



# City of Bowling Green

## Internal Auditor's Office

Parks Various Sport Contracts Audit

Project# 2015-07

Issue Date: 11/23/15

Finalized: 01/11/16

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## **Observations and Recommendations**

- 1. Parks and Recreation management should update financial statement due dates within each contract and ensure that proper review of statements are performed by staff.**
- 2. Parks and Recreation staff should send invoices to the various sports with deadline dates listed to ensure participation information and payments are received on a timely basis.**
- 3. Parks and Recreation management needs to review the contract with Bowling Green Road Runners Club and determine whether or not this group should continue as a contracted entity or if they should be treated as other non-profit rentals.**
- 4. Parks and Recreation staff needs to work closely with Bowling Green West Little League to ensure that appropriate documentation and procedures are followed during times of transition.**
- 5. Parks and Recreation management should determine if Southern Kentucky (SOKY) Tennis will continue to be a contract sport with the City due to their failure to produce requested documentation needed to complete the audit testing.**

## Transmittal Letter

TO: Kevin D. DeFebbo, City Manager, Ex-officio Member  
Scott Gary, Audit Committee Chair  
Tony Witty, Audit Committee Vice-Chair  
Cristi Pruitt, Audit Committee Member  
David McKillip, Audit Committee Member  
Joe Denning, Commissioner and Audit Committee Member

CC: Brent Belcher, Director of Parks and Recreation

Pursuant to the approved 2015/2016 Internal Audit Plan, I hereby submit the Parks Various Sport Contracts Audit. The objective of this audit is to review the various sport related contracts to ensure that the terms are being followed by the contracting agencies as well as Parks and Recreation personnel. The body of the report consists of observations, recommendations and management's responses to the recommendations.

### Results in Brief

The sports related contracts are followed well by most contract agencies; however, oversight should be improved within Parks and Recreation to ensure all contract terms are being followed. Five (5) recommendations are identified within this report to improve the contract oversight. The recommendations are as follows:

- 1. Parks and Recreation management should update financial statement due dates within each contract and ensure that proper review of statements are performed by staff.**
- 2. Parks and Recreation staff should send invoices to the various sports with deadline dates listed to ensure participation information and payments are received on a timely basis.**
- 3. Parks and Recreation Management needs to review the contract with Bowling Green Road Runners Club and determine whether or not this group should continue as a contracted entity or if they should be treated as other non-profit rentals.**
- 4. Parks and Recreation staff needs to work closely with Bowling Green West Little League to ensure that appropriate documentation and procedures are followed during times of transition.**
- 5. Parks and Recreation management should determine if Southern Kentucky (SOKY) Tennis will continue to be a contract sport with the City due to their failure to produce requested documentation needed to complete the audit testing.**

It is always a pleasure to work within the Parks and Recreation Department. The management and staff are always looking for ways to improve their operations and it shows each time an audit is performed within their department.

Sincerely,

Deborah Jenkins, CFE, CGAP, CICA  
Internal Auditor

## **Background**

The Parks and Recreation Department's mission is to offer a comprehensive variety of quality recreational programs and facilities to residents and guests of our community. There are various activities that are fully managed by Parks and Recreation; however, there are also partnerships with local non-profit organizations to provide support services associated with City sponsored activities.

These contracts have varied over the years, but have allowed many athletic programs to be provided at a reasonable cost to citizens due to the partnerships. In 2013, the sport related contracts were update to include a nominal fee structure to help offset a small amount of the costs associated with providing the facilities and services. The contracts are renewed each year with the various groups each spring.

The contracts selected for this contract compliance audit include the following associations:

1. Bowling Green East Little League
2. Bowling Green West Little League
3. Southern Kentucky (SKY) Soccer
4. Southern Kentucky (SOKY) Basketball
5. Bowling Green Disc Golf
6. Southern Kentucky (SOKY) Disc Golf
7. Bowling Green Athletic Association (BGAA) youth and adult softball
8. Southern Kentucky (SOKY) Tennis
9. Bowling Green Road Runners Club

## **Objective**

The objective of this audit is to review the various sport related contracts to ensure that the terms are being followed by the contracting agencies and that appropriate oversight is provided by the Parks and Recreation personnel.

## **Scope**

The scope of this audit included contracts from January 2014 through August 2015.

