



## **AU17-001 Parks and Recreation Tennis Center Revenue Collection**

**City Auditor's Office  
Kimberly L. Houston  
Interim City Auditor**

**May 21, 2018**

## Executive Summary

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In accordance with the FY2017 Annual Audit Plan, we conducted an audit of the Parks and Recreation (Parks) – Tennis Centers of the City of Corpus Christi (City). The original focus of this audit is on all Parks revenue; however, due to high interest from City Council and the local community on tennis center operations, this area was reviewed separately.

### **Audit Objective**

Are sufficient controls in place for revenue collections at tennis centers?

### **Audit Conclusion**

Although controls are in place over revenue collections at tennis centers, they are not adhered to. Contract performance reviews are not conducted to ensure contract compliance, tennis revenue is reported untimely and inaccurately, approved tennis fees are not consistently charged, and revenue records are incomplete. We recommend opportunities for improvement in these areas plus on a couple of other matters.

Parks management agrees with this report. See management's responses following each issue. Management's response can be seen in its entirety in Appendix B.

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## Introduction

In accordance with the FY2017 Annual Audit Plan, we conducted an audit of the Parks and Recreation (Parks) – Tennis Centers of the City of Corpus Christi (City). The original focus of the audit is on all Parks revenue; however, due to high interest from City Council and the local community on tennis center operations, this area was reviewed separately.

### Background

Park’s Business Plan states they currently manage 206 parks, eight miles of Gulf beaches, three miles of bay beaches, six recreation centers, eight senior centers, eight swimming pools, two tennis centers, two golf courses, 19 sports complexes, 78 pieces of public art, and 36 after school programs at local elementary schools.

Parks is comprised of six divisions whose overall goal is to manage the parks system and to offer recreational, cultural, and outdoor activities to residents. These divisions include: Administration, Beach & Natural Resources, Community Services, Park Operations and Development, Recreation Program Services, and Senior Community Services.

This audit focuses on the two tennis centers, HEB Tennis Center, the City’s premier facility, and Al Kruse Cruse, the City’s community facility. The Program Services Division oversees the tennis centers and their management is contracted to a third party. Exhibit 1 shows collective revenue and expenditures for the tennis centers for FY2013-FY2017 and FY2018 through April

### Exhibit 1

HEB & Al Kruse Tennis Centers				
Fiscal Year	Revenue		Expenses	
	Budget	Actual	Budget	Actual
2013	\$ 71,266	\$ 40,659	\$ 259,567	\$ 236,727
2014 <sup>1</sup>	61,559	45,727	311,659	311,277
2015	54,100	37,198	301,795	292,350
2016	55,636	43,797	300,175	297,951
2017	36,434	41,458	286,766	274,989
2018 <sup>2</sup>	42,150	22,308	304,201	142,531
Source: FY2013- 2017 CAFR				
<sup>1</sup> 14-month fiscal year				
<sup>2</sup> Source: unaudited INFOR financials through April 30, 2018				

### *Tennis Center Contractor History*

The City entered into a contract with Seagull Sports, from 2013 to 2016 for the management of the Al Kruse Tennis Center. In 2016, when the contract expired, the City entered into a contract with a staff member from Seagull Sports to manage the Al Kruse Tennis Center from June 2016 – January 2017.

In October 2016, the City solicited request for proposals (RFP) to manage and operate the Al Kruse Tennis Center. In February 2017, City Council (Council) tabled a service agreement with TOPS Tennis LLC and ultimately declined the contract the following month. In absence of an agreement, Parks staff operated the Al Kruse Tennis Center from February - April 2017.

In May 2017, the Council approved a temporary four-month agreement with four one-month options (to expire August 2017) with the contractor for the HEB Tennis Center, Sweet Spot Tennis, to operate Al Kruse Tennis Center. The contract maintained the same revenue terms as the existing contract for HEB Tennis Center.

In December 2017, both contracts expired and Parks operated the facilities for six days until a month agreement was put in place. Currently, Parks management is in contract negotiations for management of both tennis facilities. At recommendation from the City Auditor's Office, management is awaiting results from this audit report before presenting a new contract to City Council.

### **Audit Objective and Conclusions**

The objective for this audit is to determine if controls are in place to ensure revenue is collected, remitted, and reported to the City accurately.

