

Office of Legislative
Auditor General

WILLIE MAYO, CPA, CIA, CICA
AUDITOR GENERAL

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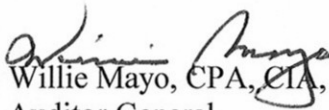
500 GRISWOLD STREET
STE. 848; GUARDIAN BLDG.
DETROIT, MICHIGAN 48226
TELEPHONE: (313) 224-0924

FINAL REPORT TRANSMITTAL LETTER

Honorable Wayne County Commissioners:

Enclosed is our final copy of the Office of Legislative Auditor General's Consulting Report for the Department of Public Services, Division of Parks, Revenues Collected at County Parks. Our report is dated January 14, 2011; DAP No. 2009-57-819. The contents of this final report did not substantially change from the draft report previously issued. The report was accepted by the Audit Committee at its meeting held on February 8, 2011 and formally received by the Wayne County Commission on February 17, 2011.

We are pleased to inform you that officials from the Department of Public Services, Division of Parks provided their full cooperation. If you have any questions, concerns, or desire to discuss the report in greater detail, we would be happy to do so at your convenience. This report is intended for your information and should not be used for any other purpose. Copies of all Office of Legislative Auditor General's final reports can be found on our website: <http://www.waynecounty.com/agreports.htm>.


Willie Mayo, CPA, CIA, CICA
Auditor General

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Department of Public Services
Hassan A. Saab, Interim Director
Beverly Watts, Director, Division of Parks

Department of Corporation Counsel
Nancy Rade, Assistant Corporation Counsel

Department of Management & Budget
Carla E. Sledge, Chief Financial Officer
Terry L. Hasse, Director, Grants and Contract Administration
Rosalind Downer, Assistant Director, DPS -M&B Finance

Wayne County Executive



County of Wayne, Michigan
Department of Public Services
The Division of Parks
REVENUES COLLECTED AT COUNTY PARKS
Consulting Report
January 14, 2011

EXECUTIVE SUMMARY

Why We Performed this Engagement

The Wayne County Committee on Ways and Means, through Enrolled Ordinance No. 2008-473, requested the Office of Legislative Auditor General (OAG) conduct an audit on the revenue collected from the Wayne County Parks events for Fiscal Year 2007-2008.

The specific objectives for the engagement were:

1. Determine the amount of revenues generated over the past 3 years;
2. Assess business processes for accountability, effectiveness and efficiency; and,
3. Assess governance, risk management, and control activities related to revenue collections.

What We Did

We reviewed procedures over cash collections from Wayne County parks events and evaluated the division's current collection processes for accountability, effectiveness and efficiency for fiscal years 2006-2008. We conducted a 3-year trend analysis of revenues collected; and, assessed the adequacy of governance, risk management and control activities over revenue collections. We compared county operations to those from Oakland, and Washtenaw counties. We obtained and assessed financial data recorded in the county's general ledger system for fiscal years 2006-2008. We reviewed the county's fee ordinance. We obtained other information and performed procedures considered necessary in order to address the engagement objectives.

We interviewed appropriate management/personnel within the Department of Public Services, Parks Division (DPS Parks) to obtain information related to cash collected at parks events. We conducted on-site observations of cash collection procedures at selected parks venues. We reviewed the division's policies and procedures for cash collected at parks events, as well as other relevant documents and interviewed management officials as deemed necessary.

What We Found

Conclusion

Overall, it appears management has established policies and procedures to manage risk over cash collections and governance, risk management and control activities appear adequate. However, during our review, we noted one area that could be strengthened. Specifically, the Parks Division should seek to explore ways in which to increase fee revenue collected at County parks and events in order to lessen the impact on transfers from the General Fund each year.

Our audit focused on the Division of Park's activities that charged a fee for services. These activities were primarily for fees/cash collections from patrons for park activities and events, licenses and permits, etc. Cash is highly susceptible to misuse and misappropriation and requires adequate internal controls over the cash collection process from point of receipt to deposit.

We also found areas where the Parks Division could strengthen internal controls and more effectively control and manage cash collected at county parks and events by: (a) establishing monitoring procedures to ensure that contracted vendors charge fees in accordance with Wayne County's Fee Ordinance; (b) enhancing monitoring procedures to ensure receipt of supporting documentation of cash collections from vendors; (c) ensuring a proper segregation of duties exists between the collection, depositing and reconciliation of cash collections; and, (d) establishing monitoring/reconciliations procedures for noted cash discrepancies.

In addition, the Parks Division management should amend the contractual arrangement between the vendor that administers the Jazz on the River event and the Friends of Wayne County. Lastly, because the Parks Division is primarily funded by voter approved park millage funds, a formal reporting mechanism should be established and presented to county leadership to enhance accountability and transparency over park activities and events.

Summary of Conclusions and Recommendations

Listed below are summaries of our observations, conclusions and recommendations to strengthen the Parks Division's internal controls over cash collected at county events. You may review the detailed discussions regarding these recommendations beginning on pages 12 through 23.

Objective 1 – Determine the Amount of Revenues Generated Over the Past 3 Fiscal Years

The Parks Division is responsible for three (3) programs: Recreation; Parks Maintenance; and, Park Design & Asset Management. Establishing performance measures and a formal reporting mechanism for accountability over the programs allows management to properly evaluate the attainment of goals, areas that require attention/improvement, redirection of resources, discontinuance of events/activities, etc.

Revenue Enhancements

Observation

- The Parks Division is a Special Revenue fund. (Fund is used to account for specific revenues that are legally restricted for expenditure for particular purposes.) The primary funding source is the property tax millage. Under the millage proposition (Proposition P), the county is required to supplement from “other sources” funds to operate the parks. Transfers in from Wayne County’s General Fund have increased each year for FY’s 2006, 2007, and 2008, and totaled \$10.4 million over the three fiscal years. During this time, the fund balance has increased from \$9.4 million to \$15.1 million. We requested DPS management to provide the 1995/1996 Parks budget, as well as their analysis of required general fund transfer, but they were unable to provide the requested information. Therefore, we were unable to determine if the amount DPS Parks Division receives from the General Fund transfer is in compliance with Proposition P.

Conclusion

- DPS parks management should actively seek additional revenue sources through sponsorships, partnerships, and/or changes in pricing policies, to lessen placing primary emphasis on revenue shortages with transfers from the General Fund.

