

**Management Audit  
of the Marina Yacht Harbor Fund**

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

**by the  
San Francisco Budget Analyst**

**March 10, 2008**

CITY AND COUNTY



OF SAN FRANCISCO

## BOARD OF SUPERVISORS

### BUDGET ANALYST

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March 10, 2008

Honorable Michela Alioto-Pier,  
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 Alioto-Pier and Members of the Board of Supervisors:

The Budget Analyst is pleased to submit this *Management Audit of the Marina Yacht Harbor Fund*. In response to a motion adopted by the Board of Supervisors in July 2007 (Motion No. 07-100), the Budget Analyst conducted this management audit, pursuant to the Board of Supervisors powers of inquiry as defined in Charter Section 16.114. The purpose of the evaluation has been to evaluate the efficiency, economy, and effectiveness of the Marina Yacht Harbor Fund; and identify improvements to the Fund's budgetary and financial controls. This transmittal letter to the *Management Audit of the Marina Yacht Harbor Fund* summarizes the Budget Analyst's findings and recommendations.

The Marina Yacht Harbor (Harbor) is a recreational facility granted to the City by the State of California in trust in 1935 and 1963 and operated by the Recreation and Park Department. Under the trust provisions and San Francisco Charter restrictions, revenues generated by the Marina Yacht Harbor can only be used by the Harbor. Therefore, the City established the Marina Yacht Harbor Fund (Fund), a special revenue fund that allows the City to monitor the monies received and special purposes for which they are held. The Recreation and Park Department administers the Fund.

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Our report contains four findings and 21 recommendations. These 21 recommendations are intended to improve the Recreation and Park Department's systems for tracking and monitoring the Marina Yacht Harbor's revenues and expenditures, and increase budgetary and financial controls.

The Marina Yacht Harbor Fund could receive increased revenues or expenditure savings of an estimated \$100,725 per year through improved tracking and collection of permit and permanent berth fees, reduced Department overhead charges, and closing out of unexpended project balances each year.

At the same time, the Marina Yacht Harbor Fund could incur estimated costs of at least \$132,162 per year by charging certain costs more accurately to the Fund. This includes estimated labor costs for gardeners working on but not charged to Marina Yacht Harbor projects and electricity costs that are under-charged to the Marina Yacht Harbor Fund.

The Budget Analyst's cost and saving estimates are based on our review of Recreation and Park Department documents, random sampling of permits and work orders, and entries in the City's financial system, FAMIS. Actual costs and savings from the implementation of the Budget Analyst's recommendation would vary each year.

## **Section 1. Operating Revenues**

In FY 2006-2007, the Marina Yacht Harbor Fund received \$2,361,856 in revenues, including temporary and permanent berth fees, which totaled \$1,864,114 or 78.9 percent; concessions, which totaled \$325,080 or 13.8 percent; permit fees, which totaled \$62,301 or 2.6 percent; and interest earnings, which totaled \$110,361 or 4.7 percent.

### Inefficient and Decentralized Revenue Tracking

The Recreation and Park Department's management of Marina Yacht Harbor Fund revenues is inefficient and decentralized. Several different divisions or units are responsible for tracking and collecting revenues allocated to the Marina Yacht Harbor Fund, including the Marina Yacht Harbor, Permits and Reservations Unit, Property Management Division, and Revenue Unit.

Further, the Recreation and Park Department currently uses ten different systems to track Marina Yacht Harbor revenues alone. The Revenue Unit tracks cash transactions in the Revenue Tracking System, which is not integrated with FAMIS, the City's financial and accounting management information system, because subsidiary systems cannot be tracked in FAMIS.

Most of the Recreation and Park Department's ten revenue systems require manual entry on spreadsheets or paper ledgers, and most of the systems are not integrated. Hence,

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system information is maintained separately and re-entered into various systems up to four times before it can be entered and reported in FAMIS. These multiple entries can result in missed or incorrect entry of information.

#### Inadequate Cash Handling Procedures

Cash handling at the Marina Yacht Harbor is characterized by weak controls, insufficient cash handling procedures specific to the Harbor, and manually intensive processes. The Harbor Office handles checks and cash for the payment of permanent berth fees, temporary berth fees, and other miscellaneous fees, such as key deposit and wait list fees.

The Marina Yacht Harbor has different procedures for processing permanent berth fees and processing temporary berth and other miscellaneous fees. The Harbor's procedures for receiving and reporting permanent berth fee payments, which are paid quarterly, reconcile permanent berth fee payments, against the Marina Program, the Harbor's system to track berth fee payments. Once reconciled and verified by the Harbormaster, permanent berth payments are recorded in triplicate on the Recreation and Park Department's Daily Report of Cash Receipts, and placed into sealed bank bags with original copies of triplicate bank deposit and transit slips. The Harbormaster transports the sealed bank bags to the Department's Revenue Unit. The Revenue Unit staff check the original Daily Report of Cash Receipts against the copy of the bank deposit slip.

However, the Harbor does not record temporary berth and miscellaneous fee payments in the Marina Program, nor does it have a cash register or formal cash receipting system in place. Temporary berth and miscellaneous fees are an estimated \$279,000 annually, or approximately 15 percent of the Marina Yacht Harbor's total berth fee revenues of \$1,864,114.

The Marina Yacht Harbor does not adequately segregate responsibility for receiving payments from recording payments for deposit. Currently, the staff person receiving checks and cash for temporary berth and miscellaneous fee payments also records the check and cash payments in the Daily Report of Cash Receipts. The Harbor's policy requires the Harbormaster's signature on the Daily Report of Cash Receipts, although this policy has not been consistently implemented. These practices are fundamental to proper cash handling and safeguarding of assets.

According to Harbor staff, a staff member generally writes out a receipt for cash payments received in person but not for payments received by mail. The Budget Analyst's review of March 2007 Daily Report of Cash Receipts found that all entries either had a check number or cash receipt number. However, in the absence of an automatic cash register system, the Harbor cannot be assured that all temporary berth and miscellaneous fee payments are accurately recorded and protected from theft. The Marina Yacht Harbor should immediately implement the Marina Program's cash register functionality, ensuring automatic receipts and cash register records for all payments.

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### Permanent Berth Fee Collections

The Park Code establishes Marina Yacht Harbor berth fees, which vary depending on the boat length. The Marina Yacht Harbor Rules and Regulations consider permanent berth fees to be past due after 15 days, after which the Harbor assesses a one-time 10 percent late fee that is automatically applied by the automated Marina Program. However, the Marina Program, which tracks balances monthly rather than quarterly, is not able to automatically generate delinquent balances due reports for permanent berth fees, which are due quarterly. Therefore, Harbor management generates a single delinquent balances due report on the 15th day of each month. These reports show all permanent berths with outstanding balances without indication of how long each balance has been past due.

Because the Marina Yacht Harbor does not generate automatic delinquent balances due reports, the Harbor has no systematic means to identify which of the tenants have unpaid balances over an extended period of time. According to the Harbormaster, the Harbor staff telephone the berth tenants with unpaid balances, and then manually cross off paid balances on the report and enter the payment in the Marina Program. A review of the delinquent balances due report shows that 46 permanent berth tenants who had rent payments due on October 1, 2007 had not paid the delinquent balance, including late fees, as of January 9, 2008, totaling \$23,900.

### Inadequate Procedures for Permit Fee Receipts

The Recreation and Park Department's Permit and Reservations Unit lacks written policies and procedures or adequate controls ensuring that permit fee payments are credited correctly to the Marina Yacht Harbor Fund. In the absence of written procedures, Permit and Reservations Unit staff allocate payments to the Fund based on their individual understanding of what should be allocated. As a result, at least six payments for Marina Green use fees, totaling \$2,255, were recorded in the Recreation and Park Department's General Fund revenues and were not credited to the Fund.

Also, permit files are incomplete. The Budget Analyst could not find permit files for \$7,444 credited to the Marina Yacht Harbor Fund in the Department's Revenue Tracking System.

The Harbor has informal agreements with the Oceanic Society and the Farallon group for use of the pump-out dock (Gate 31) for loading and unloading. It receives revenue from both for use of the dock based on the commercial rate, which is \$3.00 per foot of the vessel. The Department's Property Management Division has not executed formal written agreements with these two organizations.

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## **Section 2. Operating Expenditures**

In FY 2006-2007, the Marina Yacht Harbor's expenditures were \$1,727,017. The Marina Yacht Harbor's FY 2006-2007 expenditures included \$746,308 for Harbor employees' salaries and fringe benefit; \$514,125 for materials and other non-salary costs; and \$466,584 for facilities maintenance projects.

From FY 2002-2003 through FY 2006-2007, the Marina Yacht Harbor Fund balance has ranged from approximately \$1.35 million to \$1.75 million at fiscal year's end.

### Gardener Positions in the Marina Yacht Harbor Budget

The Marina Yacht Harbor budget includes two gardener positions assigned and charged to the Recreation and Park Department's Neighborhood Services Division. Although these two positions work part time on Marina Yacht Harbor projects, the Neighborhood Services Division is unable to track gardening assignments to the Marina Yacht Harbor because work schedules and timesheets do not reflect actual hours worked on the Marina Yacht Harbor and employees are not required to report time by project, or area (such as the Harbor) and simply report the cumulative number of hours worked. Because the Neighborhood Services Division does not track gardener hours assigned to the Marina Yacht Harbor projects, these gardener hours are charged to the Neighborhood Services Division, which is financed from the General Fund, rather than the Marina Yacht Harbor Fund.

By transferring the two gardener positions from the Marina Yacht Harbor budget to the Neighborhood Services Division budget, the Marina Yacht Harbor's allocation of budgeted positions would be reduced for purposes of distributing the Department's administrative overhead, transferring an estimated \$49,151 in administrative overhead from the Marina Yacht Harbor Fund to the Neighborhood Services Division.

Also, by developing procedures to identify actual allocation of gardener time to the Marina Yacht Harbor and to Neighborhood Services, and to charge gardener time appropriately to the Marina Yacht Harbor Fund, direct costs for gardener time working on Marina Yacht Harbor projects would be paid by the Marina Yacht Harbor Fund. For example, if gardener time allocated to Marina Yacht Harbor projects equaled approximately 1.0 full time position in FY 2007-2008, estimated gardener salary and benefit costs of approximately \$75,374, plus additional administrative costs, would be transferred from the General Fund to the Marina Yacht Harbor Fund, appropriately reducing the costs to the City's General Fund.

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#### Inadequate Inventory Management Procedures

The Marina Yacht Harbor lacks procedures to manage inventory and consequently cannot ensure that materials and supplies are not lost or stolen or that excess inventory does not build up. Although the Marina Yacht Harbor's policies require that all purchases are to be approved by the Harbormaster, according to the Harbormaster, in at least one instance in FY 2005-2006 the Recreation and Park Department's Structural Maintenance Division staff purchased surplus lumber without approval of the Harbormaster and charged the purchase to the Marina Yacht Harbor budget. The surplus lumber continues to sit in the Harbor's warehouse.

The Marina Yacht Harbor and Structural Maintenance Division do not have procedures to track the Structural Maintenance Division's use of materials on Harbor projects. Materials for the Marina Yacht Harbor's facilities maintenance projects performed by the Structural Maintenance Division are purchased from the Harbor's materials and supplies budget as well as the Harbor's facilities maintenance budget and are recorded in FAMIS. The materials and supplies are not recorded in the Department's maintenance management system, known as Total Managed Assets, which tracks work orders between the Structural Maintenance Division and the Marina Yacht Harbor. Consequently, the Marina Yacht Harbor cannot track materials and supplies costs allocated to each project.

#### Inconsistent Tracking of Facilities Maintenance Work Orders

The Recreation and Park Department's Structural Maintenance Division performs Harbor facilities maintenance projects through work orders with the Harbor. Structural Maintenance Division managers rely on manual tracking of labor hours charged to work orders rather than the Department's computerized maintenance management system, known as Total Managed Assets, resulting in inconsistent tracking of labor hours worked on Marina Yacht Harbor projects. Also, because the Division must manually enter labor hours into the City's payroll system, labor hours are not always charged correctly to the Marina Yacht Harbor Fund. In a sample of 60 completed work orders in FY 2005-2006 and FY 2006-2007, the Budget Analyst found 72 hours of work entered into the Total Managed Assets system that were not charged to the Marina Yacht Harbor Fund, indicating that such hours were charged incorrectly to another Department division or fund.

Further, the Structural Maintenance Division does not provide work order estimates. By not issuing estimates, Structural Maintenance Division and Marina Yacht Harbor managers have no measure of whether specific maintenance projects are completed timely and efficiently. Consequently, managers have no effective tool to manage project expenditures.

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Although the majority of Structural Maintenance Division work orders for the Harbor are issued by the Harbormaster, Structural Maintenance Division shop managers can also issue their own work orders for Marina Yacht Harbor projects. The Budget Analyst found that three work orders, or five percent of the sample, were work orders that were issued by shop managers completing the same work order. Unlike purchase orders, work orders are not required to have approval from the Harbormaster to be completed. While an emergency may require decisive action in the absence of the Harbormaster, everyday maintenance jobs do not, and this adds to the unaccountability of the system.

### **Section 3. The Marina Yacht Harbor Fund Overhead Allocation**

The Recreation and Park Department allocates overhead costs to the Marina Yacht Harbor Fund through overhead rates charged by the Department's Structural Maintenance and Capital Divisions to Marina Yacht Harbor Fund projects. The Department also allocates a percentage of the Department's administrative costs to the Marina Yacht Harbor Fund in each year's budget.

The Budget Analyst's 2006 Recreation and Park Department management audit found that the Recreation and Park Department was not adjusting for the difference between administrative expenditure recoveries from the Department's divisions and funds, and actual administrative expenditures. The Recreation and Park Department began adjusting for differences in paid time off recoveries and expenses, included in the Structural Maintenance and Capital Divisions' overhead rates, in FY 2006-2007, but has not adjusted for the difference in expenditure recoveries and actual expenditures for department-wide administrative expenditures allocated to each of the Department's divisions or funds. As a result, the Department has over-recovered approximately \$1.1 million in administrative expenditures. According to the Department, the proposed FY 2008-2009 budget will adjust for the prior years' over-recoveries for administrative expenditures. The Budget Analyst estimates that the Marina Yacht Harbor Fund would be reimbursed for an estimated \$14,000 of the total \$1.1 million expenditure over-recovery.

The Recreation and Park Department allocates electricity charges through the Department's cost allocation plan. However, the Department's cost allocation plan, which allocates costs based on the number of budgeted positions in each of the Department's divisions or funds, is not an accurate measure of electricity use. Further, from FY 2003-2004 through FY 2005-2006, the Recreation and Park Department allocated electricity and waste disposal costs to the Marina Yacht Harbor through the cost allocation plan as well as directly charging these costs to the Marina Yacht Harbor. Consequently, the Marina Yacht Harbor overpaid by \$49,207 for these costs during those years. In FY 2006-2007 and FY 2007-2008, the Recreation and Park Department has continued to allocate electricity costs through the Department's cost allocation plan rather than charging for electricity based on actual use. The Department has undercharged the Marina Yacht Harbor for electricity use in FY 2006-2007 by \$106,792, resulting in total net undercharges of \$57,585 from FY 2003-2004 through FY 2006-2007. As a result,



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these costs of \$57,585 have been transferred to other Department's funds and divisions, including the Open Space Fund and the General Fund.