Although controls are in place over revenue collections at tennis centers, they are not adhered to. Contract performance reviews are not conducted to ensure contract compliance, tennis revenue is reported untimely and inaccurately, approved tennis fees are not consistently charged, and revenue records are incomplete.

### **Management and Auditor Responsibility**

City management is responsible for establishing and maintaining a system of internal controls to ensure assets are safeguarded, financial (and non-financial) activity is accurately reported and reliable, and management and employees are in compliance with laws, regulations, and agreements with other entities.

This audit report provides independent, objective analysis, recommendations, and information concerning the activities reviewed. The report is a tool to help management discern and implement specific improvements. The report is not an appraisal or rating of management.

We conducted this performance 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.

Audit steps were developed to provide sufficient evidence to answer the objectives of this audit. Our methodology can be found in Appendix A - Audit Scope and Methodology.

## Audit Results and Recommendations

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### A. Contractor Performance Reviews

Condition: Park and Recreation (Parks) is not regularly performing quarterly and annual productivity reviews to evaluate operational activities to determine if the vendor is meeting contractual expectations. There is no process in place to ensure systematic review of contractor activity and confirm compliance with contractual terms.

For the period of September 2013 to March 2018, Park's contract administrator conducted one quarterly productivity review for both the Al Kruse and HEB Tennis Centers for the period of September to November 2015. In this review, scores were 77% and 79% for Al Kruse and HEB Tennis Center, respectively.

Criteria: Contract *Section 11 Productivity Review*, of the Al Kruse (09/2013 – 08/2016) and HEB Tennis Center (09/2013 – current) state tennis facility productivity reviews will be performed quarterly and at the year-end annual review will be completed to determine if the City's contractor met or exceeded expectations (receive a passing grade of 85%). The reviews include evaluations for programming, tournaments and group/league activity, customer service, maximizing court usage, court revenue, facility audits, and community involvement.

A contractor that doesn't meet expectations on one or all of the evaluated categories, are graded as "Needs Improvement" and are given the opportunity to raise their score to passing grade. If a contractor consistently receives needs Improvement (under 85%) on quarterly reviews, they may lose future contract renewal opportunities and/or be considered default of contract.

Cause: Contract reviews were not regularly performed because Parks does not always have a contract administrator or other designee assigned to monitor contractor activity. The contract administrator named in the contract no longer works for the City.

Effect: There is no evaluation on the tennis center's contractor to satisfy requirements in areas such as program activity, customer services, court usage, and community involvement. Audit findings reported in sections B – D of this report could have been mitigated had regular reviews been performed on the City's tennis center contractor. The findings explain how minimal oversight resulted in the Park's contractor deviating from contractual terms.

**Recommendation(s):** Parks Management should:

- 1) Develop and document procedures for monitoring contractor compliance over tennis center activities. Those procedures should specify Park staff responsible for contract compliance monitoring, include provisions for systematic assessments

and regular performance reviews. Parks management should review and approve all contract reviews.

- 2) Ensure a contract manager, or designee, is assigned to regularly review financial and operational activity of the tennis center contractor. If a contract manager cannot perform all review duties, consider splitting review duties amongst existing Parks staff. For example, assign performance oversight to operations staff and financial oversight to administrative staff.
- 3) Conduct quarterly and annual reviews as required by contract. If contract requirements, such as review frequency, category measures, and evaluation terms, are something not attainable, management should consider revising future contract monitoring terms.
- 4) Ensure contractor is compliant with contract terms. If non-compliant, seek guidance from the City's Legal Department on enforcement or reconsider future contract renewals.

**Management Response:**

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
Agree - with Items 1, 2, 3, 4	Parks & Recreation Director	Agree - October 1, 2019
<p><i>Action Plan:</i> The Parks &amp; Recreation Department is in the process of a reorganization of department roles and responsibilities. The tennis centers will now be assigned to a specific division and staff going forward. The goal is to award a new contract in 2019 with revised contract terms.</p>		

**B. Reporting Tennis Center Revenue**

Condition: Tennis center revenue reviews are not being conducted to ensure revenue targets are being met and deposits are being made daily. Daily revenue reports are submitted untimely and inaccurately. Certified monthly statements are not submitted to the Director of Finance.