Recommendation 2009-01

We recommend management for the Parks Division:

- (a.) Continue to expand its partnership base to explore additional revenue sources through sponsorships, partnerships, and/or changes in pricing policies in an effort to lessen the impact on the county’s General Fund.
- (b.) Provide the calculation for the amount of “other sources” included in the Parks Division budget to the Committee on Ways and Means and the Audit Committee to ensure compliance with the requirements of Proposition P, and budget amounts for General Fund support and evaluate against the county’s current economic condition.
- (c.) We recommend senior management within the Executive Branch review the proposed changes to the fee ordinance and assess its implementation during Fiscal Year 2010/2011.

Objective 2 – Assess Business Processes for Accountability, Effectiveness and Efficiency.

While most Division of Park activities and events are free to the public, there are some activities and events that charge a fee. Our audit focused on DPS Parks activities that charged a fee to patrons for attending park activities and events. Overall, we determined the established control environment managed risk associated with cash collections. However, we did note some areas where controls were either lacking or could be strengthened.

Higher Fees Charged Than Authorized

Observation

- During the course of our engagement, we found that the management company who operates the Aquatic Center for the Parks Division, charged fees to patrons that were not in compliance with the County’s Fee Ordinance. The admission price charged for residential adults, children and non-swimming adults observed, while nominal, were higher than the fees listed on the County’s Fee Ordinance.

Conclusion

- Officials within DPS – M&B Finance failed to review financial reports submitted by the management company that operates the Aquatic Center in 2007 and 2008, which listed the fees charged to patrons. Charging fees not in accordance with the county's fee ordinance could expose the county to unfavorable publicity and citizen complaints.

Recommendation 2009-02

We recommend DPS – M&B Finance officials establish appropriate review and monitoring procedures to ensure vendors, contracted by the division to operate the Aquatic Center and other facilities or programs, charge fees in compliance with the county's Fee Ordinance.

Insufficient Supporting Documentation

Observation

- DPS M&B-Finance officials were unable to provide detailed supporting documents for the Daily Cash Receipts reports for the vendor who operated the Aquatic Center at Chandler Park for FY 2006. According to management, the vendor failed to provide all required documentation. For this reason the vendor's contract was terminated.

Conclusion

- Because the vendor did not provide all supporting documenting for cash collections and fee revenue, DPS M&B Finance was unable to sufficiently validate the reported cash receipts by the vendor operating the Aquatic Center for 2006.

Recommendation 2009-03

We recommend management within the DPS-M&B Finance Division enhance monitoring procedures to ensure vendors submit, in a timely manner, all financial records in accordance with contract terms, to support reported cash receipts and fees collected.

Inadequate Cash Controls-Wayne County Jazz on the River

Observation

- The Parks Division sponsors a free music festival at Elizabeth Park each year during the first weekend in August. Entrance to the event is free; however, there is a suggested \$5 dollar donation to park on-site at the event. Our observation of cash collected for parking donations at the 2009 Wayne County Jazz on the River event found management did not have adequate controls in place over the collection of the cash donations received for parking. For fiscal years 2006, 2007, and 2008, reported cash donations were \$19,582, \$10,396, and \$10,297, respectively.

Conclusion

- There was a lack of accountability over the parking donations collected because neither pre-numbered tickets and/or vehicle counters were used. Also, we found a need to implement safeguard measures and a lack of segregation of duties of cash collected prior to the nightly deposit.

Recommendation 2009-04

To strengthen internal controls and provide for enhanced accountability and safekeeping over cash collections at the Jazz on the River event, we recommend DPS-Parks Division management:

- (a) Propose a set fee for on-site parking at the Jazz on the River event, or at a minimum, conduct a comparative analysis of parking donations to assess the reasonableness of cash collections received.
- (b) Enhance safeguarding measures (safe or locked moneybag) after cash is collected during the 2-day event.
- (c) Establishing policy to have a second Parks official re-count and sign-off on cash collections prior to the daily night deposit. Also, in an effort to strengthen internal controls, the policy should provide for a periodic rotation of the schedules for individuals assigned to perform these functions.

Insufficient Monitoring of Cash Discrepancies

Observation

- During our review of reconciliation reports, audit reports and cash reports for various park venues, we found cash discrepancies were not always investigated by DPS – M&B Finance as stipulated in management’s cash monitoring policies and procedures.

Conclusion

- Although the cash discrepancies found were nominal, by not investigating and resolving discrepancies on a timely basis, DPS – Parks enhances the risk of undetected misuse or misappropriation of cash collected. Also, DPS – M&B Finance failed to follow its department’s policies and procedures established to investigate cash discrepancies.

Recommendation 2009-05

We recommend the DPS – M&B Finance officials implement procedures to ensure its policies regarding the investigation of cash discrepancies are monitored to ensure they are adhered to.

Objective 3 - Assess Governance, Risk Management and Control Activities Related to Revenue Collections.

The Friends of Wayne County Parks

Observation

- The Friends of Wayne County Parks (a charitable organization) is headquartered at 33175 Ann Arbor Trail Westland, Michigan, which is the address of Nankin Mills, a property of the Wayne County Parks Division. We found senior DPS–Division of Parks officials are also executive members of this charitable organization. This arrangement appears to be a conflict of interest. We also asked Corporation Counsel to advise on the perceived conflict of interest arrangement.
- Also, DPS approves the contract for a vendor to organize and produce the annual Jazz on the River event. One of the clauses contained in the contract’s “Scope of Services” requires the vendor to “Donate 10% of all sponsorship revenue to Friends of Wayne County Parks.” We discussed this matter with Assistant Commission Counsel, who indicated an amendment to the Jazz on the River contract could potentially address this issue.

Conclusion

- We perceived the arrangement of having several Park management officials as board members of the Friends of Wayne County Parks, at least in appearance, to be an apparent conflict of interest. Corporation Counsel provided the OAG a “review and advise”

communication which concluded there is no conflict of interest or ethical concern with the relationship between the Friends of Wayne County and the DPS-Parks Division employees who are executive officials of this organization.

- By including the 10% sponsorship clause in the contract, DPS has assigned a revenue source to the Friends of Wayne County Parks. This furthers the appearance of an apparent conflict of interest. According to management, donors are able to take a tax deduction when contributing to the non-profit organization. However, management has taken measures to remove the 10% clause from the contract.

