



CITY AUDITOR'S OFFICE

To: Honorable Mayor and Council Members

Cc: Margie C. Rose, City Manager
Jay Ellington, Interim Assistant City Manager
Stacie Talbert-Anaya, Interim Director of Parks and Recreation
Miles Risley, City Attorney
Rebecca Huerta, City Secretary
Kim Womack, Director of Communications, Media, E-Government

From: Arlena Sones, City Auditor *A Sones*

Date: February 9, 2017

Subject: AU16-F05 Parks and Recreation Department, Beach Operations Audit Follow-Up Report

As part of the annual audit plan approved by City Council, we conducted a follow-up of the Parks and Recreation Department, Beach Operations audit report dated January 8, 2016.

The focus of the original audit was to investigate allegations of impropriety occurring at the Beach Operations Division of the Parks and Recreation Department. The original audit contained 20 issues, 12 for Parks and Recreation and eight for City Executive management, all of which were accepted by respective management in January 2016.

On December 22, 2016, the City Auditor's Office asked City Executive management and Parks and Recreation management to provide a status update on the implementation of prior recommendations. City Executive management did not provide complete a response to us within the required timeframe.

We reviewed areas of highest risk and found that the Parks and Recreation Department implemented or partially implemented nine of nine recommendations reviewed, and City Executive management implemented or partially implemented four of eight recommendations reviewed. A complete list of recommendations and current statuses can be seen starting on page 2.

Parks and Recreation management agree with the conclusions of this report, and we would like to commend the management and Beach Operations for their assistance during this process.

Subsequent to the release of this report, City Management provided its response which is attached as Appendix A on page 5.

AU16-F05 PARKS AND RECREATION DEPARTMENT BEACH OPERATIONS AUDIT FOLLOW-UP REPORT

Issue No.	Recommendation/Corrective Action Plan	Management Assertion	Status
A. Temporary Agency Leased Worker Contracts			
1	Did Parks and Recreation (Park) management identify the critical functions of the department and administer an adequate segregation of duties among several employees so that no single employee performs all aspects of a function? Was the responsibility for ordering and approving invoices split?	Implemented	Did not review
2	Have City departments stopped using P-Cards for leased workers?	No assertion provided	Implemented
B. Procurement Card Purchases			
3	Do designated personnel approve P-Card purchases?	Implemented	Implemented
	Did Park management enforce existing procurement card policies and new card guidelines to reduce the risk of questionable purchases? Is management override of internal controls limited? Have all employees with P-Card duties attended training?	Implemented	Did not review
	Did City management codify the procurement card guidelines issued in November 2014 into City Procedure P-9 Procurement Card Program?	No assertion provided	Implemented
C. Decentralized Purchasing Policy			
5	Does Park management strictly enforce the procurement card policy, including the new guidelines, to reduce the risk of inappropriate purchases?	Implemented	Implemented
D. Vehicle Repair and Maintenance Policy			
6	Does Park management require all vehicle repairs and maintenance be coordinated through Fleet Services Department to prevent repairs made to privately-owned vehicles?	Implemented	Implemented
7	Did City management communicate to departments the responsibility to coordinate vehicle repairs and maintenance through the Fleet Services Department?	No assertion provided	Not implemented
E. Procurement Card Policy			
8	Did City management strengthen the procurement card policy by establishing minimum performance measures for cardholders and approvers with the authority to suspend or terminate P-Card privileges if the minimum standards are not met?	No assertion provided	Implemented
F. Budget Policy			
9	Does Park management review spending at the object code (line item) level of its budget and question any overspending?	Implemented	Did not review
10	Did City management communicate its expectation that departments are to manage their budgets at the object code (line item) level instead of activity level?	No assertion provided	Not implemented

