

OFFICE OF THE CITY CONTROLLER



**PARKS AND RECREATION DEPARTMENT
FY2012 AUDIT FOLLOW-UP PROCEDURES**

Ronald C. Green, City Controller

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OFFICE OF THE CITY CONTROLLER
CITY OF HOUSTON
TEXAS

RONALD C. GREEN

February 10, 2012

The Honorable Annise D. Parker, Mayor

**SUBJECT: REPORT #2012-08
PARKS AND RECREATION DEPARTMENT (PARD) – FY2012 AUDIT FOLLOW-UP PROCEDURES**

Dear Mayor Parker:

The Office of the City Controller's Audit Division has completed its follow-up procedures related to the FY2011 remediation efforts performed by management. As part of providing independent and objective assurance services related to efficient and effective performance, compliance, and safeguarding of assets, we perform follow-up procedures to ensure that corrective actions are taken related to issues reported from previous audits.¹

During FY2011, the Audit Division (Division) changed the Audit Follow-Up Process to utilize a risk-based approach, which contains two primary components:

- Management Status/Self-Reporting
- Fieldwork Testing/Verification

Based on the procedures performed, we obtained sufficient and appropriate evidence to render our conclusions related to PARD as follows:

- There were a total of 15 findings contained in the three (3) reports issued during the scope period. Our testwork determined that 11 had been "Closed" (remediated) with the remaining four (4) having been identified as "Ongoing" or open (Objective 1).
- Of the 15 findings, the process PARD has in place to remediate, 12 were deemed adequate, yielding an overall assessment of **Adequate** (Objective 2).

Although the overall process was found to be adequate, documentation should be developed to refine the City's "Procurement Process" (AP 5-2) specific to PARD as a Standard Operating Procedure. Additionally, processes need to be developed and implemented that support employee compliance with City Vehicle Policy (AP 2-2).

We appreciate the cooperation and professionalism extended to the Audit Division during the course of the project by personnel from PARD

Respectfully submitted,

Ronald C. Green
City Controller

cc: City Council Members
Chris Brown, Chief Deputy City Controller, Office of the City Controller
Waynette Chan, Chief of Staff, Mayor's Office
Joe Turner, Director, Parks and Recreation Department
David Schroeder, City Auditor, Office of the City Controller

¹ IIA Standard 2500 - requires a process that "...auditors evaluate the adequacy, effectiveness, and timeliness of actions taken by management on reported observations and recommendations...."

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BACKGROUND

The Office of the City Controller's Audit Division has completed its follow-up procedures related to the FY2011 remediation efforts performed by management. As part of providing independent and objective assurance services related to efficient and effective performance, compliance, and safeguarding of assets, we also perform follow-up procedures to ensure that corrective actions are taken related to issues reported from previous audits.¹

During FY 2011, the Audit Division (Division) changed the Audit Follow-Up Process to utilize a risk-based approach, which contains two primary components:

- Management Status/Self-Reporting
- Fieldwork Testing/Verification

MANAGEMENT STATUS/SELF REPORTING:

During the 3rd quarter of the fiscal year, the current list of findings is reviewed and ranked according to three levels of risk (high, medium, and low). They are organized and identified by department and sent for management's self-reported status as to progress of remediation based on their responses in the Audit Report. This information is then assessed by the audit team considering (1) responsiveness to the original issue and (2) resolution of issue identified.

FIELDWORK/TESTING VERIFICATION PHASE:

During the first quarter of the subsequent fiscal year, the information obtained through the management status phase is used as a basis to select departments for follow-up testing. Using the results of weighted risk-ranked findings, while also ensuring complete review of all City Departments, 4-5 are then selected for follow-up. All findings for those departments are then tested for status (Ongoing, Closed, or Disagreed) and assessment of remediation process (Adequate or Inadequate), with consideration of the accuracy of management's self-reported status.

AUDIT SCOPE AND OBJECTIVES

We identified **all** findings issued in **all** reports through the Office of the City Controller **since FY2009** (this includes reports issued by outside professional services firms as well as those performed and issued exclusively by Audit Division professional staff).

Based on the Process described above the four departments selected were:

- Convention and Entertainment Facilities Department (now a component unit as part of Houston One)
- Houston Fire Department (HFD)
- Information Technology Department (ITD)

¹ IIA Standard 2500 - requires a process that "...auditors evaluate the adequacy, effectiveness, and timeliness of actions taken by management on reported observations and recommendations...."