Recommendation 2009-06

We recommend senior management for the DPS – Parks Division:

- Amend the contract to have the 10 percent of sponsorship revenue either be removed or remitted to the county, instead of the Friends of Wayne County Parks.

Establish Reporting Mechanisms

Observation

- The Parks Division is primarily dependent on millage dollars for its funding. These are tax dollars that the Parks Division has a stewardship responsibility for. We found that DPS-Division of Park officials did not provide reports to external parties or county leadership on park activities or events. Lack of an established reporting mechanism makes it difficult to evaluate the attainment of goals and performance measurements as well as provide an accountability of monies expended.
- While outside our period of review, we noted during our fieldwork in FY 2010 that the Parks Division did not submit the reports required under Enrolled Ordinance No. 2009-529 to the Committee on Ways & Means.

Conclusion

- Without an established, formal reporting mechanism for accountability of park activities and events, including dollars spent, it is difficult for senior county management to properly evaluate the attainment of the Division's goals, areas that require attention/improvement, discontinuance of events/activities, etc. Effective management practices dictate establishing formal reporting mechanisms to help monitor, evaluate and communicate an entity's performance and provide transparency.

Recommendation 2009-07

We recommend that management within the Parks Division:

- Establish a formal reporting mechanism of Park activities and revenues generated. These reports should be circulated to the Wayne County Commission and senior executive management to assist in their review of the Division's programs.

Views of Responsible Officials

We discussed the report's recommendations with the DPS Parks and Finance Division officials. The officials responded as noted below:

Recommendation 2009-01-Revenue Enhancements

- DPS-Parks officials indicated that an amendment to the county's fee ordinance has been submitted, and is awaiting approval from the Commission. Management also stated there are

numerous partnerships with communities, and it seeks to increase the number of partnerships with both communities and other organizations.

Recommendation 2009-02 – Higher Fees Charged Than Authorized

- Management indicated they will ensure contractors are charging fees in accordance with the county's fee ordinance, and has changed the fee chart at the Aquatic Center.

Recommendation 2009-03-Insufficient Supporting Documentation

- Management indicated that procedures are now in place to ensure DPS – M&B Finance receives the required supporting documentation.

Recommendation 2009-04-Inadequate Cash Controls - Wayne County Jazz on the River

- Management disagrees with our recommendation and believes setting a fee for parking may deter attendance. Management also indicated various amounts are received as parking donations during the 2-day event.
- The Parks Director stated that she would explore the possibility of acquiring a lockbox to help better safeguard cash collected at the Jazz on the River event.
- Parks management officials stated that cash handling procedures have been amended to require two people count and initial all cash reports and deposits.

Recommendation 2009-05-Inadequate Monitoring of Cash Discrepancies

- DPS Parks management officials agreed with the OAG's recommendation and intend to enhance their monitoring processes and document their review of noted discrepancies.

Recommendation 2009-06-Friends of Wayne County Parks

- Management indicated that the clause requiring 10% donation of any sponsorship revenue will be removed in the future. Assistant Commission Counsel also agrees that the contract should be amended to remove this clause.

Recommendation 2009-07-Establish Reporting Mechanisms

- Management indicated they do publish programs, hours, events, schedules, etc., on the county's website. Management stated an assessment will be made of what additional reports can be produced. Management also indicated a monthly activity report is provided to an official within the County's Executive Office.

DETAILED REPORT

PURPOSE/OBJECTIVE

The Wayne County Committee on Ways and Means, through Enrolled Ordinance No. 2008-473, requested the Office of Legislative Auditor General (OAG) to conduct an audit on the revenue collected from the Wayne County Parks events for Fiscal Year 2007-2008.

The objectives of our consulting engagement were to:

1. Determine the amount of revenues generated over the past 3 years;
2. Assess business processes for accountability, effectiveness and efficiency; and,
3. Assess governance, risk management, and control activities related to revenue collections.

SCOPE

This engagement is not an audit in accordance with Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States. We performed a consulting engagement in accordance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (IIA). Those standards require us to plan and perform the engagement to obtain sufficient, appropriate evidence to provide a reasonable basis for our recommendations and conclusions based on the engagement objective(s). We believe that the evidence obtained provides a reasonable basis for our recommendations and conclusions based on the engagement objectives. A consulting engagement is limited in scope and does not require the performance of in-depth auditing procedures. The scope of this engagement was fiscal years 2006, 2007, and 2008. The fieldwork for this engagement was significantly completed on July 12, 2010.

METHODOLOGY

We interviewed appropriate management/personnel within the Department of Public Services, Parks Division, (DPS Parks) to gain an understanding of cash collected at park events. We reviewed the county's general ledger for parks revenues; performed trend analyses for revenue collections and conducted on-site observations of cash collection procedures at selected park venues. We reviewed policies and procedures for revenues collected at Parks events, as well as, other relevant documents and interviewed management officials as deemed necessary.

Our review was generally limited to assessing information provided by Wayne County management officials. We also obtained and assessed financial data recorded in the county's

general ledger system for the fiscal years 2006-2008. We obtained other information and performed procedures considered necessary in order to address the engagement objectives.

BACKGROUND

The Department of Public Services, Parks Division is responsible for protecting, maintaining park areas, open spaces, and recreation and leisure facilities for the purpose of enhancing the quality of life for families and citizens served by the County of Wayne.

Millage tax revenues primarily fund the Parks Division. Proposition P, known as “the Parks Millage”, originally approved in 1995, and renewed in 2000 and 2005. The new millage was approved on November 2, 2010 for five more years, 2011 through 2015. The current millage renewal indicates “the county must levy this millage at about 25 cents per \$1,000 of taxable valuation to continue to improve and operate several parks and related facilities on the condition that, for any year for which this increased levy would be imposed, Wayne County must budget from other sources an amount equal to its 1995-1996 fiscal year appropriation for Parks....”

The millage tax revenues are divided between two business units of the Parks Division: Parks-Millage Operations (#44925) and Parks-Capital Improvements (#44935). Our audit focused on the Parks Division-Millage Operations (Park Division) activities that receive fees and cash receipts for charges for services, licenses and permits, and other county sponsored park activities. The major budgeted sources of revenues for the Parks Division-Millage Operations for fiscal years 2006, 2007, and 2008 are listed in the table below.