#### **Section 4. Facilities Maintenance and Capital Improvement Project Funding**

The Board of Supervisors appropriates Marina Yacht Harbor funds for the Harbor's annual facilities maintenance projects each year, but the Recreation and Park Department does not fully allocate these funds to the Harbor's facilities maintenance projects. Rather, the Recreation and Park Department re-allocates funds appropriated for the annual facilities maintenance projects to the Harbor's capital improvement projects without Board of Supervisors approval. From FY 2002-2003 through FY 2006-2007, the Board of Supervisors appropriated a total of \$2.1 million for Marina Yacht Harbor facilities maintenance projects, with annual appropriations ranging from \$330,000 to \$550,000. However, the Recreation and Park Department only allocated \$1.3 million of the \$2.1 million to annual facilities maintenance projects and transferred the remaining approximately \$800,000 to the Harbor's ongoing capital projects without obtaining Board of Supervisors approval.

Also, the Recreation and Park Department does not return unexpended funds appropriated for and allocated to annual facilities maintenance projects to the Marina Yacht Harbor Fund balance at the end of the fiscal year, but rather, carries forward these unexpended funds into the next fiscal year, which is inconsistent with the City's budgeting practices. For example, in FY 2004-2005 the Department allocated \$187,000 and spent \$127,000 on Marina Yacht Harbor annual facilities maintenance projects, resulting in a year-end unexpended balance of \$60,000. Rather than return this \$60,000 to the Marina Yacht Harbor Fund balance, the Department transferred these funds to the Department of Public Works for Marina Yacht Harbor environmental studies.

The Department's practices result in both understatement and overstatement of the Marina Yacht Harbor's annual facilities maintenance budget in a fiscal year.

The Recreation and Park Department also needs to review inactive projects and project balances to identify unexpended funds that can be re-allocated to active projects or returned to fund balance. For example, prior to FY 2001-2002 the Recreation and Park Department used Project Code CRP530 to track Marina Yacht Harbor dredging projects but discontinued the use of this specific project code in FY 2001-2002. However, according to the City's financial management system, FAMIS, as of February 2008, Project Code CRP530 continues to have an unexpended balance of \$25,782.

## **The Recreation and Park Department's Written Response**

The Recreation and Park Department General Manager's written response is attached to this management audit report beginning on page 38. According to the General Manager's written response, the Department agrees with 14 of the 21 recommendations, or approximately 67 percent; disagrees with four recommendations; partially disagrees with two recommendations; and will evaluate one recommendation.

### The Department's Response to Recommendation 1.1

The Department partially disagrees with Recommendation 1.1 to report to the Board of Supervisors during the FY 2008-2009 budget review on the status of the implementation of the Class system, including (a) issuance of system-generated receipts for cash transactions, (b) routine tracking and reporting of revenues; (c) integration of Class with FAMIS, and (d) implementation of Automatic Clearing House functionality to facilitate receipt and deposition of berth payments at the Marina Yacht Harbor.

According to the General Manager's written response, "While the accounting structure of Class currently corresponds to the structure of FAMIS, the department does not have the ability to integrate the two systems electronically. The Controller's Office does not permit the integration of subsidiary ledgers with FAMIS by any city department."

In response, the Budget Analyst will revise Recommendation 1.1(c) to state, "any automatic interface of Class with FAMIS".

### The Department's Disagreement with Recommendations 2.1 and 2.2

The Department disagrees with Recommendation 2.1 to transfer 2.0 FTE 3417 Gardeners, currently included in the Marina Yacht Harbor budget, to the Neighborhood Services Division budget; and with Recommendation 2.2 to develop procedures to identify actual allocation of gardener work time to the Marina Yacht Harbor and the Neighborhood Services Division, and charge gardener time appropriately to the Marina Yacht Harbor Fund.

According to the General Manager's written response, "The Department's 2006 gardener FTE assessment determined that the Marina requires 2.3 FTE to meet Proposition C park maintenance standards. Rather than moving the gardener positions from the Marina, the Department proposes to hire 2.0 gardeners to be devoted to working exclusively in the Marina."

On page 16 of the management audit, the Budget Analyst found that, although the Marina Yacht Harbor budget includes two full-time gardener positions, the gardeners are assigned to the Neighborhood Services Division and do not work full time on Marina

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Yacht Harbor projects. Further, these gardener positions are charged to the Neighborhood Services Division, which is financed by the General Fund, rather than the Marina Yacht Harbor Fund.

If the Department receives budgetary approval to hire two gardeners to work exclusively on the Marina Yacht Harbor and these two positions are charged appropriately to the Marina Yacht Harbor Fund, the Budget Analyst will withdraw these two recommendations. The General Manager should report to the Budget and Finance Committee during the FY 2008-2009 budget review on the status of hiring two gardeners to work exclusively on Marina Yacht Harbor projects.

### The Department's Response to Recommendation 2.3

The Department disagrees with Recommendation 2.3(a) to direct the Structural Maintenance Manager to disallow shop managers from keeping subsidiary work order ledgers, instead keeping all records within the Total Managed Assets (TMA) system to eliminate redundant systems. According to the General Manager's written response, "Structural Maintenance will necessarily have to continue to use subsidiary work order documentation in order to track progress in the field on assigned work orders. However, in the department's ongoing implementation of TMA, field progress on assigned work orders from subsidiary logs will be regularly entered into TMA to manage work order accomplishment."

As noted on page 18 of the management audit report, Structural Division managers enter work hours into the Total Managed Assets system on completion of Marina Yacht Harbor work orders. Because of this, the Harbormaster cannot access hours charged to Marina Yacht Harbor work orders in the Total Managed Assets system prior to completion of the work order. Also, as noted on page 18, Structural Division managers differ in the detail of description offered per work order. The Recreation and Park Department's Structural Maintenance Division needs to continue implementation of the Total Managed Assets system and work order tracking to ensure that the Harbormaster has sufficient and consistent information on Marina Yacht Harbor work orders prior to and upon completion of the work order.

The Department disagrees with Recommendation 2.3(d) to reconcile work order totals with timesheets and audit timesheet records every month to verify correct reconciliation of labor charges. According to the General Manager's written response, "TMA does not interface with the department's payroll database – TESS. Consequently, reconciliation and auditing would have to be done manually and the department does not have the staff resources to devote to such a manual process."

As noted on page 19 of the management audit report, in the Budget Analyst's review of 60 randomly selected work orders, Total Managed Assets system work order information

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did not consistently match timesheet information. The Department needs to ensure that total work order hours match timesheet records.

#### The Department's Disagreement with Recommendations 3.1 and 3.2

The Department disagrees with Recommendation 3.1 to adjust for the difference between expenditure recoveries and actual administrative expenditures during the course of the year to ensure that the Department does not over- or under-recover for the Administrative Services Division's costs; and Recommendation 3.2 to adjust the overhead rates charged to Department projects by the Structural Maintenance and Capital Divisions during the course of the year to ensure that each division does not over- or under-recover for the division's costs from each of the Department's divisions and funds.

According to the General Manager's written response, "The department's cost allocation methodology makes adjustments to account for the difference between actual expenditures and actual recoveries two fiscal years after the expenditures and costs originally occurred. This calculation is further modified by carry forward adjustments calculated from four fiscal years prior. The department's methodology is accepted practice in administering a cost allocation plan. 2007 – 2008 represents the first year the department could have made such an adjustment – which has been done. As a practical matter, the city's accounting and finance management practices would not allow the department to make adjustments between over- and under-recoveries during the course of the fiscal year. The department does not receive final billings for work orders, the majority of the costs in the overhead fund, until three months into the new fiscal year. Finally, the department's overhead fund resides in a 1G annually appropriated fund, which further complicates adjustments of this nature."

The Budget Analyst agrees that the Department's cost allocation methodology makes adjustments to account for the difference between actual paid time off expenditures and recoveries each year, and that the Department has adjusted the Capital and Structural Maintenance Division's overhead rates accordingly, as noted on page 25 of the management audit report.

However, because the Department has not adjusted for the difference between the actual departmental administrative expenditures and recoveries, the Department has recovered \$1,149,767 in excess of the Administrative Services Division's actual expenditures over a four-year period from FY 2003-2004 through FY 2006-2007, as noted on page 27 of the management audit report. The General Manager should report to the Budget and Finance Committee during the FY 2008-2009 budget review on the Department's adjustment for the \$1.1 million prior years' over-recovery, and report to the Budget and Finance Committee during each subsequent year's budget review on such adjustments.

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The Budget Analyst's recommendations are attached to this transmittal letter.

We would like to thank the Recreation and Park Department staff for their cooperation and assistance throughout this audit.

Respectfully submitted,

Harvey M. Rose  
Budget Analyst

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

**Priority**

Priority 1: Priority 1 recommendations meet one the following criteria: (a) have budget impact, (b) address significant revenue or expenditure issues, or (c) can be implemented easily. The Recreation and Park Department General Manager should submit information on recommendation implementation to the Chair of the Government Audit and Oversight Committee within six months, or prior to September 30, 2008. The Budget Analyst will review the status of the implementation of these recommendations, as directed by the Government Audit and Oversight Committee. Some Priority 1 recommendations request the Department to report to the Board of Supervisors during the FY 2008-2009 budget review.

Priority 2: Priority 2 recommendations should (a) be completed, (b) have achieved significant progress, or (c) have a schedule for completion prior to December 31, 2008. The Recreation and Park Department General Manager should submit information on recommendation implementation to the Chair of the Government Audit and Oversight Committee prior to December 31, 2008. The Budget Analyst will review the status of the implementation of these recommendations, as directed by the Government Audit and Oversight Committee.

**1. Operating Revenues**

The Recreation and Park Department General Manager should:

1.1 Report to the Board of Supervisors during the FY 2008-2009 budget review on the status of the implementation of the Class system, including:

1

- (a) Issuance of system-generated receipts for cash transactions,
- (b) Routine tracking and reporting of revenues.
- (c) Any automated interface of Class with FAMIS, and
- (d) Implementation of Automatic Clearing House functionality to facilitate receipt and deposition of berth payments at the Marina Yacht Harbor.

**Priority**

The Recreation and Park Department Director of Operations should:

- 1.2 Immediately implement the Marina Program's cash register functionality. 1
- 1.3 Instruct the Harbormaster to consistently implement a written policy requiring the Harbormaster's signature on the Daily Report of Cash Receipts, verifying (a) the accuracy of the count, (b) accuracy of the subtotals of payment type and transaction type, and (c) correct allocation to East or West Harbor. 1
- 1.4 Instruct the Harbormaster to ensure the accuracy of the application of the late fee to berth payments in the Marina Management system. 1
- 1.5 Instruct the Harbormaster to ensure that the Marina Yacht Harbor staff have adequate training in Class and the Marina Program. 2
- 1.6 Implement written Permit and Reservations Unit policies and procedures to standardize (a) allocation of Marina Green permit fees to the Marina Yacht Harbor Fund, and (b) filing of permit documents and reconciliation of permit receipts to the Daily Record of Cash Receipts. 2
- 1.7 Instruct the Harbormaster to work with Information Systems staff and the Marina Program software vendor to (a) develop and generate routine delinquent balances due reports that track unpaid balances over time according to the Marina Yacht Harbor Rules and Regulations, and (b) develop a one-time 10 percent late fee that is automatically applied by the Marina Management system to permanent berth payments that are 15 days past due. 2
- 1.8 Implement collection procedures to ensure timely collection of delinquent balances for permanent berths. 1
- 1.9 Revise the Marina Yacht Harbor rental agreements for permanent berths to assess a 10 percent penalty for berth rents that are 15 days past due consistent with the Marina Yacht Harbor Rules and Regulations. 1

The Recreation and Park Department Director of Property Management should:

- 1.10 Develop formal written agreements with the Oceanic Society and the Farallon group for use of the pump-out dock (Gate 31) for loading and unloading. 1

**Priority**

**2. Operating Expenditures**

The Recreation and Park Department Director of Finance and Administration should:

- 2.1 Transfer 2.0 FTE 3417 Gardeners, currently included in the Marina Yacht Harbor budget, to the Neighborhood Services Division budget. 1
- 2.2 In conjunction with the Director of Neighborhood Services and Director of Citywide Services, develop procedures to (a) identify actual allocation of gardener time to the Marina Yacht Harbor and to Neighborhood Services, and (b) charge gardener time appropriately to the Marina Yacht Harbor Fund. 1

The Recreation and Park Department Director of Operations should:

- 2.3 Direct the Structural Maintenance Manager to:
  - (a) Disallow shop managers from keeping subsidiary work order ledgers, instead keeping all records within the Total Managed Assets system to eliminate redundant systems; 2
  - (b) Issue estimates with work orders for budget control purposes; 2
  - (c) Disallow managers to issue work orders without the Harbormaster's approval, except in the case of emergencies. For emergencies, the Harbormaster's approval must be sought within 24 hours; 2
  - (d) Reconcile work order totals with timesheets and audit timesheet records every month to verify correct reconciliation of labor charges. 2

The Harbormaster should:

- 2.4 Develop formal written policies and procedures to manage Marina Yacht Harbor materials and supplies, including routine inventory of the Harbor store room materials and supplies. 1



**Priority**

**3. The Marina Yacht Harbor Fund Overhead Allocation**

The Director of Finance and Administration should:

- 3.1 Adjust for the difference between expenditure recoveries and actual administrative expenditures during the course of the year to ensure that the Department does not over- or under-recover for the Administrative Services Division's costs. 2
- 3.2 Adjust the overhead rates charged to Department projects by the Structural Maintenance and Capital Divisions during the course of the year to ensure that each division does not over- or under-recover for the division's costs from each of the Department's divisions and funds. 2
- 3.3 Evaluate electricity and utility use department-wide and develop a method to charge directly for utility use rather than allocate utility charges through the cost allocation plan. 2

**4. Facilities Maintenance and Capital Improvement Project Funding**

The Recreation and Park Department General Manager should:

- 4.1 Develop facilities maintenance and capital project budgeting procedures that define the Marina Yacht Harbor's facilities maintenance projects and capital improvement projects. 2
- 4.2 Develop capital project budgeting procedures that define annual and continuing capital projects. 2
- 4.3 Return unexpended annual facilities maintenance and annual capital project balances to the Marina Yacht Harbor Fund at the end of the fiscal year. 2
- 4.4 Review inactive Marina Yacht Harbor projects, and re-allocate any unexpended balances to active projects, if appropriate, or return the unexpended balance to the Marina Yacht Harbor Fund balance. 2

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# **Introduction**

## **Overview of the Statutes and Restrictions Governing the Marina Yacht Harbor Fund**

The Marina Yacht Harbor (Harbor) is a recreational facility granted to the City by the State of California in trust in 1935 and 1963. It is operated by the Recreation and Park Department under trust provisions and San Francisco Charter restrictions.

The trust provisions hold that the lands must be used for aquatic, recreational, boulevard, park and playground purposes. It further holds that "...restrictions on the public trust lands also apply to revenues generated from the lands.... [T]he City may only use the revenues for services, purposes and improvement on or related to the granted lands." The San Francisco Charter states that "... revenues from the Harbor are generated by a recreational facility and must be devoted to recreational uses (Sections 3.550, 3.552, and 6.200).

Hence, to remain in compliance with the trust provisions and the San Francisco Charter, the City established the Marina Yacht Harbor Fund (Fund), a special revenue fund that allows the City to monitor the monies received and special purposes for which they are held. The Recreation and Park Department administers the Fund.

