

**Audit of the
Recreation and Park Department's
Cash Handling Practices**

**Prepared for the
Board of Supervisors
of the City and County of San Francisco**

**by the
San Francisco Budget Analyst**

May, 2008

CITY AND COUNTY



OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

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May 12, 2008

Honorable Jake McGoldrick, Chair, Budget and Finance Committee
and Members of the Board of Supervisors
City and County of San Francisco
Room 244, City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Dear Supervisor McGoldrick and Members of the Board of Supervisors:

The Budget Analyst is pleased to submit this *Audit of the Recreation and Park Department's Cash Handling Practices*, which was conducted by the Budget Analyst, pursuant to the Board of Supervisors powers of inquiry as defined in Charter Section 16.114. The purpose of this follow-up audit regarding cash handling within the Recreation and Park Department has been to (i) determine the extent to which the Department has implemented the cash handling recommendations of the 2006 *Recreation and Park Department Audit Report* conducted by the Office of the Budget Analyst, and (ii) examine, evaluate, and report any additional cash handling shortcomings or deficiencies disclosed during the course of this follow-up audit.

This follow-up audit was conducted in accordance with *Governmental Auditing Standards, July 2007 Revision*, issued by the Comptroller General of the United States, U.S. Government Accountability Office. The audit staff presented draft report findings and recommendations to the Recreation and Park Department on April 8, 2008. Subsequent to careful consideration of the additional information provided by the Department after submission of our draft report findings and recommendations, the audit staff prepared the final report. The Recreation and Park Department has provided a written response to the Budget Analyst's *Audit of the Recreation and Park Department's Cash Handling Practices*, which is appended to this audit report beginning on page 70.

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Background

During calendar year 2005, the Budget Analyst conducted a comprehensive management audit of the Recreation and Park Department and issued an audit report on January 12, 2006. On July 23, 2007, the Board of Supervisors adopted Motion 07-100 directing the Budget Analyst to perform a follow-up audit of the Department's progress in implementing the 2006 *Recreation and Park Department Audit Report's* recommendations concerning cash handling practices.

The 2006 *Recreation and Park Department Audit Report* contained 18 findings, including one finding on cash handling practices, and 169 related recommendations. The Budget Analyst has identified 36 recommendations for additional evaluation that are either directly or indirectly related to cash handling. Section 1 of this audit report discusses the Budget Analyst's evaluation of the status of each of those 36 recommendations included in the 2006 audit, along with pertinent comments from the Recreation and Park Department. Section 1 also contains two additional recommendations concerning the 2006 audit, one addressed to the Recreation and Park Department and one for consideration by the Board of Supervisors. In addition to evaluating the implementation status of the 36 recommendations previously made in the 2006 audit, this audit report contains five additional findings and 24 additional recommendations. Thus, in total, this cash handling audit report contains six findings and 26 recommendations. Therefore a total of 25 recommendations were made to the Recreation and Park Department and one recommendation was made for consideration by the Board of Supervisors.

According to the written response provided by the General Manager, Recreation and Park Department, and beginning on page 70 of this report, the Department agrees with 22 of the Budget Analyst's 25 recommendations developed during the course of this follow-up audit of cash handling and addressed to the Recreation and Park Department, partially agrees with one recommendation, and disagrees with two of those recommendations. As previously stated, one recommendation is addressed to the Board of Supervisors, resulting in a total of 26 recommendations.

The following sections summarize our findings. Our two recommendations concerning the 2006 *Recreation and Park Department Audit Report* and our 24 new recommendations are listed in the Attachment to this transmittal letter.

1. Status of Cash Handling Recommendations

As noted above, the Budget Analyst's 2006 *Recreation and Park Department Audit Report* included 18 findings and 169 related recommendations. The Budget Analyst identified 36 of the 169 recommendations as either directly or indirectly related to cash handling. Our examination of the current status of those 36 recommendations disclosed that 10 were implemented, 10 were partially implemented, and 16 were not implemented.

The Budget Analyst recommends that the General Manager, Recreation and Park Department, provide the Board of Supervisors with a schedule for implementing the 26 cash handling recommendations from the 2006 audit that are currently either not implemented or partially implemented.

The Budget Analyst also recommends that the Board of Supervisors schedule a FY 2008-2009 mid-year review in approximately December of 2008 or January of 2009 to determine the status of the Recreation and Park Department's progress on implementing the Budget Analyst's 25 recommendations contained in this cash handling audit report that are addressed to the Department.

2. Unauthorized Recreational Fees

The Recreation and Park Department generates unauthorized revenues and incurs costs from conducting recreational activities that are entirely outside the existing City structure for operating recreational programs. These recreational activities have been in existence for years, have not been approved by the Recreation and Park Commission, and the fees have not been submitted for codification in the Park Code by the Board of Supervisors, as required by Section 2.109 of the City Charter. Further, the revenues and expenditures are not submitted by the Recreation and Park Department for annual appropriation approval by the Board of Supervisors. Total revenue from the unauthorized recreational activities fees for the period of FY 2001-2002 through FY 2006-2007 was \$794,421.

Programs operated by the Recreation and Park Department for which fees are collected at the program sites include: (i) two youth soccer programs; Futsol and Seven-a-Side Soccer, (ii) two women's programs; women's volleyball and women's basketball and (iii) a tennis program. The fees for these activities, which are collected on site, are transported to the Parks Trust and credited to Parks Trust accounts established for the benefit of the Recreation and Park Department.

The Parks Trust, founded in 1971 and formerly known as Friends of Recreation & Parks, is a nonprofit organization that supports San Francisco parks, recreation centers and open spaces through funding of major capital projects, such as raising approximately \$12 million of the estimated \$19.2 million for the reconstruction of the Conservatory of Flowers, funding smaller restoration and renovation projects such as the Golden Gate Park Carrousel and the 6th Avenue entrance to Golden Gate Park. Funding from the Parks Trust affords small park groups the opportunity to make physical improvements and support special projects in neighborhood parks and operating programs such as the annual Opera in the Park, Park Partners program and Golden Gate Park Tours.

The revenues generated by these unauthorized recreational activities and deposited in Parks Trust accounts are disbursed through an informal system that is also used to disburse monies properly deposited in Parks Trust accounts from gifts to the Recreation and Park Department. Total revenues from the unauthorized recreational fees (\$794,421) and authorized gifts/ grants

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(\$1,902,747) total \$2,697,168 for the period of FY 2001-2002 through FY 2006-2007. Total expenditures for those fiscal years were \$3,141,349, or \$444,181 in excess of the revenues. The \$444,181 was funded by fund balances in Parks Trust accounts carried forward from previous years.

Many of the disbursements from the Parks Trust accounts are for nursery and recreational items such as plants, athletic equipment and trophies. However, the Budget Analyst's review disclosed that a total of \$834 was paid for catered lunches and incidental costs for Recreation and Park Department staff, costs that, in the professional judgment of the Budget Analyst, should not be borne by recreational fees or gift or grant revenues.

The Budget Analyst emphasizes that most of the programs paid for by Parks Trust accounts appear worthwhile. However, the expenditures of fees and revenues were never authorized by the Board of Supervisors.

3. Cash Handling Practices

Fee revenues collected at the Department's nine swimming pools are placed in cash lock boxes. Such cash lock boxes are transported regularly by armored transport to McLaren Lodge from each of the swimming pools. Upon arrival, the Recreation and Park Department's Revenue Unit staff transfer the cash from the lock boxes to bank deposit bags and place the bags in a safe located in McLaren Lodge. Because some of the currency is crumpled, the bills must be straightened and flattened prior to being run through a currency counter. Although the Department's policy is to have two staff members to straighten and count the bills and coins, the Budget Analyst's 2006 audit disclosed that there was only one instead of two employees in a cubicle with a large box of bills, straightening and counting the cash.

In response to the Budget Analyst's inquiry on the status of the 2006 recommendation concerning the counting of swimming pool cash collections, the Department stated that it "has implemented a policy requiring two employees to be present as cash is being counted. The revised cash handling policy and CLASS¹ policy both specify procedures for reconciliation." However, during this audit, on two separate occasions one month apart, there were instances where the Budget Analyst observed similar situations as described above in the Revenue Unit's cubicle – only one employee processing a large stack of bills, with no other person in the cubicle and with no oversight. The employee conducting the cash count in the second instance stated that "the staffing of the Revenue Unit was insufficient to provide a two-person, cash processing operation."

Placing an employee in the position of access to hundreds and sometimes thousands of dollars without effective oversight controls is a direct violation of adequate internal control standards.

¹ CLASS is a computerized program registration and facility booking system.

Further, non-compliance with published policies and procedures is detrimental to the maintenance of a quality control environment and the safeguarding of Departmental assets.

Our review of a sample of Z-Out tapes² from both the Recreation and Park Department's Japanese Tea Garden and Tennis Court cash registers revealed instances of non-sequential Z-Out Report numbers. Further, there was no note in the file explaining the reasons for the skipped Z-Out Report deviations. At the request of the Budget Analyst, the Department's Financial Operations Manager conducted an inquiry to determine the reason for the non-sequential deviations and determined that the deviations associated with the Japanese Tea Garden were due to a service maintenance that was performed on the particular cash register. As of the writing of this report, the Financial Operations Manager has not explained the non-sequential deviations in the Z-Out Report numbers for the tennis courts.

In addition to the cash register problems, our audit has disclosed that there are opportunities to achieve economies in the staffing of the Japanese Tea Garden Admissions Section. The hourly rate for the classification 3302, Admission Attendant position, is approximately \$19.34, not including mandatory fringe benefits. The Budget Analyst estimates that an average reduction of three work hours per day can be achieved in the Admissions Section, which would result in a savings of approximately 0.6 FTE, valued at approximately \$23,930 in salary and mandatory fringe benefits annually.

4. Aquatics Program Issues

The Recreation and Park Department's Aquatics Program, which includes programs such as swimming instruction, water aerobics, and recreational swimming, provides facilities and services to organizations, such as public and private schools and swim clubs, for which no set fees have been established by the RPD. In order to determine the fees paid by such organizations to the Recreation and Park Department, the Budget Analyst surveyed seven organizations that use Aquatics Program facilities.

Initial contact was made with the Athletic Director at the Convent of the Sacred Heart School, who informed the Budget Analyst staff that the school used Hamilton Pool for the period of February through April of 2006 and 2007. The Athletic Director also informed the Budget Analyst that the School had made a single payment for use of the Hamilton Pool to the Permits and Reservations Division of the Recreation and Park Department for the 2007 period, but that in 2006, the swim coach of the Convent of the Sacred Heart presented checks to an Aquatics Program employee at Hamilton Pool every week or every two weeks during February through

² Cash register transactions are recorded on register tapes in a non-resettable, sequential manner. The Z-Out process entails activating a key position on the cash register that causes 1) a report of the transaction totals since the last Z-Out to be printed, 2) a sequential number to be assigned to the particular Z-Out report, and 3) a "zero out" of the register in preparation for the next day's or shift's work. The register tape would then record non-resettable sequential transactions since the last Z-Out report.

April of 2006. The Budget Analyst requested copies of the checks and was informed that the School's Business Office was the repository of the checks and that obtaining copies might prove problematic because of the amount of time that had elapsed. The Budget Analyst verified that the Convent of the Sacred Heart School made a payment in April of 2007 to the Permits and Reservations Unit of the Recreation and Park Department in the amount of \$644 for use of Hamilton Pool for school swim team practices. The Budget Analyst informed the Aquatics Program Manager concerning the information obtained from the Athletic Director of the Convent of the Sacred Heart who, in turn, informed the Director of Administration and Finance. The Budget Analyst attempted to re-contact the Athletic Director, without success, and has never been provided with copies of the checks from the Convent of the Sacred Heart School or the Recreation and Park Department.

The Director of Administration and Finance stated that the Recreation and Park Department would conduct a follow-up with the Convent of the Sacred Heart and with Department staff. Following a period of approximately three weeks, the Director of Administration and Finance contacted the Budget Analyst concerning the Department's inquiry into the matter. The Director of Administration and Finance provided the Budget Analyst with a summary of the interview with the employee who had reportedly received the checks and also reported that repeated attempts by the Department to contact officials at the Convent of the Sacred Heart were unsuccessful.

A redacted summary of required actions for the Recreation and Park Department to take based on the Hamilton Pool check revelations, provided by the Director of Administration and Finance, is as follows:

While the results of the interview suggest that the department needs to develop a clear policy and fees regarding swim teams and the use of our pools by outside entities, including schools swim teams and other organizations, I do not believe that fraud has taken place at Hamilton Pool. [name] has been tasked with developing a new policy and fees for use of the pools. In addition, he and [name] will follow up with [name] regarding the Hamilton Swim Team and the account for that team. It is clear that RPD staff should never handle money for organizations or programs that are not affiliated with RPD. The corollary to that, of course, is that any program associated with RPD must follow the department's cash handling policies and may not establish accounts outside of the city's accounting system.

During the preliminary survey segment of this follow-up audit pertaining to the Aquatics Program, the Aquatics Program Manager provided background and operational information on aspects of cash handling at the swimming pools. The Aquatics Program Manager demonstrated the process of removing a lock box from its enclosure at the swimming pools in order to transport the lock boxes to McLaren Lodge without actually having access to the cash in the lock box. However, the Aquatics Program Manager also informed the Budget Analyst that he possessed keys to actually access the cash in the lock boxes, and demonstrated that capability.

Since the Aquatics Program Manager possesses keys to gain entry to all of the swimming pools, in the absence of a compelling operational need, it is not appropriate for that manager to also have access to the keys that actually open the cash lock boxes. The Budget Analyst notified the Director of Administration and Finance concerning the internal control weakness of entrusting an individual with accesses to both the swimming pool facilities and lock boxes containing the cash at such facilities. The Director of Administration and Finance acknowledged the control weakness and had the Aquatics Program Manager return the lock box lid keys to the Recreation and Park Department Revenue Unit.

5. Permits and Reservations

The Permits and Reservations Unit does not have standard procedures for issuing receipts to patrons, storing copies of receipts, making reservations, issuing permits, or collecting cash. While some uniformity exists across Divisions, the Unit as a whole does not adhere to a uniform set of procedures. For example, while staff in the Athletics Division follow the same procedures, these procedures differ from those followed by staff in the Picnics and Special Events Division. This lack of uniformity leads to various accounting styles and ad-hoc procedures for cash collection, revenue reporting, and revenue deposits.

While a Cash Handling Manual does exist and was issued in 2006 by management of the Recreation and Park Department, none of the Permits and Reservations Unit staff was given a copy of the manual or received any training on cash handling protocol and procedures. Therefore, staff have relied on informal procedures and used personal judgment with respect to proper cash handling methods.

In a review of 50 randomly-selected permit files, the Budget Analyst found that in five cases, or 10 percent, the Permits and Reservations Unit inaccurately reported the total amount of the permit, the type of payment received, or the reservation number on the Daily Report of Cash Receipts (DRCR). In one case, no record could be found on the DRCR for a completed permit reservation.

The Supervisor of the Permits and Reservations Unit transports all deposits to McLaren Lodge in a standard vehicle and no precautionary security measures are taken. Based on the Budget Analyst's observations, deposits could range from approximately \$2,000 up to approximately \$70,000, depending on time of year. The security of cash transport from the Pioneer Log Cabin to the Revenue Unit at McLaren Lodge should be enhanced by employing an escort or other means.

Permits and Reservations staff do not follow a policy of reconciling revenues at the end of each day, week, or month. While the Athletics Division reconciles revenues on most days and again at the end of every week, and a final time before a deposit is made, the Picnics and Special Events Division does not have a procedure for reconciling revenues. This lack of uniformity across the Permits and Reservations Unit complicates revenue tracking and record keeping among the Unit

as a whole and allows for inaccuracies in revenue reporting, as we found in our review of 50 randomly-selected permit files.

The Recreation and Park Department's Cash Handling Manual states that deposits should be made every week or when the total cash on hand reaches \$100. While the Permits and Reservations Unit usually makes weekly deposits, the unit does not always adhere to this policy, nor does the Unit make deposits if cash reaches \$100 or more. The Unit does not have specific procedures regarding notification of supervisors or management if large payments are received, thus exposing the Unit to excessive losses in the case of a burglary.

Overall, the Budget Analyst found that the lack of controls and security protocol greatly increased the opportunities for theft or inaccuracies in revenue reporting in the Permits and Reservations Unit and that security of cash had not improved since the 2006 *Recreation and Park Department Audit Report*.

6. Concession Audits

Under the Park Code, Recreation and Park Department properties must be used for recreational purposes. The Recreation and Park Department has 57 lease, license or concession agreements, primarily with for-profit vendors, but also with non-profit organizations. Such agreements generated approximately \$25.7 million in General Fund Departmental Revenues in FY 2006-2007. The Department of Parking and Traffic manages four parking garage lease agreements on behalf of the Recreation and Park Department: St. Mary's, Civic Center, Portsmouth Square, and Union Square. The remaining 53 agreements are managed by the Permits and Parking Department's Property Management Unit, which is part of the Recreation and Park Department's Partnerships and Resource Development Division.

The Controller's Office regularly audits the four parking garages, and has audited six of the 53 other concessions since 2000, according to records provided by the Controller through the Recreation and Park Department. As part of this follow-up audit to the Budget Analyst's 2006 Recreation and Park Department Audit Report, the Budget Analyst conducted audits of three concessions, as follows: 1) Fashion House, Inc., as lessee for the lease of real property located at the Japanese Tea Garden, Golden Gate Park; 2) Emporio Rulli, Inc., as Sublessee for the sublease of the Union Square Café; and 3) Stow Lake Corporation, as lessee for Boat Rentals, Bicycle Rentals, and Snack Bar Concession at Stow Lake, of Golden Gate Park. The Budget Analyst had no findings concerning the Japanese Tea Garden and only minor findings concerning Emporio Rulli, Inc. However, the audit of the Stow Lake Corporation resulted in the Budget Analyst disclosing a significant finding concerning the Recreation and Park Department's management of this lease.

The Lease Agreement for Stow Lake had a term of fifteen (15) years, which ended in November 2006. Currently, Stow Lake is operating under a month-to-month holdover period which started in December of 2006. The holdover provisions stipulate that only ten percent (10%) of all gross sales shall be paid to the Recreation and Park Department instead of the significantly higher

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percentage rent of 31 percent for boat rentals plus 21 percent from snack bar operations, which the Recreation and Park Department had received under the provisions of the original lease.

Had the 31 percent payment provisions of the original Stow Lake lease been in effect during calendar year 2007 instead of the ten percent (10%) holdover rate, the Recreation and Park Department would have received total revenues of \$169,767 instead of the actual amount of \$57,683 collected, or a difference of \$112,084, or 66 percent less than the Recreation and Park Department would have received under the original lease provisions. The lease containing the provision for reduced rent during the holdover period was approved by the Board of Supervisors in November of 1991. The Recreation and Park Department should issue a Request for Proposals for management of the Stow Lake concession and negotiate a new lease as soon as possible in order to achieve significantly improved revenues.

The Recreation and Park Department's Written Response

The Recreation and Park Department provided a written response to the Budget Analyst on May 1, 2008, which begins on page 70 of this audit report. The Department disagrees with two of the 25 recommendations made by the Budget Analyst, which the Budget Analyst responds to below.

The Department's Disagreement with Recommendation No. 3.3.

Recommendation No. 3.3 recommends that the Recreation and Park Department "Reduce staffing to the minimum level required to effectively perform the cash collection and visitor admission function at the Japanese Tea Garden." The Department has responded by stating that "Current staffing allows the department to provide security in the Tea Garden and maintain appropriate internal controls in the ticket booth. . . ."

- 1) The Budget Analyst has presented a detailed analysis of Japanese Tea Garden Admissions staffing on page 31 through 35 of this audit report.

The hourly rate for the classification 3302, Admission Attendant position, is approximately \$19.34, not including mandatory fringe benefits. Thus, if an average reduction of three work hours per day can be achieved in the Admissions Section, as the Budget Analyst has estimated, savings of approximately 0.6 FTE, valued at approximately \$23,930 in salary and mandatory fringe benefits, annually, could be realized.

In the professional judgment of the Budget Analyst, there are opportunities to achieve economic savings in the daily staffing of the Japanese Tea Garden Admissions Section that are not incompatible with the Department's objective "to provide security in the Tea Garden and maintain appropriate internal controls in the ticket booth, while allowing for a relief factor."

The Department's Disagreement with Recommendation No. 3.5.

Recommendation No. 3.5 recommends that the Recreation and Park Department develop or procure an incident reporting system that is used to analyze trends and assist in controlling exposure to burglaries and other unlawful incidents. In its response, the Recreation and Park Department has stated "The limited number of incidents that RPD has experienced does not warrant expenditure of resources to create such a system."

During the course of this cash handling audit, the Budget Analyst received information from Recreation and Park Department employees concerning burglaries of various Recreation and Park Department facilities in the past several years. Facilities reported include the General Manager's Office, Rossi Pool, and the Tennis Courts Office. The Budget Analyst requested that the Department's Director of Operation, who oversees the operations of the Department's Park Patrol, provide a listing of burglaries and attempted burglaries that have occurred in the past few years. However, the Director of Operations has not provided such a listing because, reportedly the information is not readily available.

The purpose of the burglary information request was to determine the extent and severity of burglaries occurring on Recreation and Park Department properties, information that may provide the basis for determining the urgency of a burglary risk assessment and implementation of control activities.

As an example of burglaries occurring on Recreation and Park Department property, in 1996 a Park Patrol Officer, who was found to have extorted money from a tourist, was also found to have been involved in numerous other crimes involving Recreation and Park Department property. Further, the office of the Department's Director of Operations was broken into during the course of the 2006 Recreation and Park Department audit as were the offices of his two primary subordinates.

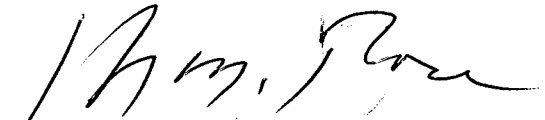
The Recreation and Park Department's Park Patrol force, excluding the 6.0 FTE positions assigned to Monster Park Stadium, was increased from a total of 5.25 FTE positions in the FY 2006-2007 Annual Salary Ordinance to 15.25 FTE in the FY 2007-2008 Annual Salary Ordinance, an increase of 10 FTE or 190 percent. This increase was consistent with the Department's objectives for the Park Patrol, delineated in the Budget Analyst's 2006 Management Audit Report of the *Recreation and Park Department*, that included the objective to "Improve communications internally and externally to facilitate the timely exchange of information." In coordination with upgrading the offices of the Park Patrol and developing policies and procedures, developing an incident reporting system, which could be based on a relatively simple Access or Excel program, would enhance the professional capabilities of the Park Patrol, in the professional judgment of the Budget Analyst.

For all of these reasons, the Budget Analyst continues to recommend that the Department develop or procure an incident reporting system.

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We would like to thank the General Manager, Recreation and Park Department, his staff, and the Parks Trust staff for their cooperation and assistance throughout this management audit.

Respectfully submitted,



Harvey M. Rose
Budget Analyst

cc: President Peskin
Supervisor Alioto-Pier
Supervisor Ammiano
Supervisor Chu
Supervisor Daly
Supervisor Dufty
Supervisor Elsbernd
Supervisor Maxwell
Supervisor Mirkarimi
Supervisor Sandoval
Clerk of the Board
Cheryl Adams
Controller
Nani Coloretti
General Manager, Recreation and Park Department

Recommendations

Based on the management audit findings, the Budget Analyst has made 26 recommendations detailed in this Attachment to the transmittal letter.