**Wayne County Department of Public Services
Parks Division – Millage Operations
Major Budgeted Revenues
For Fiscal Years 2006, 2007 and 2008**

	FY 2006	FY 2007	FY 2008
Parks Millage	\$8,130,100	\$6,028,667	\$6,469,700
Charges, Fees, and Fines	1,522,800	1,330,900	1,197,300
State and Local Grants & Contracts	365,000	105,000	0
Licenses and Permits	82,000	95,000	95,000
Interest & Dividends; Bldg Rentals	28,700	220,900	318,000
Other Revenues	290,000	290,000	290,000
Sub-total	10,418,600	8,070,467	8,370,000
Transfer In – General Fund	2,782,000	3,782,000	3,837,000
Total Revenues	\$13,200,600	\$11,852,467	\$12,207,000

Source: Wayne County General Ledger, Business Unit #44925

Wayne County Parks are open to the public year round. The parks and the many activities offered are among the county’s greatest services. The Chandler Park Family Aquatic Center (Aquatic Center) and the Elizabeth Park Marina and Boat Launch give residents a place to relax and have fun with family, neighbors and friends. Year round exhibits and interpretive programs

are offered at Nankin Mills. There is a new dog park at Hawthorne Ridge. Wayne County also offers annual family events such as Jazz on the River and the annual Lightfest event during the winter season located in Hines Park. The fees charged for services provided by the Parks Division are authorized by Wayne County's Fee Ordinance. The specific ordinance applicable during our review period was Enrolled Ordinance No. 2006-155. The Elizabeth Park Marina and all other of the county's activities and events are operated by county employees, except for both the Chandler Park Aquatic Center and the Annual Jazz on the River Event; for those events the county contracts with outside vendors. The vendors are responsible for revenue activity for those events.

Most of the events and facilities are free of charge to Wayne County residents; there are no required entrance fees to the parks and no required charges for any of the special events, such as Movies in the Park.

The Parks Division-Millage Operations has three major programs and their purposes are as follows:

- Parks Maintenance Services Programs provides grounds maintenance, mowing and trimming, parks repair and Marine Operations services to Wayne County residents and visitors so they can enjoy safe, clean, and well-maintained parks.
- Recreation Program provides special events, nature & fitness programs and information services to Wayne County residents and visitors for fun and entertainment.
- Park Design & Asset Management Program provides planning and design to park users so they can enjoy park facilities that are updated, accessible, fun, convenient and safe.

The following table lists the number of personnel budgeted for the Parks Division for fiscal years 2006, 2007, and 2008 which includes personnel that administer and carry-out park activities and events.

**Wayne County Department of Public Services
Parks Division – Millage Operations
Schedule of Budgeted Positions**

Position	FY 2006	FY 2007	FY 2008
Elected and Executive	3	3	3
Supervisory and Professional	21	19	21
Support Staff	51	55	51
Total Positions	75	77	75

Source: Wayne County FY 2007-2008 Adopted Budgeted

3-YEAR PARK'S REVENUE TREND ANALYSIS

OBJECTIVE 1

Determine the Amount of Revenues Generated Over the Past 3 Fiscal Years

Parks Millage tax revenues are recorded in two (2) business units: Parks – Millage Operating (business unit 44925) and Parks – Millage Capital Improvements (business unit 44935). Total Parks millage revenues recorded for fiscal years 2006, 2007, and 2008 was \$11.1 million, \$11.7 million, and \$12.3 million, respectively; a total of \$35.1 million. Our audit focused on the Parks – Millage Operating business unit where fees and cash collections from patrons attending park events is recorded.

For the three fiscal years, 2006, 2007 and 2008, the Parks Division-Millage Operation (business unit 44925) revenues totaled over \$42.9 million (see table below). Of total revenues, Park Millage tax revenues represented 59.1%, Charges for Services represented 5.9% and operating transfers-in from the county's General Fund represented 24.2% over the three fiscal years.

DPS-Parks Division-Millage Operations Schedule of Actual Revenues For Fiscal Years 2006, 2007 and 2008

Revenue Source	FY 2006	FY 2007	FY 2008	Total
Park Millage Tax (a)	\$11,100,420	\$6,812,204	\$7,432,587	\$25,345,211
Licenses and Permits	51,377	59,070	69,540	179,987
Aquatic Center	185,081	189,314	215,191	589,586
Lightfest Revenue (b)	181,420	168,089	179,015	528,524
Jazz on the River *	19,582	10,396	10,297	40,275
Nankin Mills	28,092	25,037	26,732	79,861
Marina	306,854	130,115	143,638	580,607
Concessions	4,656	4,724	2,826	12,206
Charges for Services	892,979	802,905	824,138	2,520,022
Misc. fees/receipts (c)	231,765	14,378	13,718	259,861
Sub-total	1,901,806	1,404,028	1,485,095	4,790,929
Interest Inc./Rental revenues	487,616	614,446	492,151	1,594,213
Other Income	223,947	305,031	254,797	783,775
Transfers-in – General Fund	2,782,000	3,782,000	3,837,000	10,401,000
Totals	\$ 16,495,789	\$12,917,709	\$13,501,630	\$42,915,128

Source: Wayne County General Ledger, Business Unit #44925

Notes: (*) Fiscal Year Amounts Provided by DPS- M&B Finance Officials

(a) According to DPS – M&B Finance, in FY 2006, an accounting entry to transfer from Business Unit #44925 approximately \$4.4 million was not recorded in Business Unit 44935 Parks-Millage Capital Improvements.

(b) Light Fest revenue for 2006 was recorded in business unit # 44915

(c) Includes Crosswinds Interpretive, Dog Park, and other Misc. Fees/Receipts minus Jazz on the River parking donations amounts.

Our audit focused on the Division of Park's activities that charged a fee for services. These activities were primarily for fees/cash collections from patrons for park activities and events, licenses and permits, etc. Cash is highly susceptible to misuse and misappropriation and requires adequate internal controls over the cash collections process from point of receipt to deposit. Excluding charges for services, revenues attributable to cash collections from patrons at park events were approximately \$1,000,000, \$601,000, and \$661,000 for fiscal years 2006, 2007, and 2008, respectively. Also, the Parks Division recorded "Charges for Services" for providing lawn and maintenance services for the Roads Division. Overall, we determined the financial reporting for the cash collected by the Parks Division appears adequate; however, we did note areas where revenue reporting and enhancements should be strengthened.