*Untimely Daily Reports*

We noted daily reports are not always submitted timely to Finance. On a monthly basis, staff generally must remind the contractor to submit reports which results in multiple days being reported at once.

*Underreported Revenue*

Tennis revenue is underreported on daily revenue reports. Of 27 tournaments in calendar year 2017, we judgmentally selected eight (8) to review and found the amount invoiced on four (4) did not match the amount reported to the City. The invoices for the remaining four (4) were not available because the contractor does not invoice for events they host and others were missing due to computer issues.



We expanded our scope to determine if underreporting had occurred in the past and judgmentally selected four additional tournaments to test (two from both 2015 and 2016). Two invoices did not match daily reports and we were unable to obtain the remaining two invoices from the contractor. We found revenue from an October 2017 tournament was not reported to the City or deposited until discovered during this audit.

Exhibit 2 shows the variances between the amount invoiced and reported for the sampled tournaments. It can be seen in sample 7 that approved tournament fees of \$175 were reported to the City, but \$1,500 was invoiced to event hosts. Sample 5, 9, and 12 show no revenue was reported to the City, but event hosts were invoiced.

The contractor subleases space at the HEB Tennis Center for \$335/month for office space and internet service. For calendar year 2017, we noted lease revenue was reported for 7 of 12 months.

**Exhibit 2**

Invoiced v. Reported			
Sample Number	Amount Invoiced <sup>1</sup>	Daily Reports <sup>2</sup>	Variance (under/over) reported
1	\$ 1,050	\$ 350	\$ (700)
2		175	
3		190	
4		175	
5*	1,250	-	(1,250)
6		175	
7	1,500	175	(1,325)
8	1,200	300	(900)
9	800	-	(800)
10		-	
11		265	
12	300	-	(300)
<b>Total</b>	<b>\$ 6,100</b>	<b>\$ 1,805</b>	<b>\$ (5,275)</b>
Source: <sup>1</sup> Invoices created and provided by contractor.			
Source: <sup>2</sup> Daily Reports submitted by the contractor.			
* Includes a \$200 cleaning fee.			

Legend:	
	Contractor did not provide invoice.

Criteria: Contract *Section 7. Consideration for Operation of Agreed Premises* and *Section 9. Payment of Revenue* states the contractor must:

- Collect and deposit all City and Pro Revenue daily in City's account
- Include daily cash register tapes and the daily report with the deposit

*Contract Section 11.5* states court revenue will be reviewed quarterly to determine if revenue targets were met and if deposits are reported timely.

*Section 12. Record Keeping* states the contractor must submit a certified monthly statement of Pro Revenue to the City's Director of Finance, or designee, on or before the tenth day of each month during the Contract.

Al Kruse contract *Section C.* states the contractor "shall have all underlying documentation for Pro Revenue, lesson revenue, City Revenue and Contractor's certified monthly statement, including cash register tapes, purchase orders, invoices, sales receipts, counter information, and the like must be preserved by the Contractor during the Contract term."

*Financial Policy F-3.0 Depositing, Disbursing and Check Cashing* states "it is the responsibility of all City departments to accurately collect and account for all payments made to the City. Depositing funds needs to be accomplished daily."

Cause: Daily reports are untimely and revenue is underreported because Park's did not always have an assigned contract administrator, or designee, to review revenue targets quarterly or daily reports to ensure all revenue is reported correctly and timely.

Further deposit delays were due to the contractor allowing event hosts 30-days to pay tournament costs. However, not all event hosts adhere to those payment arrangements.

Invoiced amounts do not tie to amounts reported to the City because the contractor negotiates tournament rates with event hosts, but only reports the fees in the City's pre-approved fee schedule. Per Contractor, this practice was permitted by prior Parks management to allow for recover of over and above expenses related to running tournaments.

We also learned the contractor's method for which they use their financial system, QuickBooks, lacks the ability to ensure all invoiced fees are collected and reported. Three separate computers use QuickBooks to account for tennis center revenue. One at Al Kruse, a second at HEB Tennis Center, and a third is used for invoicing. No system "talks" to the other and they are not reconciled. Double-entry accounting, a system of bookkeeping where each transaction has a corresponding opposite transaction recorded in a different account, is not done. No system is backed up in case of data loss.