Issue No.	Recommendation/Corrective Action Plan	Management Assertion	Status
G. Fuel Purchases on City Procurement Cards			
11	Does Park management require employees in remote locations to use the fuel procurement card for all fuel purchases to help prevent employees from fueling their privately-owned vehicles?	<i>Implemented</i>	<i>Implemented</i>
12	Did City management strengthen controls of the procurement card program by codifying the prohibition of fuel purchases on the City procurement cards?	<i>No assertion provided</i>	<i>Implemented</i>
H. Mileage Reimbursement Requests			
13	Does Park management periodically monitor the work product of its managers?	<i>Implemented</i>	<i>Did not review</i>
	Are mileage reimbursements reconciled by the Executive Assistant, reviewed by Superintendent and Assistant Director, and approved by Director?	<i>Implemented</i>	<i>Partially Implemented</i>
I. Personal Use of City Vehicles			
14	Are take home vehicles allowed? If so, does Park management follow City Procedure F-12.0 Employer Provided Vehicles? Does Park management periodically monitoring its remote locations to verify that City vehicles are parked at City locations after hours?	<i>Implemented</i>	<i>Did not review</i>
J. Asset Management			
15	Did City management strengthen capital asset procedure by requiring all City departments to conduct an annual inventory of capital assets?	<i>No assertion provided</i>	<i>Not implemented</i>
	Is the capital asset list created by Financial Services reconciled to the Fleet inventory list annually?		
	Did all departments provide a roster of all rolling stock (including mowers, trailers, etc.) to Fleet? Are all vehicle and equipment purchases included in the Fleet Services Department inventory?	<i>No assertion provided</i>	<i>Did not review</i>
K. Time Keeping			
16	Does Park management require all employees (and leased workers) to clock in upon arrival to work and all non-exempt employees to clock out when they leave work to ensure accurate payroll records?	<i>Implemented</i>	<i>Implemented</i>
L. Contract Management			
17	Does Park management require staff to keep courtesy copies of all City contracts?	<i>In progress</i>	<i>Implemented</i>
	Does Park management require staff to be familiar with contract terms to ensure that vendors are charging according to contract rates?		
	Are all Park contracts reviewed by the City Attorney's Office?	<i>In progress</i>	<i>Did not review</i>
	Did Park management recover the overbilled amount of \$54,074 for heavy equipment rental?		

Issue No.	Recommendation/Corrective Action Plan	Management Assertion	Status
L. Contract Management (cont.)			
18	Has City management directed departments to designate a contract administrator?	<i>No assertion provided</i>	<i>Not implemented</i>
	Has City management directed departments to designate the contract administrator to review all invoices for proper contract amounts prior to invoices being approved for payment?	<i>No assertion provided</i>	<i>Did not review</i>
M. Nepotism			
19	Did Park management enforce the City policy regarding nepotism by obtaining written approval for hiring any employee who is related to a current department employee?	<i>Implemented</i>	<i>Implemented</i>
N. Cash Count			
20	Does Park management seasonally adjust the amount of cash maintained by Beach Parking staff to reduce the risk of loss or theft?	<i>Implemented</i>	<i>Partially implemented</i>

Legend:	
[Issue No.]	City Executive management recommendation or corrective action plan.
<i>Not implemented</i>	Review was conducted. Corrective action plan was not implemented.
<i>Did not review</i>	Review was not conducted.

Staff Acknowledgement

Jacey Reeves, Auditor

Sarah Arroyo, Assistant Auditor



Appendix A

February 9, 2017

Arlena Sones, CPA, CIA, CGAP
City Auditor
Corpus Christi, Texas

E. Jay Ellington
INTERIM ASSISTANT
CITY MANAGER

Re: AU14-010 Parks & Recreation Department, Beach Operations Audit

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.