1. Status of Cash Handling Recommendations

The Recreation and Park General Manager should:

- 1.1 Provide the Board of Supervisors with a schedule for implementing the remaining cash handling recommendations from the 2006 audit that are currently not implemented or partially implemented and are planned to be implemented.

The Board of Supervisors should:

- 1.2 Schedule a FY 2008-2009 mid-year review of the Recreation and Park Department's progress on implementing the recommendations of the this cash handling audit report.

2. Unauthorized Recreational Fees

The Recreation and Park General Manager should:

- 2.1 In accordance with the stated intent, develop and submit to the Board of Supervisors a fee structure and proposed ordinance for currently unauthorized recreational fee activities and then terminate all recreational activities that do not have an approved fee structure.
- 2.2 Request appropriation authority in the FY 2008-2009 Budget for the gifts, grants and other funds received throughout the year from the Parks Trust for "S.F. Recreation & Park Dept. Programs."
- 2.3 Request expenditure authority in the FY 2008-2009 Budget for the materials and supplies, consultant and contractor costs and other costs incurred from operating the currently unauthorized recreational activities.
- 2.4 Direct the Director of Administration and Finance to ensure that approved payment requests to the Parks Trust are for goods or services that benefit fee program activities.
- 2.5 Direct the Director of Administration and Finance to ensure that the requirements of Chapters 12B and 12C of the Administrative Code, *Nondiscrimination in Contracts* and *Nondiscrimination in Property Contracts*, respectively, are complied with.

3. Cash Handling Practices

The Recreation and Park General Manager should:

- 3.1 Direct the Director of Administration and Finance to enforce the protocol requiring at least two employees present at all cash counts.

- 3.2 Direct the Director of Administration and Finance to develop detailed policies and procedures covering the operations of the Revenue Unit.
- 3.3 Reduce staffing to the minimum level required to effectively perform the cash collection and visitor admission function at the Japanese Tea Garden.
- 3.4 If feasible, schedule armored transport cash pick-ups for late in the afternoon, so that lesser sums of cash will be stored overnight in the Admissions booth.
- 3.5 Ensure that the Recreation and Park Department develops or procures an incident reporting system and that the system is used to analyze trends and assist in controlling exposure to incidents.
- 3.6 In accordance with the Controller's 1993 Audit of the Japanese Tea Garden, direct the Director of Administration and Finance to "improve its procedures for recording and reporting free admissions."

4. Aquatics Program Issues

The Recreation and Park General Manager should:

- 4.1 Develop a clear policy and fees regarding swim teams and the use of City pools by outside entities, including schools swim teams and other organizations.
- 4.2 Emphasize the importance of keeping posted pool hours as an important part of customer service, especially given that three of nine pools are currently closed for renovations.

5. Permits and Reservations

The Director of Operations should:

- 5.1 Update the Cash Handling Policy to incorporate the following improvements cited in this audit report section:
 - 5.1.1 All Units should have clear procedures in regard to security of cash throughout the day as well as at night when cash should be properly locked up.
 - 5.1.2 The security of cash transport from the Pioneer Log Cabin to the Revenue Unit at McLaren Lodge should be strengthened.
 - 5.1.3 The Manager of the Permits and Reservations Unit should verify and approve proposed internal controls developed for each unit.
 - 5.1.4 The Manager of the Permits and Reservations Unit should verify that each employee has (a) received a copy of the Department's Cash Handling Policy, and (b) been properly trained on cash handling protocol within the Unit.

- 5.2 Implement the CLASS system in the Picnics and Special Events Division to eliminate manual data entry and mitigate the opportunities for human error.
- 5.3 As recommended in the 2006 Recreation and Park Department Audit Report, hire a manager to implement the CLASS system and oversee all operations within the Permits and Reservations Unit and wherever the CLASS system is used within the Recreation and Park Department.
- 5.4 Direct the current Supervisor of the Permits and Reservations Unit to develop formal protocols requiring (a) daily reconciliation of revenue activities in both divisions, (b) weekly reconciliation of revenue activities before deposits are made, and (c) at least two employees present during transportation of cash from the Pioneer Log Cabin to the Revenue Unit.

The Director of Administration and Finance should:

- 5.5 Develop a formal policy or set of procedures regarding the reconciliation of revenues once they are received by the Revenue Unit, to ensure that the Permits and Reservations Unit has reported their revenues accurately.

6. Concession Audits

The Recreation and Park General Manager should:

- 6.1 On an expedited basis, act to implement provisions of a Stow Lake lease that enable the Department to collect revenues based on economic realities and not on the unrealistic provisions of a holdover lease.
- 6.2 As resources permit, on a priority basis, allocate additional staffing to the authorized Property Management positions.
- 6.3 As resources permit, task the appropriate primary staff director to develop and oversee a concession audit program that is based on the relative risks of the managed concessions and request that the Controller execute that concession audit program.

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Introduction

During calendar year 2005, the Budget Analyst conducted a comprehensive management audit of the Recreation and Park Department and issued an audit report on January 12, 2006. On July 23, 2007, the Board of Supervisors adopted Motion 07-100 directing the Budget Analyst to perform a follow-up audit of the Department's progress in implementing the 2006 *Recreation and Park Department Audit Report's* recommendations concerning cash handling practices.

Purpose and Scope

The purpose of this follow-up audit regarding cash handling within the Recreation and Park Department is to (i) determine the extent to which the Department has implemented the cash handling recommendations of the 2006 *Recreation and Park Department Audit Report* conducted by the Office of the Budget Analyst and (ii) examine, evaluate, and report any additional cash handling shortcomings or deficiencies discovered during the course of this follow-up audit.

The 2006 *Recreation and Park Department Audit Report* included 18 findings and 169 related recommendations. The Budget Analyst identified 36 recommendations for evaluation that are either directly or indirectly related to cash handling. Section 1 of this audit report discusses the Budget Analyst's evaluation of the status of each recommendation along with pertinent comments from the Recreation and Park Department.

For purposes of our report, "cash" is defined to be all media used for the payment for goods or services, including coin, currency, check, money order, wire transfer, or credit card.

Audit Methodology

This follow-up audit was conducted in accordance with *Governmental Auditing Standards, 2007 Revision*, issued by the Comptroller General of the United States, U.S. General Accountability Office. Accordingly, the planning and implementation of this follow-up audit included the following basic elements:

Entrance Conference: The Budget Analyst conducted an entrance conference with designated senior staff of the Department to discuss the audit scope, procedures, and protocol.

Pre-Audit Survey: The Budget Analyst provided the General Manager with a listing of the cash handling recommendations from the 2006 *Recreation and Park Department Audit Report* and requested that the Department provide the Budget Analyst with a written response concerning the current status of implementing the 2006 recommendations. Further, the Budget Analyst interviewed senior staffmembers

concerning completed and planned operational changes since the issuance of the 2006 audit.

Field Work: The Budget Analyst reviewed reports, observed processes, and interviewed management and staff at all levels in order to: (i) substantiate the Department's progress in implementing the audit recommendations and (ii) determine whether there were any additional cash handling issues that warranted consideration. Concerning the latter, the Budget Analyst performed standard audit procedures in gathering information to determine the causes and effects of any additional cash handling issues.

Analysis and Preparation of Draft Report: At the conclusion of the field work phase of this audit, the Budget Analyst conducted detailed analyses of the information collected. Based on these analyses, the Budget Analyst prepared findings, conclusions and recommendations. The analyses were incorporated into a draft audit report, which was provided to the Recreation and Park Department for review.

Exit Conference and Preparation of the Final Report: The Budget Analyst held an exit conference with the General Manager and his senior staff to review the details of the audit report, and to identify any areas of the report requiring clarification or correction. Based on this exit conference and further discussions, the Budget Analyst incorporated certain comments and clarifications into the final report.

Organizational Structure

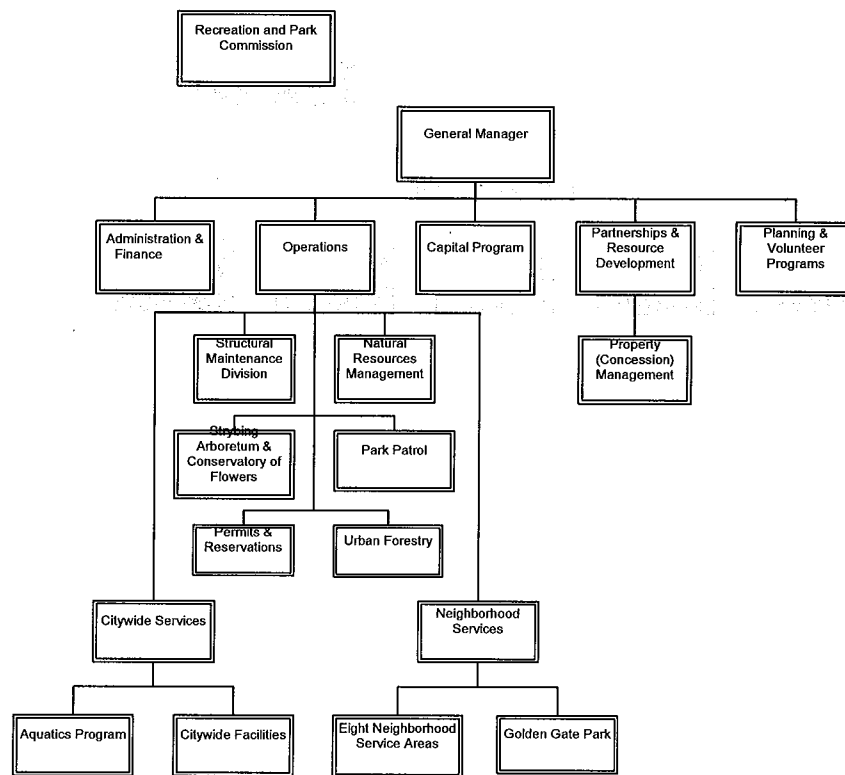
The total number of full-time equivalent (FTE) positions authorized for the Recreation and Park Department in the FY 2007-2008 Annual Salary Ordinance is 1,123.08, which is 13.31 FTE more than the 1,109.77 positions authorized in the FY 2006-2007 Annual Salary Ordinance, but only 2.89 FTE more than the 1,120.24 positions authorized in the FY 2005-2006 Annual Salary Ordinance. The net change of 13.31 FTE from FY 2006-2007 to FY 2007-2008 is shown in the classification FTE changes below:

<u>Class</u>	<u>Title</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>Difference</u>
2708	Custodian	76.00	102.25	26.25
3280	Ass't Rec Dir	42.00	23.00	(19.00)
3284	Rec Director	175.55	173.55	(2.00)
3417	Gardener	298.50	303.75	5.25
8208	Park Patrol Off	9.50	18.50	9.00
8210	Head Park Ptl Off	1.75	2.75	1.00
Various	City Zoo Staff	20.00	17.00	(3.00)
Various	Temp Positions	<u>31.76</u>	<u>27.57</u>	<u>(4.19)</u>
	Total FTE	655.06	668.37	13.31

The Recreation and Park Department is organized into the functional divisions shown in Exhibit 1, below:

Exhibit I

Recreation and Park Department Organization Chart



- Administration and Finance. This element is responsible for the Department's finance, purchasing, information systems, and human resources functions.
- Operations. This element, by far the largest, is responsible for the Department's Citywide and Neighborhood Services, as well as the Department's structural maintenance, natural resources management, permits and reservations, urban forestry, and park patrol functions, as well as the Strybing Arboretum and Conservatory of Flowers.
- Capital Program. This element encompasses the Department's capital project development, planning, design, and management functions, and the Department's Capital Program finance function.
- Partnerships and Property. This element encompasses the Department's partnership development, revenue development, concessions, and marketing functions.
- Planning and Volunteer Programs. This element encompasses long term strategic planning policy and data analysis, managing community outreach and stakeholder engagement processes and ensuring the Department's compliance with federal, state and local land use laws.

Fund Sources and Uses

Table 1 below provides summary financial information based on total figures from the FY 2007-2008 *Consolidated Budget and Annual Appropriation Ordinance*.

Table 1
Summary Financial Information, FY 2007-2008

Categories	General Fund	Yacht Harbor	Open Space	Other Various Funds	Capital – Various Funds	Total
Sources						
General Fund Support	\$46,811,850					\$46,811,850
Citywide Facilities, Concessions, and Programs	3,617,255					\$3,617,255
Golden Gate Park Facilities, Concessions, and Programs	3,038,861			\$636,312 ¹		\$3,675,173
Parking Garages	8,113,767					\$8,113,767
Neighborhood Services	631,500				15,505,094 ²	\$16,136,594
Camp Mather	1,924,661					\$1,924,661
Stadium at Candlestick	5,570,512					\$5,570,512
San Francisco Zoo	2,476,318				384,766	\$2,861,084
Open Space			\$38,053,720			\$38,053,720
Golf				11,275,930		\$11,275,930
Yacht Harbor		\$3,706,797				\$3,706,797
Academy of Sciences					2,963,117	\$2,963,117
Steinhart Aquarium					702,904	\$702,904
Gift Funds				280,000		\$280,000
Expenditure Recovery	26,343,704					\$26,343,704
Departmental Transfer Adjustment ³	(26,007,113)					(\$26,007,113)
Total Sources	\$72,521,315	\$3,706,797	\$38,053,720	\$12,192,242	\$19,555,881	\$146,029,955
Uses						
Administration	\$22,728,048				\$200,000	22,928,048
Capital Projects	5,091,257	1,751,584	6,569,524		21,225,614	34,637,979
Children's Baseline	12,357,533					12,357,533
Children's Baseline – Non Children's Baseline	576,267					576,267
Citywide Facilities	9,283,011	1,955,213			11,023,272	22,261,496
Citywide Services	15,441,044		5,034,199		10,000	20,495,243
Golden Gate Park	11,475,800		233,020		696,312	12,405,132
Neighborhood Services	12,726,502		21,130,785			33,857,267
Structural Maintenance	8,848,966		5,086,212			13,935,178
Departmental Transfer Adjustment.	(26,007,113)				(1,417,075)	(27,424,188)
Total Uses	\$72,521,315	\$3,706,797	\$38,053,720		\$31,748,123	\$146,029,955

Source: *City and County of San Francisco, Consolidated Budget and Annual Appropriation Ordinance, Fiscal Year Ending June 30, 2008, and Departmental records.*

¹ Fuhrman Bequest

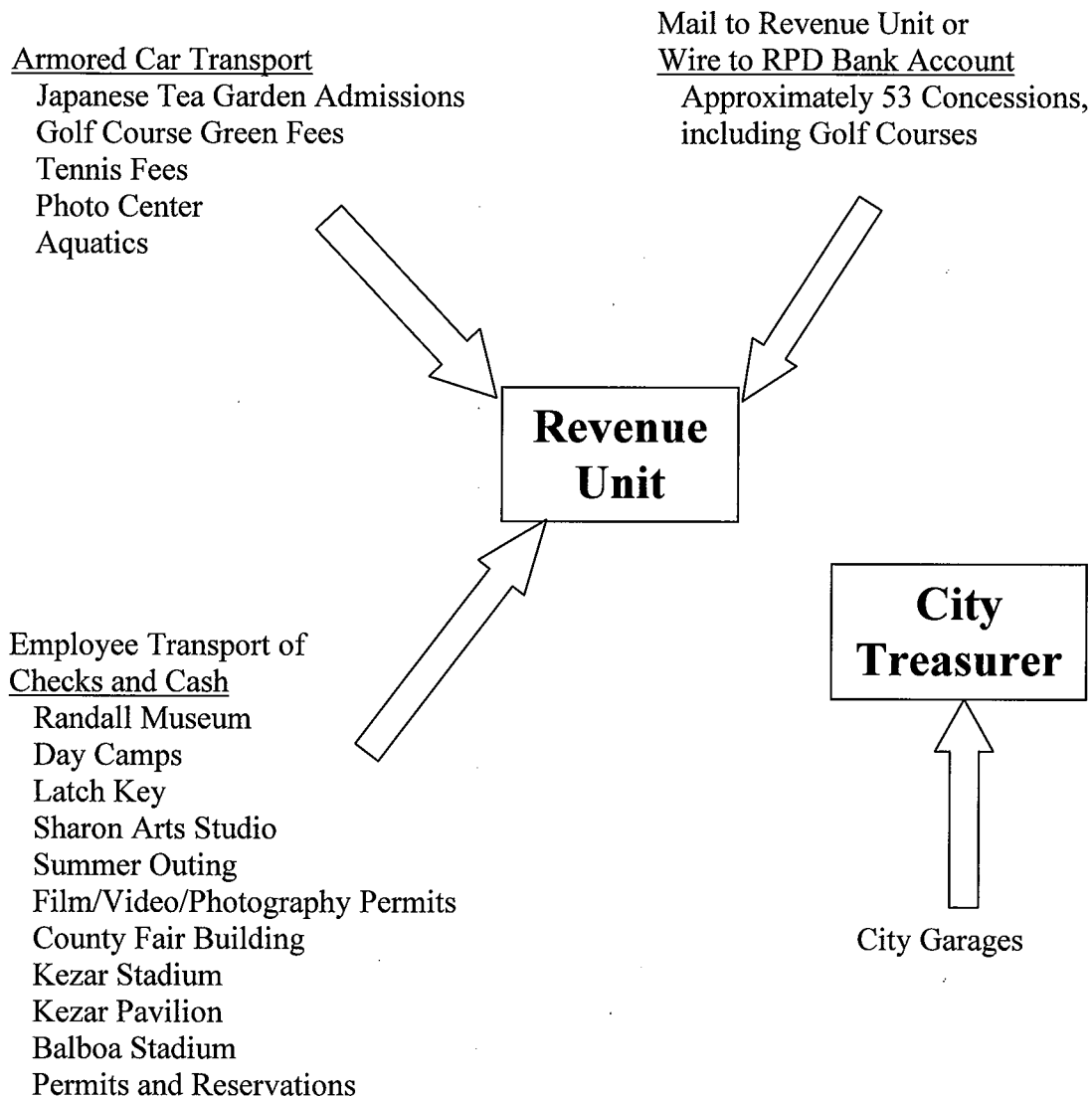
² 2006 Rec & Park Rev Bond (\$13,250,000), Neighborhood Rec/Park Facilities (\$2,145,094) and Neighborhood Parks & Squares (\$110,000).

³ The Departmental Transfer Adjustment (DTA) is an adjusting factor required to compensate for what would otherwise result in double counting because of transfers within the Department. For example, \$22,590,548 of the \$22,728,048 allocated to Administration is a transfer from operating programs within the Department.

Exhibit II below depicts the revenue flows of Recreation and Park Department activities. Most of the flows are to the Revenue Unit, which is located in McLaren Lodge.

Exhibit II

Revenue Flows Diagram



CLASS System

The CLASS System is a computerized program registration and facility booking system that the Recreation and Park Department has been implementing in stages for the past approximately two years. The CLASS System is used by numerous recreation and park departments throughout the United States. The system description and implementation progress information that follows was provided by the Department.

CLASS is a program registration and facility booking software program that incorporates customer account information, program information, and facility information into one database. There are various modules to the CLASS software including Accounting Processes, Point-of-Sale, Facility Booking, Program Registration,⁴ Leagues and Memberships.

Patrons can register for a course, book a facility, or purchase a swimming admission ticket using the CLASS software. Currently, patrons can perform all of these actions by walking up to a “front desk” area in McLaren Lodge or designated recreation centers and transact with Department staff. Currently, clients can register and pay online for courses only.

The Program Registration module has been set up and is currently being used by our customers. We have over 9,000 households set up with accounts in our system. This spring will mark our 6th registration session since our initial rollout in the winter of 2007. The athletic fields are being booked by the Permits staff into the Facility Booking module. We are using the Point-of-Sale module for selling aquatics admission tickets at McLaren Lodge and would like to move toward including internet sales as well. We are also exploring ways that CLASS might be utilized to track attendance and entry to our aquatics facilities.

The software package has an extensive reporting module that is used to gather financial and statistical data as well as compile scheduling information for facilities, instructors and activities. The reporting module is also used to extract mailing lists and produce email blasts for marketing and for exporting brochure information for the Department’s activity guide.

We are getting set up to use CLASS for Point-of-Sale admissions at the Japanese Tea Garden in Golden Gate Park. This should be up and running within the next month. We will also set up the Marina with Point of Sale as a means to track berthing payments and other revenues and hope to have this running by June 30, 2008.

⁴ Public access for program registration is through www.sfRecOnline.org

We are currently working on rolling out the Golf module of Class at Harding Park golf course. The system will manage tee time booking and tee sheet management plus provide Point-of-Sale capability. Once the CLASS system is functional at Harding, we will build a timetable to roll out the system to our other golf courses.

We are developing a procedure to introduce a program membership card which can be used for drop in program payment at a few recreation centers around the city. Customers will pay for the card just as they would register for a course. At each visit to a class, the drop in amount will be subtracted from the card's balance once the card is scanned at a scanning station.

Currently, most of the Department's programs are in the database. Soon we will be entering our recreational league programs into the system as well so that we can track the various leagues, teams and players and collect league fees.

Our next step in using CLASS for permits is to start booking picnic areas and recreation center facilities using the software. We hope to implement part or all of this process in the next 3-6 months.

The Budget Analyst notes that implementation of CLASS and the reduction in the number of sites at which cash is collected, has greatly reduced the amount of cash collected at recreation centers and resulted in much improved programming, scheduling and revenue collection processes on a more centralized basis.

The Parks Trust

The Parks Trust, founded in 1971 and formerly known as Friends of Recreation & Parks, is a nonprofit organization that supports San Francisco parks, recreation centers and open spaces through funding major capital projects, such as raising approximately \$12 million of the estimated \$19.2 million for the reconstruction of the Conservatory of Flowers, funding smaller restoration and renovation projects such as the Golden Gate Park Carrousel and the 6th Avenue entrance to Golden Gate Park.

The Parks Trust, acting as a fiscal sponsor through its Park Partners Program, affords small park groups with the opportunity to make physical improvements and support community driven projects in neighborhood parks. For the fiscal year ending June 30, 2007, the Parks Trust reported \$7,232,776 in revenue and \$7,046,821 in expenditures, including \$4,346,326 in Park Partner expenditures and \$259,961 to support Recreation and Park Department programs.

As discussed in Section 2 of this audit report, revenues generated by unauthorized fees from recreational activities are deposited in Parks Trust accounts and are disbursed through an informal system that is also used to disburse monies also deposited in Parks Trust accounts from gifts to the Recreation and Park Department.

Organization of this Report

Section 1 of this cash handling audit report contains all of the recommendations from the, 2006 *Recreation and Park Department Audit Report*, along with the Department's statements concerning the implementation status of each recommendation. The sections following Section 1 contain the Budget Analyst's findings of the: (i) differences with the Department's implementation status reports and (ii) findings and recommendations concerning cash handling that were not presented in the 2006 *Recreation and Park Department Audit Report*.

Acknowledgements

The Budget Analyst would like to thank the management and staff of the Recreation and Park Department for their cooperation and assistance during this cash handling follow-up audit. We hope the findings contained in this report provide useful tools for the General Manager and his staff as they work to improve the operations of the Recreation and Park Department. We would also like to thank the Parks Trust staff for their cooperation and assistance.

