

**FOLLOW-UP OF THE
CLARCONA HORSEMAN'S
PARK REVENUE AUDIT**

**Report by the
Office of County Comptroller**

**Martha O. Haynie, CPA
County Comptroller**

County Audit Division

J. Carl Smith, CPA
Director

Christopher J. Dawkins, CPA
Deputy Director

Lisa A. Fuller, CIA, CGAP
In-Charge Auditor

**Report No. 375
July 2006**

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July 24, 2006

Richard T. Crotty, County Mayor
and
Board of County Commissioners

We have conducted a follow-up of the Clarcona Horseman's Park Revenue Audit (Report No. 352). Our original audit included the period of October 1, 2002 to June 30, 2003. Testing of the status of the previous Recommendations for Improvement was performed for the period September 1, 2005 through November 30, 2005. Our follow-up audit was conducted in accordance with generally accepted government auditing standards and included such tests as we considered necessary in the circumstances.

The accompanying Follow-Up to Previous Recommendations for Improvement presents a summary of the previous conditions and the previous recommendations. Following the recommendations is a summary of the current status as determined in this review.

We appreciate the cooperation of the personnel of the Parks and Recreation Division during the course of the audit.

Martha O. Haynie, CPA
County Comptroller

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

**IMPLEMENTATION STATUS OF
PREVIOUS RECOMMENDATIONS
FOR IMPROVEMENT**

**FOLLOW-UP OF THE CLARCONA HORSEMAN'S PARK REVENUE AUDIT
STATUS OF PREVIOUS RECOMMENDATIONS FOR IMPROVEMENT**

NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS			
		IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
1.	We recommend the Division:				
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 also be reconciled with Clarcona's records); and,	✓			
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:				
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; and,	✓			

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STATUS OF PREVIOUS RECOMMENDATIONS FOR IMPROVEMENT**

NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS			
		IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
3. 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:				
A)	Outlining eligibility criteria for the youth organization stall rental rate;		✓		
B)	Using the Safe Deposit Log;	✓			
C)	Ensuring all camping revenues are collected, including consideration of advance collection of fees;	✓			
D)	Specifying valid conditions for issuing a refund; and		✓		
E)	Ensuring mercantile and assembly 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.	✓			

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STATUS OF PREVIOUS RECOMMENDATIONS FOR IMPROVEMENT**

NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS			
		IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
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

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Follow-Up of the Clarcona
Horseman's Park
Revenue Audit

Scope and Methodology

The audit scope was limited to an examination of the status of the previous recommendations for improvement from the Clarcona Horseman's Park Revenue Audit (Report number 352). Testing of the status of the previous recommendations was performed for the audit period September 1, 2005 through November 30, 2005.

We interviewed Clarcona Park personnel, reviewed source documents, and performed the tests necessary to determine the implementation status of the previous recommendations. Specific methodologies utilized are described in the Status of Previous Recommendations For Improvement section of this report after the implementation status of each recommendation.

**FOLLOW-UP TO PREVIOUS
RECOMMENDATIONS FOR
IMPROVEMENT**



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

During the prior audit, the following was noted relative to the concession service royalty payments:

- A) The Concessionaire was not providing payments to the County on a monthly basis as required by the contract.
- B) The payments received from the Concessionaire did not include all event dates for which concession services were provided.

We Recommend the Division:

- 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 also be reconciled with Clarcona's records); and,
- C) Contacts the Concessionaire and request payments for the missed dates.

Status:

- A) Implemented. The Clarcona Park Site Supervisor now meets with the Concessionaire monthly to verify and collect the amount due to the County. We reviewed the receipts for the Concessionaire royalty payments remitted during the audit period and noted they were received 5 to 14 days after the contractually required date of the fifth of the following month. This is a result of the above procedure implemented by



Park personnel. While fieldwork was in process, the Clarcona Park Site Supervisor took steps to amend the payment due date in the contract to allow for the monthly review process to occur prior to payments being received.

- B) Implemented. The Clarcona Park Site Supervisor implemented a log for the Concessionaire to sign each time the building is opened for the sale of food products. The log contains the event name and date, the total revenue collected, and the signature of concessionaire. We utilized the 2005 Event Schedule and executed Facility Use Agreements to determine the dates horse shows were conducted during the audit period. We compared the dates on the Event Schedule and the Use Agreements to the dates on the Concessionaire logs to verify that the Concessionaire reported revenue for all applicable show dates in our audit period. Using the revenue data reported by the Concessionaire we calculated the amount owed to the County and reviewed revenue receipts maintained at Clarcona Park to verify the proper amounts were remitted.
- C) Implemented. The Parks and Recreation Division communicated with the Concessionaire and has received all past due payments. A new Concessionaire has been engaged to provide services at Clarcona Park.

