

Audit of
Orange County Orlando Magic
Recreation Center Instructor
Revenue

**Report by the
Office of County Comptroller**

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March 27, 2013

Teresa Jacobs, County Mayor
And
Board of County Commissioners

We have conducted an audit of instructor commission revenue at the Meadow Woods, Silver Star and South Econ Recreation Centers. The audit was limited to a review of commission revenue paid by independent fitness instructors to the Parks and Recreation Division. The period audited was January 1, 2011 through February 29, 2012.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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 during the course of the audit.

Martha O. Haynie, CPA
County Comptroller

c: Ajit Lalchandani, County Administrator
Chris Testerman, Assistant County Administrator
Jon V. Weiss, P.E., Director, Community, Environmental and Development Services
Department
Lori Cunniff, CEP, CHMM, Deputy Director, Community, Environmental and
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Matt Suedmeyer, Manager, Parks and Recreation Division

EXECUTIVE SUMMARY

Executive Summary

We have conducted an audit of instructor commission revenue at the Meadow Woods, Silver Star and South Econ Recreation Centers. The audit was limited to a review of commission revenue paid by independent fitness instructors to the Parks and Recreation Division. The period audited was January 1, 2011 through February 29, 2012. The objectives of the audit were to determine whether:

- 1) The Division is receiving accurate commissions from instructors providing fitness and recreational instruction;
- 2) Registration cards were submitted prior to individuals participating in fitness and recreational programs.

Based on the results of our testing, the amount of commission payments recorded by the Division during the audit period was materially accurate. However, we found significant deficiencies in the submission and retention of registration cards containing liability waivers. Specifically, we noted the following:

- Many individuals participated in various programs without submitting a registration card beforehand.
- Registration cards were not signed or did not contain information sufficient to determine the participant's age, preexisting medical conditions, or an emergency contact name.
- Signatures on several registration cards were illegible and the identities of the individuals signing the cards could not be verified.
- Three participants in a program at the Silver Star Center, all minors between the ages of 14 and 17, were allowed to sign the registration card admitting and allowing them to participate in the program.
- Attendance logs were not always prepared adequately and some participants' names could not be traced to a registration card.

Commission paid to the Division is based on instructor maintained attendance logs. If the Division charged a fixed space rental fee in lieu of the percentage commission, the time needed to examine logs would be eliminated.

Management concurred with the Recommendations for Improvement and steps to implement the recommendations are underway or planned. Responses to each of the Recommendations for Improvement are included herein.

ACTION PLAN

**ORANGE COUNTY ORLANDO MAGIC RECREATION CENTER AUDIT
ACTION PLAN**

NO.	RECOMMENDATIONS	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS	
		CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED
1.	We Recommend that appropriate steps be taken to ensure all program attendees have a registration card completed prior to participating in program activities.	✓			✓	
2.	We Recommend that in lieu of the percentage commission, the Division considers charging instructors a rental fee for the space needed to conduct classes.	✓				✓

INTRODUCTION

**Background**

The Parks and Recreation Division (Division) maintains 100 facilities as part of its mission to improve the quality of life in Orange County by providing opportunities for leisure activities, cultural and historic education, and preserving the natural environment for present and future generations.

Parks has 27 revenue collection facilities including the five Orange County Orlando Magic Recreation Centers and one gymnasium (Centers). The Centers, opened between May 14, 2010 and December 13, 2010, are the South Econ Recreation Center, Goldenrod Recreation Center, Meadow Woods Recreation Center, Silver Star Recreation Center, and the West Orange Recreation Center. The gymnasium was opened on April 30, 2010 and is part of the Division's headquarters at Barnett Park. The centers and gymnasium offer a wide variety of exciting fitness and recreational activities for pre-schoolers, youth, adults, and seniors. The Division has contracted with several independent fitness instructors to provide many of these programs. Instructors are required to pay a commission fee equal to 20 percent of total revenue collections.

During the audit period, the Division collected \$3,862,811 of program revenue. Of this total, the centers and gymnasium collected \$308,902. The Division has an adopted budget of almost \$62 million¹ with 277 authorized positions.

**Scope, Objectives,
and Methodology**

The audit scope was limited to a review of instructor commission revenue at the Centers. Specifically, we reviewed instructor revenue at Meadow Woods, Silver Star and South Econ Recreation Centers. The audit period was January 1, 2011 to February 29, 2012. However, due to varying Center opening dates and operational concerns, we reviewed instructor revenue for the activities and the months of operations noted in the table below.

CENTER	ACTIVITY	MONTHS OF OPERATIONS
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¹In addition to general appropriations, the Parks Division received funding from ad valorem taxes and impact fees during the audit period.