1. Status of Cash Handling Recommendations

- **The Budget Analyst's 2006 *Recreation and Park Department Audit Report* included 18 findings and 169 related recommendations. The Budget Analyst identified 36 of the 169 recommendations as either directly or indirectly related to cash handling. Our examination of the current status of those 36 recommendations evaluates 10 as implemented, 10 as partially implemented, and 16, or approximately 44 percent, as not implemented.**
- **The Budget Analyst recommends that the General Manager, Recreation and Park Department, provide the Board of Supervisors with a schedule for implementing the remaining cash handling recommendations from the 2006 audit that are currently not implemented or partially implemented and are planned to be implemented.**
- **The Budget Analyst also recommends that the Board of Supervisors schedule a FY 2008-2009 mid-year review of the Recreation and Park Department's progress on implementing the recommendations of this cash handling audit report.**

The structure of this section of the report is as follows:

- The 36 cash handling recommendations are grouped by section of the 2006 audit report.
- A *summary* of the major concerns of each 2006 audit report section precedes a listing of the recommendations and the Department's statement of implementation status. Immediately following the Department's statement is the Budget Analyst's evaluation of whether the recommendation has been implemented in whole or in part, or not implemented. In assigning the evaluations as to whether the Department has implemented a recommendation, the Budget Analyst used the following criterion: on the basis of the existing condition, would the Budget Analyst make a similar recommendation currently.
- Budget Analyst's comments on the status of the recommendations and any recommended further action for the Department or the Board of Supervisors.

Two of the more serious findings in this audit report are concerned with Section 10 of the 2006 audit report, as follows:

Recommendation 10.2, Section 2 of this follow-up audit report is concerned with unauthorized recreational fees that the Department has been collecting for many years, without approval of the Recreation and Park Commission, without a fee structure approved by the Board of Supervisors, and without appropriation of the funds that are expended each year.

Recommendation 10.4(a), Section 3 of this follow-up audit report is concerned with the Department's non-compliance with standard cash handling controls and its own policies and procedures regarding cash counting requiring a minimum of two staffpersons.

Section 1: Allocation of Recreation and Aquatic Staff Resources

Section 1 addresses the allocation of staff resources to the recreation centers within the Department's eight Neighborhood Service Areas and to the nine swimming pools of the Aquatics Program. Major Aquatics Program concerns were the incidence of swimming pool closures due to staffing shortages or water quality problems (accidental patron contamination), swimming pool locker room cleanliness, and swimming pool revenues and attendance.

The five cash handling recommendations in Section 1 are concerned with enhancing Aquatic Program revenues by improving the how pool patrons can obtain tickets and passes, reducing the incidence of unplanned closures, evaluating swimming pool fees, and identifying opportunities for increasing pool attendance.

The Director of Operations should:

1.6 Implement a system to print scrip tickets online, in conjunction with the Director of Administration and Finance.

Implementation: RPD is using the point of sale function in CLASS¹ to sell scrip tickets at the McLaren Lodge Annex. Selling scrip online will require implementation of the membership module of CLASS. RPD expects to accomplish this in the next 12 months. **[Not implemented.]**

1.7 Implement monthly passes, as approved by the Board of Supervisors in FY 2005-2006, including developing a system to purchase monthly passes online, in conjunction with the Director of Administration and Finance.

Implementation: As with scrip tickets, monthly passes require the implementation of the membership module of CLASS. RPD expects to accomplish this in the next 12 months. **[Not implemented.]**

1.8 Assess opportunities to increase the locations where swimming pool patrons can purchase scrip booklets and monthly passes, including agreements with other City departments that routinely handle cash, such as the libraries, or vendors that sell MUNI fast passes, in conjunction with the Director of Administration and Finance.

Implementation: RPD has not yet implemented this recommendation. **[Not implemented.]**

¹ CLASS is a computerized program registration and facility booking system that the Recreation and Park Department has been implementing in stages for the past approximately two years.

1.9 Evaluate swimming pool staffing and planned closures throughout the year to ensure adequate staffing during the year and reduce the number of occasions that swimming pools are closed unexpectedly due to staffing shortages, including (a) revising the pool hours during the course of the year based on changes to maintenance and renovation schedules, pool use, and staff availability, and (b) posting the revised pool hours on the web site.

Implementation: Pool closures due to capital projects have made this analysis challenging.² [Not implemented.]

1.10 Evaluate swimming pool fees and attendance and identify opportunities for increased paid attendance, especially at pools with below capacity use and during the winter months.

Implementation: RPD evaluated aquatics fees in FY '06-'07 and determined that it was not appropriate to increase fees at that time. The department evaluates all fee schedules on an annual basis as a part of the budget process. To help increase revenue RPD is improving delivery of swim classes in FY '07-08. [Not implemented.]

Budget Analyst's Comments

The 2006 audit report recommended that the Recreation and Park Department implement systems to permit printing scrip tickets online, purchase monthly passes online, and to assess opportunities to increase the locations where swimming pool patrons can purchase scrip booklets and monthly passes, including agreements with other City departments that routinely handle cash. The Department has stated that these three actions require the implementation of the membership module of CLASS, and that the Department expects to accomplish this in the by the end of November of 2008. The Budget Analyst recommends that the Government Audit and Oversight Committee schedule a hearing in December of 2008 in order to review the implementation status of these three recommendations and other recommendations identified for further examination in this follow-up audit report.

Concerning recommendation 1.10, the Department has responded only to the part of the recommendation concerning evaluating fees, but has not responded to the part concerning identifying opportunities for increased paid attendance, such as developing new programs or reaching out to underserved segments of the community.

Also, the Budget Analyst's review of the Aquatics Program revealed control weaknesses that are covered in Section 4 of this follow-up audit report.

² When all pools are operational, the Department should complete this analysis.

Section 6: The Golf Fund

The first two of the four recommendations in Section 6 are concerned with repaying State Proposition 12 funds that were borrowed for the Harding and Fleming Golf Courses' renovation projects. The specific concern is that the funds be repaid as quickly as possible in order to reduce the negative opportunity cost to the rest of the City's recreation and park system of having devoted those funds to the Harding and Fleming Golf Courses. Recommendation number 6.3 was for the Department to renegotiate the Master Tournament agreement with PGA Tour, Inc., in order to obtain more advantageous terms for the City, so that the city would recover the Department's direct costs and produce a profit.

The Recreation and Park Department General Manager should:

6.1 Ensure, in relation to the borrowed State Proposition 12 funds for the Harding and Fleming Golf Courses' renovation projects, that the full FY 2005-2006 repayment of \$935,420 is made to the Open Space Fund. **Implementation:** Completed. **[Implemented.]**

6.2 Review available strategies to speed up repayment of the borrowed State Proposition 12 funds plus interest so that repayment will not take the full 25 years currently scheduled. The strategies reviewed should include modification of Harding and Fleming Golf Courses' fee structure and percentage of rounds reserved for residents' use. **Implementation:** Department has not implemented this recommendation due to lack of funding. **[Not implemented.]**

6.3 Renegotiate the Master Tournament Agreement with PGA Tour, Inc., to either (a) negotiate more advantageous terms for the City, so that it fully recovers the Department's direct costs and makes a profit, or (b) terminate the agreement. **Implementation:** Recreation and Park has reached a new agreement with the PGA Tour. The agreement amends the previous contract between the tour and City which called for five marquee events at Harding over a 15-year period. The revised agreement secures five tournaments over the next 12 years: the President's Cup in 2009, followed by Schwab Cup in 2010 and 2011, BMW Championship in 2013 or 2014 and the President's Cup, BMW or CA Championship (formerly AMEX) between 2015 and 2019.³ **[Implemented.]**

³ However, it is not known whether income from the future tournaments will cover all Department costs.

Budget Analyst's Comments

Recommendation 6.4 pertains to the Recreation and Park Department developing plans for best uses of Lincoln and Sharp Golf Courses. Although the Budget Analyst did not identify Recommendation 6.4 as specific to cash handling, the Department's Director of Planning and Volunteer Programs has advised the Budget Analyst that the Recreation and Park Commission has appointed a Recreation Alternatives at San Francisco Golf Courses Task Force. The Task Force is to meet from March through early summer to deliberate and make recommendations to the Commission and other policy makers on the uses and management of golf course properties owned by the City and County of San Francisco. Further, the Department will establish an \$85,000 contract with Leon Younger and Pros, a consulting firm specializing in sports, recreation and park organization developments, to conduct best practice research on the management of the courses and evaluate the viability of alternate recreational uses for the golf courses.

The Budget Analyst performed a limited review of the financial records of the Harding Park Golf Course Complex and verified the existence of accounting records that would be necessary for an audit at Golden Gate Park, Sharp Park, and Lincoln Park Golf Courses. The Controller's Office conducted comprehensive audits of the Harding Park Golf Course Complex and the Lincoln Park Golf Course in 2006 covering operations from July 1, 2004, through June 30, 2005, and January 1, 2002, through December 31, 2004, respectively. The Harding Park Golf Course Complex audit had resulted in only a minor finding concerning charges for tournament play. The Lincoln Park Golf Course was contentious and difficult with serious disputed findings.

Sharp Park Golf Course has implemented accepting credit card payments.

Section 8: Recreation and Park Department Property Use and Lease Management

Section 8 reported on the inadequacy of the Department's systems to monitor property leases and revenue collections and also inadequate coordination between Property Management and Revenue Unit staff. The Budget Analyst's 2006 *Recreation and Park Department Audit Report* found several instances of late or missed rent payments during a review of the Department's 14 top revenue-generating leases.

The Recreation and Park Department General Manager should:

8.3 Direct the Director of Administration and Finance and the Director of Partnerships and Resource Development⁴ to (a) assess the Department's current system capability and needs, including tie-in of the lease management system with the new revenue tracking system, and (b) present estimates of costs and timelines for the lease management system upgrades and revenue tracking system tie-in to be presented to the Recreation and Park Commission during the FY 2006-2007 budget review.

Implementation: Staff from the Property Management, Finance, and MIS divisions have worked together to develop both a lease management and a revenue tracking system. The lease management system will connect to the revenue tracking system to ensure up-to-date and accurate information regarding the status of payments from each of the Department's concessions. Staff has nearly completed development and implementation of the updated revenue tracking system. The structure of the lease management system has been developed and the system will be programmed and implemented by March of 2008. **[Partially implemented.]**

8.4 Direct the Director of Administration and Finance and the Director of Partnerships and Resource Development to (a) review and revise existing revenue monitoring protocols to ensure that property managers and Revenue Unit staff share lease revenue collection data on a monthly basis, and (b) develop a schedule to review coordination of lease revenue information and data.

Implementation: See response to recommendation 8.3 above. **[Partially implemented.]**

8.5 Direct the Director of Partnerships and Resource Development to review and revise existing protocols and develop rigorous standards to enforce lease provisions, including (a) routinely monitoring lease payments, (b) assessing penalties for all late payments, (c) routinely reviewing and reconciling percentage and other rent payments, (d) adjusting the minimum annual guarantee rents under the terms of the lease agreement, and (e) requiring timely submission of certified financial statements or audit reports.

Implementation: See response to recommendation 8.3 above. **[Partially implemented.]**

⁴ Formerly, the Director of Partnerships and Property.

8.6 Recommend financial terms in the prospective Japanese Tea Garden lease to the Recreation and Park Commission that maximize lease revenues based on expected increases in Japanese Tea Garden attendance, including achieving revenues of at least \$280,000 annually based on attendance of 425,000.

Implementation: RPD believes that it is important to make the concession at the Tea Garden more culturally competent. To that end, the department has examined a number of approaches to the concession at the Japanese Tea Garden including a partnership with the Asian Art Museum. Currently, staff is collecting data on other successful gardens and concessions in preparation for developing a new RFP for the concession. The department is finalizing an audio tour for the garden and the Property Management Division is collaborating with the new Golden Gate Park “marketing group” that includes representatives from the deYoung, Academy, Botanical Garden, Conservatory, etc., to better promote Golden Gate Park as a tourist destination. The department believes that these steps will increase attendance and overall revenue at the Tea Garden. **[Not implemented.]**

8.7 Immediately request loan documents from Kemper Sports Management.

Implementation: Completed.⁵
[Implemented.]

Budget Analyst's Comments

Concerning the Lease Management System, as of March 12, 2008, the Business Systems Analyst assigned to develop the System reported that approximately 80 percent of the *requirements analysis* had been completed and that system design would begin soon. He expects that the system will be operational by June of 2008.

Concerning the Revenue Tracking System, which will replace the existing inadequate system, the Business Systems Analyst assigned to develop the System stated that 1) the priority was on the Lease Management System, 2) requirements analysis work had not begun, and 3) he could not provide an expected completion date.

Section 9: Management of Permits, Fees, and Other Revenues

The Recreation and Park Department's Permits and Reservations Unit is responsible for athletic field, picnic, special event, film, and wedding reservations or permits. The Department's fee

⁵ Loan information was presented to the Controller during the audit of Harding Park and Kemper Sports Management.

schedule, which requires approval by ordinance of the Board of Supervisors, is contained in Article 12 of the Park Code.

9.1 Submit the \$35 facility use fee to the Board of Supervisors for approval.

Implementation: The Recreation and Park Department is no longer charging this non-codified fee. The Board of Supervisors approved a \$50 non-refundable application fee in July 2007. This new fee replaces the \$35 fee. **[Implemented.]**

9.2 Develop a written policy defining the type, purpose, and amount of each additional charge to an event sponsor, to ensure that such charges are consistent with Park Code Sections 12.22, 12.24, and 12.25.

Implementation: The department is planning to hire a new manager for the Permits and Reservations Division in the Spring of 2008. The recommended policy will be developed and promulgated by the new manager. **[Not implemented.]**

9.3. Establish formal criteria for waiving fees for events conducted by Federal, State, or City agencies, including establishing fees for non-profit or commercial events sponsored by Federal, State, or City agencies and present the criteria to the Recreation and Park Commission for approval.

Implementation: The department forwards all requests for waiver of fees or reduction in codified fees to the Commission for approval. **[Implemented.]**

9.4 Submit all fee waivers not authorized by the Park Code to the Board of Supervisors for approval.

Implementation: The department has not received any fee waivers that could not be adjudicated by the Commission. **[Implemented.]**

9.5 Assign responsibility and oversight of temporary permits for pushcart vendors and license agreements to the Director of Partnerships and Property.

Implementation: Completed. **[Implemented.]**

9.6 Identify and implement license agreements for all revenue-generating classes conducted by outside individuals and organizations, and implement a procedure to receive and record receipts from the license agreements.

Implementation: All recreation activities – including revenue-generating classes conducted by outside individuals and organizations - are being captured in CLASS. Once the classes and the organizations are identified, the Director of Partnerships and Resource Development and the Director of Operations will work together to determine which should remain within the system and develop agreements with them. **[Partially implemented.]**

9.7 Direct the Director of Administration and Finance and the Director of Partnerships and Resource Development to jointly develop formal procedures for (a) maintaining temporary permit files, (b) recording and reporting temporary permit fee receipts, (c) reconciling temporary permit fee deposits for each vendor with actual receipts, and (d) maintaining deposit records that cross-reference reservation and permit files.

Implementation: The facility rental module of CLASS will issue temporary permits, issue receipts and record and track revenue from the permits, including deposits. The department has developed a process and procedures for reconciling all funds (cash and credit card) collected through the CLASS system on a daily basis. **[Not implemented.]**

9.8 Direct the Director of Administration and Finance and the Director of Partnerships and Resource Development to jointly establish procedures for (a) maintaining reservation and permit files, (b) reconciling reservations and permits with daily deposits, (c) reconciling deposits, and (d) maintaining deposit records that cross-reference reservation and permit files.

Implementation: The facility rental module of CLASS will issue permits, issue receipts and record and track revenue from the permits, including deposits. The system provides records of all permits and reservations made. The department has developed a process and procedure for reconciling all funds (cash and credit card) collected through the CLASS system on a daily basis. **[Not implemented.]**

9.9 Submit an ordinance to amend the Park Code to the Recreation and Park Commission and the Board of Supervisors to prohibit permit issuance when the permit applicant owes the Department for prior events.

Implementation: The Department has adopted this recommendation as its practice. Legislation approved by the Board of Supervisors I July 2006 prohibits the department from issuing a permit before an applicant has paid all fees in full. **[Implemented.]**

9.10 Not issue any future permits to Events West until all past due amounts payable to the City are paid in full by Events West.

Implementation: Completed. **[Implemented.** The City and Events West reached a settlement agreement approved by the Board of Supervisors in August of 2007]

9.11 Direct the Director of Administration and Finance and the Director of Partnerships and Resource Development to jointly develop procedures to record, report, and collect unpaid and past due accounts, including developing reports that identify accounts that are 30 or more days past due and procedures to transfer delinquent accounts to the Office of the Treasurer and Tax Collector for collection.

Implementation: The Department requires that all event fees be paid prior to permit issuance. Recreation and Park Department is developing a protocol for concessions and late payment of rent in conjunction with the lease monitoring system. **[Partially implemented.]**

9.12 Review and simplify the Recreation and Park Department's fee structure, consolidating fees and reducing from the approximately 442 different fees now in use.

Implementation: The Board of Supervisors approved new recreation activity fees in July 2007. The Department has twice proposed a revised, simplified special event permit fee schedule; however, feedback from the public, the Mayor's Office, and the Board of Supervisors has prevented the department from moving forward with the legislation, to date. **[Partially implemented.]**

9.13 Assess the Recreation and Park Department's fees for private use of facilities, such as weddings and private parties, to price them competitively and increase revenues.

Implementation: The Board of Supervisors approved a revised fee schedule for weddings and facility rentals in July 2007. **[Implemented.]** Prices were increased moderately. For example, the fee for a two-hour wedding in the Shakespeare Garden was increased from \$500 to \$550.]

9.14 Evaluate the Recreation and Park Department's fee structure for film and photography permits, including simplifying the fee structure in a manner similar to the Golden Gate National Recreation Area's fee structure and increasing fees to the level charged by the Golden Gate National Recreation Area.

Implementation: The Department is planning to hire a new manager for the Permits and Reservations Division in Spring 2008. The recommended changes will be developed by the new Permits manager. **[Not implemented.]**

9.15 Direct the Director of Partnerships and Resource Development to assess the marketing potential and status of Recreation and Park Department properties and develop a marketing plan, including developing a cost analysis and business plan for marketing Recreation and Park Department property to support any budget requests for marketing.

Implementation: The Recreation and Park Department must conduct an overall assessment of its concession facilities as a first step in the process. To assist in the Department's marketing efforts, the Director of Partnerships and Resource Development is collaborating with the new Golden Gate Park "marketing group" that includes representatives from the deYoung, Academy, Botanical Garden, Conservatory, etc., to better promote Golden Gate Park as a tourist destination. **[Not implemented.]**

9.16 Direct the Director of Partnerships and Resource Development to evaluate the priority scheduling or free use provided to the San Francisco Unified School District, the San Francisco Botanical Garden Society, and other organizations for various Recreation and Park Department properties, including identifying more efficient scheduling practices, cancellation policies and other procedures that impact the availability of Recreation and Park Department properties, and recommend policies for more efficient property use.

Implementation: The Director of Partnerships and Resource Development is reviewing a free use policy on Recreation and Park Department property. **[Not implemented.]**

9.17 Direct the Director of Partnerships and Resource Development to evaluate informal arrangements, such as arrangements with San Francisco City College, to identify opportunities for more formal agreements, efficient scheduling practices, and sharing of resources.

Implementation: The Director of Partnerships and Resource Development is working with field staff to collect data and understand City College's use of Recreation and Park Department facilities in order to develop a possible partnership with City College to provide training for staff in exchange for use of Recreation and Park Department space. **[Partially implemented.]**

9.18 Direct the Director of Operations and the Director of Partnerships and Resource Development to work jointly to identify all fee-generating classes, implement license agreements which include a charge for offering the classes at Recreation and Park Department facilities, and implement a procedure to receive and record receipts from the license agreements.

Implementation: All recreation activities – including revenue-generating classes conducted by outside individuals and organizations – are being captured in CLASS. Once the classes and the organizations are identified, the Director of Partnerships and Resource Development and the Director of Operations will work together to determine which should remain within the system and develop agreements with them. **[Not implemented.]**

Budget Analyst's Comments

As is apparent from the above table, many of the Section 9 recommendations have either not been implemented or are in the process of being implemented. According to Department management, the Manager of the Permits and Reservations Unit, who has been in that position since 1998, is in the process of retiring. The Department intends to hire a new manager who will be responsible for developing new policies and procedures, integrating the CLASS System into the operations of the Picnics and Special Events Division, and implementing additional controls to enhance the operations of the Permits and Reservations Unit.

Section 5 of this follow-up audit report examines and evaluates the cash handling policies and procedures, practices, and controls of the Permits and Reservations Unit.

Section 10: Cash Handling Practices

The issues in Section 10 of the 2006 Recreation and Park Department Audit Report: (1) cash handling policies, procedures, and practices in operational units; (2) unauthorized recreational fees; (3) controlling cash donations; (4) cash count controls; and (5) accuracy in recording swimming pool fee receipts and patronage are covered in detail in Sections 2, 3, 4, and 5 of this audit report. The status of each of the remaining five recommendations is shown in the Table below.

10.1 Direct the Director of Operations and the Director of Administration and Finance to revise the cash-handling policies and procedures to (a) identify all staff who are responsible for handling cash, (b) procedures for receiving, recording, keeping, transporting, and depositing cash and other revenues, and (c) training for all staff required to handle cash or revenues.	Implementation: The Department has updated the cash handling policy and distributed it to all field staff. Implementation of CLASS has reduced the amount of cash collected (credit cards are now accepted) and resulted in clearly defined policies regarding daily reconciliation of cash drawers as well as additional improvements to cash handling, including a significant reduction in the number of sites in which cash is collected. [Partially implemented.]
10.2 Direct the Director of Operations and the Director of Administration and Finance to identify and end all cash handling practices outside of the formal policies and procedures, including informal petty cash funds and payments to individuals to provide services.	Implementation: The Recreation and Park Department has updated and distributed the cash handling policy to field staff. The policy clearly states that all informal petty cash funds and payments to individuals are prohibited. [Not implemented.]
10.3 Develop a formal policy, defining and reconciling policies and procedures for cash donations to the Department's gift fund and the San Francisco Parks Trust accounts.	Implementation: The Recreation and Park Department has drafted a policy for internal review. [Partially implemented.]
10.4 Direct the Director of Administration and Finance to develop formal protocols requiring (a) at least two employees present at all cash counts, and (b) routine reconciling of cash counts with attendance records and other use tallies as appropriate.	Implementation: The department has implemented policy requiring two employees to be present as cash is being counted. The revised cash handling policy and CLASS policy both specify procedures for reconciliation. [Partially implemented. Policies have been approved but are not being adequately enforced.]

10.5 Direct the Director of Operations and the Director of Administration and Finance to implement the May of 2004 Controller's Office aquatic program report findings and recommendations to develop a (a) policies and procedures to record cash sales accurately by pool, and (b) procedures for Revenue Unit staff to reconcile weekly cash receipts from the pools against attendance.