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

During the prior audit, we noted the Clarcona Concessionaire was 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.

**STATUS OF PREVIOUS
RECOMMENDATIONS
FOR IMPROVEMENT**



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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.

Status:

Implemented. The only events that occurred at Clarcona Horseman's Park during the audit period were horse events. The quarter midget track has been closed and demolished.

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

During the prior audit, we found that Clarcona personnel did 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) Not all fees related to set-up and facility use were collected; and,
- B) We also found errors in the determination of the number of stalls used and calculation of the total fees owed.

We Recommend Clarcona personnel:

- 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; and,
- B) Creates and implements a procedure to assist in determining the correct stall count and applicable rental fee.



Status:

- A) Implemented. Clarcona personnel implemented a tracking form for events that summarizes fees paid in advance. When requesting final payment for an event, Park staff uses the form to assist with determining amounts previously paid and additional amounts incurred during the event. We selected a sample of five events that occurred during the audit period and verified whether all recorded fees incurred were collected.

- B) Implemented. Stall assignment sheets were revised to require signatures from two Park employees as well as a show representative. We reviewed a sample of seven stall assignment sheets completed during the audit period and verified the accuracy of the stall fees charges. To do this we multiplied the appropriate stall rental fee by the number of stalls indicated on the stall assignment sheets as occupied during the show. We also attended a horse show during fieldwork and verified that the show was charged for a sample of stalls observed as occupied.

4. Written Policies Should Be Developed and Implemented

During the previous audit, we reviewed Orange County Parks and Recreation Division's Revenue Collection Standard Operating Procedures Manual and noted there are no policies regarding the following:

- The eligibility criteria for the lesser youth organization stall rental rate.

- Written Safe Deposit Log procedures have not been developed.

- Campers attending annual events are known to leave the park without paying the required camping fee.

**STATUS OF PREVIOUS
RECOMMENDATIONS
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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.
- 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.

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

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

Status:

- A) Partially Implemented. The Parks and Recreation Division has not yet established written Eligibility criteria for the youth organization stall rental rate. However, the Division has budgeted for a fee study to occur during the 2006 fiscal year.



We Again Recommend the Division develops and implements written policies and procedures regarding the eligibility criteria for the youth organization stall rental rate.

Management's Response:

Concur and underway. The Parks and Recreation Division currently has \$30,000 budgeted for a division wide fee schedule study to be conducted this fiscal year. The study will establish a differential fee between youth and adults.

- B) Implemented. Written procedures were developed.
- C) Implemented. Written procedures were developed.
- D) Partially Implemented. The Manager of the Division is authorized to waive fees for the public and issue refund requests. The Division's policy is a 100% satisfaction guarantee. However, the policy does not specify the approval levels that must be received prior to issuing a refund check.

We Recommend the Division adds the approval levels for refunds to the current policy.

Management's Response:

We will add the approval levels to the written policy.

- E) Implemented. Policies and procedures were written to clarify when permits must be obtained for mercantile and assembly use tents erected on park property.



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

During the prior audit we found that a fee analysis for regular and special event use of the quarter midget racetrack had not been performed within the past five years.

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

Status:

Partially Implemented. The fee study has not yet occurred; however, the Parks and Recreation Division budgeted funds in the 2006 fiscal year for a fee study that will encompass all County parks.

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

Management's Response:

Concur and underway. The Parks and Recreation Division is conducting a division wide fee schedule study and will include reviewing the fee for regular and special event fees.

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

During the prior audit we noted that independent vendors were permitted to sell products and services at horse shows by paying a \$25 vendor fee. Vendors did not provide proof of general liability, product liability or business automobile insurance coverage.



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

Status:

Implemented. All vendors are now required to have a minimum of \$500,000 liability insurance and to sign a Facility Agreement that includes a hold harmless clause. As a part of our testing, we attended a show and reviewed evidence that the three vendors at the show had adequate insurance coverage and had signed the required hold harmless clause.

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

During our prior 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 piece of pertinent information; and
- 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.

As a result, we were unable to determine whether the correct fee was collected.

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.

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Status:

Implemented. We reviewed a sample of 25 receipts (15 camping receipts and 10 facility rental receipts) issued during our audit period. We found all 25 receipts to be materially complete.