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CENTER	ACTIVITY	MONTHS OF OPERATIONS
Meadow Woods	Boot Camp	January 2011 – February 2012
Meadow Woods	Cardio Kickboxing	July 2011, September 2011, November 2011, January 2012
Meadow Woods	Tae Kwon Do	January 2011 – February 2012
Meadow Woods	Zumba	January 2011, August 2011, December 2011
Silver Star	Belly Dancing	January 2011, October 2011
Silver Star	Music	March 2012 – May 2012
South Econ	Cheerleading	June 2011, October 2011
South Econ	Jazzercise	April 2011, September 2011, February 2012
South Econ	Self-Defense	July 2011, September 2011, November 2011, February 2012
South Econ	Twirling	July 2011, September 2011, November 2011, February 2012

The objectives of the audit were to determine whether the Division

- Received accurate commission payments from instructors providing fitness and recreational instruction; and,
- Obtained registration cards containing liability waivers prior to individuals participating in fitness and recreational programs.

To verify that the Division is receiving accurate commission payments from fitness instructors, we obtained attendance logs for each program selected. We then calculated the number of participants attending classes for each instructor from the attendance log, and calculated the commission due to the County based on the attendance recorded on the logs. We then verified the commission revenue payment received by the Division was deposited.

To test whether registration cards were submitted prior to individuals participating in fitness and recreational programs, we compared the signature date recorded on the cards and remitted to center staff to the first class date that the participant attended.

INTRODUCTION



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Overall Evaluation

Based on the results of our testing, the amount of commission payments recorded by the Division during the audit period was materially accurate. However, we found significant deficiencies in the submission and retention of registration cards containing liability waivers. Opportunities for improvement were noted and are described herein.

RECOMMENDATIONS FOR IMPROVEMENT

1. Appropriate Steps Should Be Taken to Ensure Registration Cards Are Completed

Division procedures require individuals attending fitness and recreational programs to complete registration cards prior to participating in the class. The cards include a legal disclaimer holding the County and its employees harmless against physical injuries, property damages, or financial losses suffered by participants (responsible adults are required to sign for minors).

We examined instructor agreement revenue at the Meadow Woods, Silver Star, and South Econ Centers and noted the following.

- A) Many individuals participated in various programs without submitting a registration card beforehand. In some of the activities reviewed, we noted as many as 25 percent of the individuals started classes without a registration card being on file.
- B) Some registration cards were not signed or did not contain information sufficient to determine the participant's age, preexisting medical conditions, or an emergency contact name.
- C) Signatures on several registration cards were illegible and a copy of a driver's license or identification card was not attached to the card. As a result, the identity of the individual signing the card could not be verified.
- D) Three participants in a program at the Silver Star Center, all minors between the ages of 14 and 17, were allowed to sign the registration card admitting and allowing them to participate in the program.
- E) Instructors maintain attendance logs of class attendees. Some instructors identified attendees by first name only. As a result, we were unable to trace these individuals to a registration card to verify their acceptance of the liability waiver.

RECOMMENDATIONS FOR IMPROVEMENT



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- F) None of the registration cards corresponding to the activities reviewed at the South Econ Center could be located.

If a participant in one of the situations described above was injured or suffered a loss and litigation ensued, the County's risk exposure could be increased without a signed liability waiver. While some programs at the Centers and the Division's other facilities are seasonal, others are ongoing and the potential exists that the County is without a liability waiver.

This issue was brought to the attention of Division management during the course of the review, and the Division Manager reported that procedures were being implemented to address the situations noted above.

We Recommend that appropriate steps be taken to ensure all program attendees have a registration card completed prior to participating in program activities.

Management's Response:

Concur and underway. We are taking appropriate steps to ensure all program attendees have a registration card completed prior to participating in program activities.

2. The Division Should Consider Charging Instructors a Space Rental Fee

Fitness instructors at the Magic Centers pay a commission to the Division equal to 20 percent of gross receipts collected from class participants. Division personnel calculate the commission due from attendance logs submitted by the instructors. Based upon our review of the logs, record keeping efficiency among the instructors varies by individual resulting in instances where a significant amount of time is expended to analyze the logs and determine the commission. Further, although we noted the commission payments were materially accurate, a system that depends

RECOMMENDATIONS FOR IMPROVEMENT



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on individual independent contractors reporting collections is inherently subject to the risk of underreporting of revenue.

If the Division charged a fixed space rental fee in lieu of the percentage commission, the time needed by Division personnel to examine attendance logs to calculate commissions would be eliminated, freeing them to perform other duties and tasks. Further, the risk of underreporting revenue would be reduced.

We Recommend that in lieu of the percentage commission, the Division considers charging instructors a rental fee for the space needed to conduct classes.

Management's Response:

Concur and planned. The Division is considering charging instructors a rental fee for the space needed in lieu of the percentage commission to conduct classes.