Implementation: Department staff are researching technology to allow for electronic entry to swimming pools. This would allow accurate recording of cash sales and enable reconciliation of Aquatics receipts. The Department would initially implement the new technology at Sava, Coffman, and Hamilton pools. **[Not implemented.]**

Budget Analyst's Comments

Recommendation 10.2, Section 2 of this follow-up audit report is concerned with unauthorized recreational fees that the Department has been collecting for many years, without approval of the Recreation and Park Commission, without a fee structure approved by the Board of Supervisors, and without appropriation of the funds that are expended each year.

Recommendation 10.4(a), Section 3 of this follow-up audit report is concerned with the Department's non-compliance with standard cash handling controls and its own policies and procedures regarding cash counting requiring a minimum of two staffpersons.

Conclusion

The January of 2006 management audit report of the Recreation and Park Department included 18 findings and 169 related recommendations. The Budget Analyst identified 36 of the 169 recommendations as either directly or indirectly related to cash handling. Our examination of the current status of those 36 recommendations evaluates 10 as implemented, 10 as partially implemented, and 16, or approximately 40 percent, as not implemented.

Recommendations

The Recreation and Park General Manager should:

- 1.1 Provide the Board of Supervisors with a schedule for implementing the remaining cash handling recommendations from the 2006 audit that are currently not implemented or partially implemented and are planned to be implemented.

The Board of Supervisors should:

- 1.2 Schedule a FY 2008-2009 mid-year review of the Recreation and Park Department's progress on implementing the recommendations of this cash handling audit report.

Costs and Benefits

The costs and benefits of the individual recommendations contained in this section of the audit report are enumerated in the Budget Analyst's Recreation and Park Department Audit Report of 2006. The overall benefit of implementing the recommendations would be to enhance the economy, efficiency, and effectiveness of the Department's operations.

2. Unauthorized Recreational Fees

- The Recreation and Park Department generates revenues and incurs costs from conducting recreational activities that are entirely outside the existing City structure for operating recreational programs. These recreational activities have been in existence for years, have not been approved by the Recreation and Park Commission, and have not had fees codified in the Park Code by the Board of Supervisors, as required by Section 2.109 of the City Charter. Further, the revenues and expenditures are not annually appropriated by the Board of Supervisors. Total revenue from the unauthorized recreational activities for the period of FY 2001 through FY 2006-2007 was \$794,421.
- Programs operated by the Recreation and Park Department for which fees are collected at the program sites include: (i) two youth soccer programs; Futsal and Seven-a-Side Soccer, (ii) two women's programs; women's volleyball and women's basketball and (iii) a tennis program. Fees for these activities are collected on site, transported to the Parks Trust, and credited to Parks Trust accounts established for the benefit of the Recreation and Park Department.
- The Parks Trust, founded in 1971 and formerly known as Friends of Recreation & Parks, is a nonprofit organization that supports San Francisco parks, recreation centers and open spaces through funding major capital projects, such as raising approximately \$12 million of the estimated \$19.2 million for the reconstruction of the Conservatory of Flowers, funding smaller restoration and renovation projects such as the Golden Gate Park Carrousel, the Japanese Tea Garden and the 6th Avenue entrance to Golden Gate Park. Funding from the Parks Trust affords small park groups for the opportunity to make physical improvements and support special projects in neighborhood parks and operating programs such as the annual Opera in the Park, Park Partners program and Golden Gate Park Tours.
- The revenues generated by these unauthorized recreational activities and deposited in Parks Trust accounts are disbursed through an informal system that is also used to disburse monies properly deposited in Parks Trust accounts from gifts to the Recreation and Park Department. Total revenues from the unauthorized recreational fees (\$794,421) and authorized gifts/ grants (\$1,902,747) total \$2,697,168 for period of FY 2001-2002 through FY 2006-2007. Total expenditures for those fiscal years were \$3,141,349, or \$444,181 in excess of the revenues. The \$444,181 was funded by fund balances in Parks Trust accounts carried forward from previous years.

- Many of the disbursements from the Parks Trust accounts are for nursery and recreational items such as plants, athletic equipment and trophies. However, the Budget Analyst's review disclosed that a total of \$834 was paid for catered lunches and incidental costs for Recreation and Park Department staff - costs that in the professional judgment of the Budget Analyst should not be borne by recreational fees or gift or grant revenue.
- The Budget Analyst emphasizes that most of the programs paid for Parks Trust accounts appear worthwhile. However, the expenditures of fees and revenues which were never authorized by the Board of Supervisors are a direct violation of the City Charter.

General

This section of the cash handling follow-up audit report evaluates the current status of recommendations made in the 2006 *Recreation and Park Department Audit Report* concerning cash handling at recreation centers and cash handling practices outside the formal policies and procedures, including informal petty cash funds and payments to individuals to perform services.

The implementation statements directly opposite each finding quoted from the Budget Analyst's 2006 *Recreation and Park Department Audit Report* is a direct quote of the authorized representative of the Recreation and Park Department.

Cash Handling at Recreation Centers

When the 2006 *Recreation and Park Department Audit Report* was issued, the Recreation and Park Department was in the process of converting its existing program scheduling and revenue collection system for its recreational programs to the electronic CLASS System.¹ Recommendation No. 10.1, while still valid, was made in a cash or check payment environment that significantly changed with the implementation of the CLASS System.

10.1 Direct the Director of Operations and the Director of Administration and Finance to revise the cash-handling policies and procedures to (a) identify all staff who are responsible for handling cash, (b) [establish] procedures for receiving, recording, keeping, transporting, and depositing cash and other revenues, and (c) [provide] training for all staff required to handle cash or revenues.

Implementation: The Department has updated the cash handling policy and distributed it to all field staff. Implementation of CLASS has reduced the amount of cash collected (credit cards are now accepted) and resulted in clearly defined policies regarding daily reconciliation of cash drawers as well as additional improvements to cash handling, including a significant reduction in the number of sites in which cash is collected.

¹ The *Introduction* to this audit report provides information on the CLASS System.

The Budget Analyst agrees that implementation of CLASS and the reduction in the number of sites at which cash is collected has greatly reduced the amount of cash collected at recreation centers and resulted in much improved programming, scheduling and revenue collection processes. However, as discussed in the remainder of this section, unauthorized revenue generation on a much larger scale has been occurring at athletic fields and recreation centers.

Revenue from Unauthorized Recreational Fees

The 2006 *Recreation and Park Department Audit Report* reported the existence of petty cash funds created from revenues received informally by recreation center staff. Recommendation No. 10.2 was developed to correct this situation, as follows:

The Recreation and Park Department General Manager should:

<p>10.2 Direct the Director of Operations and the Director of Administration and Finance to identify and end all cash handling practices outside of the formal policies and procedures, including informal petty cash funds and payments to individuals to provide services.</p>	<p>Implementation: The Department has updated and distributed the cash handling policy to field staff. The policy clearly states that all informal petty cash funds and payments to individuals are prohibited.</p>
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In this follow-up audit the Budget Analyst did not observe or otherwise learn of the continued existence of petty cash funds at recreation centers. However, during the audit the Budget Analyst confirmed that the Department generates revenues and incurs costs from conducting recreational activities that are entirely outside the existing City structure for operating recreational programs. These recreational activities have been in existence for years, have not been approved by the Recreation and Park Commission and have not had fees codified in the Park Code by the Board of Supervisors, as required by Section 2.109 of the City Charter. Further, the revenues and expenditures are not annually appropriated by the Board of Supervisors.

Table 2.1 below shows revenues generated from the unauthorized recreational activities for the six-year period of FY 2001-2002 through FY 2006-2007. Total fee revenue for that period was \$794,421.

Table 2.1
Revenues Generated by Unauthorized Recreational Fees
FY 2001-2002 through FY 2006-2007

Revenues	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	Total
Program Fees	\$143,936	\$81,293	\$308,352	\$91,474	\$54,254	\$115,112	\$794,421

Source: Parks Trust Statements of Activity

The Department's Director of Administration and Finance has provided the Budget Analyst with the fee schedule for certain of the unauthorized fees for recreational activities for FY 2006-2007, as shown in Table 2.2 below.

Table 2.2
FY 2006-2007 Schedule of Unauthorized Fees
For Recreational Activities

Activity	Fee
Women's Basketball	\$500 per team in league, collected by Athletics' Division
Women's Volleyball	\$200 per team in league, collected by Athletics' Division
Futsal ² Adults	\$450 per team in league, collected by Recreation Division
Futsal Youth	\$250 per team in league, collected by Recreation Division
Seven a Side Soccer - Adults	\$400 per team in league, collected by Recreation Division
Seven a Side Soccer - Youth	\$250 per team in league, collected by Recreation Division
Tennis	Group and Private Lessons taught by Recreation and Park Department employees of the Athletic Division using rates authorized for professional instructors under contract with the Department, as listed in Section 12.41 of the Park Code.

Source: Director of Administration and Finance

Fees of \$115,112 for FY 2006-2007 were generated from the following recreational activities, as shown in Table 2.3 below.

² Futsal is a variation of soccer played indoors.

Table 2.3

**Detail of FY 2006-2007 Revenues Generated
by Unauthorized Recreational Fees**

Activity	Revenue	Activity	Revenue
Women's Basketball	\$7,559	Women's Volleyball	\$5,445
Senior Programs	41,274	Tennis Lessons	9,612
Seven-A-Side/Futsal	27,650	Mission Recreations Center	1,800
Glen Park Recreation Center	3,883	Rink Management Services Corp. ³	15,001
Other	454	Nursery Fund	2,434
<i>Subtotal</i>	<i>\$80,280</i>	<i>Subtotal</i>	<i>\$34,292</i>
Total		Total	\$115,112

Source: Parks Trust accounting records.

The revenues collected by Recreation and Park Department employees of the Athletic Division and the Neighborhood Services Division are transported to McLaren Lodge and deposited in accounts established by the Parks Trust for receiving such revenues.

The Recreation and Park Department uses the revenues generated from the unauthorized recreational activities that it deposits with the Parks Trust to pay costs of officiating league games to procure materials and supplies and for various other contractual and consulting services. The General Manager of the Recreation and Park Department has acknowledged the existence of the unauthorized recreational activities and in a letter to the Budget Analyst, a copy of which is attached to this section of this audit report, has stated that Recreation Department staff will "develop a fee structure and an expenditure budget for each of these programs to be included in RPD's 2008 – 2009 budget submission to the Mayor's Office." The General Manager has also stated that the current unauthorized system was developed, in part, to manage the need to hire officials for league games, due to the challenges posed by the City's purchasing system to pay game officials, who are often individuals. Further, the General Manager has stated that the Camp Mather senior fees have been codified and that those revenues now flow directly to the City's accounts.

Disbursement of Gift Funds and Unauthorized Fee Revenues

The 2006 *Recreation and Park Department Audit Report* reported that the Parks Trust established a voluntary program in which friends groups or other community groups could set up an account to support various Recreation and Park Department programs. Deposits to the gift accounts in FY 2006-2007 totaled \$91,094. Recommendation No. 10.3, cited below, was developed in order to formalize the process.

³ Rink Management Services operates the ice rink located in Justin Herman Plaza each winter. According to the Parks Trust, Rink Management Services submits monthly payments based on the number of skate rentals.

The Recreation and Park Department General Manager should:

10.3 Develop a formal policy, defining and reconciling policies and procedures for cash donations to the Department's gift fund and the San Francisco Parks Trust accounts. **Implementation:** The Recreation and Park Department has drafted a policy for internal review.

The revenues generated by the unauthorized fees for recreational activities discussed above and deposited in Parks Trust accounts are disbursed through an informal system that is also used to disburse monies also properly deposited in Parks Trust accounts from gifts to the Recreation and Park Department.

Table 2.4 below shows revenues for FY 2001-2002 through FY 2006-2007 from the unauthorized program fees, revenues deposited in Parks Trust accounts from gifts, transfers, and other sources, and the sums of those revenues and expenditures by the Recreation and Park Department.

As shown in Table 2.4, total revenues from the unauthorized recreational fees (\$794,421) and gifts/ grants (\$1,902,747) total \$2,697,168 for the six-year period of FY 2001-2002 through FY 2006-2007. Total expenditures for those fiscal years were \$3,141,349.

Table 2.4
Revenues and Expenditures related to Unauthorized Fee Activities and Gifts/Grants

Revenues	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	Total
Program Fees	\$143,936	\$81,293	\$308,352	\$91,474	\$54,254	\$115,112	\$794,421
Gifts/Grants/ Other Revenues	\$179,493	\$335,263	\$324,181	\$589,692	\$273,149	\$200,969	\$1,902,747
Total	\$323,429	\$416,556	\$632,533	\$681,166	\$327,403	\$316,081	\$2,697,168
Expenditures							
Contractors & Consultants	\$149,514	\$219,860	\$353,561	\$340,475	\$356,233	\$110,258	\$1,529,901
Materials & Supplies	\$267,437	\$277,766	\$382,959	\$294,339	\$232,194	\$143,412	\$1,598,107
Other	\$695	\$4,917	\$814	\$1,436	\$1,538	\$3,941	\$13,341
Total	\$417,646	\$502,543	\$737,334	\$636,250	\$589,965	\$257,611	\$3,141,349

Source: Audited financial statements and accounting records of the Parks Trust.

The process developed for disbursing funds from both the unauthorized recreational fee accounts and the gift fund accounts requires that a Department staffmember complete and submit a Check Request Form through his or her manager and submit the completed form to the Director of Administration and Finance, who then signs and submits the form to the Parks Trust for disbursement of a check. Based on detailed accounting information provided by the Parks Trust,

there were a total of 456 individual disbursements from the gift/grant funds and the unauthorized recreational fee fund accounts in FY 2006-2007 in the total amount of \$257,611. In addition, there were a total of 654 individual unauthorized recreational fee payments in the total amount of \$115,112.

Many of the disbursements are for nursery and recreational items such as plants, athletic equipment, and trophies. However, the Budget Analyst's review disclosed that a total of \$834 was paid for catered lunches and incidental costs for Recreation and Park Department staff - costs that in the professional judgment of the Budget Analyst should not be borne by recreational fee or gift/grant revenues.

Noncompliance with the Nondiscrimination in Contracts Provision

The Human Rights Commission, in its administration of Chapters 12B and 12C of the Administrative Code, *Nondiscrimination in Contracts*, and *Nondiscrimination in Property Contracts*, respectively, requires that contractors entering into contracts with the City for accumulative sums in excess of \$5,000 per fiscal year complete a Nondiscrimination in Contracts and Benefits form. The vendor's information is entered into the City's Financial Accounting and Management Information System (FAMIS) where it is available to City departments.

The Budget Analyst reviewed the nine contractors who had received payments in excess of \$5,000 from the Parks Trust on behalf of the Recreation and Park Department during fiscal year 2006-2007 for the purpose of determining whether the contractors were compliant with the provisions of nondiscrimination provisions of the Administrative Code. The Budget Analyst's review revealed that four of the contractors were not certified as being compliant with the Administrative Code provisions.

The Office of the City Attorney has advised the Budget Analyst that the provisions of the nondiscrimination provisions of the Administrative Code do not apply to the expenditure of gift and grant funds provided to the Parks Trust for the benefit of the Recreation and Park Department. However, the Parks Trust administers the unauthorized recreational activity fees, which are subject to the provisions of the Administrative Code, and the authorized gifts/ grant revenue through a project structure that allows comingling of the two revenue sources. For example, the accounts for accruing revenues and making disbursements for the Junior Tennis, Nursery Fund, and Seven-a-Side Futsal Soccer programs all contain both authorized gift/ grant funds and unauthorized fee revenue. Therefore, pending approval of a fee structure by the Board of Supervisors for the currently unauthorized recreational activity fees and transfer of the fee revenues from the Parks Trust to the City, the Recreation and Park Department should comply with the requirements of Chapter 12B and 12C for all expenditures from Parks Trust accounts that contain unauthorized program fee revenue.

Conclusions

The implementation of CLASS and the reduction in the number of sites at which cash is collected has significantly reduced the amount of cash collected at recreation centers and resulted in much improved programming, scheduling, and revenue collection processes. As noted in the

Introduction to this audit report, the Department is aggressively installing CLASS in multiple programs and in multiple facets, for example, Point-of-Sale, revenue tracking, and tee sheet management at the City's golf courses. The Budget Analyst urges the Department continue installing CLASS into its business processes, particularly those processes that facilitate patron convenience while enhancing revenue control.

The General Manager has expressed the intent of developing and submitting to the Board of Supervisors a fee structure and proposed ordinance for currently unauthorized recreational fee collections, thereby bringing the Department into compliance with the City Charter and policies and procedures concerning fees. That effort should include any and all activities currently generating revenue without an approved fee structure. Developing an efficient means of employing the services of recreational officials and individuals who provide services for recreational activities will be a challenge, but one that can be achieved. There are means employed by various City departments to legally employ such individuals, such as the Municipal Transit Agency fulfilling its school street-crossing responsibilities by employing 137 as-needed City employees. That method may or may not be appropriate for the Recreation and Park Department's situation, but satisfactory methods do exist, or can be created.

Recommendations

The Recreation and Park General Manager should:

- 2.1 In accordance with the stated intent, develop and submit to the Board of Supervisors a fee structure and proposed ordinance for currently unauthorized recreational fee activities and then terminate all recreational activities that do not have an approved fee structure.
- 2.2 Request appropriation authority in the FY 2008-2009 Budget for the gifts, grants and other funds received throughout the year from the Parks Trust for "S.F. Recreation & Park Dept. Programs."
- 2.3 Request expenditure authority in the FY 2008-2009 Budget for the materials and supplies, consultant and contractor costs and other costs incurred from operating the currently unauthorized recreational activities.
- 2.4 Direct the Director of Administration and Finance to ensure that approved payment requests to the Parks Trust are for goods or services that benefit program activities.
- 2.5 Direct the Director of Administration and Finance to ensure that the requirements of Chapters 12B and 12C of the Administrative Code, *Nondiscrimination in Contracts* and *Nondiscrimination in Property Contracts*, respectively, are complied with.

Costs and Benefits

The Budget Analyst's recommendations can be accomplished within the Recreation and Park Department's existing appropriated funding and authorized staffing levels and would enable the Department to operate in compliance with City policies and procedures, concerning expenditures from the gift fund and the operation, revenues, and expenditures resulting from the currently unauthorized recreational activities.

Implementation would further insure compliance with Chapters 12B and 12C of the Administrative Code.



City and County of San Francisco
Recreation and Park Department

McLaren Lodge in Golden Gate Park

501 Stanyan Street, San Francisco, CA 94117

TEL: 415.831.2700 FAX: 415.831.2096 WEB: <http://parks.sfgov.org>

December 10, 2007

Mr. Stan Jones
Board of Supervisors Budget Analyst
1390 Market Street, Suite 1025
San Francisco, CA 94102

Dear Mr. Jones:

The Recreation and Park Department (RPD) has been supported by the San Francisco Parks Trust (SFPT), formerly the Friends of Recreation and Parks for more than thirty years. SFPT provides a variety of services and assistance to RPD, including fundraising, advocacy and serving as a fiscal sponsor to community groups and RPD.

As a fiscal sponsor SFPT manages a number of accounts for Recreation and Park Department staff. The majority of these accounts are funded by private donations from the community. Staff uses the donations to help support programs and facilities. Expenditures from the accounts are requested through a check request form which requires staff to describe the expense and activity for approval. The form must be signed by a staff person's supervisor and RPD's Director of Administration and Finance.

Over time several Recreation and Park/Parks Trust accounts became a means to fully fund specific department programs. These accounts included one for Camp Mather senior weeks, one for youth soccer programs (including two programs, Futsal and Seven-a-Side-Soccer), one for women's athletics (including two programs, women's volleyball and women's basketball) and one for tennis. In these instances, staff have deposited revenues collected from the programs to the Parks Trust accounts and made expenditures from the accounts to support the programs.

This system developed, in part, to manage the need to hire officials for league games. City purchasing rules make payment of officials, who are often individuals, very complex. The department is working to eliminate the use of Parks Trust accounts for these activities while exploring how to provide all program needs through the city's purchasing system. The department is committed to maintaining these important programs while it searches for a solution to this issue. If the city's purchasing system proves to be prohibitive for RPD to secure this type of services, we would then explore the possibility of developing agreements with non-profit organizations, including Parks Trust, to act as an agent to pay for services.

Since first learning of these accounts, I have requested staff to discontinue the practice of depositing fees into Parks Trust accounts. The department codified the Camp Mather senior fees in 2006 and that revenue now comes directly to the city's accounts. We continue to address the challenges associated with the remaining programs. I have issued a directive that staff develop a fee structure and an expenditure budget for each of these programs to be included in RPD's 2008 – 2009 budget submission to the Mayor's Office. Staff is currently working with the department's superintendents to develop these budgets. In addition, I have mandated that before staff may establish new Parks Trust accounts, they



Mayor Gavin Newsom
General Manager Yomi Agunbiade

must receive approval from the Director of Administration and Finance and the Director of Partnerships and Resource Development. With these changes, the Recreation and Park Department will eliminate the practice of using Parks Trust accounts to fund department programs by the start of the 2008 – 2009 fiscal year.

If you have questions regarding these issues, please contact me or Katie Petrucione.

Sincerely,

Yomi Agunbiade
General Manager

cc: Katie Petrucione
Denny Kern
Scott Reese
Terry Schwartz

3. Cash Handling Practices

- Fee revenues collected at the Department's nine swimming pools are placed in cash lock boxes. Such cash lock boxes are transported regularly by armored transport to McLaren Lodge from each of the swimming pools. Upon arrival, the Recreation and Park Department's Revenue Unit staff transfer the cash from the lock boxes to bank deposit bags and place the bags in a safe located in McLaren Lodge. Because some of the currency is crumpled, the bills must be straightened and flattened prior to being run through a currency counter. Although the Department's policy is to have two staff members straighten and count the bills and coins, the Budget Analyst's 2006 audit disclosed that there was only one instead of two employees in a cubicle with a large box of bills, straightening and counting cash.
- In response to the Budget Analyst's inquiry on the status of the 2006 recommendation concerning the counting of swimming pool cash, the Department stated that it "has implemented a policy requiring two employees to be present as cash is being counted. The revised cash handling policy and CLASS¹ policy both specify procedures for reconciliation." However, during this cash handling audit, on two separate occasions one month apart, there were instances where the Budget Analyst observed similar situations as described above in the Revenue Unit's cubicle – only one employee processing a large stack of bills, with no other person in the cubicle and with no oversight. One of the employees conducting the cash counts stated that "the staffing of the Revenue Unit was insufficient to provide a two-person, cash processing operation."
- Placing an employee in the position of access to hundreds and sometimes thousands of dollars without effective oversight controls is a direct violation of adequate internal control standards. Further, non-compliance with published policies and procedures is detrimental to the maintenance of a quality control environment and the safeguarding of Departmental assets.
- Our review of a sample of Z-Out tapes² from both the Recreation and Park Department's Japanese Tea Garden and the Tennis Court cash registers revealed instances of non-sequential Z-Out Report numbers. Further, there was no note in the file explaining the reasons for the skipped Z-Out Report deviations. At the request of the Budget Analyst, the Department's Financial Operations Manager conducted an inquiry to determine the reason for the non-sequential deviations and determined that the deviation associated with the

¹ CLASS is a computerized program registration and facility booking system.

