

Hernando County Clerk of Circuit Court  
Audit Services Department  
Audit Report  
of  
Parks and Recreation Department  
Contract Compliance and Financial Control Environment  
August 12, 2020

## MANAGEMENT LETTER

**TO:** Jeffrey Rogers, County Administrator

**VIA:** The Honorable Doug Chorvat, Jr.

**FROM:** Elizabeth Hogan, CIA, CFE, Director of Audit Services

**DATE:** August 12, 2020

**SUBJECT:** Parks & Recreation Contract Compliance and Financial Controls Environment Audit

In accordance with the Audit Services Department's Audit Project Schedule, the internal audit team conducted an audit of Parks and Recreation Department's Contract Compliance and Financial Control Environment. Based on testing, observations, and communications with key personnel, the audit team produced the attached report for your review. Management's responses to the recommendations are also included. A copy of this report has been forwarded to the Board of County Commissioners as an agenda "Correspondence to Note" item.

The purpose of this report is to furnish management with independent, objective analyses, recommendations, counsel, and information concerning the activities reviewed. The audit report is a tool to help management discern and implement specific improvements. It is not an appraisal or rating of management.

Although the internal audit team exercised due professional care in the performance of this audit, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud and/or employee abuse is the responsibility of management. Audit procedures alone, even when carried out with professional care, do not guarantee that fraud or abuse will be detected.

The courtesies and cooperation extended by the employees of the Hernando County Parks and Recreation Department and the Hernando County Clerk of Court and Comptroller's Financial Services Department during the audit were sincerely appreciated.

If you have any questions, concerns, or need additional information in regard to the above or the attached report, please do not hesitate to contact Audit Services at (352) 540-6235, or just stop by our offices in Room 215.

**ATTACHMENT: Parks and Recreation Contract Compliance and Financial Control Environment Audit Report**

**Copy:** Harry Johnson, Parks & Recreation Department Manager

**Copy: Board of County Commissioners**

Chairman John Mitten  
Commissioner John Allocco  
Commissioner Wayne Dukes  
Commissioner Jeff Holcomb  
Commissioner Steve Champion

**Copy: Audit Services Planning & Priorities Committee**

The Honorable Doug Chorvat, Jr., Clerk of the Circuit Court and Comptroller  
Amy Gillis, CPA, CGFO, Director, Financial Services  
Jon Jouben, Deputy County Attorney  
Tobey Phillips, Deputy County Administrator  
Jeffrey Rogers, County Administrator  
Stephanie Russ, Budget Manager, Office of Management & Budget

# Table of Contents

EXECUTIVE SUMMARY.....	5-7
ACKNOWLEDGEMENT.....	8
BACKGROUND.....	9-10
OBJECTIVE & SCOPE.....	11-12
DISCUSSION POINTS	
1. Financial Transactions.....	13-19
2. Recordkeeping .....	20-22
3. Network and Physical Security.....	23-24

# Executive Summary

The Audit Services Department conducted a Contract Compliance and Financial Controls Environment Audit at the Hernando County Parks and Recreation Department. The purpose of this audit was to provide management with some level of assurance that the department's internal controls for the collection and recording of fees and the administration of contracts were adequate.

As stated on the Parks and Recreation Department's web page, "Hernando County offers an impressive park system, with over 20 developed parks on 424 acres and 452.5 acres of open space. Our well-maintained county parks support a wide array of recreational activities, from casual strolling to active sports such as baseball, soccer, boating and swimming." To support the operations and maintenance of the park system, the department charges reasonable fees for parking, facility rentals, athletic field usage, in-house programs, advertising and sponsorship, concession/security deposits, and miscellaneous charges as approved by the Board of County Commissioners (BOCC). The fee schedule was adopted by the BOCC in County Resolutions 2016-99, 2016-191, 2017-150, and 2018-181.

To accomplish this review, we obtained an understanding of the processes for the collection of fees for parking, facility rentals, advertising, sponsorships, and in-house programs. We also obtained an understanding regarding the administration of contracts and the tracking of community event sales.

For the transactions and contracts selected for review, the Audit Team reviewed all applicable documentation for accuracy, completeness, and proper authorization. Determination of proper authorization was based on County Ordinance 93-16, Sec 2-103, Organization; Centralization of Procurement Authority and Purchasing and Contracts Procedure 020G, Delegation of Commitment Authority.

The Audit Team selected a sample of parks to review Honor Boxes and advertising. The placement, procedures, and the collection and recording of financial transactions were evaluated.

Our review identified Opportunities for Improvement for both Contract Compliance and Financial Controls. These Opportunities for Improvement are addressed in the following discussion points.

## **Discussion Point 1: Financial Transactions**

The approved fee amount was not consistently collected for annual parking passes, facility rentals, and advertising. For parking passes and facility rentals there were instances in which the prior approved rate was charged; an incorrect rate was charged; discounts were granted without proper approval; and sales tax was included in the rate. For advertising, there were instances in which billboards were displayed in parks without evidence of payment and discounted pricing provided without proper approval.

For concessionaire and in-house programs (class instructor) contracts, the Audit Team found that contractual terms were not consistently enforced. Payments were not collected according to the contractual terms and late fees were not assessed for payments received after the specified due date.

The review of in-house programs (summer camps) disclosed that payment was not received for all participants. In addition, although the County Resolution states that "Fees are non-refundable", refunds were issued. These refunds were incorrectly recorded as a receivable.

The review of the various types of transactions, disclosed an excessive number of reversing transactions. Of the 294 Purchase Orders entered into the Max Galaxy system for the period of December 11, 2018 through April 30, 2019, 168 Purchase Orders had reversing transactions. The reversing transactions resulted in a remaining outstanding balance for 10 Purchase Orders, which totaled \$9,216.

In addition to the reversing transactions, accounting irregularities for the manual transfer of account balances from CLASS to MaxGalaxy were identified that appeared to result in the misstatement of revenue, unearned revenue, and/or accounts receivable.

To strengthen the fee collection process, management should implement prevention and detection controls to ensure staff members collect the correct fee and the applicable sales tax. The ability to edit the fee amount

and access to the rate table should be limited to authorized personnel only. In addition, reconciliations of the various accounts should be performed on a monthly basis. The performance and review of these reconciliations would detect deviations from the approved fee and other input errors.

The Audit Team also interviewed staff members and observed operations at Alfred McKethan/Pine Island Park. The parking meter used to accept credit card payments is located in the parking area. Therefore, citizens paying by credit card are permitted access prior to paying the parking fee.

