



AUDIT DEPARTMENT

Audit Report

Parks and Recreation Classes and Programs Audit

September 2011

Angela M. Darragh, CPA, CISA, CFE
Acting Audit Director

Audit Committee:

Commissioner Steve Sisolak

Commissioner Chris Giunchgliani

Commissioner Lawrence Weekly



Audit Department

500 S Grand Central Pkwy Ste 5006 • PO Box 551120 • Las Vegas NV 89155-1120
(702) 455-3269 • Fax (702) 455-3893

Angela M. Darragh, CPA, CFE, CISA, Acting Director



September 16, 2011

Mr. Don Burnette
Clark County Manager
500 South Grand Central Parkway, 6th Floor
Las Vegas, Nevada 89106

Dear Mr. Burnette:

As provided by our annual audit plan, we have conducted an audit of the Parks and Recreations classes and programs processes. Our procedures considered transactions for the period July 1, 2008, through June 30, 2010. We examined and tested transactions, controls, and compliance for these periods.

The objectives of the audit were to determine whether:

- Potential classes and programs are properly assessed using cost/benefit analysis.
- Utilization numbers justify class or program selections.
- No-fee classes and the discount program are being evenly distributed between centers.
- Related discounts and non-sufficient fund transactions are reasonably recorded and monitored to ensure compliance with departmental guidelines.

Our examination revealed that internal control weaknesses exist in the discount program. We also found that there is no process for reconciling non-sufficient fund (NSF) check activity. In addition, there are concerns with the preparing of pre-activity forms (for classes being considered to be offered), and classes not meeting minimum enrollment requirements. Furthermore, we noted that class and instructor information is not being entered or stored in the Safari computer application on a consistent basis.

A draft report was provided to the Director of Parks and Recreation. The management response from Parks and Recreation is attached along with the final report. The assistance and cooperation of the Parks and Recreation staff are greatly appreciated.

Sincerely,

/s/ Angela M. Darragh

Angela M. Darragh, CPA
Acting Audit Director

TABLE OF CONTENTS

BACKGROUND	1
OBJECTIVES, SCOPE, AND METHODOLOGY	1
RESULTS IN BRIEF	2
DETAILED RESULTS	2
Internal Controls	2
Tamper Sealed Cash Receipt Envelopes Would Improve Security	2
Control Over Safe Need Improvement.....	3
Discount Program	3
No NSF Reconciliation	4
Discount Program Information.....	4
Pre-Activity Forms	5
Detail Testing	5
No-fee Program Distribution	5
Historical Class Coding.....	6
Minimum Enrollment and Cost Containment	7
Instructor Information on Safari	8
APPENDICES	9
Appendix A: Management Response Letter	9

BACKGROUND Clark County Parks and Recreation (Parks) provides recreation and leisure programs for the community. It accomplishes this through its various recreation, aquatic, community, and neighborhood centers. Classes range from sports classes and leagues, to art and music programs, from dance classes to dog obedience courses. Each facility is unique and offers programs and services tailored to its surrounding demographics.

Every recreation center has the responsibility and flexibility to create, develop, and offer the classes and programs it chooses. Class and program development occurs in several different ways. Customers at any of the centers may request that a certain class be offered. In addition, periodic assessments are conducted at facilities whereby customers are asked to fill out a questionnaire that provides demographic information. The questionnaire also solicits customer preferences and interests with respect to current and future Parks programming. In all cases, an assessment is made to determine the feasibility of offering a class. It considers facility expenditures, instructor fees, materials, supplies, and other costs. This information is useful in determining a minimum number of customers and a fee amount to charge in order for Parks and Recreation to break even. Class and Program information and transactions are recorded on RecWare (also known as Safari), Parks and Recreation's database.

**OBJECTIVES, SCOPE, AND
METHODOLOGY**

The objectives of our audit were to determine whether:

- Potential classes and programs are properly assessed using cost/benefit analysis.
- Utilization numbers justify class or program selections.
- No-fee classes and the discount program are being equitably distributed between centers.
- Related discounts and non-sufficient fund transactions are reasonably recorded and monitored to ensure compliance with departmental guidelines.

