

Clarcona Horseman's Park Revenue Audit

**Report by the
Office of County Comptroller**

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July 26, 2004

Richard T. Crotty, County Chairman
And
Board of County Commissioners

We have conducted an audit of Clarcona Horseman's Park Revenue. The audit was limited to a review of revenue collection, deposit and recording procedures. The period audited was October 1, 2002 through June 30, 2003. Our audit was conducted in accordance with generally accepted government auditing standards, and included such tests as we considered necessary in the circumstances.

Responses to our Recommendations for Improvement were received from the Manager of the Parks and Recreation Division and are incorporated herein.

We appreciate the cooperation of the personnel of the Parks and Recreation Division at Clarcona Horseman's Park during the course of the audit.

Martha O. Haynie, CPA
County Comptroller

c: Ajit Lalchandani, County Administrator
William Potter, Manager, Orange County Parks and Recreation Division
Melvin Pittman, Director, Community and Environmental Services Department

EXECUTIVE SUMMARY

Executive Summary

We conducted an audit of Clarcona Horseman's Park (Clarcona) of the Orange County Parks and Receptions Division (Division). The period audited was from October 1, 2002 through June 30, 2003. In addition, certain other matters outside the audit period were also reviewed. The scope of our audit was limited to an examination of Clarcona's revenue procedures and collection. The objectives of the audit were to gain reasonable assurance that applicable fees were collected and deposited and to determine that revenue collection procedures are adequate and working properly.

In our opinion, revenue collection procedures used by Clarcona Park employees were adequate, except with regards to collection of concession service royalty payments. Opportunities for improvement were noted and are described herein.

Concession service royalty payments were not remitted in a timely manner. Further, based on the results of surveys, it appears likely the Concessionaire has not paid the County for all dates service was provided.

Clarcona personnel do not have an effective system for determining the total amount of fees incurred and collected during the annual horse show season. As a result, we noted fees related to set-up and facility use were not always collected and errors in the calculation of the total fees owed were made.

Independent vendors are permitted to sell products and services at horse shows by paying a vendor fee. Vendors do not provide proof of general liability, product liability, or business automobile insurance coverage. The Risk Management Division should be consulted to determine if vendor insurance is adequate.

During our review of revenue collection procedures, we noted that receipts were not always properly completed and often were not completely filled out.

The Division concurred with all the recommendations and reported corrective action as underway or planned as noted herein.

ACTION PLAN

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Action Plan

NO.	RECOMMENDATIONS	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS	
		CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED
1.	We recommend the Division performs the following:					
A)	Strengthens internal controls over the collection of concession service royalty payments to ensure all payments are remitted timely according to contract terms.	✓			✓	
B)	Develops a method to monitor concessionaire service dates to ensure payments are remitted for all dates services are provided. Service dates reported by the Concessionaire should be reconciled with Clarcona's records.	✓			✓	
C)	Contacts the Concessionaire and request payments for the missed dates.	✓			✓	
2.	We recommend the Division follows established regulations and procedures in the amendment of contract terms for concession services at Clarcona. In addition, Clarcona should ensure contractors do not perform services outside the contract scope.	✓			✓	
3.	We recommend Clarcona personnel performs the following:					
A)	Develops a system to ensure all horse show related fees received throughout the year are collected in accordance with the County's approved Division fee schedule.	✓			✓	
B)	Creates and implements a procedure to assist in determining the correct stall count and applicable rental fee.	✓			✓	
4.	We recommend the Division develops and implements written policies and procedures regarding the following:					

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NO.	RECOMMENDATIONS	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS	
		CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED
		A)	Eligibility criteria for the youth organization stall rental rate;	✓		
B)	Safe Deposit Log procedures;	✓			✓	
C)	Policy and procedures to ensure all camping revenues are collected, including consideration of advance collection of fees;	✓			✓	
D)	Valid conditions for issuing a refund; and	✓			✓	
E)	Ensuring mercantile and assemble use tents erected on park property are permitted according to County policy.	✓			✓	
5.	We recommend the Division conducts a periodic fee analysis for regular and special event use of the park facilities.	✓				✓
6.	We recommend the Division contacts the Risk Management Division to determine the appropriate insurance requirements for vendors attending park events.	✓			✓	
7.	We recommend Clarcona strengthens procedures relating to the recording of receipts by exercising greater care to ensure all receipts are fully completed, including an adequate description of the services provided.	✓			✓	

INTRODUCTION

Background

Clarcona Horseman's Park (Clarcona), of the Orange County Parks and Recreation Division (Division), is a forty-acre park consisting of thirteen barns with two hundred and sixty stalls, four show arenas, two lunging rings, bleacher seating, judges' tower, show-manager's office, concession building, restrooms, and twenty-eight campsites with water and electrical hookups. Clarcona is used primarily by horse organizations in the area to conduct approximately forty-five shows throughout the year.