Revenue Reporting – Jazz on the River

Observation

The Jazz on the River (Jazz Fest) cash collections from parking donations are recorded in the general ledger account titled "Miscellaneous Service Fees Revenue", which also includes revenues from various other park activities. According to DPS Finance officials, for FY's 2006, 2007, and 2008, recorded cash donations totaled \$19,852, \$10,396, and \$10,297, respectively. However, we found that the DPS M&B – Finance Division had established other revenue accounts (i.e., Dog Park Fees) which annually report revenues considerably less than the cash donations collected for the Jazz on the River event. The revenue recorded in the Dog Park Fees general ledger account for this same time period was \$1,275, \$2,035, and \$2,175, respectively.

Conclusion

We discussed this concern with the Parks Division management. They acknowledged, in an effort to provide transparency, a revenue account could be created to capture the amount of cash collections for parking donations at the Jazz Fest.

Prior to the issuance of our report, we found DPS - M&B Finance had created a revenue account, number 626017, titled "Jazz on the River", to report the amount of parking donations received at the 2010 Jazz on the River event.

Revenue Enhancements

Observation

Over the three fiscal years, total revenues recorded for park operations, business unit 44925, totaled \$32.3 million, while expenditures totaled \$35 million; resulting in an operating loss (deficiency of expenditures over revenues) of nearly \$2.7 million. During the 3 year period, transfers in or funding from the county's General Fund totaled \$10.4 million, resulting in revenues exceeding expenditures by \$7.7 million.

According to DPS Finance officials, the intent of the millage was to supplement the Parks Division operations, not supplant the general fund contribution. According to Proposition P, Wayne County must budget from other sources an amount equal to its 1995-1996 fiscal year appropriation for Parks. Consequently, DPS-M&B Finance uses the 1995/1996 budget as the base year in order to estimate the future amount of the general fund contributions, which has been considered "other sources" as quoted above.

Oakland County has actively pursued sponsorships/partnerships to generate revenue to offset operational and capital costs over the last 43 years. Oakland County currently has over 100 corporate community, business partners, and not-for-profit partners to help enhance its parks and recreational services and facilities. Wayne County Parks currently has 14 sponsor/partners involved with 11 Wayne County sponsored events.

Also, based on our review of Oakland County's Comprehensive Annual Financial Report for fiscal years 2006-2008, the Parks Division received no support from its General Fund. According to Oakland County officials, this was primarily attributable to the amount of park fees charged to visiting patrons and others for park activities and events.

Conclusion

Given the county's present financial condition and impact on the General Fund, management within the DPS-Parks Division may now need to seek to increase fees for its park activities and events. Sound fiscal policy indicates the Parks Division should seek additional revenue sources other than General Fund transfers, especially in times of mounting deficits in the General Fund.

On the other hand, by not seeking additional revenue sources through additional sponsorships, partnerships, and/or changes in pricing policies, the Parks Division will continue to rely upon transfers from the already burdened General Fund to finance county park activities and events.

Also, we requested DPS management to provide the 1995/1996 Parks budget analysis of required general fund transfer, but they were unable to provide the requested information. Therefore, we were unable to determine if the current amount of the county's general fund transfer is in compliance with Proposition P.

Recommendation 2009-01

We recommend management for the Parks Division:

- (a.) Continue to expand its partnership base to explore additional revenue sources through sponsorships, partnerships, and/or changes in pricing policies in an effort to lessen the impact on the county's General Fund.
- (b.) Provide the calculation for the amount of "other sources" included in the Parks Division budget to the Committee on Ways and Means and the Audit Committee to ensure compliance with the requirements of Proposition P and budget amounts for General Fund support and evaluate against the county's current economic condition.
- (c.) We recommend senior management within the Executive Branch review the proposed changes to the fee ordinance and assess its implementation during Fiscal Year 2010/2011.

Views of Responsible Officials

DPS officials indicated that an amendment to the county's fee ordinance has been submitted and is awaiting approval. The proposed increase in fees should result in greater revenue. Management also stated there are numerous partnerships with communities and it seeks to increase the number of partnerships with both communities and other organizations.

EVALUATE CURRENT BUSINESS PROCESSES FOR ACCOUNTABILITY, EFFECTIVENESS AND EFFICIENCY

OBJECTIVE 2

Assess Business Processes for Accountability, Effectiveness and Efficiency.

Cash is the most liquid of all assets, is susceptible to theft and misappropriations, and as such, it is the most difficult to safeguard. Best business practices require adequate internal controls to safeguard cash; deter its misappropriation or misuse; and, provide accountability. Overall, we determined the established control environment manages most of the risk associated with cash collections. However, we did note some areas where internal controls and accountability were either inadequate or could be strengthened.

Higher Fees Charged Than Authorized

Observations

Enrolled Ordinance No. 2006-155, adopted by the Wayne County Commission on March 2, 2006, established fees for services provided by the Parks Division effective June 1, 2006. A partial list of fees for the Chandler Park Family Aquatic Center (Aquatic Center) follows:

Department of Public Services -Parks Division Chandler Park Family Aquatic Center Schedule of Admission Fees

Type of Admission	Fee
Resident adult, weekday	\$3.00
Resident adult, weekend	\$3.00
Resident child, weekday	\$2.00
Resident child, weekend	\$2.00
Non-resident adult, weekday	\$4.00
Non-resident adult, weekend	\$3.00
Non-resident child, weekday	\$3.00
Non-resident child, weekend	\$3.00
Children under 2	Free
Adult non-swimming	Free

Source: County's fee ordinance

For fiscal years 2006, 2007, and 2008 we selected a total of 24 days to review cash handling procedures for the Aquatic Center. For fiscal year 2006, Parks management was unable to provide detail supporting documents for the daily cash receipt reports. A different management company operated the Aquatic Center during 2006, and according to Parks management, detailed documentation supporting the cash receipt reports were not provided for their review.