## **The Marina Yacht Harbor's Revenues and Expenditures**

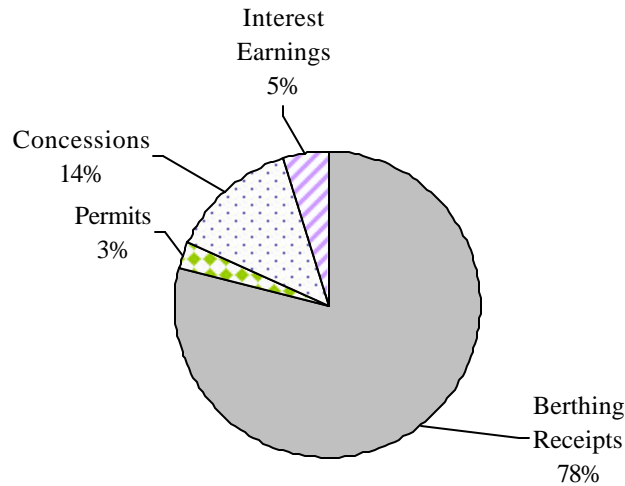
The Marina Yacht Harbor's revenues and expenditures stem from its operating activities for the boat marina, yacht club and other facilities, and the Marina Green. Operating revenues pay for operating expenses as well as facilities maintenance and capital repairs to the existing facilities. Several divisions within the Recreation and Park Department have responsibility for the Marina Yacht Harbor's revenues, including collection, resulting in fragmented oversight, tracking and reporting of revenues. The Marina Yacht Harbor also does not have full responsibility for expenditures. The Recreation and Park Department's Structural Maintenance Division is responsible for facilities maintenance expenditures through work orders with the Marina Yacht Harbor and the Capital Division is responsible for capital repairs.

### **The Marina Yacht Harbor's Revenues**

The Marina Yacht Harbor's revenues, or sources, are made up of (a) berthing and mooring fees for permanent and temporary slip rentals as well as other miscellaneous charges such as key deposits, (b) concession revenues from leases and other concessions,

(c) permit fees for private use of the Marina Yacht Harbor's grounds and facilities, and (d) interest earnings on the fund balance, as shown in Figure 1.

**Figure 1**  
**Revenues, Fiscal Year 2006-2007**



Source: Recreation and Park Department, *MYH Fund Balance FY 2006-2007*

Berthing and Mooring Fees

The Marina Yacht Harbor is responsible for invoicing, collecting, and tracking berthing and mooring fees, which comprise nearly 80 percent of the Marina Yacht Harbor's operating revenues. From FY 2001-2002 through FY 2006-2007, berthing and mooring fee revenues have increased by 5.9 percent per year on average, as shown in Table 1 below. In FY 2005-2006 and FY 2006-2007, berthing and mooring fee revenues have increased due to rate increases for temporary and permanent slip rentals, approved by the Board of Supervisors (File 05-0602).

### Concessions

The Recreation and Park Department's Property Management Division is responsible for managing and collecting the Marina Yacht Harbor's concession revenues from lease agreements with the Saint Francis Yacht Club, Golden Gate Yacht Club and the small concession stand on the Marina Green. From FY 2001-2002 through FY 2006-2007, concession revenues have averaged 10 percent of operating sources.

### Permit Fees

Permit fees comprise approximately 3 percent of total revenues. The Recreation and Park Department's Permits and Reservations Unit, which is located in Pioneer Log Cabin in Golden Gate Park, is responsible for collecting permit fees for special events, picnics, volley ball court reservations, film locations, parking and other for private uses on the Marina Greens or Harbor. Prior to FY 2005-2006, these revenues were included in mooring and berthing receipts but are currently reported a separate subcategory.

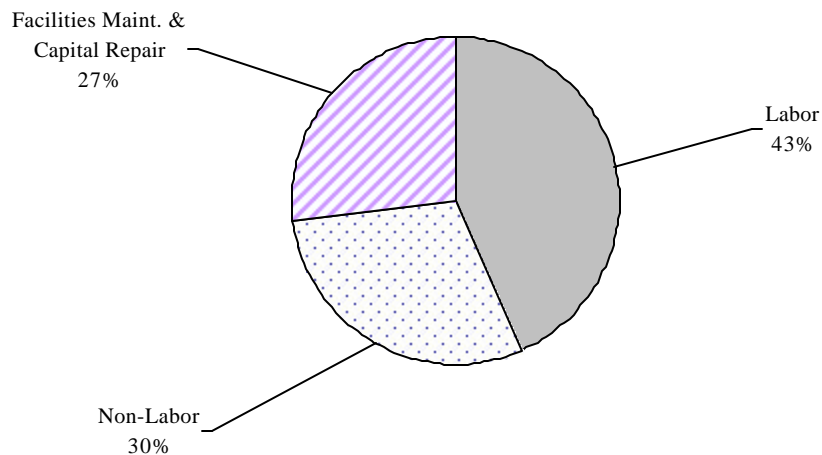
### Interest Earnings

The Controller allocates the Marina Yacht Harbor Fund's share of the County Investment Pool's interest earnings, based on the Fund's average monthly balances. As these earnings are not managed by the Department, they are not included in the scope of this audit.

## **The Marina Yacht Harbor's Expenditures**

The Marina Yacht Harbor's expenditures include (a) labor expenditures for salaries and fringe benefits for Marina employees; (b) non-labor expenditures for overhead, debt service, and other operating expenditures; and (c) facilities maintenance and capital repair projects.

**Figure 2**  
**Expenditures, Fiscal Year 2006-2007**



Source: Recreation and Park Department, *MYH Fund Balance FY 06-07*

Non-labor uses include a multitude of operating expenses, including: overhead charges, non-personal services, materials and supplies, capital outlays, debt service payments, and services of other departments.

Facilities maintenance and capital repair projects consist of routine annual maintenance of the Marina Yacht Harbor's facilities, including dredging, and larger capital repair and renovation projects. In addition, renegotiated terms of the St. Francis Yacht Club lease agreement effective June 1, 2006, included \$1.2 million for the Marina Yacht Facilities Renewal Project. This \$1.2 million for the Marina Yacht Facilities Renewal Project were included in the FY 2007-2008 Marina Yacht Harbor budget.

The Fund Balance has ranged from approximately \$1.35 million to \$1.75 million at fiscal year's end.

**Table 1**  
**Sources and Uses of the Marina Yacht Harbor Fund**  
**FY 2001-2002 through FY 2006-2007**

Sources	FY 2001-2002 Actual	FY 2002-2003 Actual	FY 2003-2004 Actual	FY 2004-2005 Actual	FY 2005-2006 Actual	FY 2006-2007 Actual	Average Annual Growth Rate
Berthing Receipts	1,416,135	1,450,446	1,503,088	1,423,252	1,654,578	1,864,114	5.9%
Permits					12,950	62,301	-
Concession	162,588	147,708	159,660	163,800	178,058	325,080	18.6%
Interest Earnings	90,662	57,702	34,071	44,219	84,528	110,361	14.8%
<b>Total Operating Sources</b>	<b>1,669,385</b>	<b>1,655,856</b>	<b>1,696,819</b>	<b>1,631,271</b>	<b>1,930,114</b>	<b>2,361,856</b>	<b>7.7%</b>

Uses	FY 2001-2002 Actual	FY 2002-2003 Actual	FY 2003-2004 Actual	FY 2004-2005 Actual	FY 2005-2006 Actual	FY 2006-2007 Actual	Average Annual Growth Rate
Labor	986,169	793,998	705,765	716,938	671,706	746,308	(4.8%)
Non-Labor	618,314	646,348	516,009	545,696	676,693	514,125	(2.0%)
Capital Projects	550,000	200,000	550,000	1,538,428	333,671	466,584	50.50%
<b>Total Operating Uses &amp; Capital Projects</b>	<b>2,154,483</b>	<b>1,640,346</b>	<b>1,771,774</b>	<b>2,801,062</b>	<b>1,682,070</b>	<b>1,727,017</b>	<b>0.10%</b>

Source: Recreation and Park Department

## Follow up on Controller's Audit Recommendations

While this audit is focused on the management of the Marina Yacht Harbor Fund, and not on the management of the Harbor itself, a summary of the 2000 Controller's Performance Audit of the Harbor has been provided below:

### Harbor Renovation

The Controller recommended that the Harbor (a) adopt an updated version of the 1989 master plan to execute a comprehensive redevelopment of the harbor; and (b) apply to the California Department of Boating and Waterways to obtain funds to redevelop the Harbor. According to the Recreation and Park Department, the master plan update and Department of Boating and Waterways loan application have been completed.

The Board of Supervisors approved the Environmental Impact Report in February 2007 (Motion No. 07-40). The City is currently negotiating over the final terms of the Department of Boating and Waterways loan for the West Harbor renovation. According

to the Recreation and Park Department, the outstanding issues are (a) the State's request that East Harbor revenues be pledged for West Harbor renovations; and (b) the need to purchase project insurance per the City Risk Manager.

The City is also conducting a contamination study of the East Harbor jointly funded by Pacific Gas and Electricity and the City. Once the study is complete, the City will either negotiate a settlement with Pacific Gas and Electricity or litigate regarding responsibility for clean up costs of hazardous materials contaminating the East Harbor.

## **Revision of the Harbor's Rules to Improve Harbor Operations and Increase Harbor Revenues**

The Controller recommended several changes to Harbor rules and practices, including:

(a) Re-evaluating the existing practice that allows automatic berth transfers following the sale of a boat. The Marina Yacht Harbor has implemented this recommendation by requiring written notice of a berth transfer with the Harbormaster's approval.

(b) Revising the Harbor rules to require that berth sublets and sublet revenues be managed by the Harbor. The Marina Yacht Harbor has not implemented this recommendation, and consequently, neither manages berth sublets nor receives revenue from sublets.

(c) Applying for a permit from the San Francisco Bay Conservation and Development Commission to allow live-aboard boats at the Harbor in its current state. The Marina Yacht Harbor has not yet implemented this recommendation.

(d) Enforcing the rule that requires tenants to use their boats regularly. According to the Harbormaster, this rule has not been consistently enforced. Harbor management could enforce this controller's recommendation by implementing an electronic key card system, standard at most Marinas, through which management could analyze boat usage. Infrequent usage or nonexistent usage would indicate nonoperational boats. Additionally, Management could analyze boat usage in conjunction with balances past due to identify derelict boats or identify berthers living aboard boats without paying a live-aboard fee.



## **Increase Harbor Revenues and Decrease Costs at the Harbor to Help Pay for its Renovation.**

The Controller recommended several changes to the Marina Yacht Harbor's policies to increase revenues and decrease costs, providing more available funds to pay for Harbor renovation projects, including:

(a) Increasing average berth rental rates by up to 51 percent after harbor renovation. In July 2005, the Board of Supervisors approved annual increases to berth rental and other fees (File 05-0602) in FY 2005-2006 through FY 2009-2010.

(b) Using City security guards to patrol the harbor on night shifts rather than marina assistant managers to reduce salary costs. The Marina Yacht Harbor has eliminated a midnight to 8:00 a.m. assistant manager shift that was determined to be cost-ineffective and has an informal agreement with the Park Patrol to patrol the park every two to three hours.

(c) Establishing procedures to ensure that the Department promptly deposits with its commercial bank all cash collections from the Harbor to avoid loss of interest earnings. Although the Marina Yacht Harbor has implemented cash reconciliation and daily cash receipts procedures, these procedures do not detail procedures for the promptness of cash deposits.

(d) Negotiating rent increases with the St. Francis Yacht Club comparable to the rent paid by the Golden Gate Yacht Club. The Board of Supervisors approved a new lease agreement between the Recreation and Park Department and the St. Francis Yacht Club in November 2006 (File 06-1351) setting base rent at \$200,134 annually and a one-time lump sum payment of \$1.2 million.

## **Improvement of the Harbor's Management Controls**

The Controller recommended that the Harbor develop a mission statement, goals, objectives, and performance measures for the Harbor, but the Marina Yacht Harbor has not yet done this. The Controller also recommended that the Harbor develop a policies and procedures manual to aid staff in performing their duties and assist management in evaluating whether staff is performing their duties adequately. Although the Marina Yacht Harbor has implemented some policies and procedures for specific tasks such as equipment checks, there is no comprehensive set of policies. Recently, management has begun to assess staff performance by taking into account a (1) log of completed work with time schedules; and (2) pending tasks. According to the Marina Yacht Harbor management, the primary goal from gathering this information is to be able to assign resources more effectively.

# 1. Operating Revenues

- **The Recreation and Park Department's management of Marina Yacht Harbor Fund revenues is inefficient and decentralized. Several different Department divisions or units are responsible for revenues allocated to the Marina Yacht Harbor Fund, including the Marina Yacht Harbor, Permits and Reservations Unit, Property Management Division, and Revenue Unit.**
- **The Recreation and Park Department currently uses ten systems to track revenues. The Revenue Unit tracks cash transactions in the Revenue Tracking System. The Revenue Tracking System and FAMIS, the City's financial system, are not integrated because subsidiary systems cannot track in FAMIS. Most of the ten revenue systems require manual entry and most of the systems are not integrated. Hence, system information is held in silos and re-entered into various systems up to four times before it can be reported from the FAMIS.**
- **Cash handling at the Harbor is characterized by weak controls, manually intensive processes, and insufficient policies and procedures. The Harbor does not have a cash register although it handles cash on a daily basis. The Harbor needs to immediately implement cash register functionality in the Harbor's management information system, the Marina Program.**
- **The Harbor has informal agreements with the Oceanic Society and the Farallon group for use of the pump-out dock (Gate 31) for loading and unloading. It receives revenue from both for use of the dock based on the commercial rate, which is \$3.00 per foot of the vessel. The Department's Property Management Division needs to write formal agreements with these two organizations.**
- **The Permit and Reservations Unit lacks written policies and procedures or adequate controls ensuring that permit fee receipts are deposited to the Marina Yacht Harbor Fund appropriately. In the absence of written procedures, Permit and Reservations Unit staff allocate receipts to the Fund based on their individual understanding of what should be allocated. As a result, at least six receipts for Marina Green use fees totaling \$2,255 were not credited to the Fund. Also, permit files are incomplete. The Budget Analyst could not find permit files for \$7,444 credited to the Marina Yacht Harbor Fund in the Department's Revenue Tracking System.**

## Inefficient and Decentralized Revenue Management

The major revenue sources of the Marina Yacht Harbor Fund—berthing and mooring fees, permit fees, and concessions—are each administered, collected, and recorded differently.

Berthing and mooring fees, including miscellaneous fees, are collected and deposited at the Harbor. Permit fees paid in cash are collected and deposited at Pioneer Log Cabin, where the Permits and Reservations Unit of the Department is housed. Permit fees that are paid by credit card are submitted through an online transaction software program called Ciber. Last, concessions and lease revenue are collected and deposited at McLaren Lodge, where the central administrative Department offices, are located.

The Budget Analyst identified ten systems that are used for the purpose of tracking and accounting for revenues. As noted in Table 1.1, much of the tracking is handled manually, in spreadsheets or paper ledgers. None of the systems are integrated with any other systems; hence, the information is held in silos and re-entered into various systems up to four times before it can be reported from the main financial system (FAMIS).

**Table 1.1**

### Systems Inventory of the Revenue Management Function

Revenue Source	System	Function
Berths	Marina Program	Customer File, Permanent Berth Fee Collection
Berths	Manual (Excel Spreadsheet)	Nonpermanent Berth Fees
Miscellaneous Fees	Manual (Paper Ledger)	Miscellaneous Fees
All Marina	Manual (Excel Spreadsheet)	Daily Report of Cash Receipts (Daily Report of Cash Receipts) for all revenue
Permits	Manual	Daily Report of Cash Receipts
Permits	Class	Athletic Programs
Permits	Ciber Online Transactions	Credit card purchases
Concessions	Manual (Excel Spreadsheet)	Rent payment tracking. One spreadsheet is kept for each lease agreement
N/A	Revenue Tracking System	Tracks all cash/check entries revenues
N/A	FAMIS	Financial system

Source: Budget Analyst (from records and observations)

In addition to the proliferation of systems for revenue management, there are several filing systems. Each revenue source that is collected at a different site (the Harbor, Pioneer Log Cabin, and McLaren Lodge respectively) is filed onsite in a homegrown filing system as well as at McLaren Lodge. The Administrative Services Division

located at McLaren Lodge itself has two separate filing systems for revenues reported to the Fund.