To ensure payment is received for all cars entering the park, management should consider implementing a payment verification process. In addition, management should evaluate the feasibility of accepting credit card payments at the gate.

## **Discussion Point 2: Recordkeeping**

The review of recordkeeping processes included the review of Contracts, Certificates of Insurance, Summer Camp Registration Forms, Facility Usage Applications, Lake House Rental Applications, Sign Advertising Agreements, Standard Operating Procedures, and Job Descriptions.

The review of contract documents disclosed that the authorization of numerous concessionaire and in-house program contracts, that were selected for review, did not comply with County Ordinance 93-16, Sec 2-103 and the Purchasing and Contracts Procedure 020G. The non-compliant contracts were authorized by department personnel.

In addition to the lack of proper authorization, the contract terms for two contracts were not consistently stated throughout the contract.

To comply with the County Ordinance and Purchasing and Contracts policies and procedures, management should coordinate with the County Attorney's Office and the Purchasing and Contracts Department for the drafting and the execution of contracts.

The contract documents address the insurance, indemnity, and risk allocation requirements. The Audit Team obtained and reviewed the Certificates of Insurance for the sampled contracts for compliance with the contractual requirements. During this review, we found that department personnel were fully aware of the need to obtain Certificates of Insurance. However, the Audit Team identified instances in which the insurance coverage did not comply with the contractual requirements. There were instances in which insurance coverage was not in place for the entire contract period and the coverage amount did not comply with the contract terms. In addition, there was one instance in which the BOCC was not listed as an additional insured.

To ensure that the County's liability in relation to contracts is mitigated to the fullest extent possible, Parks and Recreation personnel should coordinate with the Risk Management Department to obtain and track Certificates of Insurance that comply with the contractual terms.

For in-house programs, a parent/guardian completes a registration form. The Audit Team found instances in which forms were not on file for attendees, forms were not signed by the parent/guardian, or the parent's/guardian's signature was not notarized. To ensure all documents are obtained and completed, management should consider exclusively using the on-line registration feature of MaxGalaxy.

The Audit Team's review of Sign Advertising Agreements, disclosed inconsistencies regarding the completion of the agreements. There were accounts for which an agreement was not on file. For accounts that had an agreement on file, several were not signed, and several were expired. Parks and Recreation management should implement a process to track Sign Advertising Agreements to identify if an agreement is approaching its expiration date.

When reviewing the Parks and Recreation Department's policies and procedures, the Audit Team found that several were last updated in 2005. The most recent policies and procedures were updated in 2018. Some of the policies and procedures were not signed by management.

To strengthen the overall recordkeeping processes, management should consider implementing an independent document review process.

### **Discussion Point 3: Network and Physical Security**

The audit included a review of network and physical security measures implemented by the Parks and Recreation Department. According to Cisco, "Network security is any activity designed to protect the usability and integrity of your network and data."<sup>1</sup> Physical security is the protection of assets from damage, misuse, or theft.

In October 2016, the Parks and Recreation Department purchased MaxGalaxy software from Maximum Solutions, Inc. MaxGalaxy is a web-based recreation management software that is used by the department to manage and track programs, leagues, facility rentals, and concessionaire contracts. This software was implemented by the Parks and Recreation Department in December 2018.

To evaluate the effectiveness of the implementation of MaxGalaxy, the Audit Team reviewed financial transactions and staff members' system access rights. To evaluate the financial transactions, the Audit Team reviewed annual parking fee and facility rental transactions for the period of January 1, 2019 thru April 30, 2019. In addition, the Audit Team also determined if accounts were accurately transferred from the previous system, CLASS to MaxGalaxy.

In addition to the review of transactions, the Audit Team reviewed system access rights. To accomplish this review, the set-up of the Recreation staff user group was reviewed to determine if access rights were set at the minimum for staff members to be able to effectively perform their job responsibilities.

For the results of the financial transaction review, refer to Discussion Point 1. As for the system access rights, the Audit Team found that all staff members had access to update their system permission rights and access to modify the rate structure. To enhance the security of this system, it is recommended that administrator rights be transferred to the Information Technology Department. The Parks and Recreation Department should work with Information Technology staff to assign staff members access rights based on the Principle of Least Privilege.<sup>2</sup> As stated by the Department of Homeland Security website,

"Only the minimum necessary rights should be assigned to a subject that requests access to a resource and should be in effect for the shortest duration necessary (remember to relinquish privileges). Granting permissions to a user beyond the scope of the necessary rights of an action can allow that user to obtain or change information in unwanted ways. Therefore, careful delegation of access rights can limit attackers from damaging a system."

In addition to the assignment of access rights in excess of that which was necessary for staff members to perform their job responsibilities, the Audit Team observed that staff members posted their network login credentials on a bulletin board located in a shared workspace. To reinforce the communications by the Information Technology Department's Security Analyst, Parks and Recreation management should periodically review proper network and computer security protocol with staff members.

During the audit, the Audit Team evaluated physical security measures such as the security of keys to facilities and the security of cash assets. The Audit Team found that keys were adequately secured. Regarding the security of cash assets, the Audit Team was informed that processes for accessing the safe and handling daily deposits did not require dual control. To ensure proper accountability of cash assets, it is recommended that management provide staff members with cash handling training such as that provided by the Clerk of Court and Comptroller's Financial Services Department; determine the feasibility of requiring two staff members to access the safe and handle cash deposits; and instruct staff members to secure their cash drawers during breaks.

---

<sup>1</sup> <https://www.cisco.com/c/en/us/products/security/what-is-network-security.html>

<sup>2</sup> <https://www.us-cert.gov/bsi/articles/knowledge/principles/least-privilege>

## Acknowledgement

Other minor findings not included in the attached report were communicated to management and/or corrected during fieldwork.

Fieldwork was performed by: Vicky Sizemore, Internal Auditor  
Elizabeth Hogan, CIA, CFE, Director of Audit Services

Management's response was provided by: Tobey Phillips, Deputy County Administrator  
Harry Johnson, Parks and Recreation Manager

Management's response was approved by: Jeffrey Rogers, County Administrator

This report was reviewed and authorized by Doug Chorvat, Jr. Clerk of Circuit Court and Comptroller.



---

Doug Chorvat, Jr.