In addition to horse shows, Clarcona was the home of the Mid-Florida Quarter Midget Racing Association. The sport centers around small competition cars. The scaled down racecars (one-fourth the size of midget racecars) are driven by children between the ages of five and fifteen on a one-twentieth of a mile oval track. Races were normally held each Friday evening. Clarcona closed the park to quarter midget racing in January 2004.

The contract between the quarter-midget racing association and the County expired in January 2004 and was not renewed.

Scope, Objectives, and Methodology

The audit scope was limited to an examination of Clarcona's revenue procedures and collection. The audit period was from October 1, 2002 through June 30, 2003. Certain other matters outside the audit period were also reviewed. The audit objectives were as follows:

1. To gain reasonable assurance that applicable fees were collected and deposited; and,
2. To determine that revenue collection procedures are adequate and working properly.

To determine that Clarcona receipts were correctly collected, we selected a sample of receipts from each of the following revenue sources: camping and vendor fees, facility and stall rental fees, dressage ring initial set-up, and quarter midget track fees. For each revenue source, we determined that a pre-numbered receipt was used and completed with the appropriate information. We verified that the correct fee was

collected and the receipt was recorded in the Safe Deposit Log and a Classification of Receipts (COR). We verified that the COR was signed by the employee preparing the document and, if applicable, a supervisor. In addition, we attended selected events during the audit fieldwork and observed collection procedures.

To determine if receipts were deposited, we traced receipts to a COR and then traced the COR to a bank validated deposit slip. To determine if deposits were timely deposited, we compared receipt dates with the bank validated deposit slip date. We verified that the deposit slip and COR were remitted to the Finance Department within two days of the deposit.

To determine if the monthly electricity charges were remitted to the County by the Mid-Florida Quarter Midget Racing Association, we reviewed the Progress Energy electric service statements for the racetrack and verified that the service fees were remitted and receipted by Barnett Park administrative personnel. In addition, we confirmed that the receipted amount was included in a Finance Department Cashier validated receipt tape.

To determine if the Clarcona concessionaire remitted the royalty payments during the audit period, we reviewed the accuracy and timeliness of the royalty payments remitted and receipted by Barnett Park administrative personnel for events during the audit period. In addition, we confirmed with user groups the dates concession services were utilized to determine if royalty payments were remitted for the confirmed dates.

To determine if the Division had performed a fee analysis within the past five years as a means of determining an equitable charge to users of the horse and midget racetrack facilities and services, we interviewed personnel and reviewed supporting documents.

To determine that revenue collection procedures were adequate and working properly, we interviewed and observed personnel to gain an understanding of existing

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procedures and controls. We reviewed written internal policies and procedures for revenue collection.

We did not perform any testing of stall bedding fees or other fees received from activities other than those stated.

Overall Evaluation

In our opinion, revenue collection procedures used by Clarcona Park employees were adequate, except with regards to collection of concession service royalty payments. Further, nothing came to our attention during the audit that would lead us to believe all revenues collected were not deposited. However, improvements are needed as outlined in this report.

RECOMMENDATIONS FOR IMPROVEMENT



1. The Division's Internal Controls Over the Collection of Concession Service Royalty Payments Should Be Strengthened

During our review of the concession service royalty payments remitted during the audit period, we noted the following:

- A) The Concessionaire is not providing payments to the County on a monthly basis. The contract between the Concessionaire and Orange County requires the Concessionaire to make monthly royalty payments to the County. During the nine-month audit period, the Concessionaire made three payments to the County. Eighty-two percent (14 of 17) of the event dates included in the three payments were not remitted timely according to contract terms. Delays of between 75 and 126 days were noted.

A royalty payment had not been remitted to the Division for concessionaire services provided since February 23, 2003. As part of our review, we requested confirmation from the quarter midget racetrack and horse show groups of the event dates concession services were provided to the park (based on scheduled events). Responses indicate that concession services were provided for at least an additional thirty event dates after the last payment was received.

- B) An additional eight event dates, included in the confirmation responses noted above, occurred during the time period covered by the concessionaire's royalty payment dated February 18, 2003. The following dates were not included in the remittance.