## **Revenue Tracking**

The Recreation and Park Department tracks revenues monthly and submits a report to the Recreation and Park Commission. The manual and time-consuming process of tracking, reporting, and maintaining revenues in multiple revenue systems requires staff to spend significant work effort on data entry and manual bookkeeping, taking staff time from supervision of the Harbor, its employees, and its tenants.

The Revenue Unit tracks cash transactions in the Revenue Tracking System. The Revenue Tracking System and FAMIS are not integrated because subsidiary systems cannot track in FAMIS, but the Revenue Tracking System and FAMIS are linked to the bank records, so total amounts recorded in FAMIS match total cash amounts. Credit card transactions are handled separately, within two different systems: Class, the Recreation and Park Department's on-line registration and receipt system, and Ciber Online Transactions. According to the Department, Class is organized by index code, as is FAMIS, but the Revenue Tracking System is not.

## **Revenue Sampling Process and Results**

The Budget Analyst audited a stratified sample of berthing and mooring receipts, temporary berth and other miscellaneous fees reported in March 2007, concessions, and permits revenues reported in FY 2001-2002 to FY 2006-2007, with additional items from FY 2007-2008. For all revenue transaction samples, the Budget Analyst reviewed FAMIS entries and verified them against source documents (copies of checks and/or the Daily Report of Cash Receipts). The Department could not provide source documents for 17 percent of the revenue transaction sample, due to the following reasons:

- The Recreation and Park Department has a document retention policy of three years; hence, the source documents validating entries dating back to 2003 and earlier may have been purged and sample items from this time period may not have been validated.
- The Administrative Services Division has recently undergone some archival reorganization, and some periods were missing from those years that should have been accessible.
- The Recreation and Park Department files deposits in two separate filing systems for revenues attributed to the Fund. Those revenues that were deposited at the Marina Yacht Harbor were given a different document reference code and filed separately. For those revenues, i.e. permanent berths, only source documents after January 2005 were provided.

The results of the sample are displayed in Table 1.2.

- Sixty-nine percent of the entries in FAMIS accurately matched the corresponding entries in the Daily Report of Cash Receipts.<sup>1</sup>
- Thirteen percent of the sample were FAMIS journal entries by Revenue Unit staff, resulting in increases or decreases in revenues recorded in FAMIS for such items as non-sufficient funds, or funds transfers within the Fund.
- Three percent of the sample were errors, resulting in understatements or overstatements of revenues. The net effect of errors was an overstatement of \$364.50.

**Table 1.2**  
**Revenue Sampling Summary Results**

Description	No. of Samples	Percent of Samples
FAMIS entries that accurately match corresponding entries in the Daily Report of Cash Receipts	199	69%
Journal entries by Revenue Unit staff, resulting in increases or decreases in revenues recorded in FAMIS	38	13%
Errors in FAMIS entries, resulting in understatements or overstatements of revenues	3	1%
Missing/Incomplete/Unclassified	48	17%
<b>TOTAL</b>	<b>288</b>	<b>100%</b>

Source: Controller's *Detailed Transaction File*, Recreation and Park Department

## **Berthing and Mooring Fees**

By far, the largest portion of revenues to the Fund comes from berthing and mooring receipts, equal to approximately 78 percent of receipts in FY 2006-2007. Permanent berth fees are due quarterly and temporary berth fees are due monthly. All berthing and mooring fees are submitted in cash, usually as checks, to the Harbor. Harbor staff process the checks and prepare the Daily Report of Cash Receipts for the Revenue Unit at McLaren Lodge to enter them into the Revenue Tracking System and FAMIS.

<sup>1</sup> This can be interpreted to mean that at a 95 percent confidence level, the true percentage of the revenue entries in FAMIS that match corresponding entries in the Daily Report of Cash Receipts is between 64 percent and 74 percent.

## **Inadequate Cash Handling Procedures at the Marina Yacht Harbor**

Cash handling at the Marina Yacht Harbor is characterized by weak controls, insufficient cash handling procedures specific to the Harbor, and manually intensive processes. The Harbor Office handles checks and cash for the payment of permanent berth fees, temporary berth fees, and other miscellaneous fees, such as key deposit and wait list fees.

The Marina Yacht Harbor has different procedures for processing permanent berth fees and processing temporary berth and other miscellaneous fees. The Harbor's procedures for receiving and reporting permanent berth fee payments, which are paid quarterly, reconcile permanent berth fee payments against the Marina Program, the Harbor's system to track berth fee payments. Once reconciled and verified by the Harbormaster, permanent berth payments are recorded in triplicate on the Recreation and Park Department's Daily Report of Cash Receipts, and placed into sealed bank bags with original copies of triplicate bank deposit and transit slips. The Harbormaster transports the sealed bank bags to the Department's Revenue Unit. The Revenue Unit staff check the original Daily Report of Cash Receipts against the copy of the bank deposit slip.

However, the Harbor does not record temporary berth and miscellaneous fee payments in the Marina Program, nor does it have a cash register or formal cash receipting system in place. Temporary berth and miscellaneous fees are an estimated \$279,000 annually, or approximately 15 percent of the Marina Yacht Harbor's total berth fee revenues of \$1,864,114.

The Marina Yacht Harbor does not adequately segregate receiving payments from recording payments for deposit. Currently, the staff person receiving checks and cash for temporary berth and miscellaneous fee payments also records the check and cash payments in the Daily Report of Cash Receipts. Harbor staff keep payments in a locked drawer at the Harbor Office and once recorded in the Daily Report of Cash Receipts, place these payments in the Harbor safe. In January 2007, the Harbormaster implemented a policy requiring the Harbormaster's signature on the Daily Report of Cash Receipts, although this policy is not written and has not been consistently implemented. The Harbormaster should implement a written policy, requiring the Harbormaster to sign all Daily Report of Cash Receipts, verifying the accuracy of the count.

According to Harbor staff, a staff member generally writes out a receipt for cash payments received in person but not for payments received by mail. The Budget Analyst's review of March 2007 Daily Report of Cash Receipts found that all entries either had a check number or cash receipt number. However, in the absence of an automatic cash register system, the Harbor cannot guarantee that all temporary berth and miscellaneous fee payments are accurately recorded and protected from theft.

The Department has circulated department-wide cash handling policies and procedures, but the Harbor lacks specific policies. While the Harbor has written procedures in place

for the transactions that are processed at the Harbor, these procedures are task lists rather than comprehensive policies.

In addition, the Harbor keeps \$50 in petty cash to make change. Harbor procedures require that the petty cash is reconciled each shift and that staff members from the outgoing and oncoming shift verify the count. Because the Harbor does not have a night shift, the evening shift count is verified the next day.

### **Monitoring Past Due Accounts**

The Marina Yacht Harbor rental agreements for permanent berths assess a 10 percent late fee for berth rents that are ten days past due. The Marina Yacht Harbor Rules and Regulations consider berth rents to be past-due after 15 days. The Harbor assesses a one-time 10 percent late fee that is automatically applied by the Marina Program to permanent berth payments that are 15 days past due.

Although the Marina Program can generate delinquent balances due reports that track berth balances that are 30 days, 60 days, and 90 days past due, these Marina Program reports do not accurately reflect past due activity because permanent berth payments are due quarterly. Rather, Harbor management generate a single report on the 15th day of each month that shows all permanent berths with outstanding balances without indication of how long each balance has been past due.

### Applying Delinquent Charges

The Budget Analyst examined a sample delinquent balances due report, which is used to track and apply late fees, and found inconsistencies in the application of that formula. For example, one delinquent payment was assessed a 10 percent late fee twice, with the second late fee assessed at 110 percent of the prior balance. When questioned, staff claimed to be ignorant of the system application while admitting complete reliance on the system for this purpose.

### Managing Delinquent Accounts

Because the Marina Yacht Harbor does not generate automatic delinquent balances due reports, the Harbor has no systematic means to identify berths with unpaid balances over an extended period of time. According to the Harbormaster, the Harbor generates a report of unpaid balances on the 15th day after the permanent berth payments are due and Harbor staff call the berth tenants with unpaid balances. The staff then manually cross off paid balances on the report and enter the payment in the Marina Program.

A review of the delinquent balances due report shows that 46 permanent berth tenants who had rent payments due on October 1, 2007 had not paid the delinquent balance, including late fees, as of January 9, 2008, totaling \$23,900.

The Marina Yacht Harbor Rules and Regulations also provide for the City to place a lien on boats that have unpaid balances past 50 days. According to the Harbormaster, the Harbor has a lien on three boats currently, one of which has been paid.

### **Berth Fee Payments**

The Harbor would benefit from implementation of Class with Automatic Clearing House functionality. This would allow the Harbor to automatically collect the berth fee by electronic debit from payees' bank accounts. As most of the revenues are from permanent berths, the regularity and consistency of fees lends itself particularly well to this revenue collection method. It would also eliminate manual processing of checks, minimizing human error and inefficiencies related to manual processing, and freeing staff to focus on other activities.

For month-to-month berths, the Harbor receives payments each month. Staff notate the payments on the Daily Report of Cash Receipts, which is tracked on an Excel spreadsheet, outside of the Marina Program. Although the same late fee policy applies to temporary berths, staff admitted uneven application of this policy due to resource constraints.

The Harbor also has informal agreements with the Oceanic Society and the Farallon group for use of the pump-out dock (Gate 31) for loading and unloading. It receives revenue from both for use of the dock based on the commercial rate, which is \$3.00 per foot of the vessel. The vessels vary, but most likely the average length is about 45 or 50 feet. These charges are applied and collected at the time of use by Harbor staff, not by Property Management Division's property managers, due to their informal status.

### **Errors in Collecting Berthing and Mooring Fees**

As shown in Table 1.3, of a sample of 223 berthing and mooring fees, three percent of the fee entries in FAMIS could not be matched to the corresponding Daily Report of Cash Receipts.<sup>2</sup> Significantly, 31 percent of the sample was journal entries by Revenue Unit staff, indicating a substantial portion of time devoted to electronic bookkeeping.

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<sup>2</sup> The results indicate that at a 95 percent confidence level, 0 percent to 8 percent of the population (of revenue entries in FAMIS) cannot be matched to a corresponding Daily Report of Cash Receipts or contain discrepancies.



**Table 1.3**  
**Berthing and Mooring Sampling Results**

Description	No. of Samples	Percent of Samples
FAMIS entries that accurately match corresponding entries in the Daily Report of Cash Receipts	145	65%
Journal entries by Revenue Unit staff, resulting in increases or decreases in revenues recorded in FAMIS	70	31%
Errors in FAMIS entries, resulting in understatements or overstatements of revenues	3	1%
Missing/Incomplete/Unclassified	5	2%
TOTAL	223	100%

Source: Controller's *Detailed Transaction File*, Recreation and Park Department

### **Upgrading the Marina Program to Address Weaknesses in Financial Controls**

Recognizing the problems associated with the Marina Yacht Harbor's weak financial controls, insufficient cash handling policies and procedures, and manually intensive cash handling processes, the Harbor intends to upgrade the Marina Program, implementing cash register functionality.

The original Marina Program software has been purchased by Watch Captain, a vendor that has recently been certified as a City contractor and a purchase order has been issued. The Marina Program software license will allow five end users to access the program, four of which will be used by Harbor staff and one which will be available to the Revenue Unit at McLaren Lodge.

Once the Marina Program software upgrade is complete, the Harbor will implement Class. Class is a cash management system that has point of sale functionality and if fully implemented, would have a touch screen terminal, cash drawer, and credit card swipe as well as financial reporting functionality. Class has been purchased by the Department and is currently used in a limited capacity for recreational programming and credit card transactions. Although Class is not integrated with FAMIS (total amounts by account numbers are manually keyed into FAMIS), the Department is working on integrating the systems. The Harbor intends to maintain the Marina Program as a separate system for detailed records of berths.

### **Concessions**

Concessions that are collected at the Harbor include rents from the Golden Gate Yacht Club, St. Francis Yacht Harbor, Gashouse Cove, and the Kiosk on the Marina Green. All

payments come in the form of checks and are processed centrally at McLaren Lodge by the Revenue Unit.

The Revenue Unit provides copies of checks to the Property Management Division's property managers, who monitor lease files periodically. Property managers also track revenues for each lease on an Excel spreadsheet.

Table 1.4 shows the concessions sampling results. All but one of sample documents could be matched to the Daily Report of Cash Receipts or FAMIS.

**Table 1.4**  
**Concessions Sampling Results**

Description	No. of Samples	Percent of Samples
Concessions documents that accurately match corresponding entries in the Daily Report of Cash Receipts or FAMIS	53	88%
Journal entries by Revenue Unit staff, resulting in increases or decreases in revenues recorded in FAMIS	6	10%
Errors in FAMIS entries, resulting in understatements or overstatements of revenues	1	2%
<b>TOTAL</b>	<b>60</b>	<b>100%</b>

Source: Controller's *Detailed Transaction File*, Recreation and Park Department

## Permit Fees

A small portion of the Fund revenues come from permitting receipts, averaging approximately three percent of total revenues in FY 2006-2007. Permit fees for private use of the Marina Greens are submitted in cash, check, or by credit card. The Pioneer Log Cabin Permit and Reservations Unit staff process these transactions and forwarded to McLaren Lodge for deposit. Neither the Permit and Reservations nor Revenue Unit staff track these Fund revenues.

To compensate for the small size of the stratified sample, the Budget Analyst audited the total permitting receipts for FY 2006-2007. The sampling methodology for permits consisted of reconciling permitting fee receipts from the Permit and Reservations Unit with the reported revenues from the Revenue Unit.

## Cash Handling in the Permit and Reservations Unit

Cash handling in the Permit and Reservations Unit at Pioneer Log Cabin is manual, and inconsistently tracked. Files for receipt copies, Daily Report of Cash Receipts, and credit card transactions are kept according to date in several locations in paper boxes around the office. Though transactions were generally filed by the fiscal year, the dates were not consecutive.

Cash handling controls are weak. In the absence of a safe, the Permit and Reservations Unit staff keep cash and checks in a file drawer. Daily receipts are inconsistently transported to McLaren Lodge by armored transport; some are transported by a staff member. Although all staff are allowed to handle cash transactions, no one has had training on cash handling.

### **Inadequate Reconciliation of Permit Receipts**

The Budget Analyst was not able to successfully reconcile permit fee receipts from the Permit and Reservations Unit with the reported revenues from the Revenue Unit. Ultimately, the Permit and Reservations Unit could not provide all receipts for revenues reported to the Fund for FY 2006-2007 as discussed below.

The Permit and Reservations Unit does not have written policies and procedures specific to the Permit and Reservations Unit, ensuring that permit fee receipts are deposited to the Marina Yacht Harbor Fund appropriately. The Permit and Reservations Unit staff preparing the Daily Report of Cash Receipts write the amounts to be allocated to various funds at the bottom of the form based on their individual understanding or informal practice. For example, a Daily Report of Cash Receipts with receipts of \$100 for the Marina Greens and \$150 for Park Ranger overtime might allocate \$100 to the Marina Yacht Harbor Fund and \$150 for Park Patrol salary but the Permit and Reservations lacks formal procedures on how to allocate these receipts.