To accomplish our objectives, a preliminary survey was conducted that included a review of Nevada Revised Statutes (NRS), Clark County Code (CCC), and County Fiscal Directives. We interviewed personnel and performed a walk-through observation. We also examined transactions on a sample basis, and analyzed program data.

The scope of this engagement covers the period from July 1, 2008, through June 30, 2010. The last day of fieldwork was November 23, 2010.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

RESULTS IN BRIEF Overall, Parks and Recreation does have procedures in place to assess potential classes and programs. However, these pre-activity forms (which include utilization [minimum/maximum] enrollment numbers) are not completed on a consistent basis. Similarly, class and program selections were not consistently justified based on utilization numbers. While the discount program is offered equitably across the various centers, we determined that no-fee programs are predominantly higher in lower socio-economic demographics. Furthermore, we found that discounts and non-sufficient fund transactions are not being consistently tracked for departmental compliance.

Based on the work performed to accomplish our audit objectives, we encountered several items worth noting regarding the classes and programs processes at Parks and Recreation. Although we did not perform audit procedures over fee collection, in the course of obtaining a better understanding of the Classes and Programs operation, we encountered control issues surrounding this process. Specifically, we found that there are control issues over safes. We also noted control and information challenges surrounding the discount program. In addition, we found that class and instructor information is not being entered or stored in Safari on a consistent basis. Other matters regarding the classes and programs processes are discussed in detail below.

DETAILED RESULTS

Internal Controls

Tamper Sealed Cash Receipt Envelopes Would Improve Security At the end of each shift, Parks and Recreation staff performs closing procedures. These procedures include generating a cash receipts report from RecWare and reconciling this information to the cash received during the shift. One person performs the reconciliation and signs off on the report. Another person reviews the reconciliation and also signs the report. All the documentation and the cash received are placed in a regular envelope and stored in the safe. Given the material nature of what is stored in these envelopes, more secure resources should be considered.

Recommendation We recommend that Parks and Recreation invest and utilize tamper sealed envelopes to store cash receipts awaiting deposit procedures. This may help secure these cash receipts and deter theft and abuse activity.

Control Over Safe Need Improvement At the Desert Breeze Center, four full-time staff have access to the safe. The safe is used to store daily fee revenue until it is picked up by Loomis. Other centers (Cambridge and Desert Breeze Aquatics) also have multiple employees with access to the safe at their respective locations. In addition, safe combinations are not changed on a regular basis. These irregularities may compromise Parks and Recreation resources.

Access to the safe holding deposits should be limited to a minimum number of employees (the site Program Supervisor and his/her back-up). In addition, the policy covering controls over safes at each Parks and Recreation facility should be followed.

Recommendation We recommend that Parks and Recreation develop and implement a policy where no more than three employees at a center have access to the safe at that location. In addition, Parks Management should ensure that the departmental policy covering safe combinations are being applied.

Discount Program As previously stated, the discount program at Parks and Recreation allows eligible customers to enroll in classes and programs at a discounted rate. The plan year runs from November 1 of a given year through October 31 of the following year. At the end of a plan year, accounts set up during that year expire. Each individual must submit an application and be approved based on financial criteria in order to be eligible for a discount account. Accounts are limited to \$200 per plan year.

In reviewing discount program reports generated from Safari, we found the following:

- Two expired accounts that continued to be used.
- Five customers were set up with duplicate accounts awarding them more discounts than the policy allows.
- Approximately 15 accounts that were overdrawn.
- Five instances whereby customers were awarded discounted prices without a discount account being set up within RecWare.
- Seven customers were never awarded a discount account but were allowed to take part in the discount program.
- Two accounts that were set up with discount balances of \$2,000.

The discount program should encompass procedures that adequately mitigate control issues such as those previously mentioned.

Recommendation We recommend that Parks and Recreation review and amend current procedures over the discount program. These procedures should address mitigating controls over the expiration, duplication, over-usage, and unauthorized use of discount accounts. Each park site should ensure that discount applications are reviewed, processed, and retained (in accordance with the County Record Retention Policy). This may help control the over-subsidization of customers and may reduce additional costs borne by Parks and Recreation.