² Cash register transactions are recorded on register tapes in a non-resettable, sequential manner. The Z-Out process entails activating a key position on the cash register that causes 1) a report of the transaction totals since the last Z-Out to be printed, 2) a sequential number to be assigned to the particular Z-Out report, and 3) a "zero out" of the register in preparation for the next day's or shift's work. The register tape would then record non-resettable sequential transactions since the last Z-Out report.

Japanese Tea Garden was due to a service maintenance that was performed on the particular cash register. As of the writing of this report, the Financial Operations Manager has not explained the non-sequential deviation in the Z-Out Report numbers for the tennis courts.

- In addition to the cash register problems, our audit has disclosed that there are opportunities to achieve economies in the staffing of the Japanese Tea Garden Admissions Section. The hourly rate for the classification 3302, Admission Attendant position, is approximately \$19.34, not including mandatory fringe benefits. The Budget Analyst estimates that an average reduction of three work hours per day can be achieved in the Admissions Section, which would result in a savings of approximately 0.6 FTE, valued at approximately \$23,930 in salary and mandatory fringe benefits annually.

General

The Revenue Unit of the Department's Finance Section is located at McLaren Lodge and has the responsibility of receiving, verifying, recording, reconciling, and auditing most revenues generated by the Recreation and Park Department's activities.³ Section 10 of the 2006 *Recreation and Park Department Audit Report*, "Cash Handling Practices," addresses the Revenue Unit's handling of swimming pool cash at McLaren Lodge. This section reports the Budget Analyst's evaluation of the current status of the swimming pool recommendation and also reports on our examination and evaluation of the operations of the Japanese Tea Garden Admissions Section and physical security concerns of cash handling facilities at the Recreation and Park Department.

Revenue Unit's Handling of Swimming Pool Cash

Fee revenues collected at the Department's nine swimming pools are placed in cash lock boxes. Such cash lock boxes are transported regularly by armored transport to McLaren Lodge from each of the swimming pools. Upon arrival, the Revenue Unit staff transfer the cash from the lock boxes to bank deposit bags and place the bags in a safe. Because some of the currency is crumpled, the bills must be straightened and flattened prior to running through a currency counter. Although the Department's policy is to have two staff members straighten and count the bills and coins, the 2006 audit reported an observation where there was only one employee in a cubicle with a large box of bills, straightening and counting cash. No other employee was present to comply with the policy and to oversee the process. The recommendation for this subject was included in the 2006 audit report and the Department's statement of current status, are as follows:

³ As shown in Exhibit II of the *Introduction*, certain concessions wire funds directly to the Recreation and Park Department bank account. Also, City garages submit their payments directly to the City Treasurer.

The Recreation and Park Department General Manager should:

<p>10.4 Direct the Director of Administration and Finance to develop formal protocols requiring (a) at least two employees present at all cash counts, and (b) routine reconciling of cash counts with attendance records and other use tallies as appropriate.</p>	<p>Implementation: The department has implemented a policy requiring two employees to be present as cash is being counted. The revised cash handling policy and CLASS⁴ policy both specify procedures for reconciliation.</p>
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During this follow-up audit, there were two instances where the Budget Analyst observed only one employee processing a large stack of bills in the Revenue Unit's cubicle. There was no other employee present to comply with the policy and to oversee the process. The dates of the observations were October 24, 2007, and November 24, 2007. The auditors informed the Director of Administration and Finance following the first observation. The employee conducting the cash count of the November sighting stated to the effect that "the staffing of the Revenue Unit was insufficient to provide a two-person, cash processing operation."

The continued practice of allowing an unaided employee to process large sums of cash is a significant control weakness that unnecessarily places the organization's resources at risk and is a disservice to the employee required to perform the task. In theory, but not in practice, the Department recognizes the unsuitability of this practice. The Department's Department-Wide Memo of August 11, 2006, contains the following provision:

Internal controls are necessary to prevent mishandling of funds and to safeguard against loss. Strong internal controls also protect employees by defining responsibilities in the cash handling process.

Placing an employee in the position of access to hundreds and sometimes thousands of dollars without effective oversight controls is a direct violation of adequate internal control standards. Further, non-compliance with published policies and procedures is detrimental to the maintenance of a quality *control environment* and the safeguarding of Departmental assets. The importance of the a quality *control environment*, along with the functions of the other four components of internal control, is formulated in the universally recognized authority on internal control, *Internal Control – Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission, as follows:

The *control environment* provides an atmosphere in which people conduct their activities and carry out their control responsibilities. It serves as the foundation for the other components. Within this environment, management *assesses risks* to the achievement of specified objectives. *Control activities* are implemented to help ensure that management directives to address the risks are carried out. Meanwhile, relevant *information* is captured and

⁴ CLASS is a computerized program registration and facility booking system.

*communicated*⁵ throughout the organization. The entire process is *monitored* and modified as conditions warrant.

The General Manager of the Recreation and Park Department should immediately instruct the Director of Administration and Finance to ensure that a minimum of two employees execute the cash counting function and fully comply with the Department's own policies.

Japanese Tea Garden Admissions

Background

According to information provided by the Parks Trust, the Japanese Tea Garden, originally developed as the Japanese Village for the 1894 California Midwinter International Exposition, is now one of the most visited attractions in San Francisco. Admission to the Japanese Tea Garden is controlled by Recreation and Park Department employees stationed at the entrance gate to the facility. The Department retains all admission revenues.

Fashion House, Inc., a Recreation and Park Department concessionaire, operates a gift shop and a tea house within the Japanese Tea Garden. The Budget Analyst's report concerning the concessionaire's compliance with the provisions of its lease is included in Section 6 of this audit report.

Japanese Tea Garden Admission revenues were flat following the events of September 11, 2001, but have risen in the past two years, particularly in FY 2006-2007, as shown below. Japanese Tea Garden concession payment revenues also rose significantly in FY 2006-2007.

Table 3.1
Japanese Tea Garden Admissions and
Concession Revenues

	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	Total
Admissions	\$1,113,000	\$1,074,000	\$1,178,000	\$1,082,000	\$1,200,700	\$1,440,500	\$7,088,200
Percent of Total	15.70%	15.20%	16.60%	15.30%	16.90%	20.30%	100%
Concession Payments	\$214,000	\$197,000	\$216,000	\$164,000	\$167,395	\$262,800	\$1,221,195
Percent of Total	17.52%	16.13%	17.69%	13.43%	13.71%	21.52%	100%

⁵ *Information and Communication* is one component of internal control.

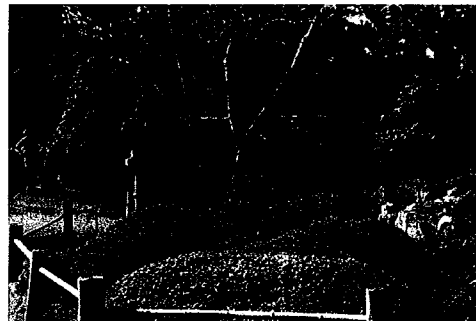
Admission fees, shown below, were last amended in July of 2006.

<u>Age Category</u>	<u>Admission Fee</u>	
Adult	\$5.00	Admissions are free from 9:00 A.M. to 10:00 A.M. every Monday, Wednesday, and Friday. On Wednesday, November 7, 2007, the auditors counted in excess of 75 adults and 50 children during the free period. Admission Attendants report that free admissions on favorable-weather-days often far exceed those of the day of the auditors' observation.
Senior	\$1.50	
Child (6 – 12)	\$1.00	
Child (Under 6)	Free	

The Admission booth accepts cash payments only. Department representatives have stated that the queues that would result from processing credit cards at times of high attendance would be excessive – the Budget Analyst concurs in that opinion. The photographic exhibit below shows the admissions booth and the walkway area leading up to the tea house.

Exhibit 3.1

Japanese Tea Garden Admissions Booth And Tea Garden Walkway



Cash Handling

Two Admission Attendants operate two payment windows in the admission booth, one on the front and the other on the side. A third attendant is normally present from late morning until late in the afternoon in order to cover for lunch breaks, work breaks, and assistance in controlling admissions. The admissions booth contains cash registers, a safe, files, forms, and equipment for recording admissions and collecting cash.

Although the processes of opening, closing and operating the admissions booth are fairly complex, and the value of cash maintained is not trivial, there are no written procedures for Japanese Tea Garden admission operations.

Current *unwritten* procedures include limiting admissions booth opening, closing and change fund processes to the lead Admission Attendant and two assistants. Close out procedures are as follows:

- Z-Out⁶ the two cash registers.
- Count and place Z-Out cash sums into a deposit envelope.
- Complete the Daily Receipt of Cash Received form.
- Fill out the deposit slips.

The Z-Out process is a universal and primary cash collection control. The non-resettable, sequential recording of transactions provides an efficient means of reconciling transaction totals to cash collected. The purpose of requiring that all customers receive a cash receipt is to provide reasonable assurance that every transaction is recorded.

Our review of a sample of Z-Out tapes from both the Japanese Tea Garden and the Tennis Court cash registers revealed instances of non-sequential Z-Out Report numbers. Further, there was no note in the file explaining the reasons for the skipped Z-Out Report deviations. At the request of the Budget Analyst, the Department's Financial Operations Manager conducted an inquiry to determine the reason for the non-sequential deviations and determined that the deviation associated with the Japanese Tea Garden was due to a service maintenance that was performed on the particular cash register. However, as of the writing of this report, the Financial Operations Manager has not explained the non-sequential deviation in the Z-Out Report numbers for the tennis courts.

The Director of Administration and Finance should ensure that the Revenue Unit is provided with a detailed set of policies and procedures for performing its revenue collection, counting, depositing, reconciliation and auditing functions, which, currently the Revenue Unit does not have.

Staffing

The Japanese Tea Garden Admissions Section, which is assigned to the Finance Group of the Administration and Finance Division, is authorized 5.0 fulltime equivalent (FTE), classification 3302, Admission Attendant positions. As of the writing of this report, the position authorizations and personnel appointments are shown below:

Type Appointment	Work Schedule	FTE	Number of Employees	
Permanent	Full-time	2.0	2	Only two of the nine Admissions Section appointments are full-time. As with the Aquatics Program staff, the Department prefers a high ratio of permanent, part-time and as-need employees in order to accommodate the cyclical and irregular attendance pattern of the Japanese Tea Garden.
Permanent	Part-time less than 40	0.5	2	
Exempt	As Needed			
Temporary		<u>2.5</u>	<u>5</u>	
Total		5.0	9	

⁶ Cash register transactions are recorded on register tapes in a non-resettable, sequential manner. The Z-Out process entails activating a key position on the cash register that causes 1) a report of the transaction totals since the last Z-Out to be printed, 2) a sequential number to be assigned to the particular Z-Out report, and 3) a "zero out" of the register in preparation for the next day's or shift's work. The register tape would then record non-resettable sequential transactions since the last Z-Out report.

The lead Admission Attendant schedules the staffing of the Admissions booth. The number of staff required to efficiently carry out the cash collection and admissions control duties is dependent on the number of patrons seeking admission at any particular time. Daily attendance can vary from less than 200 on an inclement winter day to more than 3,000 on a bright summer day.

Table 3.2 below displays the staffing profile for the Japanese Tea Garden for three days of calendar year 2007 - two days in the late summer and one day in mid-autumn. One Admission Attendant, the Lead Attendant, arrives at 8:30 A.M. to perform the booth opening tasks. A second staffperson arrives to begin duty at 9:00 A.M. when the gates are opened. Lunch breaks normally begin at 11:00 A.M.

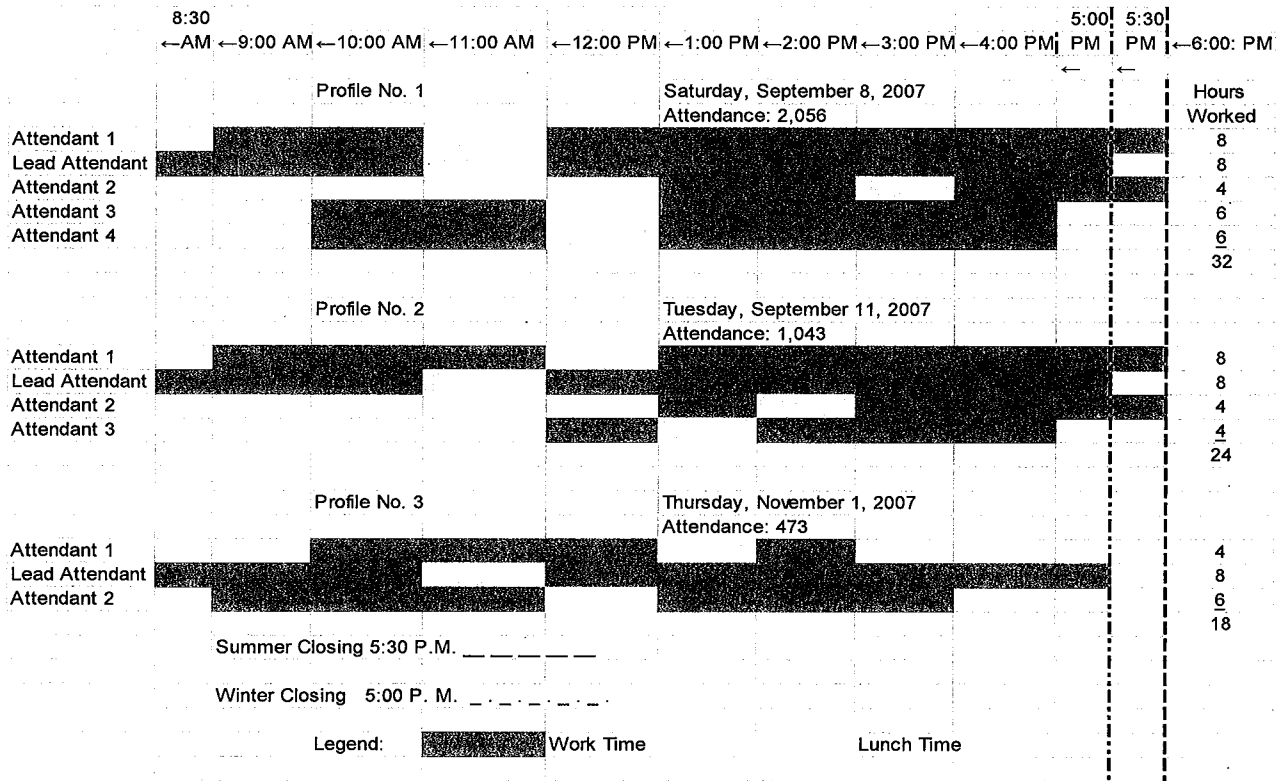
The staffing profiles vary from a high of five Admission Attendants with a total of 32 work hours for the day (Profile #1), to four Admission Attendants with a total of 24 work hours for the day (Profile #2), and to a low of three Admission Attendants with a total of 18 work hours for the day (Profile #3).

Considering the economy of the three staffing profiles, in the professional judgment of the Budget Analyst profile numbers 1 and 2 reflect excess staffing. In the case of Profile Number 1, the presence of Attendant No. 2, who does not report for duty until 1:00 P.M., is not necessary because even without the presence of Attendant No. 2 there are four other Admission Attendants working from 1:00 P.M. until 5:00 P.M., which is one-half hour before closing. In the professional judgment of the Budget Analyst, the four Admission Attendants are sufficient to cover for a high attendance day at the Japanese Tea Garden; since the constraining factor in throughput of visitors is the physical limitation of the Admissions booth: the Admissions booth can only accommodate two workstations.

In the case of Profile No. 2, scheduling Attendant No. 2 to report one hour earlier would obviate the need for Attendant No. 3, since a minimum of two Admission Attendants would be present until closing, with three present from 1:00 P.M. until 5:00 P.M. except for the one hour lunch break taken by one Admission Attendant between the hours of 2:00 P.M. and 3:00 P.M.

Profile No. 3 appears to have been scheduled economically. As shown in Profile No. 3, during periods of relatively slow activity, a single Admission Attendant can perform the fee collection and admitting functions.

Table 3.2
Japanese Tea Garden
Admissions Staffing



Source: Department timesheets and Japanese Tea Garden attendance records.

Tables 3.3 (a) & (b) generalize the issue of uneconomical staffing and the need for greater management oversight and monitoring. *Table 3.3 (a)* displays the date, number of patrons, and number of Admission Attendant hours worked for four consecutive, winter-hour weeks in January and February of 2007. *Table 3.3 (b)* does the same for four consecutive summer-hour weeks in September and October of 2007.

Tables 3.3 (a) & (b)
Japanese Tea Garden Admissions Staffing
Winter Hours (a) and Summer Hours (b) 2007

(a) Winter Hours January 27 - February 23, 2007							(b) Summer Hours September 8 - October 19, 2007						
Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri
27-Jan	28-Jan	29-Jan	30-Jan	31-Jan	1-Feb	2-Feb	29-Sep	30-Sep	1-Oct	2-Oct	3-Oct	4-Oct	5-Oct
817	997	484	288	266	261	278	1,705	1,675	974	882	1,006	823	1,084
31	31	24	24	24	24	24	34	34	23	24	24	25	24
3-Feb	4-Feb	5-Feb	6-Feb	7-Feb	8-Feb	9-Feb	6-Oct	7-Oct	8-Oct	9-Oct	10-Oct	11-Oct	12-Oct
1,078	897	541	287	307	254	194	1,505	1,572	1,229	976	821	994	342
31	31	24	24	24	24	24	34	31	24	24	27	24	23
10-Feb	11-Feb	12-Feb	13-Feb	14-Feb	15-Feb	16-Feb	13-Oct	14-Oct	15-Oct	16-Oct	17-Oct	18-Oct	19-Oct
406	1,090	518	381	509	507	666	1,530	2,045	1,102	518	643	847	991
31	31	24	24	24	24	24	31	30	33	21	27	20	18
17-Feb	18-Feb	19-Feb	20-Feb	21-Feb	22-Feb	23-Feb	20-Oct	21-Oct	22-Oct	23-Oct	24-Oct	25-Oct	26-Oct
1,891	2,435	2,139	519	555	465	716	1,539	1,782	1,197	751	849	717	888
31	31	27	24	24	24	24	34	30	32	25	25	20	17
4,192	5,419	3,682	1,475	1,637	1,487	1,854	6,279	7,074	4,502	3,127	3,319	3,381	3,305
124	124	99	96	96	96	96	133	125	112	94	103	89	82

Source: Department timesheets and Japanese Tea Garden attendance records.

Note: The bottom two lines in Tables 3.3 (a) and (b) show total attendance and total staffing for the four days in each column.

An examination of *Tables 3.3 (a) and (b)* reveals the following information:

- a. The total attendance for the winter hours is 19,746 and the total number of hours worked is 731. The total attendance for the summer hours is 30,987 and the total number of hours worked is 738. The ratio of total attendance to total hours worked is 27.01 for the winter hours and 41.99 for the summer, meaning that the average number of patrons per work hour was approximately 42 for the summer and but only approximately 27 for the winter.
- b. The highest attendance day, 2,045 patrons on October 14, 2007, had 30 work hours, with a corresponding ratio of 68.2 patrons per hour worked. The smallest attendance day, 261 patrons on February 1, 2007, had 24 work hours, with a corresponding ratio of 10.9 patrons per hour worked. Thus the ratio of patrons to hours worked was 526 percent greater for October 14, 2007, than for February 1, 2007.
- c. The 20 winter-hour weekdays all were staffed 24 work hours each, except for February 19, 2007, which had 27 work hours;
- d. The lowest number of work hours, 18 and 17, occurred on two consecutive Fridays, October 19, and October 26, 2007. The attendances on those two days were 991 and 888, respectively. Comparing the attendance and work hours of the lowest work-hour day, Friday, October 26, 2007, to the other days in this sample reveals the following information:

- 1) Twenty-one of the twenty-eight winter-hour days had a smaller attendance than October 28, 2007, including January 27, 2007, with 31 work hours and an attendance of 817 patrons, and February 10, 2007, with 31 work hours and an attendance of only 406 patrons, and;
- 2) Ten of the other twenty-seven summer hours had a smaller attendance than October 28, 2007, including October 10, 2007, with 27 work hours and an attendance of 821, and October 17, 2007, with 27 work hours and an attendance of 643.

The Budget Analyst is aware that there are fixed staffing costs involved in controlling admissions to the Japanese Tea Garden and that a linear relationship would not result in an efficient and economical operation. However, in the professional judgment of the Budget Analyst, our analysis of the data shown in Tables 3.3 (a) and (b) indicates that there are opportunities to achieve economic savings in the staffing of the Japanese Tea Garden Admissions Section. In the relevant attendance ranges, greater correlation of patronage to hours worked can be achieved. Also, a minimum staffing profile could be implemented for days of inclement weather when the probability of low attendance is high.

The hourly rate for the classification 3302, Admission Attendant position, is approximately \$19.34, not including mandatory fringe benefits. Thus, if an average reduction of three work hours per day can be achieved in the Admissions Section, savings of approximately 0.6 FTE, valued at approximately \$23,930 in salary and mandatory fringe benefits, annually, could be realized.

Physical Security

The Budget Analyst, with the assistance of the Sheriff's Department, conducted a physical security evaluation of the Japanese Tea Garden Admissions booth area. The area does have security sensors, which are activated when the facility is closed, and which are wired into the City's Emergency Communications Center and, in general, the physical security of the area is adequate. However, the Sheriff's representatives recommended that the following actions be implemented in order to provide additional security:

1. If feasible, schedule armored transport cash pick-ups for late in the afternoon, so that lesser sums of cash will be stored overnight in the Admissions booth.
2. Ensure that the Admissions booth has telephone communications with McLaren Lodge.
3. Install a drop safe in the Admissions booth in order to reduce the amount of loose cash available during the day.

As of the writing of this audit report, the Department has installed a telephone in the Admissions booth and is awaiting installation of a new safe that has been ordered and received. According to the Lead Admission Attendant, the armored transport service is unable to accommodate afternoon cash pickups.

Controller's 1993 Audit of the Japanese Tea Garden

The Controller's Audits Division conducted an audit of Japanese Tea Garden Admissions in October of 1993. The audit results were as follows:

- The Department correctly collected Tea Garden admission fees and deposited the daily collections on a timely basis.
- Although the Department generally has adequate internal controls over its Tea Garden admission operations, the Department does not adequately segregate the fee collecting and admitting functions at the Tea Garden. The Department also needs to improve its procedures for recording and reporting free admissions.

In the professional judgment of the Budget Analyst, the presence of a minimum of three Admission Attendants during period of high entry activity, which is the Department's current practice, is adequate.

The Department does not currently record free admissions. Information concerning free admissions would be useful in validating or proposing changes to the current free admissions policy.

Security of Recreation and Park Department Facilities

The Budget Analyst has received information from reliable sources within the Recreation and Park Department concerning burglaries of various Recreation and Park Department facilities in the past few years. Sites reported include the General Manager's Office, Rossi Pool, and the Tennis Courts Office. The Budget Analyst requested that the Department's Director of Operation, who oversees the operations of the Department's Park Patrol, provide a listing of burglaries and attempted burglaries that have occurred in the past few years. However, as of the writing of this audit report, the Director of Operations has not provided such a listing.

The purpose of the burglary information request is to determine the extent and severity of burglaries occurring on Recreation and Park Department properties, information that may provide the basis for determining the urgency of a burglary risk assessment and implementation of control activities.