Event Date	Confirmation Group
11/17/02	Dirty Jeans 4-H Club
12/06/02	Orlando Dressage
01/19/03	Dirty Jeans 4-H Club
01/23/03	Orlando Dressage
01/24/03	Orlando Dressage

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01/25/03	Orlando Dressage
01/26/03	Orlando Dressage
01/31/03	Fox Cry Farms

As such, it appears that payments were due to the County for these dates, yet none has been received. The contract between the County and the Concessionaire requires:

...the concessionaire shall make monthly royalty payments to Orange County based upon the contractually stated percentage (18%) of gross receipts less appropriated State of Florida sales tax (6%). Royalty payment checks are to be sent by the 5th of the following month.

The County should develop a system to track concessionaire services to ensure that the Concessionaire remits monies due from all events. If royalty payments are not monitored, the potential exists that monies due will not be paid.

Subsequent to the completion of fieldwork, a royalty payment was remitted in October 2003 to the Division for concessionaire services provided through August 2003. The remittance included payment for nine of the thirty event dates included in the confirmation responses noted above. However, twenty-one of the thirty event dates that occurred during the time period covered by the October 2003 royalty payment were not included in the remittance.

We Recommend the Division performs the following:

- A) Strengthens internal controls over the collection of concession service royalty payments to ensure all payments are remitted timely according to contract terms.
- B) Develops a method to monitor concessionaire service dates to ensure payments are remitted for all dates services are provided. Service dates reported

by the Concessionaire should be reconciled with Clarcona's records.

- C) Contacts the Concessionaire and request payments for the missed dates.

Management's Response:

- A) Concur. The Fiscal Section currently sends monthly invoices to concessionaires which include past due notices. Once late payments go beyond a 90-day period, we contact the Purchasing and Contracts Division for assistance with the collection. Purchasing sends the contractor a "Notice to Cure" and gives them a specific date when payment must be sent. If the vendor does not meet the intended deadline Purchasing will then take further action.
- B) Concur. The Clarcona Park Site Supervisor will design and post a Log in the concession building for the concessionaire to sign each time he opens the building for the sale of food products. The log will detail all booked events by date, the total revenue collected, and a signature of concessionaire staff per contract agreement. The Site Supervisor will verify the log, and fax a copy to the Fiscal Officer each month. The Fiscal Officer will then verify the payments using the log signed by the concessionaire.
- C) Concur. The Parks Division's Fiscal Officer and Site Supervisor communicated with the concessionaire on several occasions regarding late payments. Additionally, the Purchasing and Contracts Division sent a "Notice to Cure" to the concessionaire on February 13 and March 4, 2004, requesting all outstanding royalty payments to be remitted on or before March 15, 2004.

2. The Concessionaire Contract Should Be Formally Amended to Include Services Provided at Non-Horse Show Events

During 2003, the Clarcona Concessionaire began providing services at quarter midget track events that are outside the specified Scope of Services included in the Concessionaire's contract. Further, the Division, responsible for receipting concession royalty payments, was unaware of the change in services.

The Scope of Services for Orange County contract Y2-158 states that "Concession building service must be provided during all scheduled horse shows [emphasis added]."

Further, section 1 of the contract states:

Any amendments to this contract must be in writing and signed by both parties. Such amendment(s) to this contract must be signed by the representative of the Orange County Purchasing and Contracts Department to be valid, binding and enforceable.

Proper administration of Clarcona's concession services requires ensuring conformance to the legally binding terms contained in the executed contract. The County's risk of potential litigation is increased when services that are not included in the contract terms are provided to park guests. Further, there is increased potential for lost revenue when the personnel responsible for receipting payments are not notified of a change in services.

The contract between the quarter-midget racing association and the County expired and was not renewed. As such, services for the events would no longer occur.

We Recommend the Division follows established regulations and procedures in the amendment of contract terms for concession services at Clarcona. In addition, Clarcona should ensure contractors do not perform services outside the contract scope.

Management's Response:

Concur. At this time the only planned events at the Clarcona Horseman's Park are horse events. The quarter midget track has been closed and is not expected to be re-opened.

3. Controls Should Be Implemented to Ensure That All Fees Are Collected for Horse Shows

Clarcona personnel do not have an effective system for determining the total amount of fees incurred and collected during the annual horse show season. As a result, we noted the following:

- A) Fees related to set-up and facility use were not collected by Clarcona as follows:

Event Date	Fee	Amount
12/6 – 8/02	Dressage Ring: Initial Set-up	\$300
1/24 – 26/03	Dressage Ring: Initial Set-up	\$300
7/12/03	Facility Use Rental	\$150
7/18/03	Additional Arena Rental	\$50
7/20/03	Additional Arena Rental	\$50
Total		\$850

Fees paid in advance, such as the facility rental fee, are recorded separately from additional fees incurred during the show season. As such, it is often difficult for Clarcona personnel to determine which fees are paid or unpaid. A complete summary of paid versus unpaid charges is not available for personnel to review prior to requesting final payment. If not detected, unpaid charges result in lost County revenue. A checklist or other system to ensure all monies are collected for services provided should be created.