## **Criteria and Approach**

This audit was based on the specific contract terms within each sport contract, as well as general best business practices. The approach consisted of three phases:

### **1. Understanding the Process:**

During phase one, the entrance conference was held to discuss objectives of the audit work, collect information and documentation, and inform them why they were selected. Interviews were conducted with key management and administrative staff within the Parks and Recreation Department to determine what contracts existed and which ones should be tested within the audit. Nine (9) contracts were included in this audit:

1. Bowling Green East Little League
2. Bowling Green West Little League
3. Southern Kentucky (SKY) Soccer

4. Southern Kentucky (SOKY) Basketball
5. Bowling Green Disc Golf
6. Southern Kentucky (SOKY) Disc Golf
7. Bowling Green Athletic Association (BGAA) is youth and adult softball
8. Southern Kentucky (SOKY) Tennis
9. Bowling Green Road Runners Club

### 2. Sample Determination and Detailed Testing:

During phase two, (6) six contract terms were selected for testing based on what was deemed to be the most important parts of the contract including:

- signed contract obtained for each year that matched approved Ordinance;
- waiver of responsibility maintained for 2 years;
- all coaches, referees and volunteers must complete background check and be trained;
- the City of Bowling Green should be named as additional insured and annual submission required;
- financial statement must be submitted annually; and,
- fees submitted on time per the contract agreements.

### 3. Reporting:

During phase three, I analyzed and evaluated the results of the tests performed. I then summarized the observations and recommendations into a report format based on the analysis. An exit conference was conducted with management and their responses were incorporated into this report.

### Statement of Standards

The audit was performed in accordance with generally accepted government auditing standards. Those standards required that I plan and perform the audit to afford a reasonable basis for judgments and conclusions regarding the organization, program, activity or function under audit. An audit also includes assessments of applicable internal controls, compliance requirements under the law and regulations when necessary to satisfy the audit objectives. I believe this audit provides a reasonable basis for the conclusions.

### Audit Conclusion

The sports related contracts are followed well by most contract agencies; however, oversight should be improved within Parks and Recreation to ensure all contract terms are being followed.

### Recognition of Full Contract Compliance Based on Audit Testing

There were four contract groups who complied in full with all of the testing completed within the scope of this audit:

Southern Kentucky (SKY) Soccer

BG Disc Golf

Bowling Green Athletic Association

SOKY Disc Golf

These groups were very responsive and able to submit all required items in a timely fashion. No recommendations required specifically to these groups.

## **Observations and Recommendations**

- 1. Parks and Recreation management should update financial statement due dates within each contract and ensure that proper review of statements are performed by staff.**

### **Observation**

Every sport contract contains language that requires financial statements to be submitted to the City; however, the due dates are mostly on the last day of their fiscal year or even before their fiscal year end. The financial statements are actually received on varying days and staff said that financials were requested with the signed contract in spring of each year.

<b><u>Contract Sport</u></b>	<b><u>Fiscal Year End</u></b>	<b><u>Due Date</u></b>
Bowling Green Athletic Association	3/31/2015	12/31/2014
Bowling Green Disc Golf	12/31/2014	12/31/2014
Bowling Green East Little League	12/31/2014	12/31/2014
Bowling Green West Little League	12/31/2014	12/31/2014
Road Runners Club of America	12/31/2014	12/31/2014
SOKY Disc Golf Club	12/31/2014	12/31/2014
SOKY Tennis	12/31/2014	12/31/2014
Southern Kentucky Soccer	12/31/2014	12/31/2014
Southern KY Youth Basketball	6/30/2014	4/30/2014

When the submitted financial statements were reviewed by internal audit, one of the statements included an expense category of “unknown expenses” which equaled \$1,882.43 of the \$11,340.63 or approximately 16.6% of the total revenue for the year. Further detail was requested, but the only information that could be provided was estimates of what they thought the expenses were for because various records were not transferred over when the board officers changed. The Parks and Recreation staff stated that they “never scrutinize the submissions” and filed the financial reports when they were received each year.

Four of the financial statements provided for 2014 had a negative balance for the year. This is not uncommon to have one year with a positive cash flow and the next with a negative, but only four of the statements provided included an overall fund balance for the organization.

### **Risk**

Without solid deadline dates that are reasonable, it prevents contracted sports from being able to meet the deadline as well as diminishes the importance of the deadline dates so they are not enforceable. In addition, without proper review of the financials, which is the reason the City requires them in the first place; it increases the risk of misuse or fraud and does not provide the appropriate oversight.