As an example of burglaries occurring on Recreation and Park Department property, in 1996 a Park Patrol Officer who was found to have extorted money from a tourist was also found to have been involved in numerous other crimes involving Recreation and Park Department property. Further, the office of the Department's Director of Operations was broken into during the course of the Recreation and Park Department audit as were the offices of his two primary reports.

The Budget Analyst's 2006 audit report included a section on the Department's security needs. Therein, we reported that the Department does not have a security plan, addressing the overall security requirements of the Department. The report also states that the four Park Patrol officers (the Department is currently authorized 13) cannot meet all of the Department's security needs,

and that recreation directors, gardeners, and custodians expressed concern about security and safety. For example, one recreation director reported an incident at Garfield Park in which a neighbor pulled a gun on a contract worker. Further, we reported that in focus groups conducted by the Budget Analyst, staff reported that they did not receive adequate information about safety and security incidents and the Department's follow up on these incidents.

The Director of Operations should ensure that the Recreation and Park Department develops or procures an incident reporting system and that in addition to collecting statistics, the system is used to analyze trends and assist in controlling exposure to incidents.

Conclusions

In the professional judgment of the Budget Analyst, the occurrence of violating the two-person control for cash counting in the Revenue Unit shows a lack of adequate cash handling controls and an appreciation for the importance of that control and requires the attention of the General Manager.

The Admissions Section of the Japanese Tea Garden needs a set of written policies and procedures to provide reasonable assurance that controls for cash collection and patron admission are adequate.

Staffing for Japanese Tea Admissions should be reduced to the minimum level required to effectively perform the cash collection and visitor admission functions.

The Department should conduct a risk assessment of burglaries on Recreation and Park Department property and implement control activities, if warranted, to reduce the risks of burglaries. Further, the Director of Operations should ensure that the Department develops or procures an adequate incident reporting system and that the system is used to analyze trends and to control exposure to incidents.

Based on the findings included in the 2006 *Recreation and Park Department Audit Report* and this follow-up audit report, the General Manager of the Recreation and Park Department faces challenging control risks in safeguarding assets, accuracy of financial reporting, economy and efficiency of operations, and compliance with policies and procedures. Obtaining the services of an internal auditor or auditors, such as is the practice of the Airport, could be a significant benefit to the organization. Such a staffperson would be available to the General Manager, and through the General Manager, to the Recreation and Park Commission, for assisting in risk management, control, and governance processes. The Budget Analyst recommends that the General Manager consider creating such a position, which possibly may be funded by reducing audit work orders.

Recommendations

The Recreation and Park General Manager should:

- 3.1 Direct the Director of Administration and Finance to enforce the protocol requiring at least two employees present at all cash counts.

- 3.2 Direct the Director of Administration and Finance to develop detailed policies and procedures covering the operations of the Revenue Unit.
- 3.3 Reduce staffing to the minimum level required to effectively perform the cash collection and visitor admission function at the Japanese Tea Garden.
- 3.4 If feasible, schedule armored transport cash pick-ups for late in the afternoon, so that lesser sums of cash will be stored overnight in the Admissions booth.
- 3.5 Ensure that the Recreation and Park Department develops or procures an incident reporting system and that the system is used to analyze trends and assist in controlling exposure to incidents.
- 3.6 In accordance with the Controller's 1993 Audit of the Japanese Tea Garden, direct the Director of Administration and Finance to "improve its procedures for recording and reporting free admissions."

Costs and Benefits

The development or procurement of an incident reporting system would incur costs, yet undetermined. However, those costs, in the professional judgment of the Budget Analyst, would be far outweighed by the benefit of possessing incident information useful for planning and control. Benefits of implementing the recommendations include 1) savings from more economical staffing within the Japanese Tea Garden Admissions Section; 2) enhanced internal controls of safeguarding assets at the Japanese Tea Garden; 3) improved cash handling of approximately \$1,500,000 in departmental fee revenue annually from the Japanese Tea Garden; 4) improved internal controls for the operations of the Revenue Unit; 5) data of patronage of free admissions, which may confirm the utility of the current policy or indicate that a change is appropriate; and 6) the availability of incident information for planning and control, useful for the safety of both staff and visitors.

4. Aquatics Program Issues

- **The Recreation and Park Department's Aquatics Program, which includes programs such as swimming instruction, water aerobics, and recreational swimming, provides facilities and services to organizations, such as public and private schools and swim clubs, for which no set fee has been established by the RPD. In order to determine the nature of payments made by such organizations to the Recreation and Park Department, the Budget Analyst surveyed seven organizations that use Aquatics Program facilities.**
- **Initial contact was made with the Athletic Director at the Convent of the Sacred Heart School, who informed the Budget Analyst staff that the school used Hamilton Pool for the period of February through April of 2006 and 2007. The Athletic Director also informed the Budget Analyst that the School had made a single payment for use of the Hamilton Pool to the Permits and Reservations Division of the Recreation and Park Department for the 2007 period, but that in 2006, the swim coach of the Convent of the Sacred Heart presented checks to an Aquatics Program employee at Hamilton Pool every week or every two weeks during February through April of 2006. The Budget Analyst requested copies of the checks and was informed that the School's Business Office was the repository of the checks and that obtaining copies might prove problematic because of the amount of time that had elapsed. The Budget Analyst verified that the Convent of the Sacred Heart School made a payment in April of 2007 to the Permits and Reservations Unit of the Recreation and Park Department in the amount of \$644 for use of Hamilton Pool for school swim team practices. The Budget Analyst informed the Aquatics Program Manager concerning the information obtained from the Athletic Director of the Convent of the Sacred Heart who, in turn, informed the Director of Administration and Finance. The Budget Analyst attempted to re-contact the Athletic Director, without success, and has never been provided with copies of the checks from the Convent of the Sacred Heart School or the Recreation and Park Department.**
- **The Director of Administration and Finance stated that the Recreation and Park Department would conduct a follow-up with the Convent of the Sacred Heart and with Department staff. Following a period of approximately three weeks, the Director of Administration and Finance contacted the Budget Analyst concerning the Department's inquiry into the matter. The Director of Administration and Finance provided the Budget Analyst with a summary of interview with the employee who had reportedly received the checks and also reported that repeated attempts by the Department to contact officials at the Convent of the Sacred Heart were unsuccessful.**

- A redacted summary of required actions for the Recreation and Park Department to take based on the Hamilton Pool check revelations, provided by the Director of Administration and Finance, is as follows:

While the results of the interview suggest that the department needs to develop a clear policy and fees regarding swim teams and the use of our pools by outside entities, including schools swim teams and other organizations, I do not believe that fraud has taken place at Hamilton Pool. [name] has been tasked with developing a new policy and fees for use of the pools. In addition, he and [name] will follow up with [name] regarding the Hamilton Swim Team and the account for that team. It is clear that RPD staff should never handle money for organizations or programs that are not affiliated with RPD. The corollary to that, of course, is that any program associated with RPD must follow the department's cash handling policies and may not establish accounts outside of the city's accounting system.

- During the preliminary survey segment of our follow-up audit pertaining to the Aquatics Program, the Aquatics Program Manager provided background and operational information on aspects of cash handling at the swimming pools. The Aquatics Program Manager demonstrated the process of removing a lock box from its enclosure at the swimming pools in order to transport the lock boxes to McLaren Lodge without actually having access to the cash in the lock box. However, the Aquatics Program Manager also informed the Budget Analyst that he possessed keys to actually access the cash in the lock boxes, and demonstrated that capability. Since the Aquatics Program Manager possesses keys to gain entry to all of the swimming pools, in the absence of a compelling operational need, it is not appropriate for him to also have access to the keys that actually open the cash lock boxes. The Budget Analyst notified the Director of Administration and Finance concerning the internal control weakness of entrusting an individual with accesses to both the swimming pool facilities and lock boxes containing the cash at such facilities. The Director of Administration and Finance acknowledged the control weakness and had the Aquatics Program Manager return the lock box lid keys to the Recreation and Park Department Revenue Unit.
- The Budget Analyst's Recreation and Park Department Audit of 2006 included a recommendation to reduce the incidence of unplanned swimming pool closures. The 2006 Audit noted closed pools due to staffing shortages on 15 different occasions between January and December 2005. The Budget Analyst's review of the Department's records for this follow-up audit showed a total of nine closings due to staff shortages for the period of October 1, 2006 through September 18, 2007, which is a 40 percent improvement over the calendar year 2005 total of 15. However, on the one day that the Budget Analyst called around to each pool to check the accuracy and appropriateness of live and recorded information, the Martin Luther King, Jr. Pool voice message stated that the Pool would be closed on that day from 1:30 P.M. until 4:30 P.M. due to a lack of staff.

Background

As shown in Exhibit 1 of the *Introduction* to this audit report, the Aquatics Program of the Recreation and Park Department, which operates nine swimming pools located throughout the City, is assigned to the Department's Citywide Services Division. Eight of the nine swimming pools operate year-round; the open-air Mission Pool for the past two years has operated from May to February.

Status of 2006 Audit Report Recommendations

The five cash handling recommendations identified by the Budget Analyst for examination in this follow-up audit are concerned with enhancing patron convenience and Aquatic Program revenues by 1) implementing a system to print scrip tickets online, 2) developing a system that allows patrons to purchase monthly passes online, 3) increasing locations where swimming pool patrons can purchase scrip booklets and monthly passes, 4) reducing the incidence of unplanned closures, and 5) identifying opportunities for increasing pool attendance. Section 1 of this follow-up audit to the *2006 Recreation and Park Department Audit Report* presents the Department's assessment of the current status of those 2006 recommendations and the Budget Analyst's conclusions concerning those assessments. This follow-up audit report section presents additional findings developed during the course of this cash handling follow-up audit.

Control Weaknesses in Collecting Revenues from Organizations

Section 12.40 of the Park Code, Aquatic Fees, lists the following type fees charged by the Recreation and Park Department:

- Entry Fees
- Age Group/ Masters Swim Teams
- Swimming Lessons
- Pool Rental
- Swim Classes
- Birthday Package

The Aquatics Program provides facilities and services to organizations, such as public and private schools and swim clubs, for which there is no set fee. In order to determine the nature of payments made by such organizations to the Recreation and Park Department, the Budget Analyst surveyed seven organizations that use Aquatics Program facilities. Table 4.2 below displays the results of the Budget Analyst's inquiries.

Table 4.2
Swim Teams/ Private and Parochial Schools

Organization	Type	Pool	Fee
Special Olympics	Civic	Sava	None
Lickwilverding	Private High School	Balboa/ Sava	\$138/ Session
Sacred Heart Cathedral	Parochial High School	Unable to Contact	
Convent of the Sacred Heart	Parochial High School	Hamilton	Intermittent
Tsunami Water Polo Team	Swim Club	Martin Luther King	\$100/ practice
U.S. Olympic Synchronized Swim Team	Swim Team	Martin Luther King	None
Tsunami Swim Team and Synchronized Swim Team	Swim Team	Martin Luther King	None

The Budget Analyst was not able to contact Sacred Heart Cathedral. Initial contact was made with the Athletic Director at the Convent of the Sacred Heart, who informed the auditor that the school used Hamilton Pool for the period of February through April of 2006 and 2007. The Athletic Director also informed the Budget Analyst that the School had made a single payment for use of the Hamilton Pool to the Permits and Reservations Division of the Recreation and Park Department for use of Hamilton Pool for the 2007 period, but that in 2006, the swim coach of the Convent of the Sacred Heart would present a check to an Aquatics Program employee at Hamilton Pool every week or every two weeks during February through April of 2006. The Budget Analyst requested copies of the checks and was informed that the School's Business Office was the repository of the checks and that obtaining copies might prove problematic because of the amount of time that had elapsed.

The Budget Analyst informed the Aquatics Program Manager concerning the information obtained from the Athletic Director of the Convent of the Sacred Heart who, in turn, informed the Director of Administration and Finance. The Budget Analyst attempted to re-contact the Athletic Director, without success.

The Director of Administration and Finance stated that the Recreation and Park Department would conduct a follow-up with the Convent of the Sacred Heart and with Department staff. Following a period of approximately three weeks, the Director of Administration and Finance contacted the Budget Analyst concerning the Department's inquiry into the matter. The Director of Administration and Finance provided the Budget Analyst with a summary of interview with the employee who had reportedly received the checks and also reported that repeated attempts by the Department to contact officials at the Convent of the Sacred Heart were unsuccessful.

A redacted summary of required actions for the Recreation and Park Department to take based on the Hamilton Pool check revelations, provided by the Director of Administration and Finance, is as follows:

While the results of the interview suggest that the department needs to develop a clear policy and fees regarding swim teams and the use of our pools by outside entities, including schools swim teams and other organizations, I do not believe that fraud has taken place at Hamilton Pool. [name] has been tasked with developing a new policy and fees for use of the pools. In addition, he and [name] will follow up with [name] regarding the Hamilton Swim Team and the account for that team. It is clear that RPD staff should never handle money for organizations or programs that are not affiliated with RPD. The corollary to that, of course, is that any program associated with RPD must follow the department's cash handling policies and may not establish accounts outside of the city's accounting system.

The Budget Analyst concurs with the Director of Administration and Finance's assessment of the need for "a clear policy and fees regarding swim teams and use of our pools by outside entities, including schools swim teams and other organizations." Further, the Budget Analyst concurs that only authorized Recreation and Park Department staff, namely staff assigned to the Department's Permits and Reservations Unit, should handle money for organizations or programs and that any organization of program associated with the Department must follow the Department's cash handling policies and not establish accounts outside of the City's accounting system.

Control Weakness in Possession of Lock Box Keys

Each of the swimming pools has a cash lock box into which pool patrons deposit cash or scrip in order to be admitted. Contract security services periodically exchange the lock box containing cash for an empty lock box and transport the lock box containing cash to the Revenue Unit at McLaren Lodge for processing. Three keys are required to actually open each of the lock boxes: (1) a key to open an access door to the lock box, (2) a key to remove the lock box from its enclosure, and (3) a key to actually open the lock box lid. As initially reported by the Revenue Unit, only Revenue Unit personnel are to have access to the keys that actually open the lock boxes.

During the preliminary survey segment of our follow-up audit pertaining to the Aquatics Program, the Aquatics Program Manager provided background and operational information on aspects of cash handling at the swimming pools. The Aquatics Program Manager demonstrated the process of removing a lock box from its enclosure at the swimming pools in order to transport the lock boxes to McLaren Lodge without actually having access to the cash in the lock box. However, the Aquatics Program Manager also informed the Budget Analyst that he possessed keys to actually access the cash in the lock boxes, and demonstrated that capability. Since the Aquatics Program Manager possesses keys to gain entry to all of the swimming pools, in the absence of a compelling operational need, it is not appropriate for him to also have access to the keys that actually open the cash lock boxes. The Budget Analyst notified the Director of Administration and Finance concerning the apparent internal control weakness of entrusting an individual with accesses to both the swimming pool facilities and lock boxes containing the cash

at such facilities. The Director of Administration and Finance acknowledged the control weakness and had the Aquatics Program Manager return the lock box lid keys to the RPD Revenue Unit.

Reducing the Incidence of Unplanned Pool Closures

The Budget Analyst's Recreation and Park Department Audit of 2006 included a recommendation to reduce the incidence of unplanned swimming pool closures. The 2006 Audit noted closed pools due to staffing shortages on 15 different occasions between January and December 2005. The Budget Analyst's review of the Department's records for this follow-up audit showed a total of nine closings due to staff shortages for the period of October 1, 2006 through September 18, 2007, which is an improvement over the calendar year 2005 total of 15. However, on the one day that the Budget Analyst called around to each pool to check the accuracy and appropriateness of live and recorded information, the Martin Luther King, Jr. Pool voice message stated that the Pool would be closed on that day from 1:30 P.M. until 4:30 P.M. due to a lack of staff.

The Budget Analyst recommends that the General Manager, Recreation and Park Department, re-emphasize the importance of keeping posted pool hours as an important part of customer service, especially given that three of nine pools are currently closed for renovations.

Aquatics Program Handbook

The Aquatics Program Operations Manual dated Fall 2003 with the notation of *Updated June 2004*, includes a handbook addendum to "outline the duties of the Aquatics staff with the implementation of the new model."¹ The Handbook includes instruction to sign and return an acknowledgment page that each staffmember has received and read the packet.

The Operations Manual addendum includes important safety and operational information including Duties associated with the Atrium,² Customer Service, Gate Keeping,³ and Duties associated with the Locker Rooms. However, the Aquatics Program Manager, who had assumed that position in September of 2006, was not aware of the existence of any acknowledgment statements. Therefore, there is no evidence that staff have received and read the Handbook.

Conclusions

Staffmembers of the Aquatics Program should not be involved in cash handling with organizations or programs that are not affiliated with the Recreation and Park Department. Also, any organization or program that is affiliated with the Recreation and Park Department should follow the Department's cash handling policy for such organizations or programs, which reportedly is being developed, including standardized fees for organizations to use the pools.

¹ The "new model" refers to the elimination of swimming pool cashiers and locker attendants and an increase in the number of lifeguards/swimming instructors.

² The *Atrium* is the front area of the building where patrons enter the facility.

³ *Gate Keeping* is to ensure that patrons make a payment in order to gain entry.

The Budget Analyst's Recreation and Park Department Audit of 2006 included a recommendation to reduce the incidence of unplanned swimming pool closures. The 2006 Audit noted closed pools due to staffing shortages on 15 different occasions between January and December 2005. The Budget Analyst's review of the Department's records for this follow-up audit showed a total of nine closings due to staff shortages for the period of October 1, 2006 through September 18, 2007, which is an improvement over the calendar year 2005 total of 15. However, on the one day that the Budget Analyst called around to each pool to check the accuracy and appropriateness of live and reported information, the Martin Luther King, Jr. Pool voice message stated that the Pool would be closed on that day from 1:30 P.M. until 4:30 P.M. due to a lack of staff. The General Manager, Recreation and Park Department, should emphasize the importance of keeping posted pool hours as an important part of customer service, especially given that three of nine pools are currently closed for renovations.

Recommendations

The Recreation and Park General Manager should:

- 4.1 Develop a clear policy and fees regarding swim teams and the use of City pools by outside entities, including schools swim teams and other organizations.
- 4.2 Emphasize the importance of keeping posted pool hours as an important part of customer service, especially given that three of nine pools are currently closed for renovations.

Costs and Benefits

The Budget Analyst's recommendations can be accomplished within the Recreation and Park Department's existing appropriated funding and authorized staffing levels and would enhance the efficiency and effectiveness of the Aquatics Program.

5. Permits and Reservations

- **The Permits and Reservations Unit does not have standard procedures for issuing receipts to patrons, storing copies of receipts, making reservations, issuing permits, or collecting cash. While some uniformity exists across Divisions, the Unit as a whole does not adhere to a uniform set of procedures. For example, while staff in the Athletics Division follow the same procedures, these procedures differ from those followed by staff in the Picnics and Special Events Division. This lack of uniformity leads to various accounting styles and ad-hoc procedures for cash collection, revenue reporting, and revenue deposits.**
- **While a Cash Handling Manual does exist and was issued in 2006 by management of the Recreation and Park Department, none of the Permits and Reservations Unit staff was given a copy of the manual or received any training on cash handling protocol and procedures. Therefore, staff have relied on informal procedures and used personal judgment in regards to proper cash handling methods.**
- **In a review of 50 randomly-selected permit files, the Budget Analyst found that in five cases, or 10 percent, the Permits and Reservations Unit inaccurately reported the total amount of the permit, the type of payment received, or the reservation number on the Daily Report of Cash Receipts (DRCR). In one case, no record could be found on the DRCR for a completed permit reservation.**
- **The Supervisor of the Permits and Reservations Unit transports all deposits to McLaren Lodge in a standard vehicle and no precautionary security measures are taken. Based on the Budget Analyst's observations, deposits could range from approximately \$2,000 up to approximately \$70,000, depending on time of year. The security of cash transport from the Pioneer Log Cabin to the Revenue Unit at McLaren Lodge should be enhanced by employing an escort or other means.**
- **Permits and Reservations staff do not follow a policy of reconciling revenues at the end of each day, week, or month. While the Athletics Division reconciles revenues on most days and again at the end of every week, and a final time before a deposit is made, the Picnics and Special Events Division does not have a procedure for reconciling revenues. This lack of uniformity across the Permits and Reservations Unit complicates revenue tracking and record keeping among the Unit as a whole and allows for inaccuracies in revenue reporting, as we found in our review of 50 randomly-selected permit files.**

- **The Recreation and Park Department's Cash Handling Manual states that deposits should be made every week or when the total cash on hand reaches \$100. While the Permits and Reservations Unit usually makes weekly deposits, they do not adhere to this policy, nor do they make deposits if cash reaches \$100 or more. The Unit does not have specific procedures regarding notification of supervisors or management if large payments are received, thus exposing the Unit to excessive losses in the case of a burglary.**
- **Overall, the Budget Analyst found that the lack of controls and security protocol greatly increased the opportunities for theft or inaccuracies in revenue reporting in the Permits and Reservations Unit and that security of cash had not improved since the 2006 Recreation and Park Department Audit Report.**

General

As part of the follow-up audit of cash handling within the Recreation and Park Department, the Budget Analyst examined the adequacy and effectiveness of the Permits and Reservations Unit's cash handling activities to determine whether those activities provide reasonable assurance that assets are adequately safeguarded, financial reporting is accurate, and City and Department policies and regulations are complied with.

To accomplish these objectives, the Budget Analyst:

- Reviewed policy statements and written procedures for the Permits and Reservations Unit's cash handling function;
- Observed how permits are issued and reservations are made across the two Divisions within the Permits and Reservations Unit;
- Observed cash handling activities;
- Examined Daily Reports of Cash Receipts (DRCR), permits, denomination detail sheets, deposit slips, permit or reservation payment receipts and fee schedules to observe how patrons are charged, how permits are issued and reservations are made, how cash is collected and recorded, and what potential room for error exists by employing these methods;
- Compared DRCRs, denomination sheets, and deposit slips recorded within the Permits and Reservations Unit with the deposits made by the Revenue Unit to see if they match;
- Examined security procedures for cash on hand in the Pioneer Log Cabin and for transport of cash from the Pioneer Log Cabin to the Revenue Unit at McLaren Lodge.

Background

Located in the Pioneer Log Cabin in Golden Gate Park, the Recreation and Park Department's Permits and Reservations Unit, comprised of an Athletics Section and a Picnics and Special

Events Section, is responsible for reserving athletic fields and for issuing permits and granting reservations for picnics, weddings, films, and special events.

Cash handling operations of the Permits and Reservations Unit are divided into five different revenue sources, with the following actual revenues from FY 2006-2007:

Rental and Fees (Stern Grove)	\$121,555
Neighborhood Parks and Recreation Centers	102,190
Special Events – Permits and Reservations	701,600
Film/Video/Photography – Permits and Reservations	109,050
Athletic Field Reservation	649,550
Total	\$1,683,945

The Permits and Reservations Unit, which is part of the Operations Division of the Recreation and Park Department, is authorized 13.0 fulltime equivalent (FTE) positions, as shown below.

Classification	FTE
1426 Senior Clerk Typist	1.0
1632 Senior Account Clerk	1.0
3284 Recreation Director	10.0
3291 Principal Recreation Supervisor	1.0
Total	13.0

Permits and Reservations Unit Handling of Cash

As indicated below, the Department issued a revised Cash Handling Policy as part of the implementation of recommendation 10.1 of the 2006 *Recreation and Park Department Audit Report*.