---

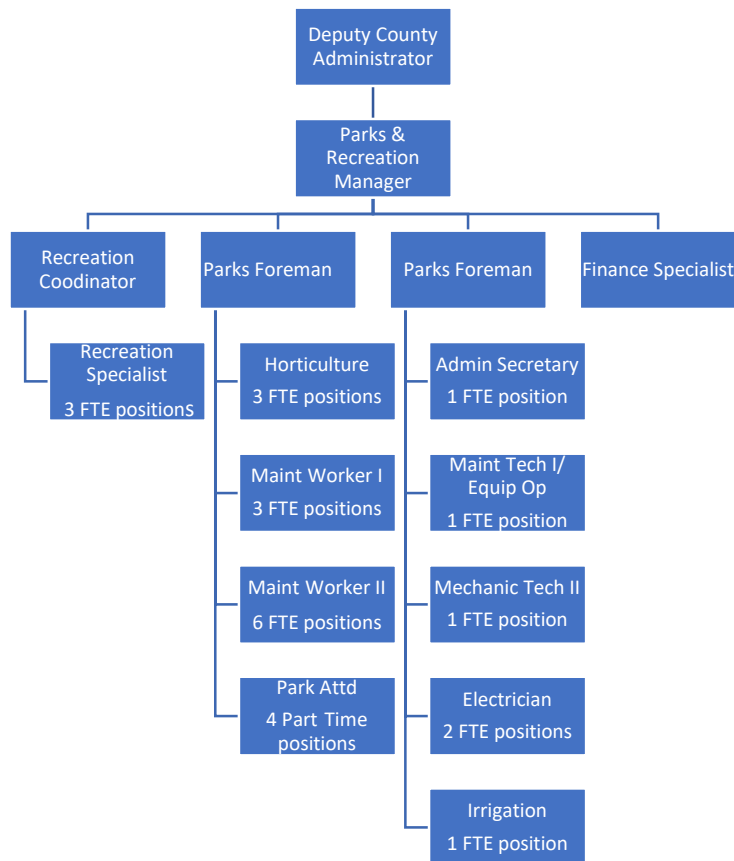
August 12, 2020  
Date



BACKGROUND INFORMATION

As stated on the Parks and Recreation Department's web page, "Hernando County offers an impressive park system, with over 20 developed parks on 424 acres and 452.5 acres of open space. Our well-maintained county parks support a wide array of recreational activities, from casual strolling to active sports such as baseball, soccer, boating and swimming." In addition to providing boat ramps, recreation fields and playgrounds, several of the parks have buildings and pavilions that are available for rent.

The Parks and Recreation Department is part of the General Fund. In Fiscal Year (FY) 2018, the department reported to the Deputy County Administrator via the Facilities Manager. As of Fiscal Year (FY) 19 the department reported directly to the Deputy County Administrator. The department had a total of 30.55 and 30.75 budgeted full-time equivalent positions in FY 18 and FY19, respectively.



According to eFinance Plus, the County's financial system, the Parks and Recreation Department had total revenue of \$989,249 and \$917,043 in Fiscal Years 2017/2018 and 2018/2019, respectively. The sources of revenue that supported department operations during these fiscal years were fees collected for parking, recreation activities, building rentals, community events, advertising, and sponsorships. The most recent updated fee schedule, County Resolution 2018-181 was approved by the Board of County Commissioners on December 11, 2018.

Figure 1 shows sources of revenue for the last three fiscal years: 2017, 2018, and 2019.

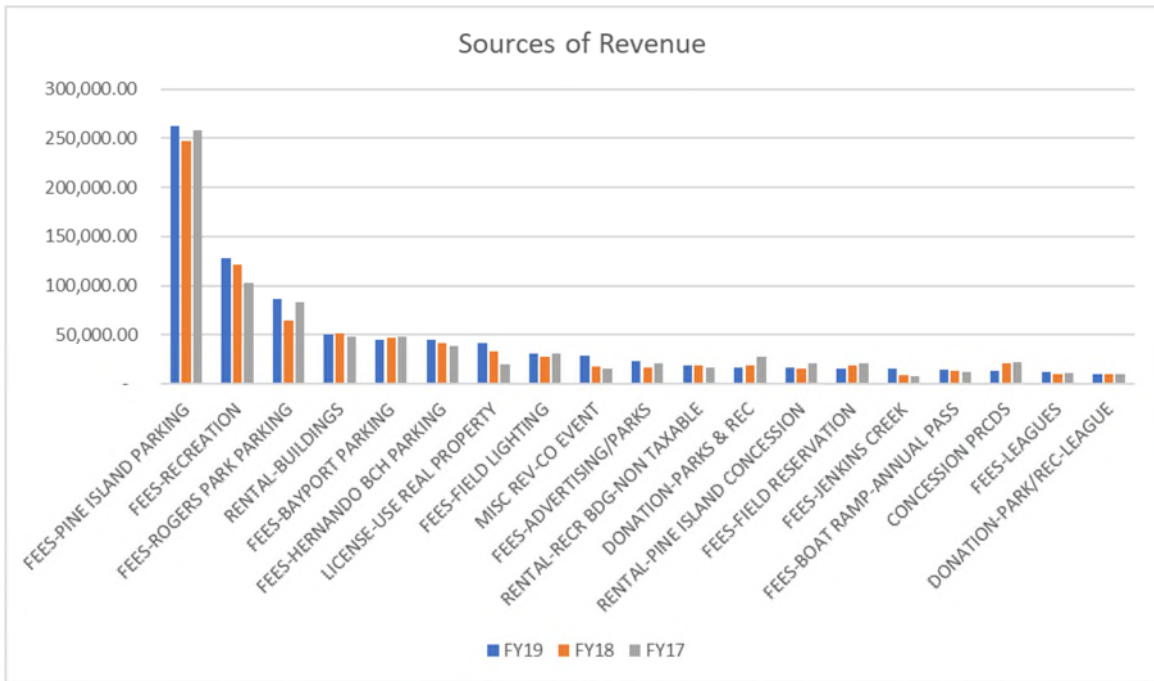


Figure 1 – Auditor generated based on financial data

In Fiscal Year 2019, parking, recreation activities, and building rentals accounted for approximately 86% percent of total revenue. As indicated in Figure 1, parking fees are collected at various parks and boat ramps. In total, parking fees, accounted for approximately 54 % of total revenue. Parking at Alfred McKethan/Pine Island Park which totaled \$263,078 accounted for 29% of the parking revenue collected. Various collection methods were used by the Parks and Recreation Department such as, Park Attendants, self-service meters, and honor boxes. Citizens also have the option to purchase annual parking passes.