Effect: Due to the lack of Parks oversight and the absence of double-entry accounting by contractor, there is no surety that all revenue charged for tournaments are invoiced, reported, and remitted to the City by the contractor. The risk exist where the contractor can invoice and collect revenue for tennis activity unbeknownst to Parks.

**Recommendation(s):** Due to minimal oversight paired with the contractor’s loose accounting controls, current contract activity does not provide assurance the City’s interest are protected. Since the contract with the current contractor has expired and the tennis center agreement is currently on month to month basis, Parks Management should revisit contract terms and:

- 1) Reconsider in future agreements if they want contractors to control both financial and operational aspects of tennis centers. Management may want to bring financial management in-house and use existing Parks receipting systems to account for tennis revenue. Promotion and running tennis center operations could be a joint effort between Parks and a contractor.
- 2) Ensure a contract administrator, or designee, provides oversight over contract management for the duration of contracts.

To provide assurance that all tennis revenue is timely and properly accounted for, Parks Management should ensure:

- 3) Every transaction for tennis center activity is consistently recorded, from origin to completion. Management of revenue needs to be handled by an experienced bookkeeper, City staff or contractor, who promptly invoices, collects, deposits, and reports all revenue.

**Management Response:**

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
Agree – with Items 1, 2, 3	Parks & Recreation Director	Not Applicable
<p><i>Action Plan:</i> The department has been working with the Finance Department for several months to review the contractor’s financial information in an on-going capacity to ensure revenue is reported daily and accurately. The reorganization of the department will ensure the tennis centers have designated staff for oversight. The new contract will provide for revised terms regarding the financial reporting, revenues and operation of the tennis centers.</p>		

**C. Assessment of Tennis Fees**

Condition: Tennis fees approved by City Council and City Management are not consistently being charged. Additional fees (surcharges) are added to City fees and charged to event hosts for tournaments.

Per the contractor, they negotiate rates for each tournament. The contractor charges event hosts a surcharge in addition to City fees for administering tournaments and post

tournament clean-up (\$200; see also sample 5 from Exhibit 1). Depending on the event, the contractor will discount City fees, too. As mentioned in Issue B, surcharges are fees are not reported in daily reports, but are kept by the contractor.

No pre-authorization is obtained from Parks Management for discounting City fees, however, discounted fees are reported to the City.

Criteria: Ordinance Section 36-7, *Recreation fees and charges* states Park fees cannot “increase annually by more than 25% and fees for organized youth activities cannot exceed a level which would recover 40% of the estimated total cost. It also states new fees cannot be created without City Council approval. The Parks Director has the authority to negotiate special fees for special situations.

Contract Section 8.1, *City Revenue*, defines city revenue as all court fees, permit fees, locker fees, and other City charges set by the Parks Director in accordance city ordinances. Surcharge fees are not a provision in the contractor’s agreement.

Cause: Contractor states prior Parks management permitted assessing surcharges for administering tournaments; however, there is no record of this.

Effect: Since the contractor fully negotiates how much is charged for events at tennis centers, there is no assurance City fees are charged as directed by City Council or City Management. Since documented pre-authorization is not obtain from the Parks Director for charging different fees for special situations, there is no way to determine if exorbitant fees are charged or if preferential treatment is granted to certain organizations.

Since surcharge fees for tournaments are kept by the contractor and not reported to the City, money that could be considered City revenue is not received.

**Recommendation(s):** Parks Management should ensure:

- 1) Only approved fees are charged. Contractors must adhere to fee schedules approved by Council and City management. When there is uncertainty of what fees can be charged and where to record revenue on daily reports, consult with the Legal Department or Financial Services.
- 2) If special situations exist, documented approval should be obtained from the Parks Director. To clarify what is considered a special situation, a policy should be developed, periodically updated, and communicated to staff and contractors defining what a special situation is.
- 3) If surcharge fees are going to be permitted in the future, incorporate such terms in contract agreements. In doing so, ensure all organizations are treated equitably.

**Management Response:**

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
Agree – with Items 1, 2, 3	Parks & Recreation Director	October 1, 2018
<i>Action Plan:</i> The Parks & Recreation Director will be responsible for all fees. Only approved fees will be charged.		