10.1 Direct the Director of Operations and the Director of Administration and Finance to revise the cash-handling policies and procedures to (a) identify all staff who are responsible for handling cash, (b) [establish] procedures for receiving, recording, keeping, transporting, and depositing cash and other revenues, and (c) [provide] training for all staff required to handle cash or revenues.

Implementation: The Department has updated the cash handling policy and distributed it to all field staff. Implementation of CLASS¹ has reduced the amount of cash collected (credit cards are now accepted) and resulted in clearly defined policies regarding daily reconciliation of cash drawers as well as additional improvements to cash handling, including a significant reduction in the number of sites in which cash is collected.

¹ CLASS is a computerized program registration and facility booking system.

The Cash Handling Policy includes provisions for depositing cash receipts, separation of duties, safeguarding cash, and supervisory oversight and monitoring.

However, the Budget Analyst found that the two divisions of the Permits and Reservations Unit do not adhere to all of provisions of the 2006 Cash Handling Policy, and that further, the two divisions have developed their own separate, informal procedures for cash collection, revenue reporting, and revenue deposits.

Based on staff interviews and observation of operations within the Permits and Reservations Unit staff, the Budget Analyst found that:

- Staffmembers had not received cash handling manuals, nor had they been trained on cash handling procedures.
- Procedures regarding frequency of deposits, separation of duties, and security of all cash are not consistent throughout the Unit and are insufficient to provide reasonable assurance of accomplishing cash handling objectives.
- Supervisory duties of reviewing and reconciling deposits with receipts as well as ensuring that staff are following internal controls are not being followed by appropriate Permits and Reservations staff.

Policies and Procedures for Issuing Permits and Making Reservations

As previously stated, the Department responded to recommendation 10.1 in the 2006 *Recreation and Park Department Audit Report* by stating that the implementation of CLASS had lowered risks associated with cash handling and had also resulted in clearly defined policies regarding daily reconciliation of cash drawers as well as additional improvements to cash handling. On the whole, the Budget Analyst agrees with this assessment. However, as noted in below in the Department's response to recommendation 9.8 of the 2006 *Recreation and Park Department Audit Report*, the Department intended for CLASS to rectify deficiencies in maintaining reservation and permit files, reconciling reservations and permits with daily deposits, reconciling deposits, and maintaining deposit records that cross-reference reservation and permit files. The Budget Analyst found, however, that within the Permits and Reservations Unit, only the Athletics Division has implemented the CLASS system, while the Picnics and Special Events Division continues to rely on manual data entry and hand-written documentation. This dichotomy in implementing the CLASS system has resulted in inconsistencies in accounting, record-keeping, and patron experience across the Unit as a whole. The Budget Analyst has identified specific operational and control problems associated with these inconsistencies, as presented in the sections below.

Recommendation 9.8 and the RPD response states as follows:

<p>9.8 Direct the Director of Administration and Finance and the Director of Partnerships and Property to jointly establish procedures for (a) maintaining reservation and permit files, (b) reconciling reservations and permits with daily deposits, (c) reconciling deposits, and (d) maintaining deposit records that cross-reference reservation and permit files.</p>	<p>Implementation: The facility rental module of Class will issue permits, issue receipts and record and track revenue from the permits and reservations made. The department has developed a process and procedure for reconciling all funds (cash and credit card) collected through the CLASS system on a daily basis.</p>
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The Athletics Division

The Athletics Division of the Permits and Reservations Unit issues permits and makes reservations for all athletic fields within the Department's jurisdiction. The Athletics Division commenced using CLASS in 2007. The Budget Analyst found the following problematic practice within the Athletics Division:

- All credit card payments are processed by the staff accountant for Picnics and Special Events, even though the Athletics Division payments go into a different revenue fund, thereby increasing the possibility for human error in the deposit process.

The Picnics and Special Events Division

The Picnics and Special Events Division issues permits and makes reservations for picnics, weddings, films, and special events at locations within the Department's jurisdiction. Though the Department clearly states in response to recommendation 9.8 that the implementation of CLASS will fix any irregularities cited in recommendation 9.8, the Department has failed to implement CLASS in the Picnics and Special Events Division, thereby allowing for the continuation of discrepancies in issuing of permits and making reservations, record-keeping, and reconciling deposits.

The Budget Analyst observed that there are different procedures followed for making reservations in the Picnics and Special Events Division, depending on which type of reservation is being made or permit is being issued. Problems associated with the failure to implement CLASS include:

- Neighborhood Parks does not use a database, but rather, records reservations by hand. The Budget Analyst notes that this method makes recommendations 9.8(b) and 9.8(d), as noted above, difficult to implement because there is no automatic reconciling or cross-checking of permits and deposits without access to a database.
- Copies of permits are not attached to payments for processing within the Division. Therefore, the accountant receives the check with the reservation number, or cash, or the credit card receipt, but does not receive copies of any of the accompanying permits. This does not allow for a streamlined and thorough record-keeping process of all permits and reservations Unit-wide. The Budget Analyst notes that procedural standards for reconciling permit reservations with deposits, such as those implemented with the

CLASS system, indicate that all information for a reservation, including copies of the permits, should be kept together for adequate record-keeping. The current condition in the Picnics and Special Events Division does not adhere to these standards and does not satisfy the implementation of recommendation 9.8 from the 2006 *Recreation and Park Department Audit Report*.

Cash Handling Practices

The Budget Analyst found that the Permits and Reservations Unit staff do not follow a uniform set of policies or procedures regarding cash payments, recording of cash payments, or cash deposits, nor do staff adhere to certain cash handling provisions of the Department's 2006 Cash Handling Policy. Further, oversight of cash handling and verification of the accuracy of deposits is inadequate.

In the following section, the Budget Analyst discusses the various procedures used by each Division within the Permits and Reservations Unit and describes the findings concerning violations of the Department's cash handling policies or inadequacies in cash handling procedures

The Athletics Division

Athletics Division staff deposit all cash and check payments in a cash register. All Athletics staff have access to the cash register and there is no oversight regarding cash that goes in and out of the register. The lack of procedures and safeguards to protect cash throughout the day puts cash at risk within the Unit. The Athletics staff advised that all cash and check payments are taken from the register, secured in a lock box, and stored in a file cabinet every night. According to the Cash Handling Manual issued by the Department in 2006, the Supervisor has the responsibility of evaluating overall internal controls to ensure that cash is safeguarded throughout the day, and must ensure that employees understand internal control procedures and follow them. The Permits and Reservations Unit should implement detailed internal controls regarding the safeguarding of cash throughout the day, which staff have access to the cash register, and who is responsible for cash receipts and disbursements. The Budget Analyst found that because these internal controls do not exist, accountability for cash handled throughout the day is invalidated.

Though the 2006 Cash Handling Policy states that cash should be deposited or reported immediately when it exceeds \$100, the Budget Analyst found that the Athletics Division consistently had more than \$100 on hand before deposits were made, as shown in the chart below. Further, no controls were in place regarding amounts that had to be reported or deposited based on the Supervisor's discretion.

Table 5.1
Athletics Division June 2007 Deposits

Date of deposit	Amount of Cash	Amount in Checks
June 4, 2007	\$457	\$1,842
June 11, 2007	\$356	\$13,540
June 18, 2007	\$850	\$35,497
June 25, 2007	\$555	\$21,714

- According to Athletics Division staff, payments of up to \$70,000 may be received in the Athletics Division for the payment of an athletic league and even in this case, the same procedures are followed.

The Athletics Division has one 3284 Recreation Director who is responsible for maintaining the records of all Athletics reservations and permits, reconciliation of revenues, and preparation of weekly deposits. The Recreation Director reconciles payments every week and ensures that they match with reservation information in the CLASS system.

The Picnics and Special Events Division

The Picnics and Special Events Division follows different procedures for cash collection, recording of payments, and making deposits. All Picnics and Special Events staff make reservations and collect cash payments. When a reservation is made, cash and check payments are placed in envelopes on the desk of the Senior Account Clerk, who serves as the staff accountant. The envelopes are labeled according to type of reservation, such as "picnics." These envelopes remain on the Senior Account Clerk's desk during the day and are locked in a file cabinet at night.

The Budget Analyst found:

- There is no monitoring of payments that are put in the envelopes throughout the day.
- Payments are not reconciled at the end of the day to ensure that they match the appropriate permit or reservation.

The Picnics and Special Events Division, similar to the Athletics Division, does not follow any protocol regarding the reporting of cash on hand that exceeds a certain amount. As shown in the chart below, the Division consistently had over \$100 cash on hand at any given time.

Table 5.2:
Picnics and Special Events Deposits June 2007

Date of deposit	Amount of Cash	Amount in Checks
June 8, 2007 (Picnics)	\$100	\$1,600
June 15, 2007 (Picnics)	\$125	\$950
June 20, 2007 (Picnics)	\$100	\$625
June 28, 2007 (Picnics & Neighborhood Parks)	\$130	\$4,219

The Budget Analyst selected the month of June 2007, one of the busiest months for the Permits and Reservations, to sample permits issued and paid for within the month in order to reconcile the payment documentation for the permit with the Daily Receipts of Cash Received and deposits. Of the fifty permits judgmentally sampled, thirty were for picnics, five were for Stern Grove, and fifteen were for Neighborhood Parks.

Picnics

Of the thirty picnic permits examined, fourteen were paid for with a credit card, ten with a check, two with cash, and payment for four permits was waived. In reconciling the permits with the payments recorded on the DRCR's, the Budget Analyst found that:

- One permit for Lindley Meadow on June 13, 2007 states that the amount owed and paid for the permit was \$25 via check. However, the permit reservation on the DRCR states the payment received was for \$400.
- Additionally, the Budget Analyst found that a permit issued on June 1, 2007 for Speedway Meadow had two \$25 credit card charges made on separate dates (June 1, 2007 and June 11, 2007, respectively), but only one charge was recorded on the DRCR. All of the permits with waived fees were for schools. There were no other irregularities found in the picnic permits sample.

Stern Grove

Of the five Stern Grove permits, one was paid for by check, two were paid for partially by check and partially by credit card, and two were waived for official City College of San Francisco events. The Budget Analyst found:

- One permit, issued on June 15, 2007, states that the payment was made with check, however, it is recorded on the DRCR as being paid by credit card.

- The check payment made on June 4, 2007, for one permit was not recorded on the DRCR for deposit until June 20, 2007, or sixteen days after the payment was received. This violates the cash handling policy of depositing cash on a weekly basis.

Neighborhood Parks

Of the fifteen Neighborhood Parks permits selected, eight were paid for through credit card, one in cash, three through check, and three were waived. We found that:

- A cash payment for the rental of Louis Sutter playground on June 16, 2007, was made in the amount of \$49.60 but was recorded on the DRCR as \$25. Though the reservation number was not written on the DRCR for this reservation, which is not standard procedure, the name of the playground being rented was written on the DRCR. The reservation number for this rental could not be found on any of the DRCR's for June 2007. Based on the date of the deposit and that only one other reservation was made during the month of June 2007 for the same location and it was paid for by credit card, which was confirmed on the DRCR, the Budget Analyst determined that the \$25 Louis Sutter playground reservation was a mistake and should have read \$49.60.
- The Budget Analyst also found that a reservation made on June 14, 2007 for the Julius Khan playground was paid for with check, but there is no record of the reservation on the June 2007 DRCR.

The Budget Analyst found that the irregularities found in the permit sample were due to human error as a result of manual data entry onto the DRCR's and onto the permits themselves, whether the data was completed by hand or entered into a computer. The Budget Analyst recommends that the Picnics and Special Events Unit implement the CLASS computer system to mitigate human error, such as the failure to reconcile the correct permits and matching deposits, incorrect documentation, and inadequate record-keeping. There were no irregularities found in the fees assigned to the permits.

Reconciliation of Revenues and Deposits

Though all staff of the Picnics and Special Events Unit are able to make reservations and issue permits, the staff accountant, a 1632- Senior Accountant Clerk, is the sole person responsible for completing the DRCR's, reconciling activity and giving the weekly deposit to the staff supervisor to deliver to the Revenue Unit. The Senior Account Clerk advised the Budget Analyst:

- DRCR's are not completed daily and while she tries to make weekly deposits, she does not adhere to a strict schedule.
- Revenues are not reconciled to make sure that payments match up with what is written on the DRCR.

The Budget Analyst notes that the 2006 Cash Handling Policy provides specific instructions regarding the completion of the DRCR's on a daily basis, the issuance of receipts to patrons, the reconciliation of daily activity to ensure that payments collected equal what has been listed on the DRCR, and weekly deposits of DRCR's and the accompanying payments.

Overall, the Budget Analyst found:

- The Picnics and Special Events Unit staff do not adhere to the cash handling policies of filling out the DRCR's on a daily basis, making sure that the permits and DRCR's match in terms of payment details, weekly deposits, and not holding onto cash for more than one week.
- The staff supervisor does not review and approve the deposits from either division and that there is a general lack of oversight to ensure that the proper cash handling and deposit procedures are followed.

In response to Section 9, "Permits and Reservations," of the 2006 *Recreation and Park Department Audit Report*, the Department stated that a new manager would be hired for the Permits and Reservations Unit and would be responsible for the implementation of the CLASS system across the Unit and oversight of all operations within the Unit. The Unit Supervisor advised that a manager has not been hired. The Unit Supervisor anticipated that the position would be advertised in the spring of 2008.

Furthermore, the Revenue Unit staff advised that:

- When they receive deposits from the Permits and Reservations Unit, they expect revenues to be reported accurately and to be properly reconciled.
- They do not consistently reconcile deposits received by the Permits and Reservations Unit.

The Revenue Unit should check deposits as reported by the Permits and Reservations Unit to increase the accuracy of revenue reporting.

Policies and Procedures for Security and Controls

The Permits and Reservations Unit, as a whole, has insufficient security procedures and few controls in place to safeguard against theft and maintain the integrity of the revenue reporting and deposit process:

- There is no safe in the Pioneer Log Cabin to store all types of cash payments at the end of each day. Instead, cash is stored in lock boxes in file cabinets.
- During hours of operation, cash is not monitored and is left in envelopes on the Senior Account Clerk's desk in the Picnics and Special Events Division, in the cash register in the Athletics Division, or in the file cabinets of either division.
- There are no controls in place regarding who has access to cash, nor is there any supervision to monitor the flow of cash during operating hours.
- When deposits are made, the Permits and Reservations Supervisor takes the sealed deposit envelopes to the Revenue Unit by herself, without an escort.

Conclusions

Overall, the Budget Analyst found that the lack of controls and security protocol greatly increased the opportunities for theft or inaccuracies in revenue reporting in the Permits and Reservations Unit and that security of cash had not improved since the 2006 *Recreation and Park Department Audit Report*.

The Budget Analyst found that the cash handling procedures employed by the Permits and Reservations Unit of the Recreation and Park Department need to be significantly improved.

The 2006 Cash Handling Policy provided to the Permits and Reservations Unit does not have a control in place to ensure that all staff receive a copy of the Policy. All staff should be provided with a copy of the Cash Handling policy as well as training on cash handling procedures.

The Permits and Reservations Unit needs to adhere to the Cash Handling Policy as it pertains to Daily Reports of Cash Receipts to be completed on a daily basis, deposits to be made weekly, revenues to be reconciled daily and again before deposits are made, separation of cash handling duties, the safeguarding of cash, monitoring of cash transactions and overall supervision at all times.

The Department must create mechanisms to enforce adherence to its cash handling policies within the Permits and Reservations Unit and needs to improve security protocol as well as overall management and oversight of the Unit.

Recommendations

The Budget Analyst makes the following recommendations for the Permits and Reservations Unit:

The Director of Operations should:

- 5.1 Update the Cash Handling Policy to incorporate the following improvements cited in this audit report section:
 - 5.1.1 All Units should have clear procedures in regard to security of cash throughout the day as well as at night when cash should be properly locked up.
 - 5.1.2 The security of cash transport from the Pioneer Log Cabin to the Revenue Unit at McLaren Lodge should be strengthened.
 - 5.1.3 The Manager of the Permits and Reservations Unit should verify and approve proposed internal controls developed for each unit.

- 5.1.4 The Manager of the Permits and Reservations Unit should verify that each employee has (a) received a copy of the Department's Cash Handling Policy, and (b) been properly trained on cash handling protocol within the Unit.
- 5.2 Implement the CLASS system in the Picnics and Special Events Division to eliminate manual data entry and mitigate the opportunities for human error.
- 5.3 As recommended in the 2006 Recreation and Park Department Audit Report, hire a manager to implement the CLASS system and oversee all operations within the Permits and Reservations Unit and wherever the CLASS system is used within the Recreation and Park Department.
- 5.4 Direct the current Supervisor of the Permits and Reservations Unit to develop formal protocols requiring (a) daily reconciliation of revenue activities in both divisions, (b) weekly reconciliation of revenue activities before deposits are made, and (c) at least two employees present during transportation of cash from the Pioneer Log Cabin to the Revenue Unit.

The Director of Administration and Finance should:

- 5.5 Develop a formal policy or set of procedures regarding the reconciliation of revenues once they are received by the Revenue Unit, to ensure that the Permits and Reservations Unit has reported their revenues accurately.

Costs/Benefits

The recommendations contained in this section will enhance cash handling controls thereby providing adequate safeguards for the collection of over \$1.6 million annually.

6. Concession Audits

- Under the Park Code, Recreation and Park Department properties must be used for recreational purposes. The Recreation and Park Department has 57 lease, license or concession agreements, primarily with for-profit vendors, but also with non-profit organizations. Such agreements generated approximately \$25.7 million in General Fund Departmental Revenues in FY 2006-2007. The Department of Parking and Traffic manages four parking garage lease agreements on behalf of the Recreation and Park Department: St. Mary's, Civic Center, Portsmouth Square, and Union Square. The remaining 53 agreements are managed by the Permits and Parking Department's Property Management Unit, which is part of the Recreation and Park Department's Partnerships and Resource Development Division.
- The Controller's Office regularly audits the four parking garages, and has audited six of the 53 other concessions since 2000, according to records provided by the Controller through the Recreation and Park Department. As part of this follow-up audit to the Budget Analyst's 2006 Recreation and Park Department Audit Report, the Budget Analyst conducted audits of three concessions, as follows: 1) Fashion House, Inc., as lessee for the lease of real property located at the Japanese Tea Garden, Golden Gate Park; 2) Emporio Rulli, Inc., as Sublessee for the sublease of the Union Square Café; and 3) Stow Lake Corporation, as lessee for Boat Rentals, Bicycle Rentals, and Snack Bar Concession at Stow Lake, of Golden Gate Park. The Budget Analyst had no findings concerning the Japanese Tea Garden and only minor findings concerning Emporio Rulli, Inc. However, the audit of the Stow Lake Corporation resulted in the Budget Analyst disclosing a major finding concerning the Recreation and Park Department's management of this lease.
- The Lease Agreement for Stow Lake had a term of fifteen (15) years, which ended in November 2006. Currently, Stow Lake is operating under a month-to-month holdover period which started in December of 2006. The holdover provisions stipulate that only ten percent (10%) of all gross sales shall be paid to the City instead of the significantly higher percentage rent of 31 percent for boat rentals plus 21 percent from snack bar operations, which the Recreation and Park Department had received under the original provisions of the lease.

- **Had the 31 percent payment provisions of the original Stow Lake lease been in effect during calendar year 2007 instead of the ten percent (10%) holdover rate, the Recreation and Park Department would have received total revenues of \$169,767 instead of the actual amount of \$57,683 collected, or a difference of \$112,084, or 66 percent less than the Recreation and Park Department would have received under the original lease provisions. The lease containing the provision for reduced rent during the holdover period was approved by the Board of Supervisors in November of 1991. The Recreation and Park Department should issue a Request for Proposals for management of the Stow Lake concession and negotiate a new lease as soon as possible in order to achieve significantly improved revenues.**

General

Under the Park Code, Recreation and Park Department properties must be used for recreational purposes. The Partnerships and Resource Development Division of the Recreation and Park Department manages 53 lease, license or concession agreements, including the San Francisco Zoological Society Management Agreement and the San Francisco Forty Niners Signage/Advertising Agreement. In addition, the Recreation and Park Department owns four parking garages that are managed under lease agreements by the Department of Parking and Traffic: St. Mary's, Civic Center, Portsmouth Square, and Union Square Garages. Altogether, the 57 lease, license, or concession agreements generated approximately \$25.7 million in General Fund Revenues in FY 2006-2007.

The Controller's Office regularly audits the four parking garages, and has audited six of the 53 other concessions since 2000, according to records provided by the Recreation and Park Department. However, the Department's records show that many concessions were last audited in the 1990s and that some have never been audited.

As part of this follow-up audit to the Budget Analyst's 2006 *Recreation and Park Department Audit Report*, the Budget Analyst conducted audits of three concessions. The three concessions are as follows:

- Fashion House, Inc., as Tenant for the lease of real property located at the Japanese Tea Garden, Golden Gate Park
- Emporio Rulli, Inc., as Sublessee for the sublease of the Union Square Café
- Stow Lake Corporation, for Boat Rentals, Bicycle Rentals, and Snack Bar Concession at Stow Lake, Golden Gate Park

The Property Management Section of the Partnerships and Resource Development Division of the Recreation and Park Department which is responsible for managing 53 lease, license, or concession agreements, is authorized 4.0 FTE, classification 1823, Senior Administrative

Analyst, Property Manager positions, but only has 1.5 FTE positions filled. The Division cannot adequately manage 53 concessions and related responsibilities with 1.5 FTE positions.

Scope and Methodology

The purpose of each of the three audits was to determine whether the concessionaire complied with the reporting and lease provisions of their leases with the Recreation and Park Department. To conduct the audits, the Budget Analyst reviewed the applicable terms of the lease and the adequacy of the concessionaire's procedures for collecting, recording, summarizing and reporting gross receipts to the Recreation and Park Department. We compared the concessionaire payment statements submitted to the Department to the entity's revenue records and quarterly sales tax returns in order to determine whether the concessionaire accurately reported gross receipts. On a sample basis, we examined the monthly and daily sales reports and cash register reports. The Budget Analyst also reviewed the Recreation and Park Department's concessionaire payment records in order to determine whether the concessionaires correctly paid the rent due in a timely manner.

Japanese Tea Garden, Golden Gate Park

Reporting Period: January 1, 2004 – December 31, 2006

Total Payments During Reporting Period: \$494,438.20

Introduction

Fashion House, Inc., is currently operating the Japanese Tea Garden's Gift Shop, Tea House, and the tour bus parking lot at Golden Gate Park on a month-to-month lease with the Recreation and Park Department. Prior to converting to a month-to-month lease on July 1, 2005, Fashion House, Inc., had a two-year lease with the Department with a commencement date of June 1, 2003, and an expiration date of June 30, 2005. The original lease with Fashion House to operate the Japanese Tea Garden facility dates back to July 1, 1992.

Under the terms of the lease, Fashion House, Inc., sells souvenirs, curios, cookies, candies, fruits, nuts, and tea. Fashion House, Inc., also collects parking admission fees from tour buses and limousines and sells gift items from the ticket booth in the tour bus parking lot.