Recreation activities were primarily comprised of registration fees for leagues, classes, and the Father Daughter Dance. Building rentals included rental fees for the Lake House and the various pavilions located throughout the park system. In addition, the Parks and Recreation Department also promotes various community events throughout the year.

To record and track operational activities, the Parks and Recreation Department used CLASS software until December 2018. In December 2018, the department implemented a new web-based software, MaxGalaxy. Financial records are submitted to the Clerk and Comptroller's Financial Services Department for the recording of financial transactions in eFinance Plus, the County's financial system.

## OBJECTIVE

The purpose of this audit was to provide management with some level of assurance that the department's internal controls for the collection and recording of fees and the administration of contractual agreements were adequate.

This audit was conducted in conformance with the *International Standards for Professional Practice of Internal Auditing*.

## SCOPE

Samples of financial transactions, contracts, in-house programs and community events were selected for testing as follows:

- Building & Pavilion Rentals
  - Building Rentals – total sample of 139 rental transactions
    - 132 rental transactions were judgmentally selected from MaxGalaxy Receipt Item Distribution Report for the period of 12/01/2018 – 04/30/2019
    - 7 rental transactions were selected using a random date generator which produced the date of 08/08/2018. The 7 rental transactions were identified on receipt 8RECR0813.
  - Pavilion Rentals – Using IDEA data analytics software, a random sample of 20 rental transactions was selected from the MaxGalaxy Receipt Item Distribution Report for the period of 12/01/2018 – 04/30/2019
- Annual Parking Passes – a judgmental sample of 185 transactions, which represented 100% of the transactions identified on the MaxGalaxy Receipt Item Distribution Report for the period of 12/01/2018 – 04/30/2019 was selected
- Contracts – Judgmentally selected the following samples from information obtained from the Parks and Recreation Department
  - Concessionaires – 19 contracts
  - In-house programs (class Instructors) –3 instructors for classes held in Fiscal Year 2017/2018
  - In-house programs (summer camps) –3 camps held in Fiscal Year 2017/2018
  - Community Events – 3 events held in Fiscal Year 2017/2018
- Honor Boxes – Judgmentally selected the 4 highest revenue generating honor box locations – Suncoast Trail; Hunters Lake; Linda Pederson; and Lake Townsen
- Advertisements
  - 100% of billboards placed at Anderson Snow Park; Veterans Memorial Park; Rogers Park; Alfred McKethan/Pine Island Park; and Bayport Park
- Sponsorships/Donations – Judgmentally selected the Annual Father Daughter Dance from the Parks and Recreation Department's web page list of events

To accomplish the audit objectives, the Audit Team performed the following procedures:

- Reviewed the Parks and Recreation Department's Standard Operating Procedures and interviewed key personnel.
- Tested financial transactions for compliance with the approved Fee Schedule and recalculated transactions for accuracy and completeness.
- Compared advertisements displayed at selected parks to the Sign Advertising Agreements on file and verified receipt of payment.
- Reviewed concessionaire, in-house programs, and community events contracts for:
  - Proper authorization and completeness
  - Compliance with contract terms – payments and insurance requirements
- Performed observations at selected parks to evaluate the security and placement of Honor Boxes.
- Observed operations at Alfred McKethan/Pine Island Park.
- Assessed the implementation of MaxGalaxy software.

The audit period was October 1, 2017 through September 30, 2018 and October 1, 2018 through April 30, 2019.

The audit procedures performed identified procedures and practices that could be improved. The Opportunities for Improvement are listed below.

Opportunity for Improvement	Description	Page Reference
1.1	Collect fees for annual parking passes and building & pavilion rentals in accordance with the approved Fee Schedule	14
1.2	Collect and remit sales tax in accordance with Florida Statutes	14-15
1.3	Verification of parking fee payment	15
1.4	Collect payments and late fees in accordance with the contract terms	16
1.5	Enhance the tracking process of revenue generated by community events	16-17
1.6	Adhere to "Fees are non-refundable" policy	17
1.7	Verify payment is received for all camp attendees	17
1.8	Review accounting transactions for accuracy and completeness	17-18
1.9	Collect the approved fee for all billboards placed at the County parks	18-19
2.1	Comply with County contract authorization policy	20
2.2	Verify contractor insurance meets the contractual requirements throughout the entire term of the contract	20-21
2.3	Verify contract terms are consistently stated throughout the contract document	21
2.4	Verify camp registration forms are properly completed and submitted	21-22
2.5	Obtain and maintain current Billboard Agreements	22
2.6	Update operating procedures	22
3.1	Ensure staff members access rights are aligned with their job responsibilities	23
3.2	Provide staff with training on proper network security protocols	23
3.3	Implement dual control procedures for safe access and cash deposits	23-24

This audit was neither designed nor intended to be a detailed study of every relevant system, procedure or transaction. Accordingly, the Opportunities for Improvement presented in this report may not be all-inclusive of areas where improvement may be needed.

# Discussion Points

## **Discussion Point 1: Financial Transactions**

To determine that proper fees were collected and posted to the department's records and the County's financial system, the Audit Team selected samples of annual parking passes, building & pavilion rentals, concessionaire contracts, in-house programs, community events, advertising, and sponsorships/donations for review. Documentation for these transactions was obtained from CLASS, MaxGalaxy, and OnBase.

Payments associated with the sampled transactions for annual parking passes, building & pavilion rentals, in-house programs, advertising, and sponsorships/donations were evaluated for compliance with the approved Fee Schedules, County Resolutions 2016-99, 2016-191, 2017-150 and 2018-181. Payments for the sample of contracts were evaluated for compliance with the contractual terms.

The revenue generated by the three community events selected for review was evaluated to ensure that sales were properly tracked and recorded in both the department's records and the County's financial system.

For applicable transactions, the collection and remittance of sales tax was evaluated for compliance with Florida Statutes 212.031, Tax on rental or license fee for use of property and 212.054, Discretionary sales surtax; limitations, administration, and collection.

In addition, the Audit Team evaluated the gate operations at Alfred McKethan/Pine Island Park and the procedures for Honor Boxes by interviewing staff members and by physical observation.

Based on the testing of transactions and discussions with department personnel, the collection and recording of sponsorships, and the collection of fees deposited at the Honor Boxes appeared to be operating effectively. For the other areas reviewed, the Audit Team identified Opportunities for Improvement regarding the collection and recording of the financial transactions.

