



**AU21-F01 Parks and Recreation
Tennis Center Revenue Collection
Follow – Up Report**

**City Auditor's Office
George H. Holland
City Auditor**

April 11, 2023

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Executive Summary

As part of our annual audit plan, we conducted a follow-up of the AU17-001 Parks and Recreation Department, Tennis Center Revenue Collection audit dated May 21, 2018. The objective of the original audit was to determine if sufficient controls were in place for revenue collections at the tennis centers. The report concluded that although controls were in place over revenue reporting at tennis centers, they were not always adhered to.

The original report dated May 21, 2018, made 15 recommendations for improvement over 5 areas to department management. The 5 areas included: contractor performance reviews, reporting tennis center revenue, assessing tennis fees, completeness of records, and other matters related to use of city facilities and conflict of interest.

Management accepted the recommendations from the original report and agreed to make appropriate changes in their processes and instructions.

Management indicated 11 of 15 recommendations had been implemented; however, we found seven have been implemented, five in progress, three not implemented. A complete list of recommendations and current statuses can be seen on pages 1-4. Additional information on recommendations can be found in Appendix A.

Management agrees/disagrees with the conclusions of this report and their responses can be found in Appendix B. We would like to commend staff from Parks and Recreation and Legal for their assistance during this process.

Table of Contents

| | |
|---|-----------|
| Executive Summary | i |
| Table of Contents | ii |
| AU21-F01 Parks and Recreation Tennis Center Revenue Collection Follow-Up Report..... | |
| 1 | 1 |
| Appendix A – Additional Follow- Up Information | 5 |
| A. Contract Performance Reviews..... | 5 |
| B. Reporting Tennis Center Revenue | 6 |
| C. Assessment of Tennis Fees | 7 |
| E. Other Matters..... | 7 |
| E.01 Use of City Facilities..... | 7 |
| Appendix B – Management Response | 9 |

AU21-F01 Parks and Recreation Tennis Center Revenue Collection Follow-Up Report

| Issue No. | Recommendation/Corrective Action Plan | Management Assertion | Status |
|--|--|----------------------|------------------------|
| A. Contractor Performance Reviews | | | |
| 1 | Did Parks Management develop and document procedures for monitoring contractor compliance over tennis center activities? | <i>Implemented</i> | <i>Not Implemented</i> |
| | Did Parks Management procedures specify Park staff responsible for contract compliance monitoring, include provisions for systematic assessments and regular performance reviews? | | |
| | Did Parks Management review and approve all contract reviews? | | |
| 2 | Did Parks Management ensure a contract manager, or designee, was assigned to regularly review financial and operational activity of the tennis center contractor? | <i>Implemented</i> | <i>Implemented</i> |
| | If a contract manager cannot perform all review duties, did Parks Management consider splitting review duties amongst existing Parks staff? For example, assign performance oversight to operations staff and financial oversight to administrative staff. | | |
| 3 | Did Parks Management conduct quarterly reviews as required by contract? | <i>In Progress</i> | <i>In Progress</i> |
| | If contract requirements, such as review frequency, category measures, and evaluation terms, were something not attainable, did Parks Management consider revising future contract monitoring terms? | | |

| Issue No. | Recommendation/Corrective Action Plan | Management Assertion | Status |
|---|--|----------------------|--------------------|
| 4 | Did Parks Management ensure the contractor was compliant with contract terms? | <i>In Progress</i> | <i>In Progress</i> |
| | If a contractor was non-compliant, did Parks Management seek guidance from the City's Legal Department on enforcement or reconsider future contract renewals? | | |
| B. Reporting Tennis Center Revenue | | | |
| 1 | Did Parks Management reconsider if they want contractors to control both financial and operational aspects of tennis centers, in future agreements? | <i>Implemented</i> | <i>In Progress</i> |
| 2 | Did Parks Management ensure that a contract administrator, or designee, provided oversight over contract management for the duration of contracts? | <i>Implemented</i> | <i>Implemented</i> |
| 3 | Did Parks Management ensure every transaction for tennis center activity was consistently recorded, from origin to completion to provide assurance that all tennis revenue is timely and properly accounted for? | <i>Implemented</i> | <i>In Progress</i> |
| | Did Parks Management ensure that management of revenue is handled by an experienced bookkeeper, City staff or contractor, who promptly invoices, collects, deposits, and reports all revenue? | | |