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Sincerely,



Jim Davis,
Director of Fleet Services

2-13-2017

Date



Constance Sanchez,
Director of Finance

2-13-2017

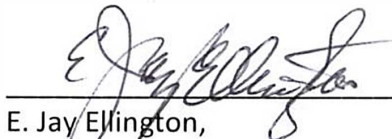
Date



Christine Garza,
Interim Director of Management & Budget

2/13/17

Date



E. Jay Ellington,
Interim Assistant City Manager

2/13/17

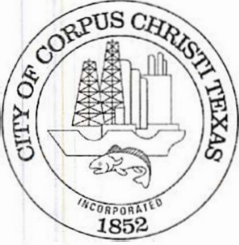
Date



Margie C. Rose,
City Manager

2.13.17

Date



INFORMAL STAFF REPORT

MEMORANDUM

TO: Margie C. Rose, City Manager

FROM: E. Jay Ellington, Interim Assistant City Manager

DATE: February 9, 2017

SUBJECT: Parks and Recreation Beach Operations Audit Follow Up

ATTACHMENT: Memo 1.5.16 – From City Manager Ronald Olson
Memo 2.2.17 – From the Director of Fleet Services

D. Vehicle Repair and Maintenance Policy

City Management Recommendation: The City Manager could further strengthen internal controls over procurement card purchases by requiring all departments (without an in-house repair shop) to coordinate vehicle repairs through Fleet Services.

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
<i>Agree</i>	<i>Ron Olson, City Manager Assistant City Managers Department Directors</i>	<i>November 2014 and Continuous</i>
<i>Action Plan: The City Manager will remind Departments of their responsibility to coordinate vehicle repairs with and through the Fleet Services Department.</i>		

ACM Response:

In February 2017 departments were reminded of their responsibility to coordinate vehicle repairs with and through the Fleet Services Department. Moving forward, the Director of Fleet Services will make sure all departments are notified of this requirement.

F. Budget Policy

City Management Recommendation: The City Manager could strengthen budgetary controls by requiring departments to manage their budgets at the object code level instead of the activity level; however, doing so would require additional resources in the Budget Department to keep up with the increased workload caused by additional budget transfers at the object code level.

Appendix A

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
<i>Agree</i>	<i>Assistant City Managers Department Directors Budget Office</i>	<i>COMPLETED, ongoing</i>
<i>Action Plan:</i> Departments are expected to monitor and analyze expenditures at the line item (object code) level and to make adjustments if needed. Departments are expected to manage their budgets at the line item level.		

ACM Response:

City Management disagrees with the prior action plan and as a result will not be implemented.

J. Asset Management

City Management Recommendation: The City Manager could strengthen the capital asset procedure by requiring:

- All City departments to conduct an annual inventory of their capital assets.
- All vehicle and equipment purchases to be included in the Fleet Services inventory.
- An annual reconciliation of the Fleet Services inventory (capital items) to the Financial Services capital asset list.

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
<i>Agree</i>	<i>Ron Olson, City Manager E. Jay Ellington, Parks & Recreation Director Jim Davis, Fleet Services Director</i>	<i>January 2015 February 2016</i>
<i>Action Plan:</i> City Management will send a memo to Directors reminding them of their responsibility to provide Fleet with a roster of all their department rolling stock that is not in the Centralized Fleet, conduct an annual inventory of capital assets in their departments and annually reconcile the new vehicles/heavy equipment on the Finance capital asset list to the Fleet list.		

ACM Response:

The action plan was not implemented by the February 2016 time frame. However, it will be the action plan moving forward.

L. Contract Management

City Management Recommendation: The City Manager could improve the performance of departments by developing a contract management policy with procedures that require departments to maintain a copy of all contracts it uses. The policy could require departments to name a contract administrator for each of its contracts. The contract administrator would then verify all invoiced amounts against the contracted rates prior to

Appendix A

approving an invoice for payment. If a new policy is developed, we recommend that it be maintained on the City website, that it be communicated to all employees, and training be provided for employees named as contract administrators.

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
<i>Agree</i>	<i>Ron Olson, City Manager All Department Directors</i>	<i>January 2016</i>
<i>Action Plan:</i> The City Manager will formally direct departments to designate a contract administrator		

ACM Response:

The City Manager has verbally requested that all departments designate a contract manager. The contract manager and departmental head are responsible for reviewing and approving all invoices. Staff is working on standard operating procedures, and plans are underway by management to communicate in writing to departments this as an official standard operating procedure.