Beginning in fiscal year 2007, a new management company was selected to operate the Aquatic Center. For fiscal years 2007 and 2008, we selected 16 days to review the Aquatic Center's cash handling procedures. During this period, there were 198 days of operations of which we

reviewed 16 days, or 8 percent, of the total available days. We found several instances in which admission prices charged for the Aquatic Center differed from the admission prices authorized in the County's Fee Ordinance. The admission price charged for adults and children on the weekends was \$0.50 cents more than the amount authorized.

The total overcharges collected during our review period amounted to \$467 for (934) Resident Adults, and \$953 for (1,906) Resident Children. Non-swimming adults were charged \$1.00 for entry onto the grounds, although the fee ordinance indicated that non-swimming adults with at least one child are free; the total amount overcharged for Non Swimming Adults was \$801. All entry fees collected at the Aquatic Center are remitted to the Parks Division.

For the 16 days reviewed, fees collected in excess of the properly authorized fee totaled \$2,221. The total number of patrons that attended the Aquatic Center during our sample testing was 3,990. The average over charge for the 16 days reviewed was approximately \$139. Extrapolating this daily average to the total days of operation during our sample yields a potential total overcharge of approximately \$27,522.

Conclusion

Although the identified amounts are not material, lack of monitoring procedures over fees charged resulted in non-compliance with the fee ordinance and can create adverse public opinion. The DPS - M&B Finance Division was unaware of these overcharges until the OAG brought it to their attention. This appeared to be the result of not monitoring fees charged, and reviewing timely submitted financial data by the management company to ensure fees charged were in compliance with the county's fee ordinance.

Recommendation 2009-02

We recommend DPS-M&B Finance officials establish appropriate review and monitoring procedures to ensure vendors contracted by the division to operate the Aquatic Center and other facilities or programs charge fees in compliance with the County's Fee Ordinance.

Views of Responsible Officials

Both DPS – Parks and M&B Finance officials indicated they will ensure contractors are charging fees in accordance with the County's Fee Ordinance, and has changed the fee chart at the Aquatic Center to reflect the correct admission fees.

Insufficient Supporting Documentation

Observation

For fiscal year 2006, Parks Division management was unable to provide detail supporting documents for the daily cash receipt reports for the Aquatic Center. According to management, a different management company operated the Aquatic Center during 2006, and this vendor failed to provide all required documentation of its operations to DPS – M&B Finance. Parks management terminated the vendor's contract due to failure to comply with the contract and provide the required supporting documentation for cash and fee collections.

Conclusion

By not receiving all required documentation to support the vendor's reported cash collections and fee revenue during 2006, DPS M&B Finance was unable to adequately validate the reported cash receipts by the vendor operating the Aquatic Center for 2006. Adequate internal controls require supporting documentation be submitted in order to reconcile amounts reported, which increases the reliability for recording financial transactions.

Recommendation 2009-03

We recommend management within the DPS-M&B Finance Division enhance monitoring procedures to ensure vendors submit, in a timely manner, all financial records in accordance to contract terms to support reported cash receipts and fees collected.

Views of Responsible Officials

Parks Division management and DPS – M&B Finance officials stated that procedures are now in place to ensure DPS – M&B Finance receives the required supporting documentation.

Inadequate Cash Controls – Wayne County Jazz on the River

Observations

The Parks Division sponsors a free music festival, Jazz on the River, at Elizabeth Park each year during the first weekend in August. Entrance to the event is free; however, there is a suggested \$5 dollar donation to park on-site at the event. For fiscal years 2006, 2007, and 2008 reported cash donations were \$19,582, \$10,396, and \$10,297, respectively.

During our observation of the cash collections and handling procedures for Jazz on the River parking during the 2009 event, we found that adequate controls were not in place over the collection of the cash received and a lack in the segregation of duties for cash deposits. Specifically, we noted the following:

- We observed Park employees collecting the cash and simply placing the cash into their apron pockets. In addition, the employees were not issuing pre-numbered tickets nor were vehicle counters used. Without controls of this type, it is difficult to account or reconcile cash collections from patrons parking during the event.
- The Accounting/Cash Handling Procedures developed by the DPS – Parks Division for the Wayne County Jazz on the River event indicates that every 15 to 30 minutes, in the sight of a Wayne County sheriff, the [Parks] manager collects money from the [Parks] employees collecting cash donations for parking at the event. The procedures go on to indicate that the money is to be kept in a closed container in a locked vehicle on site. At the end of each night, a [Parks] manager is escorted by a Sheriff Deputy to the Elizabeth Park Marina office to count the money collected for the day. Two deposit slips are prepared; one for the cashier's report and the other slip is attached to the bank deposit. The [Parks] manager and deputy drop off the bank deposit in the night depository at Chase Bank.

By not having a second manager or Parks Division official re-count the cash throughout the day and validate the amount of cash collections before the bank deposit slip is prepared, the described cash handling procedures do not adequately segregate cash collection duties and subjects the Parks Division to the risk of misappropriation and

abuse. In addition, cash collections should be safeguarded against theft by placing the cash collections in either a safe or locked moneybag prior to the night deposit.

Conclusion

Without adequate internal controls in place, (i.e., accountability, segregation of duties and safekeeping) over cash collections, it can become problematic to ensure all parking cash donations have been received and accounted for. This is especially true since cash is highly susceptible to theft and misappropriation without adequate internal controls over the cash collections process from point of receipt to deposit.

Recommendation 2009-04

To strengthen internal controls and provide for enhanced accountability and safekeeping over cash collections at the Jazz on the River event, we recommend DPS - Parks Division management:

- (a) Propose a set fee for on-site parking at the Jazz on the River event, or at a minimum, conduct a comparative analysis of parking donations to assess the reasonableness of cash collections received.
- (b) Enhance safeguarding measures (safe or locked moneybag) after cash is collected during the 2-day event.
- (c) Establishing policy to have a second Parks official re-count and sign-off on cash collections prior to the daily night deposit. Also, in an effort to strengthen internal controls, the policy should provide for a periodic rotation of the schedules for individuals assigned to perform these functions.

Views of Responsible Officials

- Management disagrees with our recommendation and believes setting a fee for parking may deter attendance. Management also indicated various amount are received as parking donations during the 2-day event.
- The Parks Director stated that she would explore the possibility of acquiring a lockbox to help better safeguard cash collected at the Jazz on the River event.
- Parks management officials stated that cash handling procedures have been amended to require two people count and initial all cash reports and deposits.

