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Parks and Recreation Department

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*Internal Audit Report Authorized by the
Maricopa County Board of Supervisors*

Report Highlights	Page
Parks and Recreation (Parks) facilities are clean and well maintained.	1
Parks is working to enhance policies and procedures.	2
Parks continues to improve concessionaire monitoring.	5
Parks is improving information technology (IT) strategic planning and security awareness.	8
Parks cash controls are reasonable and used consistently.	10

Objectives

To determine that Parks:

- Visitor satisfaction goals and safety requirements are being met.
- Revenue controls are sufficient to ensure revenues are calculated accurately and collected in full.
- IT general and critical application controls over data confidentiality, integrity, and availability are effective and adequate.
- Cash controls are sufficient and used consistently.

Scope

This audit primarily focused on controls in place in FY 2016. However, the testing period was FY 2014 to FY 2016 for most concessionaire agreements. The scope was expanded to FY 2010 to verify certain concessionaire agreement calculations. To perform this audit we interviewed Office of Enterprise Technology staff, Parks management, staff, and volunteers, observed cash handling procedures, and toured Parks facilities. We reviewed documentation including policies and procedures, IT contracts, concessionaire agreements, certificates of insurance, and other supporting documentation. We also met with concessionaires and reviewed payments and documentation supporting revenues paid to Parks.

Standards

This audit was approved by the Board of Supervisors and was conducted in conformance with International Standards for the Professional Practice of Internal Auditing. The specific areas reviewed were selected through a formal risk-assessment process.

Auditors

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Kenton Schaben, Internal Auditor

This report is intended primarily for the information and use of the County Board of Supervisors, County leadership, and other County stakeholders. However, this report is a public record and its distribution is not limited. We have reviewed this information with Parks management. The Action Plan was approved by R.J. Cardin, Parks and Recreation Director, on March 9, 2016. If you have any questions about this report, please contact Stella Fusaro, Audit Manager, at 602-506-1777.

Audit Results

Issue #1: Park Cleanliness and Safety

Observation: In November 2015, we visited all 11 County Parks and completed an on-site review for compliance with park maintenance standards and park rules and regulations. We found that, overall, Parks maintained a high level of cleanliness and safety primarily through clean and well-maintained facilities, open trails, sufficient signage, mapping, and parking. Park staff and volunteers were professional, friendly, and helpful.

On the day of our visits, the number of Parks employees varied by park, with three parks having only one full-time employee on site. All of the other personnel assisting guests, cleaning the parks, and collecting fees were volunteers. Parks could not provide a high level of service without the volunteers.

Most of the restrooms reviewed were clean, well-stocked, and had all fixtures and lighting in good working order. There were a few isolated conditions found where hand dryers did not work, utility room doors were unlocked, mirrors were etched or scratched, and hand sanitizer was missing from portable restrooms. We also noted several water fountains at two parks did not work, a few ramadas at one park appeared to need repairs, and minor graffiti was noted at two parks. Two of the hillside trails at one park appeared to have severe erosion. Parks management was aware of many of these issues and is working on solutions.

All fire extinguishers reviewed had an annual inspection and a service date within the last year. However, monthly inspections of most fire extinguishers were not documented. Four parks did not have documentation for the last inspection and service of the septic systems. In addition, one of the parks stopped documenting the daily inspection of its fueling site. Maintenance staff stated they perform daily inspections.

Conclusion #1A: Overall, we found the parks to be clean and well-maintained.	
Recommendation	Parks Action Plan
None	N/A

Conclusion #1B: A small number of maintenance issues were noted at several parks.	
Recommendations	Parks Action Plan
1B-1 Develop and implement written procedures to ensure repairs and maintenance issues are addressed promptly. (For example: ramada and drinking fountain repairs, trail damage repair, and graffiti removal.)	<p>Concur – in progress</p> <p>Department is in the process of contracting a Work Order Management System which will enable us the ability to systematically schedule and follow up on repairs. Many of the maintenance items listed in the observations above have been repaired, removed or cleaned. Funding for major maintenance has been requested annually to continue repairs to restrooms, ramadas, parking lots, and other basic visitor amenities.</p> <p>Target Date: June 30, 2016</p>
1B-2 Develop and implement written procedures to ensure fire extinguisher, septic system, and fuel site inspections are documented.	<p>Concur – in progress</p> <p>Department intends to build these items into the awarded Work Order Management System so they are regularly scheduled.</p> <p>Target Date: June 30, 2016</p>

Issue #2: Policies and Procedures for Park Maintenance and Safety

Observation: Parks has established maintenance standards, but maintenance inspections are not documented. Parks management reports that they conduct visual inspections based on established standards. However, there is no defined frequency for visual inspections and no standard form used to record results. In addition, the current work order system does not allow an inspection schedule to be established.