**1.1 Opportunity for Improvement: Collect fees for annual parking passes and building & pavilion rentals in accordance with the approved Fee Schedule**

During our review of the collection of fees for annual parking passes and building & pavilion rentals, the Audit Team found that the approved rate was not consistently charged and collected for these transactions.

Transaction Type	# of Transactions		Comment
	Reviewed		
Annual Parking Passes	185		36 transactions (19%) were charged the prior rate
Building Rentals	139		17 rentals (12%) were given 50% discount for non-profit status without an approved fee waiver 29 rentals (21%) were charged an incorrect daily or hourly rate 7 rentals were not charged for all additional hours
Pavilion Rentals	20		3 rentals (16%) were given 50% discount for non-profit status without an approved fee waiver

**Recommendation:** We recommend that management consider the following:

- Develop a policy regarding fees charged to non-profit organizations and present this policy to the Board of County Commissioners for approval.
- Restrict access to the rate table to authorized personnel only so that staff members cannot change the amount charged at the point of sale.
- Monthly, reconcile the payments received that are recorded in MaxGalaxy (e.g. GL Distribution Report) to the number of parking passes sold or to the building/pavilion Facility Schedule Report. The department's records should then be compared to the County's financial system. Ideally, for proper segregation of duties, these reconciliations should be performed by a staff member that does not post the entries to the accounts. All reconciliations should be reviewed by management.

**Management Response:**

1. Staff will prepare a draft policy for BOCC consideration to approve the rental rate for non-profit organizations. Implementation Date: September 2020
2. Training will be conducted with staff members who manage contracts and/or rentals to ensure understanding of fee schedule and the requirement of adhering to the approved rates. Implementation Date: October 2020 (or once final policy is approved by BOCC)
3. A process will be implemented to address proper segregation of duties. This will include the transfer of the financial duties to a position under the supervision of the Office of Management and Budget, full training of Recreation staff and supervisors on proper procedures for reconciliations and updating SOP manuals to reflect updated procedures. Implementation Date: January 2021

**1.2 Opportunity for Improvement: Collect and remit sales tax in accordance with Florida Statutes**

When reviewing the various transactions, the Audit Team verified if sales tax should be charged and if it was to be charged that the correct sales tax amount was collected from the customer in accordance with Florida Statute 212.031 and 212.054.

Transaction Type	# of Transactions	
	Reviewed	Comment
Annual Parking Passes	185	Sales tax was included in the rate for 39 (21%) of the transactions  Incorrect sales tax rate was charged for 1 transaction
Building Rentals	139	Sales tax was not charged for 2 (1%) rentals  Sales tax was included in the rate for 2 (1%) of the transactions  Sales tax was based on the total amount including administrative fees for 4 (3%) rentals

In addition, a review of a sample of concessionaire contracts disclosed that the correct sales tax amount was not collected throughout the term of two contracts. The Clerk of Court and Comptroller's Financial Services Department identified and worked with the County Attorney's Office to correct the sales tax for one of the contracts. For the other contract, the audit team noted that the correct sales tax was not charged and collected for the first 4 ½ years of the contract.

**Recommendation:** Management should remain current on the applicable Florida Statutes pertaining to sales tax and ensure that the rate table is updated, accordingly. As part of the monthly reconciliation process, the sales tax amount should be verified for accuracy.

In addition, management should coordinate with the Clerk of Court and Comptroller's Department of Financial Services to remediate sales tax payment discrepancies.

**Management Response:**

1. Staff will coordinate with Financial Services to obtain information on current sales tax procedures and request any necessary training to reinforce this process. Staff will update SOP manual to reflect updated procedures, which will include the recommendation to consult with Financial Services for proper resolution should discrepancies arise. Implementation Date: January 2021
2. In coordination with Financial Services, decisions were made referencing two vendors who were charged incorrect sales tax. Implementation Date: Completed

**1.3 Opportunity for Improvement: Verification of parking fee payment**

The Audit Team observed operations at Alfred McKethan/Pine Island Park and interviewed gate attendants. The parking meter used to process credit card payments is located inside the gate. Customers paying by credit or debit card proceed into the parking area and subsequently remit payment. By gaining entry prior to submitting payment, the parking fee may not be paid.

**Recommendation:** Management should consider the following:

- Provide customers with a receipt to display on their dashboard and periodically verify that all parked vehicles have the displayed receipt.
- Determine the feasibility of accepting credit card payments at the gate via widely accepted software.

**Management Response:**

1. Staff will work with Clerk IT to determine the options for credit card payments and finalize process of accepting payments. Administration will be involved with the final decision to determine the level of customer service to be used at this location Implementation Date: December 2020
2. Staff will explore options to provide receipts in conjunction with the final process of payment that is chosen at this location. Implementation Date: upon verification of accepted payment process

**1.4 Opportunity for Improvement: Collect payments and late fees in accordance with the contract terms**

During the review of payments received and posted to the County's financial system for the contracts reviewed, we found that payments were not made in accordance with the contract terms for ten contracts. For four of the contracts, the Grantees paid the full amount due; however, payments were made after the due dates. For payments received after the due date, the Parks and Recreation Department did not assess and collect the applicable late fee.

**Recommendation:** Parks and Recreation should review the payment terms with Grantees and collect late fees in accordance with the terms of the contract.

**Management Response:**

1. Updates to SOP manual will be made to reflect proper procedures. Implementation Date: September 2020
2. Training will be provided for all appropriate staff on proper methods to manage and enforce a contract and collect fees. This will include setting expectations to follow contract terms and possible disciplinary action for non-compliance. Implementation Date: September 2020

**1.5 Opportunity for Improvement: Enhance the tracking process of revenue generated by community events**

The Audit Team reviewed the documentation for three community events. Revenue was generated at these events by charging for parking or for sale of alcoholic beverages. In general, due to a lack of adequate documentation, it could not be determined if all revenue was received and recorded to the County's financial system.

Event	Fee	Comment
Hispanic Heritage Festival	Parking	Documentation was not available supporting the total number of cars.  The deposit amount returned was short \$53.00.  The change fund was provided to non-staff members.
Red White & Brews	Beer & Wine Sales	Noted shortage of ticket supplies used to record sales.  Manually prepared Profit & Loss statement contained a calculation error.  General Ledger entries did not include all revenue entries indicated on the Profit & Loss statement.
Summer Fried & Countrifried	Beer, Wine & Liquor Sales	Amount of sales reported on the manually prepared Profit & Loss statement was short \$48.00.  All expense transactions stated on the Profit & Loss statement were not supported by proper documentation.