### **Recommendation**

City staff should discuss the contract requirements with each group prior to issuing and signing them each year and should periodically verify that the contract terms are fully understood and

being met. The financial statement requirement should be reviewed individually and updated to ensure reasonable due dates for financial reporting. The deadlines for reporting should be enforced by the City staff and should be reviewed by appropriate Parks and Recreation staff to ensure proper oversight. If unusual items are found, staff should follow-up with the board of the sport to make sure funds are properly accounted for.

A total fund balance should also be included in the financial reporting requirements to ensure that each of the contract groups are still a viable organization able to provide the activity to citizens. It is not uncommon for small sport groups to have a negative balance for the annual year on occasion, but still have a viable fund balance from other years. However, a required fund balance would keep Parks informed if a sport was truly running a negative balance and not able to provide the service. The fund balance can be verified by requiring a copy of the final bank statement of each contract organizations fiscal year to ensure that reported amounts can be tied back to the final balance of the organizations bank account.

### **Management Response**

Bowling Green Parks and Recreation will discuss the contract requirements with each group during pre-season meetings. These meetings will be targeted for January/February yearly. At this time, we will establish a deadline that better relates to the actual season's end date rather than the calendar year. This should also assist in providing the most accurate participation data for each organization. Furthermore, BGPR will require a copy of the organization's checking/savings account balance that coincides with the same deadline established.

## **2. Parks and Recreation staff should send invoices to the various sports with deadline dates listed to ensure participation information and payments are received on a timely basis.**

### **Observation**

The various sport contracts require specific payment dates for the \$1 participation fee per player, \$5 per team for tournaments, or \$1 per participant for any special event or camp above the initial registration for the season. The fees charged are a very nominal amount, but are in place to provide a small amount from each sport to offset the City's costs for maintaining the City facilities. This requirement began in 2013 when the Bowling Green Board of Commissioners approved Municipal Order No. 2013-66 and the same fee structure has been renewed in 2014 and 2015.

The Parks and Recreation management currently relies on the sports to self-report their participants and fees so the fee deadlines are not consistently met by the groups. Testing was performed to verify that payments were received on time. Several of the groups self-reported on a timely basis; however, half of the sports submitted payments late or did not realized that they hadn't paid at all until they were notified as a result of internal audit testing that a payment was missed.

The following contracts are complying with the contract requirements and timely submitting payments within 30 days of the due date:

Bowling Green Disc Golf  
Bowling Green Athletic Association  
SOKY Disc Golf  
SOKY Soccer

The following contracts did not comply with the contract requirement to submit fees by the contract date:

Bowling Green West Little League	Due 6/30/15	Received 10/6/2015
Bowling Green East Little League	Due 8/1/15	Received 10/19/2015
SKY Basketball	Due 3/1/15	Received 7/23/15
SOKY Tennis	Due 6/30/14	Received 12/16/14

### **Risk**

Without proper review and oversight, City fees will not be received as stated in the approved municipal orders and subsequent contracts.

### **Recommendation**

Invoices should be sent to the contract sport groups to ensure that fees and participation information is submitted as required in the contracts. When payments are not received timely, Parks and Recreation staff should follow-up on these payments the same as any other account receivable.

### **Management Response**

This recommendation will be incorporated into the 2016 league agreements and oversight process.

### **3. Parks and Recreation management needs to review the contract with Bowling Green Road Runners Club and determine whether or not this group should continue as a contracted entity or if they should be treated as other non-profit rentals.**

### **Observation**

The Road Runners Club contract language states that the fees due to the City are the “non-profit rate for course rental per event” instead of the \$1 per participant that is charged to the other sport contracts reviewed. As part of the audit testing, the applicable municipal orders were reviewed and it was determined that the Board of Commissioners had set their fees the same as the other sport contracts at \$1 per participant. The contract for this group does not agree with the approved municipal order fee structure. The Road Runners Club did pay the non-profit rate per the contract; however, this is not the appropriate rate approved by the Board of Commissioners. Staff did not realize that the contract conflicted with the municipal order so it is not known who decided to charge the non-profit rate and included that language into the contract.

The Road Runners Club also submitted a copy of their IRS E-Filing receipt to Parks and Recreation as their financial statement. A receipt of filing is not a financial statement and when internal audit requested an actual financial statement, they stated that they have never kept an

itemized list of their financial transactions because they have so few each year and don't make or spend a lot of money. Road Runners Club President checked with their former treasurer (who held that position for seven years) and according to him they had never provided a detailed statement to Parks management.