Parks management reports there is a draft maintenance plan for each park, but not a system-wide plan. The draft maintenance plan for each park will be used until the full operations manual is completed.

Parks has a safety policy that provides the framework of expectations for health and safety within the workplace and supplements the County Risk Management safety policies. The policy states that each supervisor or manager will be responsible to ensure workplace hazards are addressed. Parks management is working with the County Safety Office to develop a Parks safety program and plan.

Conclusion #2A: Parks has established maintenance standards and a safety policy.	
Recommendation	Parks Action Plan
None	N/A
Conclusion #2B: Maintenance standards and safety procedures could be enhanced.	
Recommendations	Parks Action Plan
2B-1 Develop and implement written policies and procedures to ensure maintenance inspections are completed and documented on a regular basis and that any issues are addressed promptly.	Concur – in progress Department will utilize the Work Order Management System which has existing facility inspection forms and then schedule them to be completed utilizing the Work Order System. Target Date: June 30, 2016
2B-2 Finalize and implement a system-wide maintenance plan.	Concur – will implement with modifications The system-wide maintenance plan will be driven by existing maintenance standards and operationalized through the Work Order System (the system plan will be embedded in the Work Order System). Target Date: June 30, 2016
2B-3 Finalize and implement a system-wide Parks safety program.	Concur – in progress County Safety Office has provided a draft Parks Department Plan. Draft is currently under review. Implementation will be completed by target date. Target Date: June 30, 2016

Issue #3: Other Policies and Procedures

Observation: Parks has implemented operating policies, procedures, and standards; management reports they are continuing to upgrade these documents. We noted areas that could be strengthened.

There are no customer service standards in place to ensure all interactions with visitors are positive and consistent. Parks management is aware that this area needs to be addressed and has assigned someone to work on it. Customer satisfaction surveys continue to show high levels of visitor satisfaction.

In FY 2015, Parks received revenues from 65 concessionaires that operated in the parks. Parks has performed periodic compliance reviews of some concessionaires. However, Parks does not have formal policies or procedures in place to monitor the agreements. Management reports that policies and procedures are currently being drafted.

Parks has an established and published Fee Policy for park entry fees, annual passes, camping fees, facility rentals, and other fees. However, Parks does not have a formalized fee structure in place for concessionaire agreements. Some agreements are based on a per participant fee (\$3.00 or \$3.50 per participant); others are based on a percentage of revenue generated by the concessionaire (percentages range from 10% to 20%). Management reports that concession terms and fees are negotiated individually, based on (1) capital invested by the concessionaire, (2) analysis on the concession business plan and pro forma, (3) location of the concession opportunities, and (4) other business factors.

Conclusion #3A: Parks has implemented a variety of operating policies, procedures, and standards.	
Recommendation	Parks Action Plan
None	N/A
Conclusion #3B: Parks should enhance guidance with additional policies and procedures.	
Recommendations	Parks Action Plan
3B-1 Develop and implement customer service standards.	<p>Concur – in progress</p> <p>Department has draft Administrative Manuals for each park. We are currently working on a Department Administrative Manual utilizing the common items from each of the parks.</p> <p>Target Date: June 30, 2016</p>
Recommendations	Parks Action Plan
3B-2 Finalize and implement contract monitoring policies and procedures.	<p>Concur – in progress</p> <p>A draft of the contract policy (including monitoring) is currently under management review. Contract procedures are also under development.</p> <p>Target Date: December 31, 2016</p>

Recommendations	Parks Action Plan
<p>3B-3 Develop a concessionaire fee policy to enhance consistency.</p>	<p>Concur – in progress</p> <p>Staff is currently developing a structured fee standardization plan for various types of recreational opportunities which will be comparable to nearby or similar type parks and facilities. Staff is also taking into consideration the variations in the nature and type of recreational services, equipment utilized, expense levels and other relevant factors. Once the analysis is complete and recommendations have been approved, a concession fee policy will be developed. Maintaining some degree of flexibility will be required to maximize revenue and enhance visitor experience services.</p> <p>Target Date: December 31, 2016</p>

Issue #4: Compliance with Concessionaire Agreements – Revenues

Observation: We reviewed five concessionaire agreements (Maricopa Water District, Crown Castle Monopole, Paradise Valley Golf Course, Bear Creek Golf Course, and Arizona Outdoor Fun) for compliance with terms and conditions. These agreements allow the concessionaires to use Park facilities or to operate a commercial concession within County Parks. Parks receives a portion of concessionaire revenue as outlined in the individual agreements.