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Subsequent to the completion of fieldwork, Clarcona received \$750 of the \$850 previously uncollected fees.

- B) Prior to the arrival of the horse show managers, park personnel estimate the number of stalls to be unlocked based on prior show attendance. Upon arrival, show managers receive the padlock keys to open additional stalls at their discretion.

During a horse show, park personnel use a stall chart to note that stalls appear to have been used to house a horse or tack. Use is based on items observed in the stall (e.g. a horse, lead ropes, saddles, feed buckets, etc.). To determine the amount owed, the number of stalls noted on the chart is totaled and multiplied by the appropriate fee. On the last day of the event, fees are collected from the show manager.

During our review, we found errors in the determination of the number of stalls used and calculation of the total fees owed in 44 percent (4 of 9) of the stall chart dates reviewed as follows:

Stall Chart Date	Receipt Amount	Audit Amount	Difference
3/08/03	\$1,402.50	\$1,410.00	\$ (\$7.50)
3/20/03	2,910.00	2,895.00	15.00
3/22/03	2,685.00	2,775.00	(90.00)
4/26/03	1,462.50	1,500.00	(37.50)
Totals	\$8,460.00	\$8,580.00	(\$120.00)

In addition, our recount of the stalls used during the June 8, 2003, horse show resulted in an additional \$75 being added to the total stall rental fee for five stalls that were "overlooked" in the original count performed by Clarcona staff.

We noted that the park has not created "Stall Assignment Sheets" to assist in determining the correct stall count and applicable fee.

The User Agreements for horse show events states:

Stalls must be pre-assigned with names of horses, owner/handler and the phone number and address where they can be reached. The User's designated official will be responsible for assigning stalls using the Stall Assignment Sheet for each show day. At the end of each show day, the Stall Assignment Sheets will be submitted to the Park Supervisor with payment in full of all stall fees due.

We Recommend Clarcona personnel performs the following:

- A) Develops a system to ensure all horse show related fees received throughout the year are collected in accordance with the County's approved Parks and Recreation Division fee schedule.
- B) Creates and implements a procedure to assist in determining the correct stall count and applicable rental fee.

Management's Response:

- A) Concur. Facility fees are collected in advance, but additional fees can be incurred during a particular show. Staff will implement a tracking form for events that will summarize fees paid in advance, and highlight fees that have been incurred during the show, in order to have this information available when requesting final payment.
- B) Concur. Stall assignment sheets are currently being used. Errors in count are human errors. This will be corrected by having two staff count and sign each stall sheet before fees are collected.

4. Written Policies Should Be Developed and Implemented

During our review of the Orange County Parks and Recreation Division Revenue Collection Standard Operating Procedures Manual, we noted there are no policies regarding the following:

- The eligibility criteria for the lesser youth organization stall rental rate of \$7.50 per day compared to the non-youth organization rate of \$15.00 per day is not defined.
- Written Safe Deposit Log procedures have not been developed (although we were told personnel are required to use a Safe Deposit Log to document items placed in the park's drop-safe).
- Campers attending annual events are known to leave the park without paying the required camping fee. Unpaid fees are not collected upon the camper's attendance at a subsequent event due to lack of a written policy regarding non-paying park users.
- A written policy that describes the valid conditions for issuing a refund does not exist, although the Division's fee schedule states, "Programs and Services 100% Satisfaction Guarantee or your money back!"
- According to Division personnel, the unwritten tent policy is, "If you can see through a canopy or tent, a permit is not required." Because of the unwritten policy, personnel do not confirm that the majority of mercantile and assembly tent users have obtained the permits required by the County's Building and Zoning Departments.

Without written policies and procedures, personnel lack guidance on how to execute Orange County policies, Division directives and assigned responsibilities.

We Recommend the Division develops and implements written policies and procedures regarding the following:

- A) Eligibility criteria for the youth organization stall rental rate;
- B) Safe Deposit Log procedures;
- C) Policy and procedures to ensure all camping revenues are collected, including consideration of advance collection of fees;
- D) Valid conditions for issuing a refund; and
- E) Ensuring mercantile and assembly use tents erected on park property are permitted according to County policy.

