, or events pursuant to inter-governmental agreements; or other activities, programs, or events previously approved by the City Council or the Department Director. The fees for a paid rental or use of a facility shall include the fee as set forth in the fee schedule.”

The Parks and Recreation Department has over 250 City Parks, 16 Recreation Centers, 14 Aquatics Centers, 11 Senior Centers, and 2 Sports Centers. It also has several sport complexes, skate parks, shelters, pavilions, plazas, and a Rose Garden. All these facilities are available for rent to the public for special gatherings, events, or celebrations. Rental fees vary by facility and the type of use. A list of all the rental fees approved by City Council can be found on the “*Schedule C Departmental Fee List*.” Park facilities can be reserved online, at the center, or at the Parks and Recreation Administrative Office located on 801 Texas Ave depending on the type of rental.

The Parks and Recreation Department utilizes an online database called “*Active Network*” to manage rental reservations and track the collection of rental fees.

AUDIT OBJECTIVES

The objective of the audit was to determine if the Parks and Recreation Department is properly collecting fees and recovering costs associated with renting Parks Facilities. To determine this, the audit included:

- Obtaining an understanding of the facility rental process for the Parks and Recreation Department.
- Reviewing if the Parks and Recreation Department had adequate Policies and Procedures in place for renting Parks facilities.
- Reviewing the collection, depositing, and posting of revenue generated from the Parks Facility Rentals.
- Identifying and reviewing costs (personnel, security, cleaning fees, equipment, supplies, etc.) associated with renting Parks Facilities. With the objective of determining whether the Parks and Recreation Department is recovering the costs or at least breaking even.

AUDIT SCOPE

The scope of this audit included:

- Reviewing a judgmental sample of ActiveNet reservations, payments, and deposits related to the rental and use of Parks Facilities for the month of April 2019.
- Reviewing a judgmental sample of janitorial and security guard invoices related to the rental of Parks Facilities for the month of July 2019.

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AUDIT METHODOLOGY

In order to achieve the audit objectives, we:

- Conducted interviews with the Parks and Recreation Department staff,
- Reviewed the Parks and Recreation Department Policies and Procedures for renting and the use of Parks Facilities,
- Selected a judgmental sample of facility rental reservations to review:
 - The collection and recording of facility rental payments in ActiveNet.
 - The deposit and posting of facility rental revenues.
- Identified and reviewed expenses associated with the use and rental of Parks Facilities to determine if costs for renting Parks Facilities are recovered.

We conducted this audit in accordance with *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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***SIGNIFICANT FINDINGS, RECOMMENDATIONS,
AND MANAGEMENT’S RESPONSES***

The definition of a “Significant Finding” is one that has a material effect on the City of El Paso’s financial statements, identifies an internal control breakdown, is a violation of a City procedure, or a violation of a law and/or regulation, which the City is required to follow. Any finding not meeting these criteria will be classified as a “Regular Finding”.

Finding 1

Parks and Recreation Department Operating Guidelines

City of El Paso Strategic Plan:

- Goal 6.4 *Implement leading-edge practices for achieving quality performance excellence.*
- Goal 6.13 *Maintain systems integrity, compliance, and business continuity.*

Best business practices state:

A strong system of internal controls requires that Policies and Procedures be developed that document routine or repetitive activity followed by an organization. The development and use of Policies and Procedures are an integral part of a successful quality of system as it provides individuals with the information and guidance to perform a job properly.

The Parks and Recreation Department’s Operating Guidelines do not have documented procedures for calculating rental rates and reviewing invoices for the security and cleaning services of facility rentals. A review of the department’s Operating Guidelines for handling the rental and use of Parks Facilities identified the following:

- No criteria to calculate facility rental rates (recreational centers, senior centers, pools, fields, shelters, etc.) and miscellaneous rental fees (janitorial, security, lifeguard, etc.) is documented. Also, there is no procedure to identify how often rental rates/fees should be reexamined to ensure rental cost recovery.
- There are no documented procedures for reviewing invoices for the security and cleaning services of facility rentals. A process exists to review invoice charges with rental reservations recorded in ActiveNet, but the review process is not documented.

Recommendation

The Parks and Recreation Department should update their Operating Guidelines to include:

- The criteria for calculating facility rental rates and miscellaneous rental fees.
- How often rental rates/fees should be reexamined to ensure rental cost recovery.
- The process of reviewing invoice charges for the security and cleaning services of facility rentals.

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Management's Response

The Parks and Recreation Department will undertake a review of current applicable Administrative Guidelines and amend them to reflect:

- The methodology for how rental rates are determined and the frequency for review and update,
- The process of reviewing invoice charges for security and cleaning services for facility rentals.

The Parks and Recreation Department will submit amended Administrative Guidelines and procedure for reviewing invoices by the Implementation Date.