**D. Incomplete Records**

Condition: Documentation of tennis revenue is not kept intact. Request for invoices from the City’s contractor for the periods of January – July 2017 and November 2017 went unfulfilled. As a result, auditors faced a scope limitation.

Criteria: Contract Section 12, *Record Keeping*, states the contractor must “keep accurate books of account of all Pro Revenue collected. The books of account will be open for inspection, copy, or audit by City Manager, or designee at all times. All books of account and backup documentation must be available.”

This section also continues into more detail by stating “all underlying documentation for Pro Revenue, Lesson Revenue, City Revenue, and Operator’s certified monthly statement, including crash register tapes, purchase orders, invoices, sales receipts, counter information, and the like, must be preserved by Operator during the Contract term and for at least two (2) years thereafter, including any holdover period. Accounting records, ledgers: journals, and reports with regard to Pro Revenue, Lesson Revenue, and City Revenue must be retained for five (5) years after termination of this Contract.”

Cause: Per tennis center contractor, a computer glitch with QuickBooks caused data loss from January to June 2017. Lost data could not be retrieved because the contractor accounting system is not backed up.

**Recommendation(s):** All transactions should be accurately and fairly reflected in books and records, in reasonable detail, and supported by original documentation. Parks Management should ensure:

- 1) Books and records are protected to prevent intentional or unintentional destruction, improper or unauthorized alterations, or disclosures.
- 2) Electronic records are kept in a form that is non-erasable, non-rewriteable, organized, and immediately produced or reproduced. A mechanism needs to be in place to back-up transactional data.

**Management Response:**

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
Agree – with Items 1, 2	Parks & Recreation Director	5/10/18
<i>Action Plan:</i> The current contract only provides for the preservation of records by the contractor. Any future contract will provide for the information recommended in the report.		

**E. Other Matters**

**E.01 Use of City Facilities**

Condition: Two tennis organizations utilize space at the HEB Tennis Center without an agreement with the City.

One organization has a sublease with the City's contractor for \$335/month for office space and internet services; however, this revenue is not always reported. For calendar year 2017, 7 of 12 months were reported to the City. The second tennis organization does not pay. Per contractor, they are not charged because of contributions to the tennis facility. There is no provision in the contract that permits subleasing City property.

Criteria: Contract Section 5, *Use of Premises*, states the contractor is to use the premises only for business purposes as municipal tennis courts and for no other purpose without the prior written consent of City.

Section 8, *Revenue*, defines city revenue as court fees, permit fees, locker fees, and other City charges. Pro revenue is defined as gross revenue received from the Pro Shop or for the use of the premises, including but not limited to, tournaments, league play, summer camps, merchandise sales, racket rentals, tennis lessons, racket stringing/repairs, food and drink sales. Lease revenue is not mentioned.

Cause: The contractor entered into a lease agreement because they believe they have to authority to lease tennis center space as facility contractor.

**Recommendation(s):** Parks Management should ensure:

- 1) If any party other than the City's contractor utilizes facilities at the HEB Tennis Center on a long term basis obtain proper approval from City management.
- 2) Only authorized revenue is collected. However, in all instances, all revenue must be reported and remitted to the City.

**Management Response:**

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
Agree - with Item 1, 2	Parks & Recreation Director	Agree – December 31, 2019
<p><i>Action Plan:</i> If any party, other than the contractor, utilizes the tennis centers, the contractor must obtain approval. Only authorized revenue will be collected, however, all revenue will be reported.</p>		

**E.02 Conflict of Interest**

Condition: According to their website, one of the tennis organizations mentioned in Issue E.01, show the City’s contractor and one of their employees in positions of leadership. These relationships give the appearance of preferential treatment for one organization over the other.

Effect: A conflict of interest prejudices an individual’s ability to perform his or her duties responsibly and objectively. It also increases the risk of bias or poor judgment due to obligations or commitment to two competing interests. In this instance, competing interest resulted in this organization receiving a financial benefit of being able to utilize space at the HEB Tennis Center for no cost. If these relationships continue, it could erode trust and tarnish public image.