In a review of the FY 2006-2007 Marina Green permits, the Budget Analyst found that:

- *Allocation of receipts to the Marina Yacht Harbor Fund is unsystematic.* Not all of the Daily Report of Cash Receipts contain subtotals of the amount to be allocated to the Fund at the bottom of the form and merely indicated “RecYAC” in the subtotal area, presumably as a shorthand to indicate the entire Daily Report of Cash Receipts total to be reported to the Fund. However, for some that only had “RecYAC” written in the subtotal area, some receipts were intended to pay for Recreation and Park Department salaries rather than be deposited as revenue to the Fund. Six receipts that detailed a facility fee for use of the Marina Green totaling \$2,255.00 were not reported as “RecYAC” subtotals and hence were not entered into FAMIS. In several receipts, the subtotals for the Fund did not equal the facility fees. For example, a facility fee for \$12,450 was reported as \$12,786 in the subtotals; in another example, a facility fee for \$7,867 was reported as \$7,175.
- *Permit files are incomplete.* In the initial file review, the Budget Analyst did not find files for 14 permits<sup>3</sup> with fees totaling \$69,727 of the \$81,123 permit fee receipts recorded in Revenue Tracking System, or 86 percent. The Permit and Reservations Unit were later able to find permit files for 11 of the 14 transactions, totaling \$62,283 resulting in \$7,444 not accounted for.

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<sup>3</sup> These receipts numbered few (14) but were large receipts, including one in the amount of \$30,216

## **Conclusions**

The Recreation and Park Department's procedures for tracking and overseeing Marina Yacht Harbor revenues are inefficient and decentralized. Systems to track revenues are not fully utilized and revenue tracking "side systems" have proliferated in the Department. Also, several different Department divisions have responsibility overseeing revenues. The current system is vulnerable to human error.

According to the Recreation and Park Department's Information Services Unit, full implementation of the Class system will allow better revenue tracking, but, the Class system has only been fractionally implemented. The Class system cannot be fully implemented across the department until divisions within the department adopt new business practices and the Marina Yacht Harbor completes upgrades to the Marina Program.

## **Recommendations**

The Recreation and Park Department General Manager should:

- 1.1 Report to the Board of Supervisors during the FY 2008-2009 budget review on the status of the implementation of the Class system, including:
  - (a) Issuance of system-generated receipts for cash transactions,
  - (b) Routine tracking and reporting of revenues.
  - (c) Any automated interface of Class with FAMIS, and
  - (d) Implementation of Automatic Clearing House functionality to facilitate receipt and deposition of berth payments at the Marina Yacht Harbor.

The Recreation and Park Department Director of Operations should:

- 1.2 Immediately implement the Marina Program's cash register functionality.
- 1.3 Instruct the Harbormaster to consistently implement a written policy requiring the Harbormaster's signature on the Daily Report of Cash Receipts, verifying (a) the accuracy of the count, (b) accuracy of the subtotals of payment type and transaction type, and (c) correct allocation to East or West Harbor.
- 1.4 Instruct the Harbormaster to ensure the accuracy of the application of the late fee to berth payments in the Marina Program.
- 1.5 Instruct the Harbormaster to ensure that the Marina Yacht Harbor staff have adequate training in Class and the Marina Program.

- 1.6 Implement written Permit and Reservations Unit policies and procedures to standardize (a) allocation of Marina Green permit fees to the Marina Yacht Harbor Fund, and (b) filing of permit documents and reconciliation of permit receipts to the Daily Report of Cash Receipts.
- 1.7 Instruct the Harbormaster to work with Information Systems staff and the Marina Program software vendor to (a) develop and generate routine delinquent balances due reports that track unpaid balances over time according to the Marina Yacht Harbor Rules and Regulations, and (b) develop a one-time 10 percent late fee that is automatically applied by the Marina Program to permanent berth payments that are 15 days past due.
- 1.8 Implement collection procedures to ensure timely collection of delinquent balances for permanent berths.
- 1.9 Revise the Marina Yacht Harbor rental agreements for permanent berths to assess a 10 percent penalty for berth rents that are 15 days past due consistent with the Marina Yacht Harbor Rules and Regulations.

The Recreation and Park Department Director of Property Management should:

- 1.10 Develop formal agreements with the Oceanic Society and the Farallon group for use of the pump-out dock (Gate 31) for loading and unloading.

## **Costs and Benefits**

The Budget Analyst identified a net overstatement to the Fund of \$364.50 and a possible understatement to the Fund of \$2,255 (pursuant to misapplication of fund accounting on identified permit fees). The lack of cash handling procedures at the Harbor and fund accounting policies at the Permitting Office indicate a high risk of loss. The failure to collect delinquent balances for permanent berths resulted in a revenue loss of \$23,900.

Implementation of the Budget Analyst's recommendation would introduce more accountability to Harbor operations and reduce the risk of loss through mishandling, underreporting, or theft.

## 2. Operating Expenditures

- **The Marina Yacht Harbor budget includes two gardener positions assigned and charged to the Neighborhood Services Division. Although these two positions work part time on Marina Yacht Harbor projects, the Neighborhood Services Division is unable to track gardening assignments to the Marina Yacht Harbor. By transferring the two gardener positions from the Marina Yacht Harbor budget to the Neighborhood Services Division budget, the Marina Yacht Harbor's allocation of budgeted positions would be reduced for purposes of distributing the Department's administrative overhead, an estimated reduction of approximately \$49,152 in FY 2007-2008.**
- **Also, by developing procedures to identify actual allocation of gardener time to the Marina Yacht Harbor and to Neighborhood Services, and charge gardener time appropriately to the Marina Yacht Harbor Fund, costs for gardener time working on Marina Yacht Harbor projects would be paid by the Marina Yacht Harbor Fund rather than by the General Fund.**
- **The Marina Yacht Harbor lacks procedures to manage inventory and consequently cannot ensure that materials and supplies are not lost through theft or waste or that excess inventory does not build up. Although the Marina Yacht Harbor's policies require that all purchases are approved by the Harbormaster, according to the Harbormaster, in at least one instance in FY 2005-2006 the Structural Maintenance Division staff purchased surplus lumber not needed at that time for Harbor projects and charged the purchase to the Marina Yacht Harbor budget. The surplus lumber continues to sit in the Harbor's warehouse.**
- **Structural Maintenance Division managers rely on manual tracking of labor hours charged to work orders rather than the Department's maintenance management system, Total Managed Assets, resulting in inconsistent tracking of labor hours worked on Marina Yacht Harbor projects. Also, because the Division must manually enter labor hours into the City's payroll system, labor hours are not always charged correctly to the Marina Yacht Harbor Fund. Further, the Structural Maintenance Division does not provide work order estimates, and thus is not held accountable for actual Marina Yacht Harbor work order expenditures.**

## The Marina Yacht Harbor's Salary and Fringe Benefit Expenditures

The Marina Yacht Harbor's operating expenditures include salaries and fringe benefits for employees reporting to the Harbormaster and two gardeners reporting to the Neighborhood Services Marina Complex Manager (in which the Harbor is located). The budgeted positions for the Harbor from FY 2001-2002 through FY 2006-2007 are in Table 2.1. All but the two gardeners are Harbor staff.

**Table 2.1**  
**Budgeted Positions for the Marina Yacht Harbor**  
**FY 2001-2002 through FY 2006-2007**

Positions	FY 2001-2002	FY 2002-2003	FY 2003-2004	FY 2004-2005	FY 2005-2006	FY 2006-2007	Total Increase/(Decrease) FY 2005-2006 to FY 2006-2007	Total Percent Increase/(Decrease) FY 2005-2006 to FY 2006-2007
Manager I (0922)					1.00	1.00	0.00	0%
Secretary (1446)	1.00	1.00	1.00	1.00	1.00		(1.00)	(100%)
Account Clerk (1630)	1.00	1.00	1.00				0.00	n/a
Jr. Admin Analyst (1820)	1.00	1.00	1.00	1.00	1.00	1.00	0.00	0%
Custodian (2708)	2.00	2.00	2.00	2.00	2.00	1.00	(1.00)	(50%)
Marina Assist. Mgr (3232)	7.00	7.00	7.00	7.00	7.00	7.00	0.00	0%
Marina Assoc. Mgr (3233)	1.00	1.00	1.00	1.00	1.00	1.00	0.00	0%
Gardener (3417)	2.00	2.00	2.00	2.00	2.00	2.00	0.00	0%
Carpenter (7344)	1.00	1.00					0.00	n/a
Mgr, Marina Operations (AC39)	1.00	1.00	1.00	1.00			0.00	n/a
Temporary Position (TEMP)	0.30	0.30	0.22	0.22	0.21	0.21	0.00	0%
<b>Total</b>	<b>17.30</b>	<b>17.30</b>	<b>16.22</b>	<b>15.22</b>	<b>15.21</b>	<b>13.21</b>	<b>(2.00)</b>	<b>(13%)</b>

Source: Annual Salary Ordinance FY 2001-2002 through FY 2006-2007

Although the Marina Yacht Harbor had one carpenter position prior to FY 2003-2004, all carpentry services to the Harbor are now provided by the Department's Structural Maintenance Division. In FY 2006-2007, the number of custodian positions decreased from two to one full-time position.

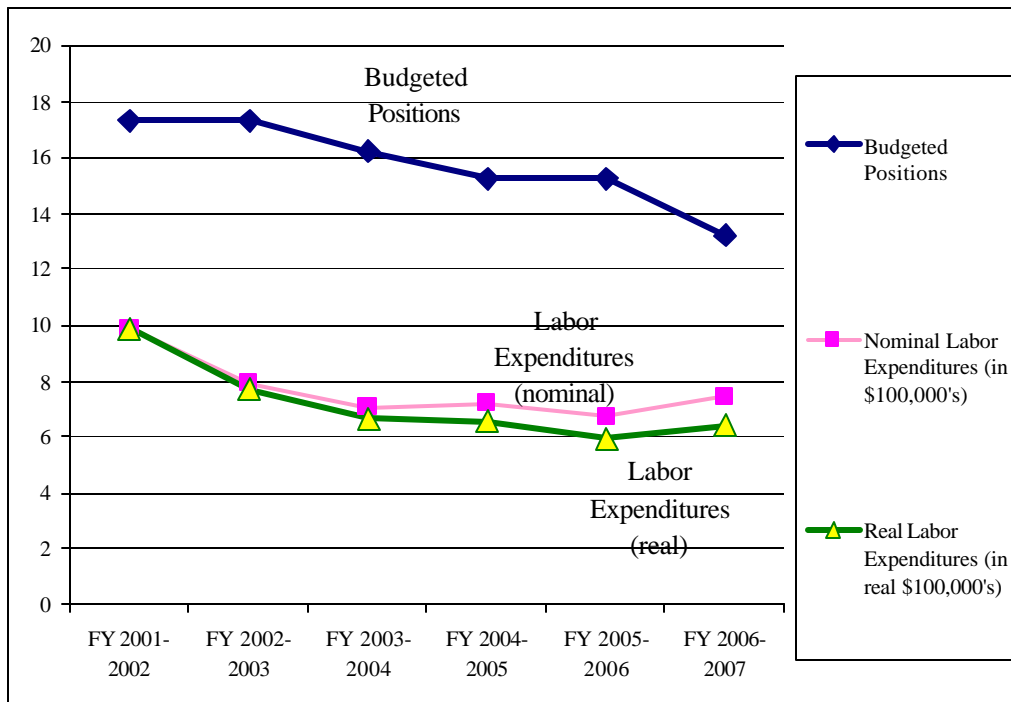
### The Marina Yacht Harbor's Staff Allocation

As shown in Table 2.1 and Chart 2.1, the Marina Yacht Harbor's budgeted and actual salary and fringe benefit expenditures declined between FY 2001-2002 and FY 2006-2007.

**Chart 2.1**

### Labor Expenditures for the Marina Yacht Harbor

#### FY 2001-2002 through FY 2006-2007



Source: Annual Salary Ordinance FY 2001-2002 through FY 2006-2007

### Harbor Staff

Although the harbormaster does not have a formal staffing schedule for Harbor employees, the harbormaster maintains an informal summary of staff schedules, as shown in Table 2.2 below.



**Table 2.2****Staffing Schedule for the Marina Yacht Harbor**

<b>Position</b>	<b>Title</b>	<b>Shifts</b>						
		<i>Monday</i>	<i>Tuesday</i>	<i>Wednesday</i>	<i>Thursday</i>	<i>Friday</i>	<i>Saturday</i>	<i>Sunday</i>
0922	Marina Manager	7:30 am - 4:00 pm	7:30 am - 4:00 pm	7:30 am - 4:00 pm	7:30 am - 4:00 pm	7:30 am - 4:00 pm		
3233	Acting Marina Manager	8:00 am - 4:30 pm	8:00 am - 4:30 pm	8:00 am - 4:30 pm	8:00 am - 4:30 pm	8:00 am - 4:30 pm		
2708	Custodian	5:00 am - 1:30 pm	5:00 am - 1:30 pm	5:00 am - 1:30 pm			5:00 am - 1:30 pm	5:00 am - 1:30 pm
3232	Marina Assistant Manager						8:00 am - 4:30 pm	8:00 am - 4:30 pm
3232	Marina Assistant Manager	7:30 am - 4:00 pm	7:30 am - 4:00 pm	7:30 am - 4:00 pm	7:30 am - 4:00 pm	7:30 am - 4:00 pm		
1820	Jr. Admin. Analyst	8:00 am - 4:30 pm	8:00 am - 4:30 pm	8:00 am - 4:30 pm	8:00 am - 4:30 pm	8:00 am - 4:30 pm		
3232	Marina Assistant Manager	7:30 am - 4:00 pm	7:30 am - 4:00 pm	7:30 am - 4:00 pm	7:30 am - 4:00 pm			
3232	Marina Assistant Manager	4:00 pm - 12:00 am	4:00 pm - 12:00 am	4:00 pm - 12:00 am	4:00 pm - 12:00 am	4:00 pm - 12:00 am		
3232 TEMP	Marina Assistant Manager						4:00 pm - 12:00 am	4:00 pm - 12:00 am
3232	Marina Assistant Manager	7:30 am - 4:00 pm	7:30 am - 4:00 pm	7:30 am - 4:00 pm	7:30 am - 4:00 pm	7:30 am - 4:00 pm		
3232	Marina Assistant Manager						4:00 pm - 12:00 am	4:00 pm - 12:00 am
3232	Marina Assistant Manager				7:30 am - 4:00 pm	7:30 am - 4:00 pm		
3232	Marina Assistant Manager	7:30 am - 4:00 pm	7:30 am - 4:00 pm	7:30 am - 4:00 pm	7:30 am - 4:00 pm	7:30 am - 4:00 pm		

Source: Marina Yacht Harbor Acting Harbormaster

**Allocation of Gardeners to the Fund**

Although the Marina Yacht Harbor budget contains two full-time gardener positions, these positions are supervised by the Department's Neighborhood Services Division and do not work full time on the Harbor. These gardener positions are charged to the Neighborhood Services Division rather than the Marina Yacht Harbor Fund.

The gardeners, who are managed by the Neighborhood Services Manager for the Marina Complex,<sup>1</sup> have work schedules that are cumulatively 1.7 full time equivalent positions, not 2.0 full time equivalent positions. The Budget Analyst was unable to verify actual work hours spent on the Harbor, because work schedules and timesheets do not reflect actual hours worked on the Marina Yacht Harbor and employees are not required to report time by project, or area (such as the Harbor) and simply report the cumulative number of hours worked.

Although the Neighborhood Services Manager could not quantify the hours worked on the Harbor by the employees, he estimated their true work effort on the Harbor to be less than that reported on the work schedule, because they have been managed as a part of a collective pool of gardeners that work in the Marina Complex.

## **Lack of Inventory Management**

The Marina Yacht Harbor maintains supplies in their storeroom but does not maintain an inventory of the materials and supplies stored at the Harbor; they cannot account for levels of inventory or shrinkage. The Marina Yacht Harbor tracks materials and supplies purchases against the budget. Although the Marina Yacht Harbor does not have formal inventory policies and procedures, the Harbormaster states that the Harbor looks at the reasonableness of existing inventory before purchasing new inventory.