Responsible Party

Laura Garcia, Administrative Services Manager

Implementation Date

February 1, 2020

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Finding 2

Payment of Facility Rental Reservations

City of El Paso Strategic Plan:

- Goal 6.3 – *Implement programs to reduce organizational risk.*
- Goal 6.13 – *Maintain systems integrity, compliance, and business continuity.*

Parks and Recreation Department Guidelines & Rental Permit:

- Parks and Recreation Guidelines 303 – Athletic Field Reservations and Field Use, Section: Games, Bullet #3 states – *“Independent groups or designee must submit rosters of all players in league to the Sports Manager or designee who will calculate the permit fees based on the number of players on rosters submitted. The per player fee is due in full prior to the league start date.”* (The player fee for Independent Leagues is \$10.00 per player/per season according to the Fiscal Year 2019 – Schedule C Departmental Fee List.)
- Parks and Recreation Guidelines 303 – Aquatic Facility Reservation and Lane Rental Use, Section: Payment, Bullet # 2 – 4 states – *“Upon receipt of monthly aquatic pool request, the Aquatic Manager or designee will calculate the permit fees based on number of lanes and number of hours requested. The lane fees are due in full prior to the beginning of each month. Payment of swim lanes will be made in person to the Aquatics Manager or his designee before a permit is issued for the month. A permit will be issued and signed at the time payment is received.”* (Use fees for pool lanes vary from \$10.00 to \$76.00 per hour according to the Fiscal Year 2019 – Schedule C Departmental Fee List.)
- Parks and Recreation Department Permit Contract states – *“Reservations made 31 days or more in advance require the payment of no less than 50% of the total costs to hold the reservation. The balance is due no later than 30 days in advance of the reservation. Any balance must be paid in full with cash, check, or credit card or the reservation will be cancelled.”* (The rate for a Multipurpose Room rental ranges from \$10.00 to \$714.00 per hour and a Complex Field rental ranges from \$126.00 to \$6,630.00 per day according to the Fiscal Year 2019 – Schedule C Departmental Fee List.)
- Parks and Recreation Guidelines 323 - Aquatic Facility Reservation and Lane Rental Use, Section: Swim Meets, Bullet #3 & 4 states – *“Upon receipt of the Aquatic Pool Use Request letter, the Aquatics Manager or designee will calculate the permit fees based on the number of lanes and number of hours requested. The lane fees are due in full prior to the beginning of the month of the meet.”* (Use fees for swim meets range from \$110.00 to \$692.00 per hour according to the Fiscal Year 2019 – Schedule C Departmental Fee List.)

Reservations for the rental and use of Parks Facilities are not being paid on time as required by the Parks and Recreation Department’s Operating Guidelines and the Rental Permit requirements. A judgmental sample of 25 Parks Facility Rental Reservations for the month of April 2019 identified the following:

- Eight out of 25 (32%) rental reservations were not paid on time as required by the Parks and Recreation Department’s Operating Guidelines and the Rental Permit requirements.
 - Two field reservations totaling \$9,384.00 were paid in full 30 to 52 days after the independent league start date.

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- Two pool lane reservations totaling \$2,706.00 were paid in full 15 days after the month of April 2019 started and not prior to the beginning of the month.
- Two reservations for a Multipurpose Room rental and a Complex Field rental totaling \$1,022.00 were paid in full 4 to 11 days before the reserved date and not 30 days in advance as required by the Rental Permit.
- A swim meet reservation totaling \$3,010.00 was recorded in ActiveNet and paid in full six days after the meet occurred.
- A swim meet reservation for a school district totaling \$1,100.00 had not been paid as of July 3, 2019; 67 days after the meet took place.

Recommendation

The Parks and Recreation Department should implement a review process or an Aging Schedule to identify and monitor past due rental reservations.

Management's Response

The Parks and Recreation Department has a program and reservation software capable of issuing an Accounts Receivable Aging Schedule. This report will be disseminated to all Program Managers on a bi-weekly basis. The Parks Director, Assistant Director, and Administrative Services Manager will provide oversight by reviewing the report and outstanding balances with Managers.

- The Parks and Recreation Department will document the process of reviewing the Aging Schedule.
- The Parks and Recreation Department will submit a copy of the Aging Schedule and procedure by the Implementation Date.

Responsible Party

Laura Garcia, Administrative Services Manager

Implementation Date

January 1, 2020

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INHERENT LIMITATIONS

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods beyond the Audit Report date are subject to the risk that procedures may become inadequate due to changes in conditions, management override of internal controls, or that the degree of compliance with the procedures may deteriorate. This was a limited scope audit which only reviewed the areas stated in the Audit Objectives during the Audit Scope period. No representations of assurance are made to other areas or periods not covered by this audit.

CONCLUSION

We have concluded our work on the objectives of the Parks and Recreation Department – Rental of Park Facilities Audit. The audit evidence used in the analysis is sufficient and appropriate for addressing the objectives and supporting the findings and conclusion. In accordance with Generally Accepted Government Auditing Standards, we are required to conclude whether the Parks and Recreation Department met the objectives of this audit. Based on our audit work, we have determined that:

1. The Parks and Recreation Department met the audit objectives in the following areas:
 - Recovering expenses related to the renting of Parks Facilities.
 - Depositing and posting revenues generated from the Parks Facility Rentals.

2. The Parks and Recreation Department did not meet the audit objectives in the following areas:
 - Documenting Policies and Procedures for handling the rent and use of Parks Facilities to address the following areas:
 - Calculating facility rental rates (recreation centers, senior centers, pools, fields, shelters, etc.) and miscellaneous rental fees (janitorial, security, lifeguard, etc.).
 - Reviewing invoices for the security and cleaning services of facility rentals.
 - Collecting payments for the rental and use of Parks Facilities as required by the Parks and Recreation Department’s Operating Guidelines and the Rental Permit requirements.

We wish to thank the Parks and Recreation Department staff for their assistance and numerous courtesies extended during the completion of this audit.

Signature on File

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Chief Internal Auditor

Signature on File

Miguel Ortega, CGAP
Auditor II

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