**Recommendation(s):** To avoid the appearance and risk of impropriety and promote equitable treatment to all tennis center users, Parks management should discourage any activities that appear to favor one organization over another. Park contractors should not be affiliated or partner with organizations that benefit from use of City facilities.

**Management Response:**

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
Agree	Parks & Recreation Director	October 1, 2018
<p><i>Action Plan:</i> With the next contract, items will be added to address areas identified as conflicts of interest. It will be clearly defined. Additionally, agreements with supporting partners will identify separation of duties.</p>		

## Appendix A – Audit Scope, Methodology, and Staffing

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The audit scope was October 1, 2016 through January 31, 2018 and expanded the scope, on a limited basis, into FY2015 and FY016. We initiated this audit in August 2017 and concluded May 2018. The scope included a review of tennis center revenue invoiced, collected, remitted, and reported by a City contractor. We also performed a review of contract compliance.

Our methodology included, inquiry, observation, data analysis and tests of transactions for revenue generated from the operation of the tennis courts. The audit program included detailed steps to obtain sufficient understanding of each internal control designed to provide assurance that controls over invoicing, collecting, remitting, and reporting of tennis center revenue is appropriate.

### *Contractor Performance Reviews*

To determine if the tennis centers were reviewed according to contract terms for quarterly and annual performance reviews, we reviewed productivity reports performed by Parks staff.

### *Reporting Tennis Center Revenue*

To determine if revenue was accurately reported, we reviewed contractor invoices against daily reports. To determine if revenue was timely remitted, we inquired with staff from Cash Management in Finance Services and Parks.

### *Assessment of Tennis Fees*

To determine if fees approved by City Council and City management are correctly and accurately charged, we reviewed contractor invoices for tennis tournaments against revenue reported to the City on daily reports.

### *Incomplete records*

To determine if contractor kept complete and accurate records, auditors reviewed contractor invoices, court reservation sheets, daily reports, and deposit slips.

### *Other Matters*

To determine if sublease with other entities were permitted within existing tennis center contracts, we consulted with the Legal Department. To determine if the contractor reported lease revenue, we reviewed lease invoices and corresponding daily reports for existence.

### *Conflict of Interest*

To determine if a potential conflict of interest exists, we reviewed individual names listed in positions of leadership on the website of a tennis organization that utilizes the tennis facilities.



We relied on the following authoritative guidelines to serve as criteria for the audit:

- City Ordinance Section 36.7 Recreation Fees and Charges
- Management and Operation Contracts for HEB and Al Kruse Tennis Centers
- Financial Policy F-3.0 Depositing, Disbursing and Check Cashing
- FY2016 – FY2017 Approved Fee Schedules

We believe this testwork provides sufficient and appropriate evidence for our audit conclusion and finding.

**Staff Acknowledgement**

Lauren Campos, Auditor

Yvette Cavazos, Senior Management Assistant – Department of Aviation

# Appendix B – Management Response

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May 18, 2018

**PARKS & RECREATION  
DEPARTMENT**

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*Live. Learn. Play!*

Kimberly L. Houston  
Interim City Auditor  
Corpus Christi, Texas

Re: AU17-002 Parks and Recreation, Tennis Center Revenue

We have carefully reviewed the issues presented in the audit report referenced above, and our plans to correct the issues are described on the following pages.

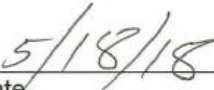
We are committed to correcting the issues in the audit report by implementing the action plans in a timely fashion.

Sincerely,

  
\_\_\_\_\_  
Jay Ellington  
Parks & Recreation Director

  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Keith Selman  
Interim City Manager

  
\_\_\_\_\_  
Date



## A. Contractor Performance Reviews

### Recommendation(S):

Parks Management should:

- 5) Develop and document procedures for monitoring contractor compliance over tennis center activities. Those procedures should specify Park staff responsible for contract compliance monitoring, include provisions for systematic assessments and regular performance reviews. Parks management should review and approve all contract reviews.
- 6) Ensure a contract manager, or designee, is assigned to regularly review financial and operational activity of the tennis center contractor. If a contract manager cannot perform all review duties, consider splitting review duties amongst existing Parks staff. For example, assign performance oversight to operations staff and financial oversight to administrative staff.
- 7) Conduct quarterly and annual reviews as required by contract. If contract requirements, such as review frequency, category measures, and evaluation terms, are something not attainable, management should consider revising future contract monitoring terms.
- 8) Ensure contractor is compliant with contract terms. If non-compliant, seek guidance from the City's Legal Department on enforcement or reconsider future contract renewals.