Accuracy of Calculations: The rates charged to one concessionaire were understated for the last four years. The rate should be adjusted annually based on the increase in the consumer price index (CPI). The rate was miscalculated for the last four years because the base year was changed, in error. In addition, the wrong CPI index was used for the last six years. As a result, Parks under billed the concessionaire \$12,450.

Revenue Reporting: We found one concessionaire was not including gasoline sales and collision damage waiver insurance sales in the gross revenue reported to Parks. The agreement defines gross revenue as “all revenues” and does not exclude these items. We also noted that the concessionaire was renting casual pleasure boats, which are specifically excluded in its agreement. However, the boat rental revenue was reported to Parks. Parks management indicated that they gave the concessionaire verbal approval to rent these boats but had not formalized this in the concessionaire agreement. Another concessionaire had not provided Parks with a statement of gross revenues or a statement of profit and loss for calendar year 2014 (due May 2015), as required.

Timeliness of Payments: Parks did not collect late fees and interest in two instances. One concessionaire paid its renewal premium four months late. The penalty and interest (approximately \$1,040) were not collected. Another concessionaire's semi-annual payment was paid late and the late fee (\$2,625) was not collected.

Parks management reports that they began a program three years ago whereby a sample of major concessionaires are audited each year; they plan to continue this practice as budget funds are available.

Conclusion #4A: Improvements are needed to ensure compliance with concessionaire payment and reporting provisions.	
Recommendations	Parks Action Plan
<p>4A-1 Ensure contract monitoring policies and procedures (see Recommendation 3B-2) address:</p> <ul style="list-style-type: none"> • Correct revenue calculations • Required concessionaire reporting • Late fee assessments and collections as required 	<p>Concur – in progress</p> <p>The contract policy and contract procedures will address these items.</p> <p>Target Date: December 31, 2016</p>
<p>4A-2 Develop and implement procedures to ensure that amendments are prepared to document changes to concessionaire agreements.</p>	<p>Concur – in progress</p> <p>Contract procedures are under development that will include monitoring changes in agreement for amendments and timely submission to the Board of Supervisors for approval.</p> <p>Target Date: December 31, 2016</p>
<p>4A-3 Document amendment to the agreement with Arizona Outdoor Fun to reflect the rental of pleasure boats.</p>	<p>Concur – in progress</p> <p>A draft amendment has been proposed and is under review by Arizona Outdoor Fun and Parks management that not only includes the rental of pleasure boats but also includes the changes in reporting of income for refined definition and exclusions of gross revenue.</p> <p>Target Date: July 1, 2016</p>

Recommendations	Parks Action Plan
<p>4A-4 Calculate and collect any additional amounts due from concessionaires for late fees, incorrect revenue billing, and underreported gross revenue.</p>	<p>Concur – in progress</p> <p>Completed for concessionaires listed in the Observation comments above. Additionally, eight audits completed by an independent audit firm during the last three years reflected additional fees from two concessionaires, both have been invoiced and paid. This is an on-going monitoring process as payments are made (monthly, quarterly or annually).</p> <p>Target Date: Ongoing</p>

Issue #5: Compliance with Concessionaire Agreements – Insurance

Observation: We reviewed certificates of insurance for four of the five agreements noted in Issue #4 to ensure the terms and conditions of the insurance coverage were in force, and were for the amounts required. The County is responsible for the liability of the other agreement. We found that none of the four concessionaires met all insurance requirements in their agreements. We noted:

- 4 concessionaires did not have all of the required coverage or clauses noted on the certificate of insurance
- 2 concessionaires had not named the additional insured as required by the agreements
- 1 concessionaire did not have the required aggregate liability coverage required

<p>Conclusion #5A: Improvements are needed to ensure compliance with concessionaire insurance requirements.</p>	
Recommendations	Parks Action Plan
<p>5A-1 Develop written procedures to ensure that all concessionaires meet the insurance requirements outlined in their agreements. Amend agreements if the coverage stated is no longer applicable.</p>	<p>Concur – in progress</p> <p>Currently, as Certificates of Insurance are received, they are now being reviewed by Risk Management for compliance. Written procedures include a tracking sheet for insurance compliance in the contract procedures.</p> <p>Target Date: December 31, 2016</p>

Issue #6: Information Technology (IT) – General Controls

Observation: To determine if IT general computing controls were sufficient, we reviewed controls over: (1) system backups, (2) disaster recovery and business continuity, (3) IT policy change management, (4) IT strategic planning, (5) physical security, and (6) security and awareness training. We tested both Parks servers and all 94 workstations for virus and intrusion protection. We also tested remote access for all 14 users.