Insufficient Monitoring of Cash Discrepancies

Observations

During our review of various reconciliation reports, audits and daily cash reports for Parks operations, we noted cash discrepancies (overages/shortages) had not been investigated and resolved as stipulated in the Division of Park's cash handling procedures.

Management's cash handling procedures for Elizabeth Park Marina, Nankin Mills Interpretive Center, and Park Aquatic Center state that any discrepancies or irregularities found between the amounts collected and the daily cash reports be investigated immediately and resolved. The Elizabeth Park Marina Daily Launch Reconciliation report also includes a separate section that requires all discrepancies be explained.

Of the 43 reports reviewed, 27, or 63 percent, contained cash overages or shortages. However, while six of the reports with discrepancies contained explanations, there was no evidence that

DPS-M&B Finance performed an investigation and/or implemented corrective measures or resolutions on any of the reports that contained noted discrepancies.

Conclusion

Although the cash discrepancies found were not large amounts, by not investigating and documenting the resolution of discrepancies on a timely basis, DPS-M&B Finance runs an increased risk of undetected misuse or misappropriation of cash collected. Further, the finance division is not in compliance procedures with departmental policy.

Sound internal controls, such as monitoring, reconciliations, and periodic review/audits, are required to safeguard cash which is highly susceptible to theft and misappropriations.

Recommendation 2009-05

We recommend DPS-M&B-Finance officials implement procedures to ensure its policies regarding the investigation of cash discrepancies are documented to ensure they are adhered to.

Views of Responsible Officials

Management agreed with the OAG's recommendation and stated while the differences are not material, they intend to enhance their analytical and monitoring processes to reduce the number of discrepancies that occur. M & B Finance officials also agreed to document their review of any noted discrepancies.

GOVERNANCE, RISK MANAGEMENT AND CONTROL ACTIVITIES

OBJECTIVE 3

Assess governance, risk management and control activities related to revenue collections.

Governance, risk management and control activities are important elements of internal controls. Without sound governance, risk management and control activities in place, there is an increased risk of fraudulent financial reporting and misappropriation of assets. Based on our review, the Parks Division appears to have adequate governance, risk management and established control policies related to revenue collections. However, we did note areas where we believe the governance process could be strengthened.

Friends of Wayne County Parks

Observations

- The Friends of Wayne County Parks was established in 1990 as a 501(c) 3, non-profit organization whose stated purpose is to promote visits to the Wayne County parks and events. For fiscal years 2006, 2007, and 2008 this organization received public contributions and donated funds to the Wayne County parks events as follows:

Friends of Wayne County Parks Schedule of Revenue and Expenses Fiscal Years 2006, 2007 & 2008			
	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
Total Revenue	\$44,531	\$47,161	\$45,680
Contributions to Wayne County Parks Events:			
Wildlife Refuge	\$86,216	\$13,784	\$0
Fun Run	9,051	0	0
Jazz on the River	9,150	8,129	5,014
Lightfest	5,669	25,085	19,833
Greenway	5,813	1,393	0
Miscellaneous	3,625	200	2,885
Total Contributions	<u>\$119,524</u>	<u>\$48,591</u>	<u>\$27,732</u>

Source: Internal Revenue Service (IRS) Form 990 Return

According to DPS Parks Division management, the Friends of Wayne County Parks does not remit funds directly to the Wayne County Parks Division. Rather, they provide support for various events of the Parks Division, including paying for catering and some entertainment. They also provide gifts and prizes given to children at the Lightfest Opening Ceremony. At the Jazz on the River event, the organization sponsors the VIP tent area, including all food and beverage.

We found the Friends of Wayne County Parks is headquartered at 33175 Ann Arbor Trail Westland, Michigan, which is the address of Nankin Mills, a property of the Wayne County Parks Division. Also, several senior DPS – Parks Division personnel are executive officials of this charitable organization, including a DPS – Parks Division manager that is a trustee of this organization.

- We also requested Corporation Counsel to advise us on what appears to be a conflict of interest; whereas, several Parks management officials are board members of the Friends of Wayne County Parks.
- The Department of Public Services also contracts a vendor to organize and produce the annual Jazz on the River event. In March 2010 the Wayne County Commission approved a three-year contract with a vendor to organize and produce this event. One of the clauses contained in the contract's Scope of Services requires the vendor to "Donate 10% of all sponsorship revenue to Friends of Wayne County Parks." A senior Parks official stated donors prefer to make a contribution to a non-profit organization, thereby providing a tax write-off, rather than making a donation directly to the county.
- We discussed this issue with an Assistant Commission Counsel and she agreed that an amendment to the Wayne County Jazz on the River contract would address our immediate concerns raised in this audit. We also requested Corporation Counsel to advise on the apparent conflict of interest.

Conclusion

- Corporation Counsel provided the OAG a “review and advise” communication which concluded there is no conflict of interest or ethical concern with the relationship between the Friends of Wayne County and the Parks employees who are executive officials of this organization. Their conclusion was based on a review of the county’s procurement ordinance regarding Ethics in Public Contracting, and state statutes regarding the standards of conduct for public officers and employees.

According to the attorney, since the county has no contractual arrangement, nor procures any goods or services from the Friends of Wayne County Parks, there is no violation of the county’s procurement ordinance, sections 120-221 through 120-238 - Ethics in Public Contracting. Also, because the county employees are not receiving or accepting anything of value for personal gain or benefit, the county employees are not violating the state statutes.

- By including the 10% sponsorship clause in the contract, DPS has assigned a revenue source to the Friends of Wayne County Parks. This furthers the appearance of an apparent conflict of interest. According to management, donors are able to take a tax deduction when contributing to the non-profit organization. However, management has taken measures to remove the 10% clause from the contract.

Recommendation 2009-06

We recommend senior management for the Parks Division amend the contract to have the 10 percent of sponsorship revenue either removed or remitted to the county, instead of the Friends of Wayne County Parks.

Views of Responsible Officials

Management indicated that an amendment to the contract removing the clause requiring 10 percent donation of any sponsorship revenue has been sent to the vendor. Assistant Commission Counsel also agrees that the contract should be amended to remove this clause.

Establish Reporting Mechanism

Observations

The Parks Division is responsible for three (3) programs: Recreation; Parks Maintenance; and, Park Design & Asset Management. We found the DPS-Parks Division has not established a formal reporting mechanism over the accountability of the programs.