The lease requires Fashion House, Inc., to pay the greater of the minimum annual guarantee fee of \$150,000 or twenty-five percent (25%) of gross receipts less applicable taxes from the Tea House and Gift Shop operations inside the Japanese Tea Garden which is directly linked to the annual attendance figure of 350,000. An additional rent, if any, is to be paid at the end of each lease year if attendance is above 350,000 using the schedule shown below:

If the annual attendance reaches:	The annual rent will be the greater of:
375,000	\$166,250 or 26.5%
400,000	\$182,500 or 28.5%
425,000	\$198,750 or 30.0%
450,000	\$215,000 or 31.5%
475,000	\$231,250 or 33.0%
500,000	\$247,500 or 34.5%
525,000	\$263,750 or 36.5%
550,000	\$280,000 or 37.5%
550,000+	\$280,000 or 38.5%

In addition to the above rent, Fashion House, Inc., is also required to pay twenty-five percent (25%) of gross revenues, less applicable taxes, from the gift items sold at the tour bus ticket booth (Curio Stand) on a monthly basis. Another forty percent (40%) of gross revenues, less parking tax, from the Tour Parking Lot is to be paid to the City on a quarterly basis.

The regular monthly lease payment is due no later than the 10th of the month following the lease month. Annual payment, if due, for any difference based on the annual attendance of each lease year shall be paid no later than 15 days after the anniversary date of the lease.

Audit Results

During the audit conducted in November 2007 and based on the samples selected for this purpose, the Japanese Tea Garden is in compliance with the reporting and lease provisions of the lease agreement with the Recreation and Park Department. The records and supporting documents maintained by Fashion House, Inc., represent that gross receipts indicated in the Concessionaire's Payment Statements are accurate. There were no material exceptions noted. The Recreation and Park Department is correctly paid and in a timely manner.

Audit Observation

Bank Reconciliation

The Japanese Tea Garden does not perform regular bank reconciliation for the single account maintained for its operations. The audit procedure was limited to the examination of bank deposit advice for any amount deposited indicated in the Daily/Monthly Sales Report. Said amounts were also traced to the bank statements to ensure that the bank balance has been credited for those deposits.

Cash disbursements were tested by verifying the checks issued to the Recreation and Park Department for the monthly payment based on the Concessionaire's Payment Statement.

The Budget Analyst recommends that the Japanese Tea Garden perform monthly bank reconciliations to monitor cash balances and to strengthen internal controls for cash. Bank reconciliation ensures that discrepancies between the books and the bank are due to timing differences rather than due to error, which could eventually result to a potential misstatement.

EMPORIO RULLI UNION SQUARE

Reporting Period: January 1, 2005 – December 31, 2007

Total Payments During Reporting Period: \$395,209.94

Background

Emporio Rulli, Inc., occupies approximately 1,012 square feet of space located in Union Square Park in San Francisco. The Café carries a variety of menu items that feature pastries, coffees, sandwiches and other fine items to go along with shaded outdoor seating at Union Square. Emporio Rulli also offers catering services to those shops around the Union Square area, as well as a wine of the week special.

Currently, Emporio Rulli is being operated under a sublease agreement between the City of San Francisco Uptown Parking Corporation and Emporio Rulli, Inc. Emporio Rulli is open to the public seven (7) days a week from 7:00 am to 7:00 pm except Christmas Day. The Sublessee may extend or otherwise change operating hours only with the prior written approval of the Sublessor and the City.

Under the Sublease Agreement, Emporio Rulli is required to pay the City of San Francisco Uptown Parking Corporation (1) base rent of \$4,000 payable every first day of the month, and a (2) percentage rent which is calculated at six percent (6%) of all monthly gross receipts up to and including \$125,000 plus eight percent of all monthly gross receipts above \$125,000, less the base rent of \$4,000. Percentage rent is due every 10th day of the following month.

The Budget Analyst sampled a total of six months, two months of each calendar year of the reporting period, to provide an indication Emporio Rulll's accuracy and timeliness in reporting and making payments.

Audit Findings

During the audit conducted in January 2008 and based on the samples selected for this purpose, the Budget Analyst made the following findings and observations:

Percentage Rent Calculations

July 2006 – Gross sales used to compute for the percentage rent was lower than the amount generated in Emporio Rulli's records:

Per percentage spreadsheet	\$209,293.25
Per Aloha system (Rulli's records)	<u>216,260.86</u>
Difference	<u>\$ 6,967.61</u>

The above difference resulted in an underpayment of \$557.41 by Emporio Rulli to the City of San Francisco Uptown Parking Corporation, computed as follows:

	<u>Sales</u>	<u>Rent</u>
6% of gross revenue achieved up to \$125,000	\$125,000.00	\$7,500.00
8% over \$125,000	<u>91,260.86</u>	<u>7,300.87</u>
Total Sales and percentage rent	<u>\$216,260.86</u>	\$14,800.87
Less: Base and percentage rents paid for July 2006		<u>14,243.46</u>
<i>Underpayment</i>		<u><u>\$557.41</u></u>

According to Vine Solutions, Emporio Rulli's accounting firm, the difference in amounts may have been due to a system error or a timing issue at the time the accountant generated the report that was transmitted to their office.

Emporio Rulli assured the auditor that this will be further investigated to ensure non-recurrence. In addition, the following smaller difference noted during the audit fieldwork was also reported to Emporio Rulli for information and follow-up:

	<u>Percentage Spreadsheet</u>	<u>Rulli's Records</u>	<u>Difference</u>
July 2005	\$216,438.00	\$216,452.20	(\$14.20)
August 2005	207,968.10	207,897.25	70.85
August 2006	208,338.24	208,436.69	(98.45)
August 2007	243,470.88	243,550.88	(80.00)
September 2007	214,962.43	214,920.63	41.80
<i>Overpayment</i>			<u><u>(\$80.00)</u></u>

Different Payment Due Dates Observed for Base Rent

The Sublease Agreement between the City of San Francisco Uptown Parking Corporation and Emporio Rulli dated February 20, 2003, Page 5 Paragraph 4, Section 4.1, specifies that monthly base rent of \$4,000 should be paid by Emporio Rulli to Uptown Parking on the 1st day of the month. However, the Budget Analyst noted that monthly payments for base rent of \$4,000 were not made on or before the 1st of each month, but instead payments were made on or before the following 20th day of each month.

According to the management of Emporio Rulli, they had always thought that payment to Uptown Parking was to be made on or before the 20th of each following month. Based on the corrected understanding of the payment due date, Emporio Rulli has changed its payment practice in order to comply with the stipulations stated in the agreement.

Late Payments for Percentage Rent

As previously stated, the Sublease Agreement between SF Uptown Parking Corporation and Emporio Rulli dated February 20, 2003, Page 5 Paragraph 4, Section 4.2, stipulates that a percentage rent, which is calculated at six percent (6%) of all monthly gross receipts up to and including \$125,000 plus eight percent (8%) of all monthly gross receipts above \$125,000, less the \$4,000 base rent payment, is to be paid to the City of San Francisco Uptown Parking Corporation every 10th day of the following month.

The Budget Analyst noted that late payments were made on the following months:

	<u>Date Due</u>	<u>Check Date</u>	<u>Number of Days Delayed</u>
July 2005	08/10/05	08/12/05	2
October 2005	11/10/05	11/16/05	6
November 2005	12/10/06	12/14/05	4
April 2006	05/10/06	05/11/06	1
June 2006	07/10/06	07/14/06	4
September 2006	10/10/06	10/19/06	9
October 2006	11/10/06	11/16/06	6

According to the management of Emporio Rulli, delays in payments were caused by staff movements or employee turnover at Vine Solutions, Emporio Rulli's accounting firm. Emporio Rulli disclosed to the Budget Analyst that the office of the City of San Francisco Uptown Parking Corporation has always been notified about such late payments.

The Budget Analyst also noted and confirmed with Emporio Rulli that no late charges or interest charges were demanded from them regarding these particular delays in percentage rent payments.

Paragraph 4, section 4.3 stipulates that if the Sub-lessee fails to pay any rent or any portion of rent within five (5) days after the due date, the unpaid amount will be subject to a late payment charge of 6% in each instance. For the three days that were in excess of five days delinquent, the six percent penalty total was \$2,192.83.

Section 4.4 also states that if any rent not paid within five (5) days following the due date, such unpaid amount shall bear interest from the due date until paid at the rate of 10% per year. For the three days that were in excess of five days delinquent, the penalty total was \$71.80.

STOW LAKE BOATHOUSE GOLDEN GATE PARK

Reporting Period: January 1, 2005 – December 31, 2007

Total Payments: \$343,299.72

Background

Stow Lake is a water recreation area located at 50 Stow Lake Drive within the City's Golden Gate Park. Available activities include boating, duck feeding, and bicycling. The facility includes a snack bar. Stow Lake is open to the public seven days each week during the summer and for at least six days each week during the winter months.

Stow Lake is being operated by the Stow Lake Corporation under a lease agreement between the Corporation and the City and County of San Francisco acting by and through the Recreation and Park Commission. The lease agreement had a term of fifteen (15) years commencing in November of 1991 and ending in November of 2006. Currently, Stow Lake is operating under a holdover period which started in December of 2006 under a month-to-month agreement.

Under the holdover provisions of the lease, Stow Lake Corporation is paying Recreation and Park Department a straight ten percent (10%) from all revenue received instead of the significantly higher percentage rent in effect prior to the holdover period. Also, no minimum rent is imposed during the holdover period. However, under the prior 15-year lease agreement, the lessee was required to pay 31 percent of the gross receipts from boat rentals plus 21 percent of the gross receipts from snack bar operations and merchandise sales.

The Budget Analyst sampled a total of six months transactions, two months of each calendar year of the reporting period, to provide an indication Stow Lake Corporation's accuracy and timeliness in reporting and making payments.

Audit Observation

Bank Reconciliation

Stow Lake Corporation does not perform regular bank reconciliation for the bank account maintained for the operation of Stow Lake Boathouse.

The Budget Analyst recommends that Stow Lake commence monthly bank reconciliations to monitor cash balances and to strengthen internal controls for cash. Bank reconciliation ensures that discrepancies between the books and bank deposits are due to timing differences rather than due to error which could eventually result to a potential misstatement.

Audit Findings

Regular Deposit of Cash Receipts

Stow Lake does not observe a regular schedule of depositing cash from the boathouse to the bank. There are times when the boathouse is holding up to \$20,000 in cash that is not necessary for the day to day operations.

The Budget Analyst recommends that regular and timely deposits of cash be instituted in order to reduce the possibility of theft and loss. This will also reduce the possibility of unauthorized employees gaining access to the cash on hand. This procedure will also facilitate preparation of bank reconciliation ensuring that all cash receipts and disbursements are fully accounted for and that reconciling items are readily identifiable.

Supporting Documentation from Wheel Fun Rentals

The bicycle rental facility is operated by Wheel Fun Rentals based on a sublease agreement with Stow Lake Corporation that provides for Wheel Fun Rentals to pay twenty percent (20%) of gross revenues to the sublessor, Stow Lake Corporation. Wheel Fun Rental is supposed to provide a monthly summary of revenue together with the check submitted to Stow Lake as a supporting document to the calculation of the twenty percent (20%).

However, the Budget Analyst determined that Wheel Fun Rentals has not submitted the monthly summaries to serve as support for the amount of the check submitted to the Stow Lake Corporation, nor have they been required by the Stow Lake Corporation.

For audit purposes, Wheel Fun Rentals was requested to provide revenue summaries for the sample months selected. These reports were compared to the records of Stow Lake Corporation based on the monthly checks received from the sublessee, noting the following differences:

Samples Months	Total Receipts	20% due to Stow Lake	Check Amount Received by Stow Lake	Under (Over) payment to Stow Lake	50% paid to the City (based on the checks received)	50% paid to the City (based on sublessee's records)	Amount Over (Under) paid to the City
July 2006	31,320.00	6,264.00	6,117.20	146.80	3,058.60	3,132.00	(73.40)
August 2006	26,472.00	5,294.40	5,283.00	11.40	2,641.50	2,647.20	(5.70)
July 2005	36,628.75	7,325.75	7345.12	(19.37)	3,672.56	3,662.88	9.68
August 2005	33,976.80	6,795.36	4,953.56	1,841.80	2,476.78	3,397.68	(920.90)

Going forward, the Budget Analyst recommends that Stow Lake strictly impose Wheel Fun Rentals' submission of revenue summary in order to reduce the possibilities of over or under payment to Stow Lake and eventually to the City.

Holdover Period

The Lease Agreement had a term of fifteen (15) years which ended in November 2006. Currently, Stow Lake is operating under a holdover period which started in December of 2006, based on Paragraph 60 of the agreement. The holdover stipulates that the percentage rent will expire and that only ten percent (10%) of all gross sales shall be paid to the City instead of the significantly higher percentage rent of 31 percent of the gross receipts from boat rentals plus 21 percent of the gross receipts from snack bar operations and merchandise sales it received under the original provisions.

Had the original percentage payment provisions of the Stow Lake lease been in effect during calendar year 2007 instead of the ten percent (10%) holdover rate, the Recreation and Park

Department would have received total revenue of \$169,767.50 instead of the actual amount \$57,683.44 collected, or a difference of \$112,084.06.

Conclusions

The Recreation and Park Department has 57 lease, license or concession agreements, which generated approximately \$25.7 million in General Fund Revenues in FY 2006-2007. The Department of Parking and Traffic manages four parking garage lease agreements: St. Mary's, Civic Center, Portsmouth Square, and Union Square. The remaining 53 agreements are managed by the Department's Property Management Unit, which is part of the Partnerships and Resource Development Division.

The Controller's Office regularly audits the four parking garages, but has audited only five of the 53 other concessions since 2000, according to records provided by the Recreation and Park Department. The Department's records show that whereas many concessions were last audited in the 1990s, some have never been audited.

The Budget Analyst's audit of three concessions revealed instances of inaccurate and untimely payment practices as well as a lapse in the term of an agreement that has resulted in activating a holdover period. Under the provisions of the holdover period, the Recreation and Park Department received \$112,084 less in calendar year 2007 than it would have under the provisions of the lease prior to the holdover period. Further, The Union Square Café sub-lessee made three late payments in the audited months that would have incurred \$2,192.83 in penalties and \$71.80 in costs.

The Recreation and Park Department would enhance its revenue collection and general oversight and control of concessions by performing audits on a regular basis, either with in-house resources or through work-orders with the Controller's Office.

The Property Management Section of the Partnerships and Resource Development Division of the Recreation and Park Department is authorized 4.0 FTE, classification 1823, Senior Administrative Analyst, Property Manager positions, but only has 1.5 FTE positions filled. The Division cannot adequately manage 53 concessions and related responsibilities with 1.5 FTE positions.

Recommendations

The Recreation and Park General Manager should:

- 6.1 On an expedited basis, act to implement provisions of a Stow Lake lease that enables the Department to collect revenues based on economic realities and not on the unrealistic provisions of a holdover lease.
- 6.2 As resources permit, on a priority basis, allocate additional staffing to the authorized Property Management positions.

- 6.3 As resources permit, task the appropriate primary staff director to develop and oversee a concession audit program that is based on the relative risks of the managed concessions and request that the Controller execute that concession audit program.

Costs and Benefits

The Recreation and Park Department would incur additional undetermined costs in obtaining additional concession audit resources, either from within or external to the Department. However, in the professional judgment of the Budget Analyst, there is a strong possibility that such additional costs would be compensated by increased revenue collections due to improved compliance by concessionaires because they would be much more subject to an audit. Additional savings could also result from the recommendations for improved practices and controls that an auditor can provide.

By converting the rental provisions of the holdover period to those of the original Stowe Lake lease, the Department would realize additional cash collections in excess of \$100,000 per year.

Recreation and Park Department's Response



May 1, 2008

Mr. Harvey M. Rose
Board of Supervisors' Budget Analyst
1390 Market Street, Suite 1025
San Francisco, CA 94102

Dear Mr. Rose:

Attached please find the Recreation and Park Department's formal response to your management audit of the department's cash handling policies and procedures. My staff and I have reviewed your findings and recommendations and have responded to each recommendation specifically in the attached document.

Thank you for your review and analysis of this important area of the Recreation and Park Department's operations. This audit has identified a number of issues for the department to review and take action on. In several cases, the department has already corrected items raised by the audit in the 2008 – 2009 budget it submitted to the Mayor's Office in February. We are committed to continual improvement of our cash handling practices and will use your recommendations as a guide in this work.

In closing, I would like to acknowledge the thoroughness and professionalism of your auditor, Stan Jones. Mr. Jones was a pleasure to work with.

Sincerely,

Yomi Agunbiade
General Manager

cc: Katharine Petrucione
Dennis Kern
Margot Shaub



1. Status of Cash Handling Recommendations

The Recreation and Park General Manager should:

- 1.1 Provide the Board of Supervisors with a schedule for implementing the remaining cash handling recommendations from the 2006 audit that are currently not implemented or partially implemented and are planned to be implemented.

RPD Response: Agree.

The Board of Supervisors should:

- 1.2 Schedule a FY 2008-2009 mid-year review of the Recreation and Park Department's progress on implementing the recommendations of this cash handling audit report.

2. Unauthorized Recreational Fees

The Recreation and Park General Manager should:

- 2.1 In accordance with the stated intent, develop and submit to the Board of Supervisors a fee structure and proposed ordinance for currently unauthorized recreational fee activities and then terminate all recreational activities that do not have an approved fee structure.

RPD Response: Agree. The department has proposed these changes in the '08 -- '09 budget it submitted to the Mayor's Office.

- 2.2 Request appropriation authority in the FY 2008-2009 Budget for the gifts, grants and other funds received throughout the year from the Parks Trust for "S.F. Recreation & Park Dept. Programs."

RPD Response: Partially agree. The department agrees that the gifts that it receives from Parks Trust should be approved by the Board of Supervisors. Including such gifts in the budget is impossible due to the unpredictable nature of the gifts. RPD proposes to bring accept and expend resolutions to the Board in order to meet the requirement that gifts over \$10,000 receive Board approval.

- 2.3 Request expenditure authority in the FY 2008-2009 Budget for the materials and supplies, consultant and contractor costs and other costs incurred from operating the currently unauthorized recreational activities.

RPD Response: Agree. The department has proposed these changes in the '08 -- '09 budget it submitted to the Mayor's Office.

- 2.4 Direct the Director of Administration and Finance to ensure that approved payment requests to the Parks Trust are for goods or services that benefit program activities.

RPD Response: Agree.

- 2.5 Direct the Director of Administration and Finance to ensure that the requirements of Chapter 12B of the Administrative Code, *Nondiscrimination in Contracts*, are complied with.

RPD Response: Agree.

3. Cash Handling Practices

The Recreation and Park General Manager should:

- 3.1 Direct the Director of Administration and Finance to enforce the protocol requiring at least two employees present at all cash counts.

RPD Response: Agree.

- 3.2 Direct the Director of Administration and Finance to develop detailed policies and procedures covering the operations of the Revenue Unit.

RPD Response: Agree.

- 3.3 Reduce staffing to the minimum level required to effectively perform the cash collection and visitor admission function at the Japanese Tea Garden.

RPD Response: Disagree. Current staffing allows the department to provide security in the Tea Garden and maintain appropriate internal controls in the ticket booth, while allowing for a relief factor. Given these needs, the department does not believe that staffing at the Tea Garden should be reduced.

- 3.4 If feasible, schedule armored transport cash pick-ups for late in the afternoon, so that lesser sums of cash will be stored overnight in the Admissions booth.

RPD Response: Agree. Department will review the feasibility of armored transport cash pickups in the late afternoon from the Tea Garden.

- 3.5 Ensure that the Recreation and Park Department develops or procures an incident reporting system and that the system is used to analyze trends and assist in controlling exposure to incidents.

RPD Response: Disagree. The limited number of incidents that RPD has experienced does not warrant expenditure of resources to create such a system.

- 3.6 In accordance with the Controller's 1993 Audit of the Japanese Tea Garden, direct the Director of Administration and Finance to "improve its procedures for recording and reporting free admissions."

RPD Response: Agree. Although free hours represent only 4.8 percent of the Tea Garden's open hours, RPD will attempt to develop a system to track free admissions to the garden.

4 Aquatics Program Issues

The Recreation and Park General Manager should:

- 4.1 Develop a clear policy and fees regarding swim teams and the use of our pools by outside entities, including schools swim teams and other organizations.

RPD Response: Agree.

- 4.2 Emphasize the importance of keeping posted pool hours as an important part of customer service, especially given that three of nine pools are currently closed for renovations.

RPD Response: Agree.

5. Permits and Reservations

The Director of Operations should:

- 5.1 Update the Cash Handling Policy to incorporate the following improvements cited in this audit report section:

- 5.1.1 All Units should have clear procedures in regards to security of cash throughout the day as well as at night when cash should be properly locked up.

RPD Response: Agree. The department's cash handling policy already addresses this issue. Department will train Permits and Reservations staff accordingly.

- 5.1.2 The security of cash transport from the Pioneer Log Cabin to the Revenue Unit at McLaren Lodge should be strengthened..

RPD Response: Agree. RPD will procure lockable cash bags for transporting cash. The staff transporting the cash will not have access to the key for the bag.

- 5.1.3 The Manager of the Permits and Reservations Unit should verify and approve proposed internal controls developed for each unit.

RPD Response: Agree.

- 5.1.4 The Manager of the Permits and Reservations Unit should verify that each employee has (a) received a copy of the Department's Cash Handling Policy, and (b) been properly trained on cash handling protocol within the Unit.

RPD Response: Agree.

- 5.2 Implement the CLASS system in the Picnics and Special Events Division to eliminate manual data entry and mitigate the opportunities for human error.

RPD Response: Agree.

- 5.3 As recommended in the 2006 Recreation and Park Department Audit Report, hire a manager to implement the CLASS system and oversee all operations within the Permits and Reservations Unit and wherever the CLASS system is used within the Recreation and Park Department.

RPD Response: Completed. Department hired Class manager in February 2008.

- 5.4 Direct the current Supervisor of the Permits and Reservations Unit to develop formal protocols requiring (a) daily reconciliation of revenue activities in both divisions, (b) weekly reconciliation of revenue activities before deposits are made, and (c) at least two employees present during transportation of cash from the Pioneer Log Cabin to the Revenue Unit.

RPD Response: Agree.

The Director of Administration and Finance should:

- 5.5 Develop a formal policy or set of procedures regarding the reconciliation of revenues once they are received by the Revenue Unit, to ensure that the Permits and Reservations Unit has reported their revenues accurately.

RPD Response: Agree. The department currently reconciles all revenues that come into the Revenue Unit. Staff are currently memorializing the reconciliation procedures.

6. Concession Audits

The Recreation and Park General Manager should:

- 6.1 On an expedited basis, act to implement provisions of a Stow Lake lease that enables the Department to collect revenues based on economic realities and not on the unrealistic provisions of a holdover lease.

RPD Response: Agree. Department issued an RFP for management of the Stow Lake concession (as well as the Carrousel concession) in March 2008. Responses to the RFP are due on May 16, 2008. Based on responses to the RFP, the department will choose a concessionaire and negotiate a new lease.

- 6.2 As resources permit, on a priority basis, allocate additional staffing to the authorized Property Management positions.

RPD Response: Agree. Department is currently recruiting for the vacant positions.

- 6.3 As resources permit, task the appropriate primary staff director to develop and oversee a concession audit program that is based on the relative risks of the managed concessions and request that the Controller execute that concession audit program.

RPD Response: Agree.