No NSF Reconciliation Per examination of the monthly Bank of America (BOA) bank statements, we noted returned checks on a monthly basis. Currently, there is no reconciliation being performed on this non-sufficient funds (NSF) check activity by Parks and Recreation. As a result, Parks might be continuing to allow non-paying patrons to enroll in additional classes, and customer accounts may potentially have inaccurate balances due to NSF fees.

Recommendation In order to better identify non-paying customers and improve collection efforts from these customers, we recommend that Parks and Recreation develop and implement NSF reconciliation procedures. The reconciliation should compare NSF activity between what is reflected on BOA's bank statement and information recorded on Safari and SAP.

Discount Program Information Parks and Recreation offers a discount program for customers meeting certain income requirements. Customers are required to fill out an application and provide proof of eligibility with another agency (i.e. Medicaid, Social Services, etc.) in order to obtain a discount subsidy. Each park facility is required to review and process the applications it receives. The application then goes through a second review and is then sent back to the originating site. Per examination of the discount information for the selections made during detailed testing, we noted that the application and supporting documentation for the two selections made at the Cambridge Center could not be located. However, both customers were allowed to use discounts for classes in which they enrolled.

Recommendation Discount applications should be reviewed, processed, and retained. In addition, no scholarship funds should be awarded to a customer until the application process is complete. When these instances occur, Parks and Recreation may be subsidizing program costs for customers who are not eligible for the discount program. We recommend that Parks and Recreation enforce the discount program

policies to ensure that discount applications are being processed appropriately, and maintained in accordance with document retention guidelines.

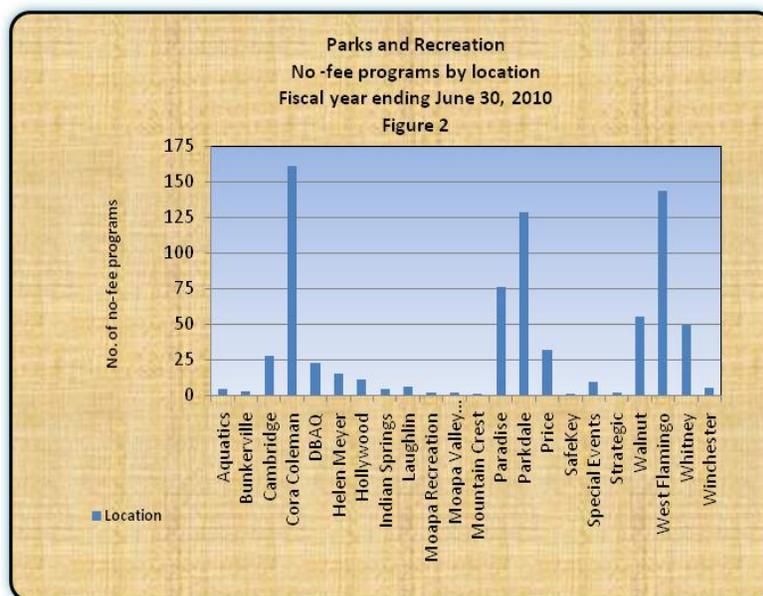
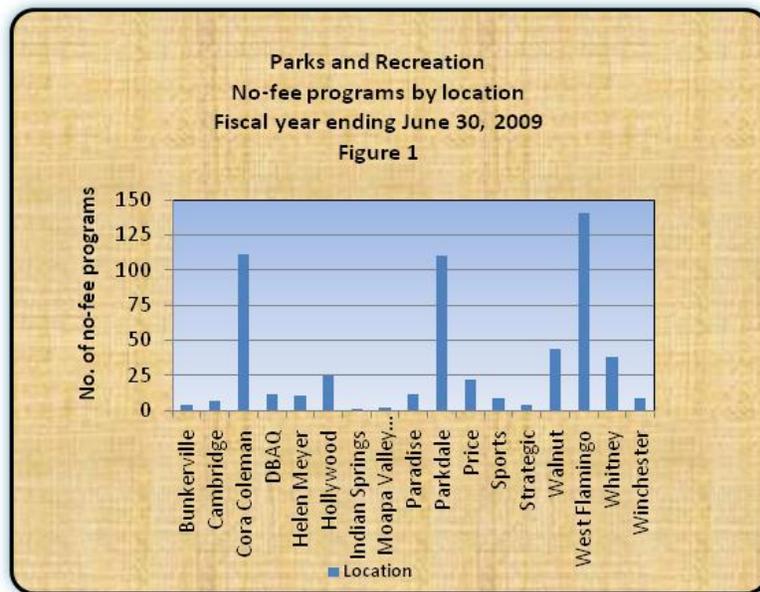
Pre-Activity Forms When Parks and Recreation is considering whether to offer a class or program, a pre-activity form is created. This form shows the activity's estimated expenditures, minimum number of participants, and fee to charge per participant in order for the class or program to breakeven. During detail testing, we noted instances (5 of 12 selections examined or 42%) where a pre-activity form was either not completed or was completed incorrectly.

