



Mecklenburg County
Department of Internal Audit

Department of Park and Recreation
Class System Investigation Report 1301
March 25, 2013

Internal Audit's Mission

Through open communication, professionalism, expertise and trust, Internal Audit assists executive management and the Audit Review Committee in accomplishing the Board's objectives by bringing a systematic and disciplined approach to evaluate the effectiveness of the County's risk management, control and governance processes in the delivery of services.

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Staff Acknowledgements

Richard Kring, CISA
Information Technology Auditor

**Obtaining Copies of
Internal Audit Reports**

This report can be found in electronic format at
<http://charmeck.org/mecklenburg/county/Audit/Pages/Reports.aspx>



MECKLENBURG COUNTY
Department of Internal Audit

To: James Garges, Director of the Park and Recreation
From: Joanne Whitmore, Director of Internal Audit
Date: March 25, 2013
Subject: Park and Recreation Class System Investigation Report 1301

On June 7, 2012 a Park and Recreation Department's staff brought to management's attention concerns about one of their staff's park facility rental reservations booked at reduced rates as shown in its Class recreation system used to record facility and park reservations, activities and fees, permits and other revenue-generating activities. After further concerns were identified, the Department contacted the Department of Human Resources¹ on June 12, 2012 to begin an internal investigation. The investigation revealed the staff member in question gave \$13,862 in improper facility rental discounts and did not record in Class another \$2,213 in cash payments. A police report was filed and the person ended service with the County on July 10, 2012.

On June 27, 2012 the department director notified Internal Audit of the incident and asked them to conduct a variance analysis of all department staff's Class facility rental reservations for the period of July 1, 2011 through June 30, 2012. Results were reviewed by and discussed with department management.

INVESTIGATION CONCLUSION

Because some Class system facility rental fees did not match board-approved² fees, Internal Audit could not provide true variance analysis to identify potential acts of fraud by other department staff. Data analytics provided to department management did not highlight to them any indicators of fraud by other department staff.

The review did, however, identify some significant Class system weaknesses that provided the opportunity in the rental registration process for this fraud to occur. For example, although staff is instructed against tentatively booking facilities for customers, the Class system allows staff to make them without management approval. Moreover, Class does not automatically calculate facility fees and prevent staff from overriding the correct fee changes without management approval. In addition, some fees were not accurately reflected in Class.

¹ Now Business Support Services Agency—Human Resources

² Mecklenburg Board of County Commissioners

The issues listed below, as well as recommendations and management's responses, are discussed in detail in the attached document. Internal Audit will conduct a follow-up review at a later date to verify that recommendations are implemented and working as expected.

ISSUES

1. Class system fees for some facility rentals do not always reflect board-approved pricing.
2. Class system controls do not help ensure proper reservation fees are accurately calculated, recorded and collected.

We appreciate the cooperation you and your staff provided during this audit. Please feel free to contact me at 704-336-2575 if you have any questions or concerns.

c: Harry Jones, County Manager
Michelle Lancaster, General Manager
John McGillicuddy, General Manager
Bobbie Shields, General Manager
Leslie Johnson, Associate General Manager
Dena Diorio, Financial Services Director
Tyrone Wade, Deputy County Attorney
Robert Thomas, Senior Associate Attorney
Board of County Commissioners
Audit Review Committee

INVESTIGATION

On June 7, 2012 a Park and Recreation Department’s staff brought to management’s attention concerns about one of their staff’s park facility rental reservations booked at reduced rates as shown in its Class recreation system used to record facility and park reservations, activities and fees, permits and other revenue-generating activities. After further concerns were identified, the Department contacted the Department of Human Resources³ on June 12, 2012 to begin an internal investigation. The investigation revealed the staff member in question gave \$13,862 in improper facility rental discounts and did not record in Class another \$2,213 in cash payments. A police report was filed and the person ended service with the County on July 10, 2012.

On June 27, 2012 the department director notified Internal Audit of the incident and asked them to conduct a variance analysis of all department staff’s Class facility rental reservations for the period of July 1, 2011 through June 30, 2012. Results were reviewed by and discussed with department management. Because some Class system facility rental fees did not match board-approved⁴ fees, Internal Audit could not provide true variance analysis to identify potential acts of fraud by other department staff. Data analytics provided to department management did not highlight to them any indicators of fraud by other staff.

BACKGROUND

The Mecklenburg County Park and Recreation Department has 210 parks and facilities, which include 27 recreation centers, five public golf courses, three indoor pools, two outdoor pools, three nature preserves, a public campground and disc golf courses.

The Department provides both County and non-County residents the ability to rent many indoor and outdoor shelters, gardens, multi-purpose rooms, sports fields and other facilities within the park system. They also sell permits, such as beer and wine permits, and they provide other services as well. Park and facility rental fees vary depending upon factors, such as the day of the week, length of rental and County residency status. Park and Recreation fees are approved by the Mecklenburg Board of County Commissioners (the “Board”).

Customers can call 311 or the Department or they can visit their website or go to certain park locations for more information. Certain department site staff and all 311 staff can reserve and take payments for rentals and other fees. The Department received on average \$5.2 million in revenues and conducted 94,000 transactions in fiscal years 2011 and 2012. An average of 15% of revenues was received in cash.