**Recommendation:** Management should consider the following:

- Implement procedures to accurately track the number of cars parked and/or the sale of alcoholic beverages
- Review event documentation for accuracy
- Only provide change funds to County personnel

**Management Response:**

1. Staff will implement the use of tickets for car parking sales and sales of alcoholic beverages for events to accurately track sales. Implementation Date: September 2020 or by next scheduled event



2. Cash will only be handled by County staff during an event for those areas pre-determined to be under the County's responsibility, which will be reflected in event documentation/agreement. Implementation Date: September 2020
3. Updates to SOP manual will be made to reflect proper procedures and training will be provided for all appropriate staff on accepted methods to track event revenue and complete profit/loss analysis post-event. This will include proper checks and balances and final review/approval by Parks & Rec Manager for all events. Implementation Date: September 2020 or by next scheduled event
4. County Administration to review advantages and disadvantages, with considering financial impact of hosting community events, vice partnering with organizations to host the events.

#### **1.6 Opportunity for Improvement: Adhere to "Fees are non-refundable" policy**

The transactions for three camps were reviewed for accuracy. In some instances, it was noted that if a child was unable to attend a camp that they were previously registered for, a refund was issued. To record the refund, staff erroneously processed an entry to accounts receivable that artificially increased the accounts receivable balance.

**Recommendation:** The Parks and Recreation Department personnel should adhere to the approved fee schedule which states "Fees are non-refundable". In addition, department staff should reconcile the accounts receivable account on a monthly basis. This reconciliation should be reviewed by management.

##### **Management Response:**

1. Training will be conducted with staff members who manage contracts and/or rentals to ensure understanding of fee schedule and the importance of adhering to the approved rates. Implementation Date: October 2020 (or once final policy is approved by BOCC)
2. Staff will reconcile all accounts receivables on a monthly basis, with final review by Parks & Rec Manager. Implementation Date: September 2020
3. Any credit and/or refund exceptions considered for weather interruptions, natural disasters or pandemics that prompted cancellations will only be refunded after approval of Deputy County Administrator. Implementation Date: September 2020

#### **1.7 Opportunity for Improvement: Verify payment is received for all camp attendees**

A comparison of camp attendance sheets to payment receipts disclosed that payment was not received for 6 of 122 (5%) campers.

**Recommendation:** Reconcile the camp attendance records to the payment receipts. This reconciliation should be reviewed by management.

##### **Management Response:**

1. A process will be implemented to address proper segregation of duties. This will include the transfer of the financial duties to a position under the supervision of the Office of Management and Budget, full training of Recreation staff and supervisors on proper procedures for reconciliations and updating SOP manuals to reflect updated procedures. Implementation Date: January 2021
2. Training will be conducted with Recreation staff members overseeing summer camp programs to ensure understanding of fee schedule and the importance of collecting/verifying all required registration paperwork and attendance records. Implementation Date: March 2021

#### **1.8 Opportunity for Improvement: Review accounting transactions for accuracy and completeness**

The system conversion from CLASS to MaxGalaxy was done manually. Accounting transactions were entered to reverse remaining account balances in CLASS and were subsequently entered in MaxGalaxy. The review of financial transactions for the implementation of MaxGalaxy software disclosed numerous reversing transactions and other accounting irregularities.

During the review of the implementation of MaxGalaxy software, the Audit Team found an excessive number of reversing transactions. Of 294 purchase orders reviewed, 168 purchase orders (57%) had reversing transactions. In addition, purchase orders with variances were identified which resulted in credit balances in the accounts

receivable account. The reversing transactions resulted in a remaining outstanding balance for ten Purchase Orders which totaled \$9,216.

The Audit Team also reviewed the accounting transactions entered at the time of the conversion for the sampled contracts. For several contracts, accounting entries appeared to result in the misstatement of revenue, unearned revenue, and/or accounts receivable.

In addition, payments for two contracts appeared to be applied to invoices in a random manner which negatively impacts the aging of the accounts receivable account.

**Recommendation:** Management should consider implementing a monthly account reconciliation process and an in-depth periodic review of MaxGalaxy reports to identify possible transaction errors. In addition, management should periodically review the daily work that is submitted to the Clerk of Court and Comptroller's Financial Services Department.

**Management Response:**

1. A process will be implemented to address proper segregation of duties. This will include the transfer of the financial duties to a position under the supervision of the Office of Management and Budget, full training of Recreation staff and supervisors on proper procedures for reconciliations and updating SOP manuals to reflect updated procedures. Implementation Date: January 2021
2. Management will be expected to conduct periodic reviews of daily work that is submitted to Finance Services to ensure proper procedures are being followed and to maintain working knowledge of revenue/expense activity for the Division. Implementation Date: January 2021

**1.9 Opportunity for Improvement: Collect the approved fee for all billboards placed at the County parks**

A sample of parks was selected for the review of advertising processes and procedures. The parks that were judgmentally selected for review were: Alfred McKethan/Pine Island Park; Rogers Park; Bayport Park; Veterans Memorial Park; and Anderson Snow Park. These parks had billboards displayed for 30 businesses. Our review found billboards are present without evidence of proper payment as follows:

Topic	Comment
Billboards are present without evidence of proper payment	<p>Two companies have six billboards hanging as part of a sponsorship. Neither company had donated the required amount to qualify for free billboards.</p> <p>Two companies have seven billboards hanging in lieu of undocumented services provided.</p> <p>Six companies have seven billboards displayed that were cancelled by the advertiser.</p> <p>One company had a sign donated by another company with no documentation of the purchase.</p>
Fee collected did not comply with the approved Fee Schedule	Four companies were given discounted pricing without documented approval.

**Recommendation:** Management should consider the following:

- Monthly, review receipts for billboards such as, the MaxGalaxy GL Distribution report and compare the payment receipts to the Sign Advertising Agreements.
- Parks and Recreation staff members should periodically review displayed advertisements to ensure billboards for cancelled agreements are promptly removed.
- Modifications to Sign Advertising Agreements should be properly executed.