Recommendation Pre-activity forms should be consistently and correctly prepared for all programs and classes being considered. Otherwise, Parks and Recreation may be under (or over) charging for programs and classes. In addition, Parks may be offering classes and programs that are not cost effective to the department (and the County). We recommend that Parks and Recreation require and monitor the consistent and appropriate preparation of pre-activity forms for all classes and programs being offered at each of its facilities.

Detail Testing

No-fee Program Distribution Parks and Recreation offers various no-fee programs where enrollment is free to customers. These programs are usually conducted at little or no cost to Parks and Recreation, as volunteer instructors are used.

Although the programs offered appear reasonable, we found that no-fee programs are not being equitably distributed at each of the park centers. The majority of no-fee programs are being offered at the senior centers (West Flamingo and Cora Coleman). This would seem somewhat reasonable as many senior citizens are living on fixed incomes and preset budgets. However, there were other facilities that offered no (or few) no-fee programs, such as Desert Breeze and the northern rural area centers. See the following graphs (Figures 1 and 2) that show distribution of no-fee programs for the fiscal years ending June 30, 2009, and June 30, 2010.



Recommendation We recommend that Parks and Recreation assess its no-fee process and develop and implement procedures that promote the equitable distribution of no-fee programs to its centers.

Historical Class Coding During detail testing we noted 14 of 28 (50%) classes selected were not found in Safari. According to park site supervisors, an activity number is sometimes re-used from one year to the next, and may be assigned to a different class. As such, when class activity reports are

run, only information on the latest class using that number will display.

Class information entered into Safari includes the activity number, name, and category associated with each specific class or program. Start and end dates, minimum and maximum enrollment guidelines and fee amounts are also included.

For reference, monitoring, and audit purposes, class and program history should be maintained in, and be accessible and retrievable from Safari. Without historical data, running reports and performing comparisons between fiscal years may be difficult or impossible to accomplish. Similarly, using historical information as a guide in setting up future classes (including fee costs and minimum/maximum thresholds) may provide consistency from one period to the next.

Recommendation We recommend that Parks and Recreation change how classes are recorded and maintained on Safari to ensure that historical information on classes and programs is preserved. Activity names and numbers should only be used from year to year for the exact same class or program.

Minimum Enrollment and Cost Containment While performing detail testing of class activity, we noted an instance (1 of 34 selections examined or 3%) where a class did not meet the minimum number of enrollees. (Another four classes at Mountain Crest Recreation Center also appeared to not meet minimum enrollment.) However, the classes were still held. With the four classes at Mountain Crest, the min-max recorded in Safari were incorrect. With another selection, the class (at a senior center) clearly did not meet minimum enrollment. Parks and Recreation completes a pre-activity form when planning to offer a class. As mentioned earlier, this form shows useful estimated information regarding an activity's minimum and maximum enrollment criteria and breakeven analysis.

Parks and Recreation may not break even when less than the minimum attend a class, causing Parks and Recreation to subsidize these programs and classes. In addition, effectively monitoring class and program activity and ensuring that classes and programs are self-supporting is difficult when Safari reports do not contain correct information.

Recommendation We recommend that Parks ensures its centers follow departmental policy regarding classes meeting minimum enrollment. In addition, it should make sure that min-max enrollment parameters are appropriately stated in Safari.