- Parks and Recreation Department (PARC)

This report provides the results of the Follow-up process as it relates to PARC and includes 15 individual findings issued via three (3) formal audit report(s) during the period July 1, 2008 through June 30, 2010.

The objectives of our Follow-Up Procedures were to determine:

1. Status of remediation for each open item and
2. A process is in place to resolve the department's universe of findings.

PROCEDURES PERFORMED

Audit procedures performed to meet the audit objectives and provide a basis for our conclusions were as follows:

- Obtained and reviewed the management's self-reporting of findings status;
- Determined and requested the documentation necessary to support the status reported by management;
- Performed Interviews with Management and relevant staff; and
- Reviewed supporting documentation and other evidence provided for sufficiency and appropriateness.

AUDIT METHODOLOGY

We conducted Follow-Up Procedures in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Government Accountability Office (GAO) and The International Standards for the Practice of Internal Auditing as promulgated by The Institute of Internal Auditors. Those standards require that we plan and perform our work to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained meets these standards to support our findings and conclusions based on our audit objectives.



CONCLUSIONS

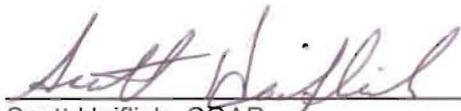
Based on the procedures performed above, we obtained sufficient and appropriate evidence to render our conclusions as follows:²

- There were a total of 15 findings contained in the three (3) reports issued during the scope period. Our testwork determined that 11 had been "Closed" (remediated) with the remaining four (4) being identified as "Ongoing" or open (Objective 1).
- In reviewing the remediation process associated with the 15 findings previously reported, 12 were deemed adequate, yielding an overall assessment of **Adequate** (Objective 2)

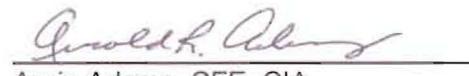
Although the overall process was found to be adequate, documentation should be developed to refine the City's "Procurement Process" (AP 5-2) specific to PARD as a Standard Operating Procedure. Additionally, processes need to be developed and implemented that support employee compliance with City Vehicle Policy (AP 2-2).

ACKNOWLEDGEMENT AND SIGNATURES

The Audit Team would like to thank PARD, specifically: Cheryl Johnson, Deputy Director; Nina Gamble, Administrative Aide; and Anthony Wise, Division Manager for their efforts throughout the course of the engagement.



Scott Haiflich, CGAP
Auditor-in-Charge



Arnie Adams, CFE, CIA
Audit Manager



David Schroeder, CPA, CISA
City Auditor

² See Exhibit 1 for the Detailed Remediation Assessment – "FY2012 Audit Follow-Up Procedures Matrix"

Exhibit 1 - Detailed Remediation Assessment, 12-08 Audit Follow-Up Procedures

| Report Number | Title | Finding | Management Status As of 9/30/2010 | Conclusion | |
|---------------|-------------------------------------|--|---|--|---------------------|
| | | | | Ongoing/Closed | Remediation Process |
| 2010-14 | 1. PROCUREMENT PROCEDURES | PARD does not have internal written procedures related to its purchasing process. The lack of standard procedures has caused confusion and inconsistency in application and practices of purchasing activity within the Department. | The Purchasing started updating the Standard Operating Procedures at the beginning of the year, January 2010, but various issues derailed our efforts. The talk of Purchasing consolidation and the revisions to AP5-2 allowed us to step back and reassess the policy and procedures. Currently we are operating under the Mayor's revised policy dated 3/18/2010, effective 1/1/2010; which we believe meet the needs of the department in reference to purchasing guidelines.. | Ongoing Per the Management Status and discussion with PARD management, PARD did not develop and implement SOPs, but rather uses AP 5-2. | Inadequate |
| 2010-14 | 2. GOODS RECEIVED/ DELIVERY TICKETS | Detail testing of goods and services received identified that PARD is not consistently submitting documented evidence of receipts to Accounts Payable. In addition, the date of goods and services received recorded on receiving documents and entered into the SAP "Goods Received" field has typically been the date of entry, rather than the actual received date. The actual date of goods and services received is important, since it is one component of determining the baseline date, used to calculate the date payment must be processed to avoid late payment of interest. Table 1 below summarizes the results of our sample testing of receiving activity: | Since the initial audit, HPARD Management and Finance team communicated the concerns of this audit and the necessary action. To date the locations receiving the documents are keeping a file of all receipts. These receipts are used to enter the receiver into the SAP system. We also send out periodic reminders to the end users in reference to this process. | Closed We reviewed two annual reminder emails sent to "PR - All Employees", the first dated November 9, 2010 and the second dated December 12, 2011. We also reviewed receiving documentation maintained by PARD related to two large vendors and concluded that it is the department's practice to maintain that documentation. | Adequate |
| 2010-14 | 3. MASTER APPROVAL LIST | The Lists for each department have not been updated since July, 2006. Without current information, invoices may be released for payment without proper approval authority. | PARD updates the Master Approval List when there is a personnel change status (e.g. new hire, retire, termination, transfer, etc.). HPARD always sends a copy of this updated list to Controller's office and it is consistent with SAP descriptions. | Closed We were provided the most recent update (Dated August 23, 2011) sent to the Controller's Office which reflects changes to the Financial Transactions Signature List for PARD. The update identifies approval signatures for "Payment/ Interdepartmental Vouchers, etc." and approval signatures for persons authorized to pick-up checks. | Adequate |