**Management Response:**

1. A full review of Sign Advertising Program will be conducted to include execution of new contracts for all sponsors and confirmation of signage currently displayed at County venues with any necessary adjustments to reflect signed agreements. Implementation Date: Completed
2. Implementation of a monthly review process of all advertising contracts to include procedures for contract compliance, communication with sponsors for contract compliance, and management review. Implementation Date: October 2020
3. Training will be conducted with staff members who manage advertising contracts to ensure understanding of fee schedule and the importance of adhering to the approved rates. This will include setting expectations to follow contract terms and possible disciplinary action for non-compliance. Implementation Date: October 2020 (or once final policy is approved by BOCC)

## Discussion Point 2: Recordkeeping

For the contracts and transactions selected for review, the Audit Team reviewed all applicable documentation for completeness and proper authorization. Contracts and agreements were reviewed for proper authorization that complied with County Ordinance 93-16, Sec 2-103, Organization; Centralization of Procurement Authority and Purchasing and Contracts procedure 020G, Delegation of Commitment Authority.

Certificates of Liability Insurance for each of the contracts were reviewed for adherence to the contractual terms. The Certificate of Liability Insurance specifies the type of insurance, policy effective dates, limits, and additional insured information. To perform this test, imaged copies of these certificates were reviewed.

In addition, the Audit Team obtained and reviewed the Parks and Recreation Department's Standard Operating Procedures and job descriptions.

### 2.1 **Opportunity for Improvement: Comply with County contract authorization policy**

County Ordinance 93-16, Sec 2-103 states that "Except as otherwise provided, all rights, powers, duties, and authority relating to the procurement and contracting of goods and services shall reside with the office of the chief procurement officer." In addition, Purchasing and Contracts Procedure No. 020G, Delegation of Commitment Authority, delineates the summary purchasing thresholds and the categories of individual delegation.

Our review of contracts for concessionaire services, in-house programs, and events disclosed that the authorization of contracts did not consistently comply with neither the County Ordinance 93-16, Sec 2-103 nor the Purchasing and Contracts Procedure No. 020G. During our review, we found that the Parks and Recreation Manager authorized:

- 15 of the 19 concessionaire contracts;
- 3 of the 6 in-house program (class instructor) contracts;
- 1 of the 3 community event contracts

In addition, there was also one instance in which the Parks and Recreation Finance Specialist authorized the modification of a contract.

**Recommendation:** Management should coordinate with the Purchasing and Contracts Department and the County Attorney's Office for the authorization of contracts.

#### **Management Response:**

1. Staff will create templates for all contracts/agreements utilized by Parks & Recreation, with final review by County Attorney's Office and Purchasing and Contracts Department. Implementation Date: December 2020
2. Signature Authorization for each level of contract/agreement will be determined by the Board of County Commissioners, upon recommendations from Purchasing and Contracts Department and County Attorney's Office, to allow for efficient daily operations. Implementation Date: December 2020
3. Training will be conducted with staff members who manage contracts and/or agreements to ensure understanding of fee schedule and the importance of adhering to the approved contract terms. This will include setting expectations to follow contract terms and possible disciplinary action for non-compliance. Implementation Date: January 2021 (or once final policy is approved by BOCC)

### 2.2 **Opportunity for Improvement: Verify contractor insurance meets the contractual requirements throughout the entire term of the contract**

The contract terms state the specific requirements for insurance, indemnity, and allocation of risks. Although, department personnel were fully aware of the need to obtain Certificates of Liability Insurance, our review found numerous inconsistencies between the insurance coverage documentation and the insurance requirements stipulated in the contracts.

Our review of contracts for concessionaire services, in-house programs, and community events disclosed that of the 30 contracts reviewed:

- 9 did not have insurance coverage for the entire contract period
- 9 did not have proper insurance coverage per the terms of the contract
- 1 did not list the Board of County Commissioners as an additional insured

**Recommendation:** Parks and Recreation Department management should coordinate with the Purchasing and Contracts Department at the inception of a contract to obtain the Certificate of Insurance and review it for compliance with the contract terms. During the term of the contract, Parks and Recreation Department management should coordinate with Risk Management staff to obtain Certificates of Insurance from Grantees to ensure proper coverage is maintained throughout the term of the contract.

**Management Response:**

1. A system for collection, verification, and maintenance of Certificates of Insurance will be developed with the coordination of Risk Management and Purchasing and Contracts Department staff. Implementation Date: October 2020
2. Training will be conducted with staff members who manage contracts and/or agreements to ensure understanding of required paperwork and the importance of adhering to the approved contract terms. This will include setting expectations to follow contract terms and possible disciplinary action for non-compliance. Implementation Date: January 2021

**2.3 Opportunity for Improvement: Verify contract terms are consistently stated throughout the document**

Our review of the contract documents disclosed that the terms of two contracts were not consistently stated throughout the contract documents.

**Recommendation:** Parks and Recreation Management should work with the Purchasing and Contracts Department and the County Attorney's office to review and approve contract documents.

**Management Response:**

1. Staff will create templates for all contracts/agreements utilized by Parks & Recreation, with final review by County Attorney's Office and Purchasing and Contracts Department. Implementation Date: December 2020
2. Signature Authorization for each level of contract/agreement will be determined by the Board of County Commissioners, upon recommendations from Purchasing and Contracts Department and County Attorney's Office, to allow for efficient daily operations. Implementation Date: December 2020

**2.4 Opportunity for Improvement: Verify that camp registration forms are properly completed and submitted**

To enroll in camps, parents/guardians submit a completed the registration form. This form includes a waiver to "indemnify and hold harmless Hernando County, any of its agents, representatives, officers, or employees, from any claim for injury of our child during special activities and events, including travel to and from all field trips and events, and any claims based on the negligent action or inaction of Hernando County, its agents, representatives, officers, or employees, and agree not to institute or be a party to any action or suit against Hernando County ..."

During our review, we found the following:

- A registration form was not on file for 9 of 122 (7%) campers
- A registration form was not signed by the parent/guardian for 7 of 122 (5%) campers
- The Parent/Guardian's signature was not notarized for 13 of 122 (11%) campers

**Recommendation:** Management should consider exclusively using the online registration feature of MaxGalaxy to allow parents/guardians to register and pay for their child to attend camps. If a parent/guardian does not have internet access, the Parks and Recreation Department should consider setting up a kiosk in their lobby.