Management's Response:

- A) Concur. In the past, there were some organizations that were designated as youth organizations and they were approved for discount rates. The criteria that was used is not available. The Parks and Recreation Division will develop a new policy in order to qualify and approve a discounted fee for youth organizations. Once the policy has been defined and approved all organizations will be asked to submit applications based on the new criteria.
- B) Concur. When possible and feasible we will have two staff sign off on deposits.
- C) Concur. Clarcona staff will patrol more and make every possible effort to collect all fees. We will also contact show management for assistance.
- D) Concur. The refund policy is a quality control measure. The fee schedule was approved with the objective that states "The primary goal of the Orange County Parks & Recreation Division is to provide the highest quality leisure, education, and activities

possible to the citizens of Orange County.” At the discretion of the manager, the Orange County Parks & Recreation Division has implemented our money back guarantee should we not fully meet the expectations of our users. Currently less than 1% of users request refunds because they were dissatisfied with the services we offer. This information drives operational changes for better quality.

- E) Concur. All tents erected on property will be permitted according to County policy and Code Enforcement regulations.

5. A Fee Analysis Should Be Performed for Regular and Special Event Use of the Park Facilities

A fee analysis for regular and special event use of the quarter midget racetrack has not been performed within the past five years.

Attendance at the annual five-day Tangerine Invitational Winter Nationals held at Clarcona attracts over a thousand spectators and three hundred quarter midget race car drivers from across the United States. Due to the size and duration of the event, the following additional resources and services are required to cover the event:

- 20 hours of staff overtime hours;
- 40 – 60 additional garbage receptacles;
- 10 extra picnic tables;
- Additional garbage-dumpster service performed by a commercial vendor; and,
- Park hours are extended and over 300 trailers/recreational vehicles remain on park property throughout the five day event.

The County received only \$125 (\$25 per day regular track fee) for use of the park during the event.

A fee analysis is an appropriate method for management to determine the cost associated with administrative, personnel

services, operating, capital, and overhead to provide a service. Timely analysis is essential for management to ensure a reasonable fee is charged as a means of supporting maintenance and continued improvement of the park.

Orange County Administrative Regulations 8.12, Use of County Facilities, includes the following:

County buildings and other facilities can be made available for use by the general public on a "cost use" basis...Fees for facility use will be based on estimated cost attributable to each use and will be developed and presented in the County's annual service and user fee justification process.

As stated earlier, the contract between the quarter-midget racing association and the County expired and was not renewed. Prior to any future contracts, a fee analysis should be performed.

We Recommend the Division conducts a periodic fee analysis for regular and special event use of the park facilities.

Management's Response:

Concur. The Parks and Recreation Division will work with County Administration prior to the next two year budget in order to review the current fee structure and make recommendations on applicable changes.

6. The Risk Management Division Should Be Consulted to Determine if Vendor Insurance Is Adequate

Independent vendors are permitted to sell products and services at horse shows by paying a \$25 vendor fee. Vendors do not provide proof of general liability, product liability or business automobile insurance coverage.

Allowing non-insured or under-insured vendors to attend park events could unnecessarily subject the County to litigation and loss of resources.

Orange County Administrative Regulation 2.12 Safety and Risk Management (II, A) states:

The Risk Management Division is responsible for providing administrative direction and supervision of persons responsible for the identification, evaluation, and reduction of risks and liabilities, administering an effective self-insurance program, directing the safety management and training programs, investigating and administering workers' compensation claims, and acting as liaison to consulting and insurance agencies.

We Recommend the Division contacts the Risk Management Division to determine the appropriate insurance requirements for vendors attending park events.

Management's Response:

Concur. Clarcona staff will contact the Orange County Risk Management Division to determine the appropriate insurance requirements for vendors attending park events.

7. Procedures Relating to the Recording and Depositing of Receipts Should Be Strengthened

During our review of revenue collection procedures, we noted that receipts were not always properly completed and often were not completely filled out as noted below:

- Ninety-seven percent (29 of 30) of the camping receipts reviewed did not contain at least one of the following: camp site number, phone number, vehicle tag number, driver's license number, permittee's signature or camping method (tent, trailer, recreational vehicle, van); and

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- Seventy-three percent (11 of 15) of the facility rental receipts reviewed did not contain an adequate description of the transaction, such as the contracted event dates.

If transactions are not adequately documented, management cannot easily verify that the appropriate revenues have been received. As such, risk of loss or misuse of County funds is increased.

We Recommend Clarcona strengthens procedures relating to the recording of receipts by exercising greater care to ensure all receipts are fully completed, including an adequate description of the services provided.

Management's Response:

Concur. The Site staff will ensure all receipts are fully completed with all pertinent information. The site supervisor will periodically check to ensure that receipts are being filled out correctly.