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| Report Number | Title | Finding | Management Status As of 9/30/2010 | Conclusion | |
|---------------|--|---|---|--|---------------------|
| | | | | Ongoing/Closed | Remediation Process |
| 2009-02 | 4. COMPLIANCE WITH MOTOR VEHICLE RECORD REQUIREMENTS | Discussion with Department management revealed that MVRs are not obtained annually after the initial report is obtained for employees who drive on City business. The Department justifies not obtaining MVRs due to budget constraints. Specifically, we were told that due to the large number of Department employees who drive on City business, the expense is cost prohibitive. | HPARD has now been made aware that there is a process for running these MVR's through SAP (free of charge). With this new discovery, the department will start having these MVR's run on an annual basis and the necessary action will be taken for any negative response. Also, a copy of the report will be filed in the employees personnel records within the department. | Ongoing PARC has not obtained MVRs for their employees who drive on City business. Per PARC management, Central HR will be taking over the responsibility for obtaining MVRs. PARC will provide a list of employees for which MVRs are required when that is determined. | Inadequate |
| 2009-02 | 5. SEMI-ANNUAL REVIEWS OF VEHICLE MILEAGE REPORTS | Semi-annual reviews of vehicle allowances were not conducted on the one non-executive staff member file we tested. Failure to perform semi-annual reviews could result in under and/or over-payments to vehicle allowance recipients. | The one non-executive staff member who receives Vehicle allowance maintains a monthly mileage report which can be reviewed by the staff at any time. He has transformed this form into a excel spreadsheet for easy reading. To date there has not been any adjustments required to his allowance. | Closed PARC doesn't have any non-executive employees receiving vehicle allowance and semi-annual reviews are not required for executive staff. | Adequate |
| 2009-24 | 6. ATHLETIC FIELD INSPECTIONS | PARC has a targeted standard to perform field inspections for both Level 1 and targeted Level 2 fields on a weekly basis. However, there is not a process in place to ensure they are conducted and recorded. | In February 2010, Field Supervisors began conducting weekly inspections using the standard forms created for both Competitive/ Tournament Level Field and Recreational Level Field inspections. The Division Manager (Anthony Wise) and Superintendent (John Bermea) review the forms and take necessary action to assure that quality standards are met. (weekly inspection form attach) | Closed We were provided PARC's <i>Sports Field Management: Standard Operating Procedures Manual</i> . The manual includes Weekly Field Inspection Forms for baseball and softball fields; and soccer, football and lacrosse fields. The manual also includes checklist forms for quarterly maintenance and safety inspections. We reviewed Weekly Inspection Report Forms for Memorial Park sports fields and verified that inspections were taking place, being documented, and maintained. | Adequate |