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
Agree - with Items 1, 2, 3, 4	Parks & Recreation Director	Agree - October 1, 2019
<i>Action Plan:</i> The Parks & Recreation Department is in the process of a reorganization of department roles and responsibilities. The tennis centers will now be assigned to a specific division and staff going forward. The goal is to award a new contract in 2019 with revised contract terms.		

## B. Reporting Tennis Center Revenue

### Recommendation(s):

Parks Management should:

- 1) Reconsider in future agreements if they want contractors to control both financial and operational aspects of tennis centers. Management may want to bring financial management in-house and use existing Parks receipting systems to account for tennis revenue. Promotion and running tennis center operations could be a joint effort between Parks and a contractor.
- 2) Ensure a contract administrator, or designee, provides oversight over contract management for the duration of contracts.
- 3) Every transaction for tennis center activity is consistently recorded, from origin to completion. Management of revenue needs to be handled by an experienced

bookkeeper, City staff or contractor, who promptly invoices, collects, deposits, and reports all revenue.

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
Agree – with Items 1, 2, 3	Parks & Recreation Director	Not Applicable
<p><i>Action Plan:</i>            The department has been working with the Finance Department for several months to review the contractor’s financial information in an on-going capacity to ensure revenue is reported daily and accurately. The reorganization of the department will ensure the tennis centers have designated staff for oversight. The new contract will provide for revised terms regarding the financial reporting, revenues and operation of the tennis centers.</p>		

**C. Assessment of Tennis Fees**

**Recommendation(s):**

Parks Management should ensure

- 1) Only approved fees are charged. Contractors must adhere to fee schedules approved by Council and City management. When there is uncertainty of what fees can be charged and where to record revenue on daily reports, consult with the Legal Department or Financial Services.
- 2) If special situations exist, documented approval should be obtained from the Parks Director. To clarify what is considered a special situation, a policy should be developed, periodically updated, and communicated to staff and contractors defining what a special situation is.
- 3) If surcharge fees are going to be permitted in the future, incorporate such terms in contract agreements. In doing so, ensure all organizations are treated equitably

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
Agree – with Items 1, 2, 3	Parks & Recreation Director	October 1, 2018
<p><i>Action Plan:</i>            The Parks &amp; Recreation Director will be responsible for all fees. Only approved fees will be charged.</p>		

**D. Incomplete Records**

**Recommendation(s):**

Parks Management should ensure:

- 3) Books and records are protected to prevent intentional or unintentional destruction, improper or unauthorized alterations, or disclosures.

- 4) Electronic records are kept in a form that is non-erasable, non-rewriteable, organized, and immediately produced or reproduced. A mechanism needs to be in place to back-up transactional data.

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
Agree – with Items 1, 2	Parks & Recreation Director	5/10/18
<i>Action Plan:</i> The current contract only provides for the preservation of records by the contractor. Any future contract will provide for the information recommended in the report.		

### **E.01 Use of City facilities without agreements**

#### **Recommendation(s):**

Parks Management should ensure:

- 3) If any party other than the City’s contractor utilizes facilities at the HEB Tennis Center on a long term basis obtain proper approval from City management.
- 4) Only authorized revenue is collected. However, in all instances, all revenue must be reported and remitted to the City.

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
Agree - with Item 1, 2	Parks & Recreation Director	Agree – December 31, 2019
<i>Action Plan:</i> If any party, other than the contractor, utilizes the tennis centers, the contractor must obtain approval. Only authorized revenue will be collected, however, all revenue will be reported.		

### **E.02 Conflict of Interest**

#### **Recommendation:**

Parks Management should discourage any activities that appear to favor one organization over another. Park contractors should not be affiliated or partner with organizations that benefit from use of City facilities.

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
Agree	Parks & Recreation Director	October 1, 2018
<i>Action Plan:</i> With the next contract, items will be added to address areas identified as conflicts of interest. It will be clearly defined. Additionally, agreements with supporting partners will identify separation of duties.		