Another contract requirement was to maintain waiver of responsibility forms for at least two years; however, they destroyed the registration forms a month or so after each event. When asked to provide a listing of volunteers who worked with youth, in order to test background checks, they stated that they require a parent or guardian for each youth participant so the parents were responsible for their own child thus no background checks were needed.

### **Risk**

Without appropriate oversight of each contract, the City will have contracts that do not adhere to the requirements within the contract. This could potentially increase the City's liability exposure if someone were to get hurt or if other issues arose.

### **Recommendation**

The contract with the Road Runners Club should be reviewed in detail and a decision should be made if they should remain a contract sport or transition to a general non-profit group. If the decision is made to remove them from the contract group, then they would no longer have an expectation to submit financial statements or maintain waiver of responsibility forms. If the decision is made to keep them as a contract sport, then Park staff should work with them to ensure that all contract terms are being met and that the fees charged agree with the fees approved by the City Board of Commissioners.

### **Management Response**

BGPR will eliminate Bowling Green Road Runners Club from formal contract process. All future dealings will be done through normal rental procedures and fee structure. The municipal order for 2016 park fees and charges will be updated to reflect the change.

## **4. Parks and Recreation staff needs to work closely with Bowling Green West Little League to ensure that appropriate documentation and procedures are followed during times of transition.**

### **Observation**

Bowling Green West Little League had some difficulty providing player rosters in order to test the waiver of responsibility forms. We ended up using the order forms from the jersey orders to use as a basis for testing and participation information since no master listing of participants could be found. They have been experiencing a lot of change in the board members and did not have a standardized method that could be handed over from one set of members to another, so it took quite some time for the waiver of responsibility documentation to be produced. They were not able to find all of the ones within the test group selected, but did eventually produce the majority of the forms that were requested.

When audit tested the background checks conducted for West Little League, it was determined that their "background check" was only a search conducted on the National Sex Offender

registry which is not an actual background check because there are many other offenses that would prevent an adult from being a coach for youth. During the audit, West Little League learned that the City of Bowling Green had their own volunteer application process which included an appropriate background check so as of the Fall 2015 season they are to be using the City's process which should correct this issue.

Bowling Green West Little League coaches did not complete a training and certification program in spring 2015. Parks and Recreation staff provides this training and due to a cancellation that occurred for the original training, the training was never rescheduled. Written acknowledgement of completion is due by April 1 of each year, but this requirement is not enforced by Parks staff.

### **Risk**

Without appropriate procedures put in place, groups in time of transition can fail to perform required tasks or maintain their records as required in the contract. This increases risk for exposure for the group as well as the City since they are an agent contracted to provide a service on behalf of the City.

### **Recommendation**

Parks and Recreation staff should work with Bowling Green West Little League to ensure appropriate and standardized systems are in place to ensure that rosters and participation information is maintained as required in the contract. Staff should also review applicable background checks with all contracts each year to ensure that they are appropriate and fully conducted. Parks staff should monitor and ensure that training and certification training is performed each year.

### **Management Response**

BGPR will incorporate the following additional oversight measures within the 2016 league agreements and oversight process:

- a) Roster Report. Require a complete listing of all teams and associated coaches.
- b) Background Checks and Training. Coinciding background checks, annual training and certification must match listed volunteers.

## **5. Parks and Recreation management should determine if Southern Kentucky (SOKY) Tennis will continue to be a contract sport with the City due to their failure to produce requested documentation needed to complete the audit testing.**

### **Observation**

Waiver of responsibility testing was not conducted on SOKY Tennis due to the fact that after several failed attempts at contacting and requesting this information, it was not provided to internal audit. In addition, testing was not conducted to ensure that background checks were completed on any adult working with youth. Internal audit was told that only one adult worked with children and that USTA (United States Tennis Association) conducted a background check prior to the adult being certified as an instructor; however, documentation of this was not provided to internal audit.

**Risk**

The City's exposure to liability claims increases if there are no signed waiver of responsibility for participants or background check information that can be produced when requested as required in the contract terms.

**Recommendation**

Parks and Recreation management should review the contract with SOKY Tennis and decide if the City should continue to contract with an organization that cannot or will not produce documentation when requested as required in the annual contracts. If the decision is made to continue the contract, then the contract terms should be enforced to protect the City and participating citizens.

**Management Response**

All contract points will be addressed and adhered to before BGPR will enter into any future contract with SOKY Tennis.