Although the Marina Yacht Harbor's policies require that all purchases are approved by the Harbormaster, according to the Harbormaster, in at least one instance in FY 2005-2006 the Structural Maintenance Division staff purchased surplus lumber not needed for Harbor projects and charged the purchase to the Marina Yacht Harbor budget. The surplus lumber continues to sit in the Harbor's warehouse.

The Marina Yacht Harbor and Structural Maintenance Division do not have procedures to track the Structural Maintenance Division's use of materials on Harbor projects. Materials for the Marina Yacht Harbor's facilities maintenance projects performed by the Department's Structural Maintenance Division are purchased from the Harbor's materials and supplies budget as well as the Harbor's facilities maintenance budget and are recorded in FAMIS. The materials and supplies are not recorded in the Department's maintenance management system, Total Managed Assets, that tracks work orders between the Structural Maintenance Division and the Marina Yacht Harbor.

## **Decentralized Management of Facilities Maintenance Projects**

The Structural Maintenance Division's shops that completed work for the Harbor in FY 2005-2006 and FY 2006-2007 included the Carpentry, Iron, Heavy Equipment,

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<sup>1</sup> The Marina Complex includes the following parks: Alice Marble Park, Alta Plaza Park, Allyne Park, Broadway West, Cowlhollow Park, Faye Park, Julius Kahn Park, Lafayette Park, Marina Green East, Marina Green West, Marina Green Central, Marina Library, Moscone Park, and Palace of Fine Arts.

Plumbing, and Electrical shops. The shops have a different log book tracking system from the Total Managed Assets system to track labor performed on work orders.

In theory, the Total Managed Assets system should have supplanted preceding work management systems when implemented in FY 2005-2006. However, as the managers have maintained preexisting logbooks, the Total Managed Assets system has become an adapted logbook that tracks hours worked per work order instead of only tracking total hours worked. Managers enter totals of hours worked upon job completion, supported by the logbook entries, which differ in the amount of detail of description offered per work order. Including the timesheets, managers keep a minimum of three systems, two completely manual, for the purpose of tracking employee's work effort. Table 2.3 lists a systems inventory of the structural maintenance function.

**Table 2.3**

**Systems Inventory of the Structural Maintenance Function**

Source	System	Function
All Employees	Manual (handwritten)	Timesheet records
Administration	TESS	Payroll processing
Administration	Excel Report	Marina-specific TMA
Structural Maintenance	Total Managed Assets (TMA)	WO processing
Structural Maintenance	Manual (Logbook)	Carpentry
Structural Maintenance	Manual (printed out TMA work)	Heavy Equipment
Structural Maintenance	Manual (Logbook)	Plumbing
Structural Maintenance	Manual (Logbook)	Electrical

**Lack of Controls in the Work Order System**

The following are findings from the random selection of 60 work orders in FY 2005-2006 and FY 2006-2007 (30 per year) of work completed by the Structural Maintenance Division at the Harbor, validating entries in logbooks, the Total Managed Assets system, and timesheets; and in-depth interviews.

Work Orders Are Issued Without Estimates

Structural Maintenance does not have a policy of issuing time estimates with work orders. Although a few of the work orders in the sample included estimates, they were not entered into the Total Managed Assets system by managers. Rather, these estimates were entered by implementation consultants during the Total Managed Assets system implementation process; they apply to some work orders automatically, and thus are not meaningful estimates. Issuing time estimates with work orders are a common and best business practice in the industry. By not issuing estimates, Structural Maintenance Division and Marina Yacht Harbor managers have no measure of whether specific

maintenance projects are completed timely and efficiently. Consequently, managers have no effective tool to manage project expenditures.

#### Work Orders Can Be, Issued, Approved, and Completed by Same Entity

Although the majority of work orders for the Harbor are issued by the Harbormaster, Structural Maintenance Division shop managers can also issue their own work orders for Marina Yacht Harbor projects. Three work orders, or five percent of the sample, were work orders that were issued by shop managers completing the same work order. Unlike purchase orders, work orders are not required to have approval from the Harbormaster to be completed. While an emergency may require decisive action in the absence of the Harbormaster, everyday maintenance jobs do not, and this adds to the unaccountability of the system.

#### **Labor Charges to the Fund are not linked with the Work Order System**

Ideally, the Total Managed Assets system work orders should have been verified by managers' logs and correctly entered onto timesheets. However, this was found to be the case in only two of the 60 sampled work orders. In practice, the accuracy of the system is compromised by the manual entry of logbook entries, tallied totals in the Total Managed Assets system, and manual entry on timesheets. Because the Division must manually enter labor hours into the City's payroll system, labor hours are not always charged to the correct index code.

Some work order totals were not entered onto timesheets. The Budget Analyst verified 72 hours of work entered into the Total Managed Assets system that were not charged to the Fund. The Budget Analyst also observed apparent undercharges of 288 and overcharges of 771 hours; however, these apparent discrepancies cannot be verified because timesheets only reflect total work hours by fund, and may or may not have included work on other work orders charged to the same fund.

### **Conclusions**

The Recreation and Park Department needs to strengthen management tools to track expenditures between the Marina Yacht Harbor and other divisions within the Department.

Currently, the Marina Yacht Harbor budget contains two gardener positions that are under the management of and charged to the Neighborhood Services Division. The gardeners' work schedules and timesheets do not reflect actual hours worked on the Marina Yacht Harbor and employees are not required to report time by project, or area (such as the Harbor) and simply report the cumulative number of hours worked.

Although the Department's Structural Maintenance Division performs facilities maintenance projects for the Marina Yacht Harbor, neither the Structural Maintenance

Division nor the Marina Yacht Harbor have sufficient procedures to ensure adequate management oversight. The Marina Yacht Harbor does not track its materials inventory and neither the Harbor nor the Structural Maintenance Division track the use of materials on projects. Also, the Structural Maintenance Division does not provide work estimates for facilities maintenance projects, and the Harbor and the Structural Maintenance Division lack procedures to ensure that facilities maintenance projects are completed cost-effectively.

## **Recommendations**

The Recreation and Park Department Director of Finance and Administration should:

- 2.1 Transfer 2.0 FTE 3417 Gardeners, currently included in the Marina Yacht Harbor budget, to the Neighborhood Services Division budget.
- 2.2 In conjunction with the Director of Neighborhood Services and Director of Citywide Services, develop procedures to (a) identify actual allocation of gardener time to the Marina Yacht Harbor and to Neighborhood Services, and (b) charge gardener time appropriately to the Marina Yacht Harbor Fund.

The Recreation and Park Department Director of Operations should:

- 2.3 Direct the Structural Maintenance Manager to:
  - (a) Disallow shop managers from keeping subsidiary work order ledgers, instead keeping all records within the Total Managed Assets system to eliminate redundant systems;
  - (b) Issue estimates with work orders for budget control purposes;
  - (c) Disallow managers to issue work orders without the Harbormaster's approval, except in the case of emergencies. For emergencies, the Harbormaster's approval must be sought within 24 hours;
  - (d) Reconcile work order totals with timesheets and audit timesheet records every month to verify correct reconciliation of labor charges.

The Harbormaster should:

- 2.4 Develop formal written policies and procedures to manage Marina Yacht Harbor materials and supplies, including routine inventory of the Harbor store room materials and supplies.

## **Costs and Benefits**

The Recreation and Park Department should be able to implement these recommendations within its existing operations.

By transferring the two gardener positions from the Marina Yacht Harbor to the Neighborhood Services Division, the Marina Yacht Harbor's allocation of budgeted positions would be reduced for purposes of distributing the Department's administrative overhead. Based on FY 2007-2008 allocation of costs, the Marina Yacht Harbor's overhead allocation would be reduced by \$49,152, or 17 percent, from \$291,469 to \$242,318.

Also, by developing procedures to identify actual allocation of gardener time to the Marina Yacht Harbor and to Neighborhood Services, and charge gardener time appropriately to the Marina Yacht Harbor Fund, costs for gardener time working on Marina Yacht Harbor projects would be paid by the Marina Yacht Harbor Fund rather than by the General Fund. For example, if gardener time allocated to Marina Yacht Harbor projects equaled approximately 1.0 full time position in FY 2007-2008, estimated gardener salary and benefit costs of approximately \$75,374, plus additional administrative costs, would be transferred from the General Fund to the Marina Yacht Harbor Fund.

Improved budgetary controls and management practices in overseeing maintenance work orders and inventory to ensure more cost-effective maintenance and materials management.

### **3. The Marina Yacht Harbor Fund Overhead Allocation**

- **The Recreation and Park Department allocates overhead costs to the Marina Yacht Harbor Fund through overhead rates charged by the Department's Structural Maintenance and Capital Divisions to Marina Yacht Harbor Fund projects. The Department also allocates a percentage of the Department's administrative costs to the Marina Yacht Harbor Fund in each year's budget.**
- **The Budget Analyst's 2006 Recreation and Park Department management audit found that the Recreation and Park Department was not adjusting for the difference between administrative expenditure recoveries from the Department's divisions and funds, and actual administrative expenditures. The Recreation and Park Department began adjusting for differences in paid time off recoveries and expenses, included in the Structural Maintenance and Capital Divisions' overhead rates, in FY 2006-2007, but has not adjusted for the difference in expenditure recoveries and actual expenditures for department-wide administrative expenditures allocated to each of the Department's divisions or funds. As a result, the Department has over-recovered approximately \$1.1 million in administrative expenditures. According to the Department, the proposed FY 2008-2009 budget will adjust for the prior years' over-recoveries for administrative expenditures.**
- **The Recreation and Park Department allocates electricity charges through the cost allocation plan. However, the cost allocation plan, which allocates costs based on the number of budgeted positions in each of the Department's divisions or funds, is not an accurate measure of electricity use. Further, from FY 2003-2004 through FY 2005-2006, the Recreation and Park Department allocated electricity and waste disposal costs to the Marina Yacht Harbor through the cost allocation plan as well as directly charging these costs to the Marina Yacht Harbor. Consequently, the Marina Yacht Harbor overpaid by \$49,207 for these costs during those years. In FY 2006-2007 and FY 2007-2008, the Recreation and Park Department has allocated electricity costs through the cost allocation plan rather than charging for electricity based on actual use. The Department has undercharged the Marina Yacht Harbor for electricity use in FY 2006-2007 by \$106,792, resulting in total net undercharges of \$57,585 from FY 2003-2004 through FY 2006-2007.**

## **The Recreation and Park Department's Cost Allocation Plan**

In FY 2002-2003 the Recreation and Park Department recast its operating budget to better align costs to programs, and developed a cost allocation plan to (a) allocate department-wide and division administrative costs to funding sources and programs within the Department, and (b) set overhead rates for Department employees who charge to capital and facilities maintenance projects. The goal of the cost allocation plan is to:

- Appropriately charge all programs for services and administrative support received.
- Understand the true cost of programs and services provided by the Department.
- Meet federal, state and city regulations.

The Recreation and Park Department first implemented the cost allocation plan in FY 2003-2004. Under the plan, department-wide administrative costs are allocated to the Department's programs, funded by the General Fund, the Golf Fund, the Open Space Fund, and the Marina Yacht Harbor Fund. These costs are allocated to each program or fund based on the ratio of full time positions in each program's or fund's budget to the total number of full time positions in the Department's budget.

Additionally, the Capital and Structural Maintenance Divisions apply overhead rates to the hourly wage rates (or direct labor) charged by the Divisions' employees to capital and facilities maintenance projects. These overhead rates are calculated as a percentage of the hourly wage rates and account for administrative costs as well as the costs of mandatory fringe benefits and paid time off.

## **Prior Audit Recommendations**

In the Budget Analyst's January 2006 Recreation and Park Department management audit report, the Budget Analyst recommended that the Department:

- Evaluate its methodology for determining the Capital Division's indirect and direct costs when setting overhead rates and identify all costs that should be charged directly.
- Review the Department's methodology for calculating and applying the annual carry forward adjustments when calculating the overhead allocation in the annual budget, to ensure that the special revenue funds and department programs are charged overhead costs correctly and comply with federal, state, and local regulations where applicable.

The Recreation and Park Department's General Manager, in his written response to the report, agreed to implement these two recommendations.



### Capital Division's Overhead Rates

In the two years since the management audit report, the Capital Division's overhead rates applied to capital projects have reduced from 245.6 percent of direct labor charges to 204.6 percent of direct labor charges, a reduction of 50 percentage points or approximately 20 percent.

**Table 3.1**

### The Capital and Structural Maintenance Division's Overhead Rates Applied to Direct Labor Charges to Capital and Facilities Maintenance Projects

**FY 2003-2004 through FY 2007-2008**

	FY 2003-2004	FY 2004-2005	FY 2005-2006	FY 2006-2007	FY 2007-2008	Percentage Point Increase/ (Decrease) in Overhead Rates FY 2005-2006 to FY 2007-2008	Percent Increase/ (Decrease) in Overhead Rates from FY 2005-2006 to FY 2007-2008
Capital Division Overhead Rates	146.0%	198.0%	254.6%	227.1%	204.6%	(50.0)	(20%)
Structural Maintenance Overhead Rates	84.2%	94.0%	111.7%	107.1%	98.8%	(12.9)	(12%)

Source: Recreation and Park Department Cost Allocation Plan

However, the Recreation and Park Department Capital Division's rates exceed the Department of Public Work's rates for capital projects by 52 points. In FY 2007-2008, the Department of Public Works applied an overhead rate of 152.5 percent to direct labor charges to capital projects compared to the Recreation and Park Department's rate of 204.6 percent. The Capital Division continues to have high overhead rates because a large number of staff are administrative rather than project staff. In FY 2007-2008, nine of 24 positions, or 37.5 percent, are administrative positions charged to overhead.

### Carry Forward Adjustments

Each year's cost allocation plan is based on budgeted administrative expenditures. The cost allocation plan allocates the Administrative Services Division's budgeted expenditures to each of the department's divisions and funds, as shown in Table 3.2 below.

Additionally, the cost allocation plan calculates the overhead rates charged by the Capital Division's and the Structural Maintenance Division's to Department projects. These overhead rates are calculated as a percentage of employees' hourly wages (or direct labor charges), and includes both administrative expenditures and mandatory fringe benefits, including paid time off.

The Department's administrative expenditures are recovered from each division's budget or from overhead rates applied to direct labor charges to projects.

The Department's actual expenditure recoveries can either exceed or be less than the budgeted recoveries. In FY 2006-2007, the Recreation and Park Department began adjusting for the difference in recoveries and expenses for paid time off, and applying the adjustment to the Department's overhead rates. The Department has not adjusted for the difference in budgeted and actual administrative expenditure recoveries allocated to each division's budget.

Adjustments to the Department's Administrative Expenditures Allocated in Each Division's Budget

The Recreation and Park Department allocates the Administrative Services Division's budgeted expenditures to each of the Department's divisions and funds in the annual budget, as shown in Table 3.2 below. The Department's budgeted administrative expenditures have increased by an average rate of 10.2 percent per year. The percentage of administrative expenditures allocated to each of the Department's divisions and funds varies each year, based on the relative number of each division's or fund's budgeted positions. The Marina Yacht Harbor's share of administrative expenditures has increased by an average rate of 13.7 percent year, the highest rate of increase among the department's divisions. This increase has resulted largely from the increase in the Marina Yacht Harbor's budgeted positions, from 9.65 full time equivalent positions in FY 2006-2007 to 11.85 full time equivalent positions in FY 2007-2008.