Instructor Information on Safari Class and program information is entered into Safari, including information on instructors (i.e. paid instructors, Clark County employees, or volunteers). However, during detail testing, we noted instances where the instructor information (on 5 of the 6 selections made or 80%) was either left blank or the option “staff, center” was selected. The only way to determine who instructed a class was to ask site personnel. Instructor information should be consistently entered into Safari to make it easier to track instructor performance and analyze costs.

Recommendation We recommend that Parks and Recreation create and implement a policy that requires appropriate and timely entering of instructor information on a consistent basis into Safari.

APPENDICES

Appendix A: Management Response Letter

Clark County Parks & Recreation
Classes and Programs
Audit Report Response
08/31/2011

Thank you for completing the audit on our classes and programs. We are always looking for opportunities to improve our processes, policies and systems. Your audit staff is a pleasure to have in our facilities and we look forward to our next opportunity to work together.

Staff has prepared the following responses to the current audit findings regarding Internal Controls and Detail Testing:

1) *Tamper Sealed Cash Receipt Envelopes Would Improve Security*

We agree with the audit findings and have directed center/program supervisors to work with the department's Finance Unit to order tamper-sealed cash receipt envelopes, and to begin using them effective immediately.

2) *Control Over Safe Need Improvement*

We agree with the audit findings that limited access to the safe should be supported and have implemented a review of all department owned safes for compliance with the department's current fiscal policies. We are in the process of updating the department policies to reflect the need, in limited cases, for additional staff access to safes based on expanded operating hours and scheduling limitations.

3) *Discount Program*

We agree with the audit findings and are currently attempting to review the data contained in our Recreation Management Application to reconcile the discount program accounts at each site. Costs to cover the discount program are funded by the department's donation program, which has been determined to be an effective use of resources. Staff has been directed to ensure the discount program is operated according to approved guidelines.

4) *No NSF Reconciliation*

We agree with the audit findings and currently have a departmental policy addressing returned checks (Policy F.2). Based on the limitations of our current software application reconciliation is not possible. We are exploring other software applications and believe that with a new system, the recommended reconciliation will be possible.

5) *Discount Program Information*

Please see number 3 above.

**Clark County Parks & Recreation
Classes and Programs
Audit Report Response
Page 2**

6) *Pre-Activity Forms*

We agree that pre-activity forms are required for all programs and classes being offered in Fund 5410 and will ensure that staff complete these documents prior to the implementation of each program or class. It is important to note that it has long been the organization's philosophy to provide low cost/no cost programs and services and as such not all classes, programs and services offered are intended to generate positive revenue.

Additionally, activities offered through the general fund are not intended to generate revenue and therefore do not require a pre-activity form, but may require the completion of a special event budget based on the scope of the activity.

7) *No-fee Program Distribution*

The department offers a mix of low cost, no cost and at cost programs in an effort to meet the needs of the community; however, the application of fee-based programs is greatly influenced by the geographic and socioeconomic location of our different recreation and community centers. In certain areas of the community there is a greater demand for various paid programs. In other areas incentive, or free, programming is necessary to meet the population's leisure needs. These no-fee programs are supported by the County's General Fund for this purpose. This is a dynamic process that is reviewed on an activity-by-activity basis that will continue to be monitored by senior recreation staff.

8) *Historical Class Coding*

We agree with the audit findings, and currently have a team working with the County's IT department to develop an RFP for a new, more efficient and effective, software application to replace Safari. It is hoped that this new application will offer functionality that will resolve the historical class coding issues noted in this audit finding.

9) *Minimum Enrollment and Cost Containment*

It is very common for newly introduced programs and classes to not meet minimum enrollment standards often because customers are not aware of the offering or are unfamiliar with the activity. It has been found that allowing classes to run with below minimum enrollment for one or two sessions commonly results in minimum enrollment being exceeded during subsequent sessions. The department is confident in its ability to operate in a fiscally sound manner and has achieved or exceeded each of the cost

**Clark County Parks & Recreation
Classes and Programs
Audit Report Response
Page 3**

containment requirements implemented in the past several years. Minimum/maximum enrollments will be included in the software system used by the department, however enrollments will remain flexible to maintain overall service goals.

10) Instructor Information on Safari

We agree with the audit findings, and staff has been directed to input all class information into the Safari software application.