| Issue No. | Recommendation/Corrective Action Plan | Management Assertion | Status |
|-------------------------------------|--|----------------------|--------------------|
| C. Assessment of Tennis Fees | | | |
| 1 | Did Parks Management ensure that only approved fees are charged? | <i>In Progress</i> | <i>In Progress</i> |
| | Did Parks Management ensure that contractors adhered to fee schedules approved by Council and City management? | | |
| | Did Parks Management consult with the Legal Department or Financial Services when there was uncertainty of what fees could be charged and where to record revenue on daily reports? | | |
| 2 | If special situations existed, did Parks Management ensure documented approval was obtained from the Parks Director? | <i>Implemented</i> | <i>Implemented</i> |
| | Did Parks Management develop, periodically update, and communicate to staff and contractors, a policy that documented the definition of a special situation? | | |
| 3 | If surcharge fees are going to be permitted in the future, did Parks Management incorporate such terms in contract agreements? | <i>Implemented</i> | <i>Implemented</i> |
| D. Incomplete Records | | | |
| 1 | Did Parks Management ensure books and records are protected to prevent intentional or unintentional destruction, improper or unauthorized alterations, or disclosures? In doing so, did Parks Management ensure all organizations are treated equitably? | <i>Implemented</i> | <i>Implemented</i> |

| Issue No. | Recommendation/Corrective Action Plan | Management Assertion | Status |
|------------------------------------|--|----------------------|------------------------|
| 2 | Did Parks Management ensure electronic records are kept in a form that is non-erasable, non-rewritable, organized, and immediately produced or reproduced? | <i>Implemented</i> | <i>Implemented</i> |
| | Did Parks Management put into place a mechanism to back-up transactional data? | | |
| E. Other Matters | | | |
| E.01 Use of City Facilities | | | |
| 1 | Did Parks Management ensure proper approval from City management if any party, other than the City's contractor, utilizes facilities at the HEB Tennis Center on a long-term basis? | <i>In Progress</i> | <i>Not Implemented</i> |
| 2 | Did Parks Management ensure only authorized revenue is collected? Did Parks Management ensure, in all instances, that all revenue was reported to the City? | <i>Implemented</i> | <i>Not Implemented</i> |
| E.02 Conflict of Interest | | | |
| 3 | To avoid the appearance and risk of impropriety and promote equitable treatment to all tennis center users, did Parks Management discourage any activities that appear to favor one organization over another? | <i>Implemented</i> | <i>Implemented</i> |
| | Did Parks Management ensure that park contractors were not affiliated or partnered with organizations that benefitted from use of City facilities? | | |

Staff Acknowledgement:

Joseph P. Lopez, Auditor
 Patrice Randle, Co-sourced Auditor
 Kimberly L. Houston, Senior Auditor

Appendix A – Additional Follow- Up Information

A. Contract Performance Reviews

In the original audit, contract reviews were not regularly performed because Parks and Recreation (Parks) did not always have a contract administrator or other designee assigned to monitor contract activity. There were also no processes in place to ensure systematic reviews of contractor activity or to confirm compliance with contractual terms. For the period of September 2013 to March 2018, Parks' contract administrator conducted one quarterly review for both the Al Kruse and HEB Tennis Center.

Recommendation(s):

A.1 Parks management should develop and document procedures for monitoring contractor compliance over tennis center activities. Those procedures should specify Park staff responsible for contract compliance monitoring, including provisions for systematic assessments.

During this review, written policies and procedures had not been developed.

Management Assertion: Implemented
Audit Status: Not Implemented

Recommendation(s):

A.3 Conduct quarterly, and annual reviews as required by contract. If contract requirements, such as review frequency, category measures, and evaluation terms, are something not attainable, management should consider revising future contract monitoring terms.

For Al Kruse Tennis Center's contractor, two of seven (October 2021 and February 2022) quarterly facility inspections were conducted for the years 2021 and 2022. For HEB Tennis Center's contractor, one of seven (October 2021) quarterly facility inspection were performed as required. Annual performance reviews were not performed for either locations.

Management Assertion: In Progress
Audit Status: In Progress

Recommendation(s):

A.4 Ensure contractor is compliant with contract terms. If not compliant, seek guidance from the City’s Legal Department on enforcement or reconsider future contract renewals.

Documented non-compliance notices to contractors and Legal guidance commenced during this audit project.