**Management Response:**

1. Staff will work with Clerk IT, Financial Services, and MaxGalaxy to fully utilize the registration and payment abilities of this software for all camp and program registrations. Implementation Date: January 2021
2. Staff will submit a Legal Request to County Attorney's Office to determine the need of a notarized waiver with camp registrations. Implementation Date: January 2021
3. An alternative will be reviewed and implemented to allow families with no internet access to complete registration. Implementation Date: January 2021
4. Staff will conduct a review process in coordination with Clerk IT on the long term technology needs of this division to determine if a software update or new software package may better meet the financial, security and operational needs of the Parks & Recreation Division. Implementation Date: Summer 2021

**2.5 Opportunity for Improvement: Obtain and maintain current Sign Advertising Agreements**

Our review of Sign Advertising Agreements for the parks selected for review, disclosed inconsistencies regarding the completion of the agreements. Of the 30 advertising accounts reviewed:

- 10 accounts had no agreement on file
- 7 agreements were not signed
- 5 were expired

**Recommendation:** Parks and Recreation management should track Sign Advertising Agreements to identify if an agreement is approaching its expiration date. In addition, payment receipts should be compared to the agreement.

**Management Response:**

1. A full review of Sign Advertising Program will be conducted to include execution of new contracts for all sponsors and confirmation of signage currently displayed at County venues with any necessary adjustments to reflect signed agreements. Implementation Date: Completed
2. Implementation of a monthly review process of all advertising contracts to include procedures for contract compliance, communication with sponsors for contract compliance, and management review. Implementation Date: October 2020
3. Training will be conducted with staff members who manage advertising contracts to ensure understanding of fee schedule and the importance of adhering to the approved rates. This will include setting expectations to follow contract terms and possible disciplinary action for non-compliance. Implementation Date: October 2020 (or once final policy is approved by BOCC)

**2.6 Opportunity for Improvement: Update Standard Operating Procedures**

The Audit Team reviewed the Parks and Recreation Department's Standard Operating Procedures. Of the 30 procedures reviewed, 18 were last updated in 2005 and 12 were last updated in 2018. Five of the 30 procedures were not signed by management.

**Recommendation:** To provide staff members with proper guidance and training, management should consider updating their Standard Operating Procedures to reflect the current processes and systems.

**Management Response:**

1. A full review of all SOPs manuals for Parks and Recreation will be conducted to reflect current procedures. Implementation Date: currently under review
2. Training will be conducted with staff members on final SOP manuals to ensure understanding of policies, and to include setting expectations and possible disciplinary action for non-compliance. Implementation Date: once final SOP manuals are approved
3. If any changes in policy or procedures occur during the fiscal year, staff assigned to the particular task will be responsible for updating the SOP manual, management will communicate updated procedures with all staff members, and new policies will be available at all Parks & Recreation buildings where determined. Implementation Date: ongoing

## Discussion Point 3: Network & Physical Security

During the audit the Audit Team evaluated both network and physical security. The Parks and Recreation Department implemented new software in December 2018. Staff access rights in the new system were reviewed to ensure that they aligned with their job responsibilities.

In addition, the Audit Team observed physical security measures during the audit process.

### 3.1 **Opportunity for Improvement: Ensure staff members access rights are aligned with their job responsibilities**

A review of MaxGalaxy user rights, disclosed that staff members have access to update their system permission rights and have access to modify the rate structure.

**Recommendation:** The system administrative rights should be transferred to the Information Technology Department. Parks and Recreation Management should coordinate with the Information Technology Department to identify the screens necessary for each of the user groups.

#### **Management Response:**

1. In coordination with Clerk IT and Financial Services, a review will be conducted to determine the proper access rights for Parks & Recreation staff to ensure delegation of duties is reflected. Implementation Date: January 2021
2. A process will be implemented to address proper segregation of duties. This will include the transfer of the financial duties to a position under the supervision of the Office of Management and Budget, full training of Recreation staff and supervisors on proper procedures for reconciliations and updating SOP manuals to reflect updated procedures. Implementation Date: January 2021

### 3.2 **Opportunity for Improvement: Provide staff with training on proper network security protocols**

The Audit Team observed that staff members' network login credentials were posted on a bulletin board in a shared workspace.

**Recommendation:** To reinforce the communications by the Information Technology Department's Security Analyst, Parks and Recreation Management should periodically review proper network and computer security procedures with staff members.

#### **Management Response:**

1. The practice observed by audit team of posting security information has been addressed with appropriate staff members. Implementation Date: Completed
2. Training will be conducted with all staff in conjunction with Clerk IT on proper network and computer security on a yearly basis and SOP manuals will reflect these responsibilities. Implementation Date: ongoing

### 3.3 **Opportunity for Improvement: Implement dual control procedures for safe access and cash deposits**

Based on observations during the audit and discussions with personnel, department procedures did not require dual control for safe access and cash deposits.

**Recommendation:** Management should consider the following:

- Periodically, provide staff members with cash handling training such as that provided by the Clerk of Court and Comptroller's Financial Services Department
- Determine the feasibility of the following:
  - Requiring two staff members (dual control) to access the safe and handle cash deposits
  - Contract with a vendor to handle cash deposits
- Instruct staff members to secure their cash drawer during breaks and to not share their cash drawer with other staff members

**Management Response:**

1. Annual cash handling training will be provided and required to all appropriate staff by Financial Services. Implementation Date: ongoing
2. New Parks & Recreation staff members will have to complete cash handling training by Financial Services and/or Finance Specialist prior to being placed in the field to ensure understanding of approved procedures. Implementation Date: ongoing
3. Staff will conduct review of dual control system at all venues, but specifically Pine Island, to ensure safety and minimize risk to the County in cooperation with Financial Services. Once completed, any changes in procedures will be implemented immediately and SOP manuals will be updated. Implementation Date: December 2020

**ADMINISTRATION RESPONSE:**

Upon request of this audit in 2018, Administration desired to determine the level of efficiency and adherence to approved policies and procedures in the Parks & Recreation Division. We appreciate the extended efforts of the Audit team to fully analyze the current financial operations of this division and to provide Administration with a detailed report of opportunities for improvement and training. In order to move forward in a positive direction and put quality control parameters in place, we feel it's imperative to continue to work to provide increased supervision for the Parks and Recreation Division, and change the management of the division.

We feel by placing the current Parks and Recreation Division Manager in the Recreation Coordinator position, we can maximize his strengths in the recreation field while assisting new leadership. Administration will appoint an Interim Manager during the time which Administration and staff will be evaluating where the needs of the division stand and how to best move forward.

Successful leadership in any division is critical; however, proper supervision to provide the necessary support is also a key element in success. When funding allows, the staffing of the vacant Community Services Director will allow for proper oversight for this division that does not overload the Deputy County Administrator with an excessive number of direct reports.