Without reporting, it is difficult for senior county management to properly evaluate the attainment of division goals, fees collected and areas that require attention/improvement, redirection of resources, discontinuance of events/activities, etc.

The Parks Division is primarily dependent on millage dollars approved by county taxpayers for its funding. In addition, the Parks Division receives transfers from the county’s General Fund; \$2.8 million, \$3.8 Million, and \$3.8 million for FY 2006, 2007 & 2008, respectively. These are tax dollars that the Parks Division has a stewardship responsibility for, including providing accountability and transparency over these funds. Without an established reporting mechanism, it is difficult for senior county management to properly evaluate identified performance

measures, areas that require attention/improvement, discontinuance of events/activities, as well as provide an accountability of monies collected and expended.

Other Matter

While outside of our period of review, but during our fieldwork, we found that the Parks Division was not in compliance with Enrolled Ordinance No. 2009-529, which indicates “The Parks Division shall provide a report to the Committee of Ways & Means on all funds collected from various Wayne County events (e.g. LightFest, JazzFest, etc.) by no later than March 1, 2010 and September 1, 2010.”

Conclusion

Senior Parks Division officials stated that, although departmental meetings are held to review activities/events to determine if they should be continued, there are no formal internal or external reports documenting these reviews. Also, according to DPS Parks officials, the reports required under Enrolled Ordinance No. 2009-529 have yet to be submitted to the Committee on Ways & Means. Consequently, reports are not prepared and distributed to county officials detailing the amount of revenues collected and patron participation, by event/activity type, nor are they published for the tax paying citizens of Wayne County. We believe formal reports should include, but not be limited to, website information, revenues generated, costs for events provided, fees, etc.

Recommendation 2009-07

We recommend that management within the DPS – Parks Division:

- Establish a formal reporting mechanism of Park activities and revenues generated. These reports should be circulated to the Wayne County Commission and senior executive management to assist in their review of the Division’s programs.

Views of Responsible Officials

Management indicated they do publish programs, hours, events, schedules, etc., on the county’s website, and that comparison to Oakland County’s practices is not valid since Wayne County does not have a parks commission similar to Oakland County. Management indicated the website is limited by the senior executive officials, but they would assess what additional reports could be generated based on available resources required to produce such reports. The Parks Director also indicated, currently, the Parks Division provides a monthly activity report to an official within the Wayne County Executive’s Office.

CONCLUSION

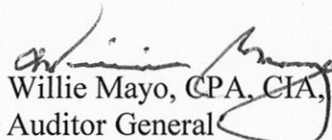
Overall, governance, risk management and control activities have been established in an effort to mitigate the inherent risks associated with cash collections at county parks, activities and events. While we found management has established policies and procedures to mitigate the potential misuse or misappropriation over cash collections, our audit found areas that could be strengthened. The Parks Division should explore ways in which to increase revenues collected at county parks in order to defray costs associated with park operations and lessen the impact on transfers from the General Fund each year.

Also, the Parks Division management will need to enhance internal controls to more effectively manage cash collections at park activities and events. Some of the controls identified include implementing monitoring procedures over fees charged and reported cash discrepancies, and ensuring the DPS-M&B Finance Division is receiving reports from vendors in a timely manner. We also found cash handling procedures at the annual Jazz on the River event should be enhanced to implement increased safety measures over cash parking donation and ensure there is an adequate segregation of duties for cash collections prior to deposit.

Further, management should ensure the amendment to the contractual arrangement between the vendor that runs the Jazz on the River event and the Friends of Wayne County Parks, is executed to dissolve any apparent conflict of interest. Lastly, a formal reporting mechanism should be established to enhance reporting on the use of park millage funds and accountability for park activities, and events that are sponsored by the County's Parks Division.

A corrective action plan will be requested from the Parks Division approximately 30 days after the Commission formally receives the report to assess action taken or intended regarding the recommendations.

This report is intended solely for the use of the Department of Public Services – Division of Parks and the Wayne County Commission and should not be used for any other purposes. This restriction is not intended to limit the distribution of the report, which is a matter of public record.


Willie Mayo, CPA, CIA, CICA
Auditor General

APPENDIX

DISCUSSION/DEFINITION: GOVERNANCE, RISK MANAGEMENT, AND CONTROL ACTIVITIES

GOVERNANCE, RISK MANAGEMENT, AND CONTROL ACTIVITIES

Governance

The governance process is considered one of the most important elements of internal controls. According to auditing/accounting literature, governance (also known as the control environment) is the foundation for all other components of internal controls. The control environment sets the tone of an organization, program, or activity, influencing the control consciousness of its employees. It is the foundation for all other components of internal control, providing discipline and structure. Control environment factors include: the integrity, ethical values and competence of the organization's employees; management's philosophy and operating style; the way management assigns authority and responsibility, and organizes and develops its employees; and, the attention and direction provided by the commissioners.

The absence of good governance structures and lack of adherence to basic governance or management principles increases the risk of loss, fraudulent financial reporting, and misappropriation of an organization's assets and resources. Good governance is one of the key controls to reduce the risk of management overrides.

Risk Management

Risk Management is another critical internal control component. Every organization faces a variety of risks from external and internal sources that must be identified and assessed. Risk Management is the identification and analysis of relevant risk which exists within the organization as a whole, as well as within its individual components (departments, divisions, programs, etc.) regarding the achievement of the organization's objectives. After an assessment is formalized, a basis for determining how the risks should be managed and mitigated to a reasonable level of acceptance should be established.

The identification of risk is a necessary component to installing compensating controls, where required, to enhance the probability of achieving the organization's objectives and protecting the interest of the stakeholders.

Control Activities

Control activities are policies, procedures, practices, techniques, and mechanisms that help ensure that management directives are carried out. They help ensure that necessary actions are taken to address risks that may prevent the achievement of the organization's objectives. Control activities occur throughout the organization, at all levels and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, and reviews of operations and performance, security of assets, and segregation of duties. It is action taken to minimize risk. The need for a control activity is established in the risk management process.

Control activities can be preventive or detective. Preventive activities are designed to deter the occurrence of an undesirable event, while detective activities are designed to identify undesirable events that do occur and alert management about what has happened. This enables management to take corrective action promptly.