Management Assertion: In Progress
Audit Status: In Progress

B. Reporting Tennis Center Revenue

In the original audit, we noted monthly reports were not always submitted by the contractors timely to Financial Services. On a monthly basis, staff generally had to remind the contractor to submit reports which resulted in multiple months being reported at once. Invoiced amounts did not tie to the amounts reported to the City because the contractor negotiated tournament rates with the event hosts, but only reported the fees in the City's preapproved fee schedule.

Recommendation(s):

B.1 Parks should ensure a contract administrator, or designee, provides oversight over contract management for the duration of contracts.

To test if oversight was performed, we obtained financial reports submitted by contractors and determined if records were submitted as required. We found HEB Tennis Center’s contractor did not submit monthly event calendars as required under the new guidelines. Al Kruse’s contractor submitted all documents for the duration of our audit scope.

Management Assertion: Implemented
Audit Status: In Progress

Recommendation(s):

B.3 To provide assurance that all tennis revenue is timely and properly accounted for, every transaction for tennis center activity needs to be consistently recorded from origin to completion.

During our review, we judgmentally selected six sample events from each contractor to review. In reviewing Al Kruse contractor records, we found corresponding invoices could not be traced to monthly events¹ to verify revenue was consistently reported and accurately accounted for.

¹ Six events reviewed were held during the months: November 2020, February 2020, July 2021, December 2021, January 2022, and March 2022.

In reviewing HEB Tennis Center contractor records, we found 66.6% (four of the six) of the monthly events² were traceable to invoices. Invoices for sample events held during months February 2021 and March 2021 were not provided.

Management Assertion: Implemented
Audit Status: In Progress

C. Assessment of Tennis Fees

In the original audit, tennis fees approved by City Council and City Management were not consistently being charged.

Recommendation(s):

C.1 Parks management should only approve fees that are going to be charged to customers of the tennis centers. Contractors must adhere to the fee schedules approved by Council and City management. When there is uncertainty of what fees can be charged and where to record revenue on daily reports, consult with the Legal Department or Financial Services.

During our review, we haphazardly selected three sample months³ for testing. In the months tested, Al Kruse's contractor reported program rates that differed from those in the City authorized fee schedule for all periods. HEB Tennis Center correctly charged rates in two of the three sample months selected.

Management Assertion: In Progress
Audit Status: In Progress

E. Other Matters

E.01 Use of City Facilities

In the original audit, the contractor over the HEB Tennis Center charged Tennis Success for monthly rent (\$335) and an internet service fee. The Corpus Christi Tennis Association (CCTA) was reportedly not charged because of its contributions to the tennis facility. The City Auditor's Office identified that Tennis Success and the CCTA both conducted programs at the HEB Tennis Center. However, subleasing was not authorized in the City's management contract with the contractor.

Recommendation(s):

E.1 Parks Management should ensure the City's Contractor obtains proper approval from City management if any party, other than the City's contractor, utilizes facilities at the HEB Tennis Center on a long-term basis.

² We found events held during months October 2020, November 2020, February 2022, and March 2022 tied to invoices reviewed.

³ Periods tested were December 2020, November 2021 and March 2022

During this review, we found the contractor continuing this practice and formalized lease agreements with both organizations. Further, insurance documents showed the contractor was a co-beneficiary with the City for insurance claims.

Management Assertion: In Progress
Audit Status: Not Implemented

E.2 Parks Management should ensure only authorized revenue is collected. However, in all instances, all revenue must be reported and remitted to the City.

In contracts reviewed for this audit project, the provision for remitting payment to the City (i.e. revenue sharing) was removed. Both contractors keep all revenue generated at their respective tennis centers plus receive a fee for operating the facilities.

During this review we noted, Parks was not aware of the existence of the lease agreements between the HEB Tennis Center contractor and the sub-leasees, the insurance provisions in those agreements, and could not identify if sublease payments were being reported to the City in monthly revenue reports.

Management Assertion: Implemented
Audit Status: Not Implemented

Appendix B – Management Response



March 22, 2023

George H. Holland
City Auditor
Corpus Christi, Texas


Re: AU21-F01 Parks and Recreation, AU17-002 Tennis Centers Follow-up Report

The Parks and Recreation Department has reviewed the follow-up report and provided its comments below. As there are no recommendations for management, no responses are required.

Fully Agree

Do Not Agree

Sincerely,



Robert Dodd, Director
Parks and Recreation

3/22/23
Date



Nadia Chandler-Hardy
Assistant City Manager

3/28/2023
Date



Peter Zandoni
City Manager

April 4, 2023
Date

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