We found: (1) transactional and full system backups were performed, (2) disaster recovery and business continuity procedures have been developed, (3) policy changes were adequately documented and communicated, (4) servers and workstations were appropriately protected by anti-virus/spyware software, (5) network security (e.g., firewalls, network accounts, password parameters) and intrusion detection tools were in place, and (6) all users with remote access were current employees.

We also found that Parks has not documented key IT strategic planning processes (e.g., IT strategic planning, IT risk assessment, and strategy-based IT budgeting). Parks receives significant IT support from OET; however, Parks has not established a Service Level Agreement with OET to document boundaries and expectations.

We observed that the Parks server room is clean, and has adequate temperature controls, fire suppression, and uninterruptible power supply units. However, we observed on three separate visits that the server room was not locked, and was accessible by an auditor without being noticed by Parks employees.

We also noted that, while Parks relies on County policies to address security awareness, Parks does not require its employees to complete IT security awareness training.

Conclusion #6A: Parks has controls in place over system backups, virus and intrusion detection, disaster recovery and business continuity, remote access, and IT policy change management.	
Recommendation	Parks Action Plan
None	N/A

Conclusion #6B: Parks controls over IT strategic planning could be improved.	
Recommendations	Parks Action Plan
6B-1 Establish a Service Level Agreement with OET to define expectations and responsibilities.	<p>Concur – in progress</p> <p>Establishment of a Service Level Agreement has been added to the Parks Technology Roadmap Plan. Approval of SLA is listed as the target date.</p> <p>Target Date: July 1, 2016</p>
6B-2 Document IT strategic planning policies and procedures to ensure Parks IT operations align with Parks business needs and help meet overall business goals.	<p>Concur – complete</p> <p>OET/Parks Technology Roadmap working document has been completed. The plan is designed to be a living document with regular review and modifications as business needs change.</p> <p>Target Date: – Ongoing</p>
Conclusion #6C: Parks controls over server room access could be strengthened.	
Recommendations	Parks Action Plan
6C-1 Restrict access to the server room to protect County assets and prevent equipment damage and/or service disruptions.	<p>Concur – completed</p>
Conclusion #6D: Parks controls over security awareness need improvement.	
Recommendations	Parks Action Plan
6D-1 Establish written procedures to ensure that Parks employees receive end-user awareness training to reduce the risk of improper data usage or exposure of sensitive data.	<p>Concur – in progress</p> <p>End-user awareness training will be included in Parks employee training curriculums established in the County's new LMS.</p> <p>Target Date: December 31, 2016</p>

Issue #7: Information Technology – Application Controls

Observation: Parks recently implemented a new point-of-sale (POS) application called Itinio. We tested 10 of 101 (10%) Itinio user accounts and found that all users were granted the appropriate level of system access based on their job duties. Administrator access was also appropriately limited. We confirmed that no terminated employees had active user accounts.

We found that Itinio does not have built-in password controls. However, Itinio users must log in to the network before accessing Itinio; network access is adequately controlled, mitigating the risk of unauthorized access.

We interviewed Parks management and observed Itinio’s system functionality to determine that contract requirements have been met. While some functionality was postponed, several key items (e.g., reservation capabilities, compatibility, role-based access, etc.) were implemented. Parks is tracking ongoing items and is working closely with the vendor to ensure the remaining items will be completed.

Conclusion #7A: Parks has implemented key controls over user access, passwords, and application development.	
Recommendation	Parks Action Plan
None	N/A

Issue #8: Controls Over Cash

Observation: We reviewed 19 deposits and shift closeouts, and 2 petty cash funds at 6 of the 11 County Parks, and found only minor issues with cash counts. Parks has established procedures to complete shift closeouts and deposits, and has general safeguards to ensure that monies are secure at all times. We found the following weaknesses in cash controls that may increase the level of risk:

- Lack of segregation of duties, including employees and hosts verifying the deposit amount of their own previous daily closeout and balancing.
- Volunteers performing cashier duties and shift closeout procedures.
- Deposits kept on site for multiple days in some locations.
- Some park entrances were unmanned during low attendance days or hours.
- Iron rangers used at remote park entrances in lieu of staff or volunteers manning entrance stations.

Parks management accepts the current level of risk to its cash handling procedures due to the limited staffing levels available. To mitigate these risks, an Accounting Specialist tracks deposits, and cash over and short amounts for all parks. The use of credit cards has also reduced the amount of cash collected. We noted that Parks experienced a very low net cash shortage amount of less than \$1,000 during fiscal year end 2015.

Conclusion #8A: Parks has established procedures for handling cash. Cash controls are reasonable and are used consistently.	
Recommendation	Parks Action Plan
None	N/A