REVENUE SUMMARY						
Payment Type	FY 2011			FY 2012		
	Amount	Transaction Count	Revenue as % of Total	Amount	Transaction Count	Revenue as % of Total
Bank Draft	88,880	2,727	1.82%	75,260	2,379	1.38%
Cash	745,057	49,413	15.22%	783,748	52,522	14.35%
Checks	2,342,249	8,101	47.85%	2,753,189	7,323	50.39%
Credit Cards	1,673,044	30,565	34.18%	1,810,205	33,842	33.13%
Money Orders	45,124	563	0.92%	40,486	259	0.74%
Other	273	58	0.01%	519	32	0.01%
Total	\$4,894,627	91,427	100.00%	\$5,463,407	96,357	100.00%

Source: Department- provided Class system reports, unaudited

³ Now Business Support Services Agency—Human Resources

⁴ Mecklenburg Board of County Commissioners

Park and Recreation staff uses the Class software recreation system to record facility and park reservations, activities and fees, permits and other revenue-generating activities. When staff creates a booking, they use a dropdown menu in Class to select whether the rental occurs on a weekday or weekend rental, and whether the reservation extends beyond the standard number rental hours. Because Class cannot identify residency based on input of the customer's address staff must select whether the rental is for a County or non-County resident. These and other factors impact the final fee due for the reservation. Most fees are on a table within Class but staff must select criteria and enter the total amount due. Class does not automatically calculate the final fees to ensure accuracy, for example to ensure additional fees for weekend or extended hours are included in the final amount due from the customer. Department policy requires staff to indicate in Class system notes why lower than regular fees were accepted. Class will, however, allow staff to enter a reduced or a zero rate and process a reservation without management approval or without entering system notes.

During the facility rental process, Class tentatively holds the rental booking until staff collects the fee(s) and selects "Confirm" in the system to finalize the booking. While department policy and management direction limit the use of tentative bookings, for example when they need to reserve an entire park for a large company event, staff can leave Class without selecting "Confirm" and the rental is still tentatively held. If staff does not select "Confirm" at the end of the reservation process, Class does not register an amount due in the system. As a result, tentative booking fees due will not be included in the total fees to be collected for the day and will not show up in the daily reconciliation of cash collected and reservation fees dues. This system control gap provides an opportunity for error or fraud.

ISSUES, RECOMMENDATIONS AND MANAGEMENT RESPONSES

Issue 1: Class system fees for some facility rentals do not always reflect board-approved pricing.

Risk Observation

The Class recreation system fee table, used by staff to determine facility rental and other charges, does not always accurately reflect those fees approved by the Board. Nor are administration fees always included in the Class fee table.

Recommendation

Internal Audit recommends the Department ensure all fee table data is accurate and complete and complies with board-approved pricing. Web site pricing information should be updated if necessary.

Management Response

Agree. Ensuring all board-approved pricing for facility and extra fees are matched appropriately with the corresponding location, based on residency, day of week, length of rental and event type has begun. The most frequently rented facilities have been checked and updated. As a result, fee revisions for the indoor aquatic facilities will be submitted in the BOCC⁵ Fees and Charges approval process. Anticipated completion date for the remaining fees double checked and corrected where needed is June 1, 2013.

County Manager Response

The management response is appropriate and consistent with the recommendations provided by the Internal Audit Department. The Park and Recreation Department Director has communicated to the County Manager's Office that the checking and correction of the remaining fees is moving forward and should be completed prior to June 1, 2013. In addition, the department shall and has committed to annually implementing the process for ensuring accuracy of the fee table data, web site price posting and other internal communication on pricing as fee changes are approved by the Board each year.

Issue 2: Class system controls do not help ensure proper reservation fees are accurately calculated, recorded and collected.

Risk Observation

The Park and Recreation Class system may result in inaccurate fee calculations or staff override of correct fees, providing opportunities for errors or fraud.

- The system does not automatically calculate the correct rental and other fees
- The system does not prevent staff from processing a rental booking or other fees with a reduced or zero fees

⁵ Mecklenburg Board of County Commissioners

- The system does not prevent staff from making and processing tentative rental reservations without Class system notes and/or management approval
- The system does not require a tentative booking to be confirmed and a payment received and entered into the system to complete processing

Recommendation

Internal Audit recommends the Department continue to work with the vendor to initiate immediate corrective action for the identified deficiencies noted in the risk observation. Internal Audit can run a variance test against the data once corrections are made to ensure the system changes are working as expected.

Management Response

Agree, although the vendor and software is limited in ability to implement all recommendations above. Additionally, some actions, such as the ability of some staff to be able to enter “zero” fees is necessary for operations. The ability to change or override anything in Class is based on security permissions. Permissions assigned to each employee are being reviewed by management to ensure proper assignment of elevated rights and review of when they are used. Fewer staff now has override capability. All staff with permission to “zero” fees has been directed to include in the notes section of Class who approved the zero rate, the date and reason for reduced rate. This will provide a record of approved reduced fees. Rental reservations fundamentally involve the steps of booking a client to a location and collecting the payment due (to make it “firm”). As this is in the core design of Class, continual review and improvement of Park and Recreation business processes need to be implemented in order to manage and monitor unusual behavior in the use of tentative bookings. It should be noted that the department will be migrating to a new facility and program booking software called ActiveNet, as Class will no longer be supported in the future. Implementation of ActiveNet is anticipated to be summer 2014.

County Manager Response

The management response is appropriate and consistent with the recommendations provided by the Internal Audit Department. The Park and Recreation Department Director has communicated to the County Manager’s Office that the process for implementing the ActiveNet software has begun and once the system is operational in the summer of 2014, calculations of the correct rental and other fees as well as other automated controls will be in place as part of the system coding. In the interim, the Department has implemented changes in its business process to ensure supervisors are proactively conducting periodic reviews of the Class system records as enhanced monitoring, particularly for the aspects of the Class system that cannot be changed to fully automate desired corrective actions.