**Table 3.2**

**The Recreation and Park Department's Budgeted Administrative Expenditures Allocated to Each Department Division and Fund through the Annual Cost Allocation Plan**

**FY 2003-2004 through FY 2007-2008**

	<b>FY 2003-2004</b>	<b>FY 2004-2005</b>	<b>FY 2005-2006</b>	<b>FY 2006-2007</b>	<b>FY 2007-2008</b>	<b>Percent Increase/ (Decrease) Per Year</b>
Administrative Services Division Budget	\$15,348,605	\$16,575,538	\$17,938,385	\$21,064,715	\$22,590,827	10.2%
<b>Overhead Allocation to Each Division</b>						
Capital	492,870	581,594	635,614	598,329	593,499	5.2%
Structural Maintenance	2,034,579	2,164,001	2,415,606	2,847,410	2,955,210	9.9%
Urban Forestry	530,458	607,648	619,153	685,053	732,351	8.5%
Natural Areas	209,526	233,310	268,809	319,293	320,957	11.5%
Other Work Order Services	225,980	171,789	261,837	277,886	262,958	7.3%
General Fund	7,794,589	8,644,743	8,913,706	10,704,589	11,975,665	11.5%
Open Space Fund	2,894,723	2,988,319	3,510,791	4,095,597	4,226,011	10.1%
Golf Fund	884,298	887,688	971,239	1,155,941	1,211,575	8.4%
Gift Fund	103,405	115,142	132,662	157,576	20,889	(10.3%)
Marina Yacht Harbor Fund	177,977	181,304	208,966	222,447	291,712	13.7%
<b>Total</b>	<b>\$15,348,405</b>	<b>\$16,575,538</b>	<b>\$17,938,383</b>	<b>\$21,064,121</b>	<b>\$22,590,827</b>	<b>10.2%</b>

Source: Recreation and Park Department's Annual Cost Allocation Plan

Between FY 2003-2004 and FY 2006-2007, the Administrative Services Division's actual administrative expenditures were generally less than expenditure recoveries from the Department's divisions and funds. Because the Department has not adjusted for the difference between actual expenditures and expenditure recoveries, the Department has recovered \$1,149,767 in excess of the Administrative Services Division's actual expenditures over a four-year period, as shown in Table 3.3 below.

**Table 3.3**

**Cumulative Surplus in the Administrative Services Division's Expenditure Recoveries Compared to Actual Expenditures**

**FY 2003-2004 to FY 2006-2007**

	<b>FY 2003-2004</b>	<b>Cumulative Surplus/ (Deficit) as of FY 2004-2005</b>	<b>Cumulative Surplus/ (Deficit) as of FY 2005-2006</b>	<b>Cumulative Surplus/ (Deficit) as of FY 2006-2007</b>
Administrative Services Division	\$769,500	\$1,052,959	\$703,272	\$1,149,767

Source: Recreation and Park Department

According to the Recreation and Park Department Director of Administrative Services, the Department will adjust the administrative expenditure allocation to the Departments' divisions and funds in the FY 2008-2009 budget to account for the cumulative surplus. The Recreation and Park Department needs to adjust for the difference between expenditure recoveries and actual administrative expenditures during the course of the year to ensure that the Department does not over- or under-recover for the Administrative Services Division's costs.

Further, in FY 2007-2008 the Structural Maintenance Division has a cumulative surplus and the Capital Division has a cumulative deficit in expenditure recoveries for administrative costs, as shown in Table 3.4.

**Table 3.4**

**Cumulative Surplus/ (Deficit) in the Structural Maintenance and Capital Division's Expenditure Recoveries for Compared to Actual Expenditures for Administrative Costs**

**FY 2003-2004 to FY 2006-2007**

	<b>FY 2003-2004</b>	<b>Cumulative Surplus/ (Deficit) as of FY 2004-2005</b>	<b>Cumulative Surplus/ (Deficit) as of FY 2005-2006</b>	<b>Cumulative Surplus/ (Deficit) as of FY 2006-2007</b>
Structural Maintenance Division	\$62,322	\$81,689	\$263,286	\$524,057
Capital Division	(32,611)	(323,168)	(43,698)	(100,829)
Total	\$29,711	(\$241,479)	\$219,588	\$423,228

Source: Recreation and Park Department

The Recreation and Park Department needs to adjust the overhead rates charged to Department projects by the Structural Maintenance and Capital Divisions during the course of the year to ensure that each division does not over- or under-recover for the division's costs from each of the Department's divisions and funds.

### **Directly Charging Electricity Costs to Each Division**

The Recreation and Park Department allocates electricity charges through the cost allocation plan. However, the cost allocation plan, which allocates costs based on the number of budgeted positions in each of the Department's divisions or funds, is not an accurate measure of electricity use.

Further, from FY 2003-2004 through FY 2005-2006, the Recreation and Park Department allocated electricity and waste disposal costs to the Marina Yacht Harbor through the cost allocation plan as well as directly charging these costs to the Marina Yacht Harbor. Consequently, the Marina Yacht Harbor overpaid by \$49,207 for these costs during those years. In FY 2006-2007 and FY 2007-2008, the Recreation and Park Department has allocated electricity costs through the cost allocation plan. As shown in Table 3.5, the Department has undercharged for the Marina Yacht Harbor for electricity use in FY 2006-2007.

**Table 3.5****Electricity and Waste Disposal Direct Charges to the Marina Yacht Harbor and Allocated Charges through the Cost Allocation Plan****FY 2003-2004 through FY 2006-2007**

	<b>FY 2003-2004</b>	<b>FY 2004-2005</b>	<b>FY 2005-2006</b>	<b>Total FY 2003-2004 through FY 2005-2006</b>	<b>FY 2006-2007</b>
<b>Marina Yacht Harbor Direct Charges</b>					
Electricity	\$147,063	\$131,714	\$134,238	\$413,015	\$0
Waste Disposal	78,723	78,723	80,077	237,523	0
<b>Total</b>	<b>225,786</b>	<b>210,437</b>	<b>214,315</b>	<b>650,538</b>	<b>0</b>
<b>Cost Allocation Plan Total Charges</b>					
Electricity	1,156,666	1,061,548	1,464,518	-	2,306,155
Waste Disposal	206,872	206,872	213,078	-	0
<b>Total</b>	<b>1,363,538</b>	<b>1,268,420</b>	<b>1,677,596</b>	<b>-</b>	<b>2,306,155</b>
Marina Yacht Harbor Percent Allocation from Cost Allocation Plan	1.16%	1.09%	1.16%	-	1.06%
<b>Estimated Charges Allocated to the Marina Yacht Harbor through Cost Allocation Plan (Percent Allocation times Total Charges)</b>					
Electricity	13,412	11,594	17,060	42,067	24,354
Waste Disposal	2,399	2,259	2,482	7,140	0
Estimated Overcharge FY 2003-2004 through FY 2005-2006	15,811	13,854	19,543	49,207	
Actual Electricity Consumption FY 2006-2007					131,146
Less, Allocated Electricity Charges FY 2006-2007					24,354
Electricity Undercharge FY 2006-2007					106,792
Electricity Undercharge FY 2006-2007					106,792
Electricity and Waste Disposal Overcharge FY 2003-2004 to FY 2005-2006					49,207
<b>Estimated Total Undercharge to the Marina Yacht Harbor</b>					<b>\$57,585</b>

Source: Recreation and Park Department Administrative Services Division

The Marina Yacht Harbor incurs higher electricity charges than allocated through the cost allocation plan because most of the electricity use is generated by the Marina tenants. Consequently, as shown in Table 3.5, the Marina Yacht Harbor consumed \$131,146 in electricity in FY 2006-2007 but was charged \$24,354 for electricity through the cost allocation plan, resulting in \$106,792 in undercharges in FY 2006-2007.

Because the Recreation and Park Department's facilities, including the Marina Yacht Harbor, are metered for electricity, the Department can measure each facility's electricity use. Because the cost allocation plan does not accurately allocate electricity and other utility charges based on actual use, the Recreation and Park Department needs to evaluate electricity and utility use department-wide and develop a method to charge directly for utility use rather than allocate utility charges through the cost allocation plan. Although many of the Department's facilities are funded through a single funding source, such as the Marina Yacht Harbor Fund or the Golf Fund, some Department facilities' programs are supported by more than one funding source, such as the General Fund and the Open Space fund.

## **Conclusion**

The Recreation and Park Department needs to adjust for differences between expenditure recoveries and actual administrative expenditures during the fiscal year to minimize over- and under-recoveries. Because the Department has not adjusted differences between the Administrative Services Division's expenditure recoveries compared to actual expenditures that are allocated in the Department's division and fund budgets, the Department has recovered \$1.1 million more than actual expenditures over a four-year period. The Department also needs to adjust the overhead rates charged to Department projects by the Structural Maintenance and Capital Divisions during the course of the year to ensure that each division does not over- or under-recover for the division's costs from each of the Department's divisions and funds.

The Recreation and Park Department also should evaluate the department facilities' utility use and develop methods to charge each division or fund directly for utility use. Currently, the Department allocates electricity charges through the cost allocation plan, based upon the number of budgeted positions in each division or fund. Budgeted positions, however, do not accurately reflect utility use.

## **Recommendations**

The Director of Administrative Services should:

- 3.1 Adjust for the difference between expenditure recoveries and actual administrative expenditures during the course of the year to ensure that the Department does not over- or under-recover for the Administrative Services Division's costs.
- 3.2 Adjust the overhead rates charged to Department projects by the Structural Maintenance and Capital Divisions during the course of the year to ensure that each division does not over- or under-recover for the division's costs from each of the Department's divisions and funds.
- 3.3 Evaluate electricity and utility use department-wide and develop a method to charge directly for utility use rather than allocate utility charges through the cost allocation plan.

## **Costs and Benefits**

Implementation of these recommendations would more accurately allocate administrative costs to each division. Regular adjustments to expenditure recoveries would correct the existing \$1.1 million surplus in recoveries. Directly charging for electricity and utility use would result in the Marina Yacht Harbor paying its actual share of electricity, reversing the current \$57,585 in undercharges.



## **4. Facilities Maintenance and Capital Improvement Project Funding**

- **The Board of Supervisors appropriates Marina Yacht Harbor funds for annual facilities maintenance projects, but the Recreation and Park Department does not fully allocate these funds to these projects. Rather, the Department re-allocates funds appropriated for annual facilities maintenance projects to capital improvement projects, which are multi-year or continuing projects.**
- **Also, the Recreation and Park Department does not return unexpended funds appropriated for and allocated to annual facilities maintenance projects to the Marina Yacht Harbor Fund balance at the end of the fiscal year, but rather, carries forward these unexpended funds into the next fiscal year, which is inconsistent with the City's budgeting practices.**
- **The Department's practices result in both understatement and overstatement of the Marina Yacht Harbor's annual facilities maintenance budget in a fiscal year, removing budgetary controls that require the Department to contain spending within the fiscal year's budget.**
- **In FY 2006-2007, the Recreation and Park Department began budgeting the Marina Yacht Harbor capital improvement projects separately from facilities maintenance projects, but has continued to include capital improvement projects in the Annual Appropriation Ordinance as annual rather than continuing projects. However, the Department carries forward unexpended annual capital project funds into the next fiscal year. The Department needs to define which projects are annual projects and which projects are continuing projects to ensure accurate budgeting.**
- **The Department needs to review inactive projects and project balances to identify unexpended funds that can be re-allocated to active projects or returned to fund balance.**

### **Capital Improvement and Facilities Maintenance Project Funding**

The Marina Yacht Harbor funds its facilities maintenance and capital improvement projects from the Marina Yacht Harbor Fund. Facilities maintenance projects include routine annual maintenance of the Marina Yacht Harbor's facilities. Capital improvement projects include environmental studies and renovations to the Marina Yacht Harbor facilities that continue from year to year. Dredging and sand mining can be included in annual facilities maintenance projects or in continuing capital improvement projects.

## Facilities Maintenance Project Appropriations

From FY 2002-2003 through FY 2006-2007, the Board of Supervisors appropriated Marina Yacht Harbor funds for facilities maintenance projects, but the Recreation and Park Department did not fully allocate these funds to these projects, as shown in Table 4.1. Facilities maintenance projects are annual projects, and unexpended funds at the end of the fiscal year are to be returned to the fund balance.

However, from FY 2002-2003 through FY 2006-2007, the Department transferred funds appropriated for annual facilities maintenance projects to capital improvement projects, which are multi-year or continuing projects.

**Table 4.1**

### Funds Appropriated for and Allocated to Marina Yacht Harbor Facilities Maintenance Projects

**FY 2002-2003 through FY 2006-2007**

	FY 2002-2003	FY 2003-2004	FY 2004-2005	FY 2005-2006	FY 2006-2007
Facilities Maintenance Project Appropriation (Project Code FPYRM)	\$550,000	\$550,000	\$330,000	\$330,600	\$330,600
Facilities Maintenance Project Actual Allocation	200,000	278,569	187,000	311,950	353,226
Facilities Maintenance Project Appropriation Not <u>Allocated</u> to Facilities Maintenance Projects	\$350,000	\$271,431	\$143,000	\$18,650	(\$22,626)

Source: Annual Appropriation Ordinance and FAMIS

Also, in FY 2002-2003 through FY 2006-2007, the Recreation and Park Department did not return unexpended funds appropriated for and allocated to facilities maintenance projects to the fund balance. Rather, the Department carried forward these unexpended funds into the next fiscal year. Table 4.2 shows the actual facilities maintenance allocation, expenditures, and unexpended balance in FY 2002-2003 through FY 2006-2007.

**Table 4.2**

**Actual Marina Yacht Harbor Facilities Maintenance Projects Allocation and Expenditures**

**FY 2002-2003 through FY 2006-2007**

	<b>FY 2002-2003</b>	<b>FY 2003-2004</b>	<b>FY 2004-2005</b>	<b>FY 2005-2006</b>	<b>FY 2006-2007</b>
Facilities Maintenance Project Actual Allocation	200,000	278,569	187,000	311,950	353,226
Actual Facilities Maintenance Expenditures	177,296	218,569	127,000	289,324	352,396
Unexpended Balance	22,704	60,000	60,000	22,626	831

Source: Annual Appropriation Ordinance and FAMIS

- In 2002-2003, the Recreation and Park Department transferred \$350,000, appropriated for but not allocated to facilities maintenance projects, to the Department of Public Works for Marina Yacht Harbor renovation projects.
- In FY 2003-2004, the Recreation and Park Department transferred \$280,135 to the Department of Public Works for Marina Yacht Harbor environmental studies and \$14,000 to Marina Yacht Harbor sand mining, totaling \$294,135. Of the \$294,135, \$271,431 were FY 2003-2004 funds appropriated for but not allocated to facilities maintenance projects and \$22,704 were unexpended FY 2002-2003 funds allocated to facilities maintenance projects.
- In FY 2004-2005, the Recreation and Park Department transferred \$203,000 to the Department of Public Works for Marina Yacht Harbor environmental studies. Of this \$203,000, \$143,000 were FY 2004-2005 funds appropriated for but not allocated to facilities maintenance projects and \$60,000 were unexpended FY 2003-2004 funds allocated to facilities maintenance projects.
- In FY 2005-2006, the Recreation and Park Department transferred \$18,650 appropriated for but not allocated to facilities maintenance projects to the Department of Public Works for Marina Yacht Harbor environmental studies. In June 2006, the Recreation and Park Department used \$60,000 in unexpended FY 2004-2005 funds allocated to facilities maintenance projects to pay for the deficit in FY 2005-2006 facilities maintenance projects.
- In FY 2006-2007, the Recreation and Park Department used \$22,626 in unexpended FY 2005-2006 funds allocated to facilities maintenance projects to pay for the deficit for FY 2006-2007 facilities maintenance projects.

After adjusting for the facilities maintenance project deficit, the Marina Yacht Harbor had an unexpended facilities maintenance project balance of \$5,289 as of June 30, 2007, according to FAMIS. The FY 2007-2008 facilities maintenance project budget included the new appropriation of 415,600 plus the FY 2006-2007 unexpended balance of \$5,289.

### **Budgeting and Tracking Facilities Maintenance and Capital Project Funds**

The Recreation and Park Department needs to clearly define the Marina Yacht Harbor's facilities maintenance projects, which are part of the annual operating budget, and capital improvement projects, which are part of the continuing capital budget. Prior to FY 2006-2007, the Department budgeted all Marina Yacht Harbor project funds as annual facilities maintenance projects, although, as discussed above, the Department transferred facilities maintenance project funds to capital improvement projects.

Also, the Recreation and Park Department needs to define which projects are annual projects and which projects are continuing projects. In FY 2006-2007, the Recreation and Park Department began budgeting the Marina Yacht Harbor capital improvement projects separately from facilities maintenance projects, but has continued to include capital improvement projects in the Annual Appropriation Ordinance as annual rather than continuing projects.

In the FY 2006-2007 Annual Appropriation Ordinance, the Department included \$135,984 for Marina Yacht Harbor renovation projects (Project Code CRPYRP). According to the City's financial system, FAMIS, the Department spent \$125,386 of the \$135,984 appropriation for Marina Yacht Harbor renovation projects, resulting in a \$10,598 unexpended balance as follows.

Dredging Contract	\$39,247
Renovation Projects	60,387
Controller's Audit	5,984
Marina Green Bay Trail	<u>19,768</u>
Total	\$125,386

In FY 2007-2008, the Recreation and Park Department requested an additional \$135,984 for Marina Yacht Harbor renovation projects. Additionally, the Department carried forward the \$10,598 unexpended balance, resulting in total FY 2007-2008 allocation to Marina Yacht Harbor renovation projects of \$146,582.

The Recreation and Park Department should either include these renovation projects in the Annual Appropriation Ordinance as continuing projects or return the unexpended renovation project balance to the Marina Yacht Harbor Fund at the end of the fiscal year.

## Closing Out Unexpended Project Balances

The Recreation and Park Department has not consistently tracked inactive Marina Yacht Harbor capital projects, and closed-out unexpended balances.

- One dredging project (Project Code CRP530-01) had an unexpended balance of \$13,872 and no expenditures from FY 2002-2003 through FY 2006-2007. According to FAMIS this amount of \$13,872 was finally spent on project permits in FY 2007-2008.

Project Code CRP530, of which the dredging project noted above is a subproject, was discontinued in FY 2001-2002 and replaced with Project Code CRPYHD for dredging and sand mining projects. However, according to FAMIS, as of February 2008, Project Code CRP530 continues to have an unexpended balance of \$25,782.

- One dredging project (Project Code CRPYDH-01) had an unexpended balance of \$120,839 and no expenditures from FY 2002-2003 through FY 2004-2005. According to FAMIS, this amount of \$120,839 was finally spent on dredging projects in FY 2005-2006.

The Department needs to review inactive projects and project balances to identify unexpended funds that can be re-allocated to active projects or returned to fund balance.

## Conclusion

The State Department of Boating and Waterways has approved a \$16.5 million loan to the Recreation and Park Department for renovation of the Marina Yacht Harbor's West Harbor. Prior to embarking on a major capital renovation project of the Marina Yacht Harbor, the Recreation and Park Department needs to develop facilities maintenance and capital project budgeting procedures that clearly define the Marina Yacht Harbor's facilities maintenance projects, which are part of the annual operating budget, and capital improvement projects, which are part of the continuing capital budget.

The Department should also define annual and continuing capital projects. Unexpended facilities maintenance and other annual project funds should be returned to the Marina Yacht Harbor Fund balance each year for re-appropriation. The Department should also review inactive Marina Yacht Harbor projects, and re-allocate any unexpended balances to active projects, if appropriate, or return the unexpended balance to the Marina Yacht Harbor Fund balance.

## **Recommendations**

The Recreation and Park Department General Manager should:

- 4.1 Develop facilities maintenance and capital project budgeting procedures that define the Marina Yacht Harbor's facilities maintenance projects and capital improvement projects.
- 4.2 Develop capital project budgeting procedures that define annual and continuing capital projects.
- 4.3 Return unexpended annual facilities maintenance and annual capital project balances to the Marina Yacht Harbor Fund at the end of the fiscal year.
- 4.4 Review inactive Marina Yacht Harbor projects, and re-allocate any unexpended balances to active projects, if appropriate, or return the unexpended balance to the Marina Yacht Harbor Fund balance.

## **Costs and Benefits**

These recommendations should be implemented within the Department's usual budgeting practices. Implementation of these recommendations would improve information on the available funds for facilities maintenance and capital improvement projects each fiscal year.

# **Recreation and Park Department's Written Response**

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**City and County of San Francisco  
Recreation and Park Department**

McLaren Lodge in Golden Gate Park

501 Stanyan Street, San Francisco, CA 94117

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March 7, 2008

Mr. Harvey Rose  
Board of Supervisors, Budget Analyst Office  
1390 Market St., Suite 1025  
San Francisco, CA 94102

Dear Mr. Rose:

This is the Recreation and Park Department's official response to your management audit of the Marina Yacht Harbor Fund concluded in March 2008. My staff and I have reviewed the findings and recommendations. This letter forwards the Department's specific responses to each recommendation in the attached document.

While this audit is principally focused on the management of the Marina Yacht Harbor Fund and not on the management of the Marina Yacht Harbor itself, I appreciate that the audit also provided a summary review of the 2000 Controller's Performance Audit of the Marina Yacht Harbor as harbor operations and management controls impact harbor revenues, costs, and other aspects of the Marina Yacht Harbor Fund. The Department is committed to continuous improvement of these aspects of harbor operation as indicated in our responses and the resultant benefit to the Harbor Fund.

I thank you for your analysis and recommendations, especially as the Marina Yacht Harbor is poised to commence a multi-million dollar renovation of the West Harbor.

Sincerely,

Yomi Agunbiade  
General Manager

cc: Katharine Petrucione  
Dennis Kern

YA:DKe:JH  
RoseH MarinaAudit 03.07.08.doc



Mayor Gavin Newsom  
General Manager Yomi Agunbiade



**Recommendation**

**Priority**

Priority 1: Priority 1 recommendations meet one the following criteria: (a) have budget impact, (b) address significant revenue or expenditure issues, or (c) can be implemented easily. The Recreation and Park Department General Manager should submit information on recommendation implementation to the Chair of the Government Audit and Oversight Committee within six months, or prior to September 30, 2008. The Budget Analyst will review the status of the implementation of these recommendations, as directed by the Government Audit and Oversight Committee. Some Priority 1 recommendations request the Department to report to the Board of Supervisors during the FY 2008-2009 budget review.

Priority 2: Priority 2 recommendations should (a) be completed, (b) have achieved significant progress, or (c) have a schedule for completion prior to December 31, 2008. The Recreation and Park Department General Manager should submit information on recommendation implementation to the Chair of the Government Audit and Oversight Committee prior to December 31, 2008. The Budget Analyst will review the status of the implementation of these recommendations, as directed by the Government Audit and Oversight Committee.

**1. Operating Revenues**

The Recreation and Park Department General Manager should:

1.1 Report to the Board of Supervisors during the FY 2008-2009 budget review on the status of the implementation of the Class system, including:

1

(a) Issuance of system-generated receipts for cash transactions,

**RPD Response: Agree.**

(b) Routine tracking and reporting of revenues.

**RPD Response: Agree.**

(c) Integration of Class with FAMIS, and

**RPD Response: Disagree.** While the accounting structure of Class currently corresponds to the structure of FAMIS, the department does not have the ability to integrate the two systems electronically. The

**Recommendation**

**Priority**

Controller's Office does not permit the integration of subsidiary ledgers with FAMIS by any city department.

- (d) Implementation of Automatic Clearing House functionality to facilitate receipt and deposition of berth payments at the Marina Yacht Harbor.

**RPD Response: Agree.** Department will implement either ACH or other electronic debit functionality within either Class or Marina Management system to facilitate easy payment and receipt of berth fees.

The Recreation and Park Department Director of Operations should:

- 1.2 Immediately implement the Marina Management System's cash register functionality. 1

**RPD Response: Agree.**

- 1.3 Instruct the Harbormaster to consistently implement a written policy requiring the Harbormaster's signature on the Daily Report of Cash Receipts, verifying (a) the accuracy of the count, (b) accuracy of the subtotals of payment type and transaction type, and (c) correct allocation to East or West Harbor. 1

**RPD Response: Agree.** This is the department's current practice. Department will formalize in a written policy.

- 1.4 Instruct the Harbormaster to ensure the accuracy of the application of the late fee to berth payments in the Marina Management system. 1

**RPD Response: Agree.**

- 1.5 Instruct the Harbormaster to ensure that the Marina Yacht Harbor staff have adequate training in Class and the Marina Management system. 2

**RPD Response: Agree.**

The Recreation and Park Department Director of Operations should:

- 1.6 Implement written Permit and Reservations Unit policies and procedures to standardize (a) allocation of Marina Green permit fees to the Marina Yacht Harbor Fund, and (b) filing of permit documents and reconciliation of permit receipts to the Daily Record of Cash Receipts. 2

**Recommendation**

**Priority**

**RPD Response: Agree.**

- 1.7 Instruct the Harbormaster to work with Information Systems staff and the Marina Management software vendor to (a) develop and generate routine delinquent balances due reports that track unpaid balances over time according to the Marina Yacht Harbor Rules and Regulations, and (b) develop a one-time 10 percent late fee that is automatically applied by the Marina Management system to permanent berth payments that are 15 days past due. 2

**RPD Response: Agree.** The department intends to revise the policy to apply late fees to payments that are 15 business days or 10 calendar days past due.

- 1.8 Implement collection procedures to ensure timely collection of delinquent balances for permanent berths. 1

**RPD Response: Agree.**

- 1.9 Revise the Marina Yacht Harbor rental agreements for permanent berths to assess a 10 percent penalty for berth rents that are 15 days past due consistent with the Marina Yacht Harbor Rules and Regulations. 1

**RPD Response: Agree.** Department will ensure that the rental agreements reflect the department's policy regarding past due payments.

The Recreation and Park Department Director of Property Management should:

- 1.10 Develop formal agreements with the Oceanic Society and the Farallon group for use of the pump-out dock (Gate 31) for loading and unloading. 1

**RPD Response: Agree.**

**Recommendation**

**Priority**

**2. Operating Expenditures**

The Recreation and Park Department Director of Finance and Administration should:

- 2.1 Transfer 2.0 FTE 3417 Gardeners, currently included in the Marina Yacht Harbor budget, to the Neighborhood Services Division budget. 1

**RPD Response: Disagree.** The department's 2006 gardener FTE assessment determined that the Marina requires 2.3 FTE to meet Proposition C park maintenance standards. Rather than moving the gardener positions from the Marina, the department proposes to hire 2.0 gardeners to be devoted to working exclusively in the Marina.

- 2.2 In conjunction with the Director of Neighborhood Services and Director of Citywide Services, develop procedures to (a) identify actual allocation of gardener time to the Marina Yacht Harbor and to Neighborhood Services, and (b) charge gardener time appropriately to the Marina Yacht Harbor Fund. 1

**RPD Response: Disagree.** See above explanation.

The Recreation and Park Department Director of Operations should:

- 2.3 Direct the Structural Maintenance Manager to:
- (a) Disallow shop managers from keeping subsidiary work order ledgers, instead keeping all records within the Total Managed Assets system to eliminate redundant systems; 2

**RPD Response: Disagree.** Structural Maintenance will necessarily have to continue to use subsidiary work order documentation in order to track progress in the field on assigned work orders. However, in the department's ongoing implementation of TMA, field progress on assigned work orders from subsidiary logs will be regularly entered into TMA to manage work order accomplishment.

- (b) Issue estimates with work orders for budget control purposes; 2

**RPD Response: Partly agree.** The Structural Maintenance staff will distinguish between work orders that involve basic, routine maintenance and work orders that lead to capital projects. In the case of a project, the staff will prepare an estimate for the work, as is the department's current practice.

<b>Recommendation</b>	<b>Priority</b>
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- |   |   |
|---|---|
| (c) Disallow managers to issue work orders without the Harbormaster's approval, except in the case of emergencies. For emergencies, the Harbormaster's approval must be sought within 24 hours; | 2 |
|---|---|

**RPD Response: Agree.** This is currently the department's practice for all work orders except those entered by the gardening supervisor overseeing the Marina. The department will include the gardening staff in this requirement.

- |  |   |
|--|---|
| (d) Reconcile work order totals with timesheets and audit timesheet records every month to verify correct reconciliation of labor charges. | 2 |
|--|---|

**RPD Response: Disagree.** TMA does not interface with the department's payroll database – TESS. Consequently, reconciliation and auditing would have to be done manually and the department does not have the staff resources to devote to such a manual process.

The Harbormaster should:

- |   |   |
|---|---|
| 2.4 Develop formal written policies and procedures to manage Marina Yacht Harbor materials and supplies, including routine inventory of the Harbor store room materials and supplies. | 1 |
|---|---|

**RPD Response: Agree.**

**Recommendation**

**Priority**

**3. The Marina Yacht Harbor Fund Overhead Allocation**

The Director of Finance and Administration should:

- 3.1 Adjust for the difference between expenditure recoveries and actual administrative expenditures during the course of the year to ensure that the Department does not over- or under-recover for the Administrative Services Division's costs. 2

**RPD Response: Disagree.** The department's cost allocation methodology makes adjustments to account for the difference between actual expenditures and actual recoveries two fiscal years after the expenditures and costs originally occurred. This calculation is further modified by carryforward adjustments calculated from four fiscal years prior. The department's methodology is accepted practice in administering a cost allocation plan. 2007 – 2008 represents the first year the department could have made such an adjustment – which has been done. As a practical matter, the city's accounting and finance management practices would not allow the department to make adjustments between over- and under-recoveries during the course of the fiscal year. The department does not receive final billings for work orders, the majority of the costs in the overhead fund, until three months into the new fiscal year. Finally, the department's overhead fund resides in a 1G annually appropriated fund, which further complicates adjustments of this nature.

- 3.2 Adjust the overhead rates charged to Department projects by the Structural Maintenance and Capital Divisions during the course of the year to ensure that each division does not over- or under-recover for the division's costs from each of the Department's divisions and funds. 2

**RPD Response: Disagree.** See explanation above.

- 3.3 Evaluate electricity and utility use department-wide and develop a method to charge directly for utility use rather than allocate utility charges through the cost allocation plan. 2

**RPD Response:** Department will evaluate this proposal. If practical and allowable under accepted cost allocation methodology, the department will implement in 2009 – 2010 budget.

<b>Recommendation</b>	<b>Priority</b>
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**4. Facilities Maintenance and Capital Improvement Project Funding**

The Recreation and Park Department General Manager should:

- |     |   |   |
|-----|---|---|
| 4.1 | Develop facilities maintenance and capital project budgeting procedures that define the Marina Yacht Harbor's facilities maintenance projects and capital improvement projects. | 2 |
|-----|---|---|

**RPD Response: Agree.**

- |     |  |   |
|-----|--|---|
| 4.2 | Develop capital project budgeting procedures that define annual and continuing capital projects. | 2 |
|-----|--|---|

**RPD Response: Agree.**

- |     |  |   |
|-----|--|---|
| 4.3 | Return unexpended annual facilities maintenance and annual capital project balances to the Marina Yacht Harbor Fund at the end of the fiscal year. | 2 |
|-----|--|---|

**RPD Response: Agree.**

- |     |   |   |
|-----|---|---|
| 4.4 | Review inactive Marina Yacht Harbor projects, and re-allocate any unexpended balances to active projects, if appropriate, or return the unexpended balance to the Marina Yacht Harbor Fund balance. | 2 |
|-----|---|---|

**RPD Response: Agree.**