Exhibit 1 - Detailed Remediation Assessment, 12-08 Audit Follow-Up Procedures

| Report Number | Title | Finding | Management Status As of 9/30/2010 | Conclusion | |
|---------------|--------------------------------------|---|--|--|---------------------|
| | | | | Ongoing/Closed | Remediation Process |
| 2009-24 | 7. ATHLETIC FIELD INSPECTIONS | A review of the PARD work order forms for the 13 month period (April, 2007 through April 2008) did not indicate any maintenance activity. As a result, it could not be determined if the PARD Targeted Maintenance Schedule was being followed. | In February 2009, AFMD staff received training and instruction about maintenance standards & goals, and on the procedures for using work order forms to record work activity. Reports generated from work activity data provide quantitative feedback for comparing activity against standards. Weekly Inspections provide feedback to assure qualitative compliance. (forms & reports are attached) | <p>Closed</p> <p>We reviewed work order forms completed in September, October, and November 2011 which clearly identified the work performed.</p> <p>We reviewed Sports Field Management Cycle Reports in which maintenance data is taken from Work Order Forms for measurement against maintenance standards.</p> <p>Note: As a result of the drought of 2011, the measurement of maintenance standards didn't have much meaning since those tasks weren't necessary at the frequency required by standards.</p> | Adequate |
| 2009-24 | 8. APPROVAL AND ADOPTION OF AFMD P&P | The Athletic Field Maintenance Division's (AFMD) Draft Policy and Procedures have not been formally approved, adopted, and made available to all Division employees. | The Standard Operating Procedures Manual was approved and adopted for implementation in February 2009. | <p>Closed</p> <p>We were provided a copy of the Sports Field Management: Standard Operating Procedures Manual, adopted and approved by the PARD Director and Deputy Director, Green Space management on February 18, 2009.</p> | Adequate |

Exhibit 1 - Detailed Remediation Assessment, 12-08 Audit Follow-Up Procedures

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| | | | | Ongoing/Closed | Remediation Process |
| 2009-24 | 9. INSPECTION PROCEDURES FOR ADOPTED FIELDS | A formal procedure for inspecting adopted fields is not currently in place. | Adopt-A- Sports Field procedures have been in use since February 2009. The Division Manager (Anthony Wise) is responsible for monitoring. (inspection form and field maintenance procedure are attach) | Closed Section 6.3 of the <i>Sports Field Management: Standard Operating Procedures Manual</i> requires monthly inspections of adopted fields by the Division Manager/ Superintendent. We reviewed Weekly Field Inspection Forms related to Adopted Fields for the period July 2011 through November 2011 and verified that weekly inspections were being performed, documented, and maintained. | Adequate |
| 2009-24 | 10. CATEGORY CONDITION RATINGS LEVEL 1 FIELDS | A physical inspection of Level 1 Fields (see matrices on pages 47 and 48) indicated that four of six fields had individual category condition ratings of either "Caution" or "Deficient." | Field conditions rated as "Deficient" on Competitive/ Tournament Level Field were addressed and corrected September 2008. | Closed We inspected Herman Brown # 3. (one of the two Level 1 Competitive/ Tournament Fields for which deficiencies were identified during the original audit) and found no deficiencies. With the approval and adoption of the Sports Field Management Standard Operating Procedures Manual, we believe that the process for maintaining fields is better controlled than it was at the time of the original audit. | Adequate |
| 2009-24 | 11. CATEGORY CONDITION RATINGS LEVEL ADOPTED FIELDS | A physical inspection of Adopted Fields (see matrices on pages 47 and 48) indicated that 13 of 15 fields had individual category condition ratings of either "Caution" or "Deficient." | Meetings were held in October 2009 and 2010 with Department and Division heads, the department Community Relation Liaison, and Adoptees. | Ongoing At the time we inspected the field, league seasons were not active and fields were not yet being maintained by adoptees. | Adequate |

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|---------------|---|---|---|--|---------------------|
| | | | | Ongoing/Closed | Remediation Process |
| 2009-02 | 12. COMPLIANCE WITH DEFENSIVE DRIVING COURSE REQUIREMENTS | Audit testing revealed that one of the four Department employees receiving vehicle allowances had not completed a DDC as required by AP 2-2. | All Employees receiving Vehicle allowance are in compliance. The department continues to send out monthly reminders to all employees about DDC and DL updates. | Ongoing We reviewed a sample of ten employees to verify that DDC certificates were current. Three of the ten employees' DDC certificates were not current. However, we were informed that the list provided may include employees who don't drive on City business. Once PARD determines and informs Central HR of their employees who drive on City business, we will again test for current DDC certificates. Note: We were informed that the Director requires DDC for all PARD employees. | Inadequate |
| 2009-24 | 13. ADOPTION OF MISSION STATEMENT | PARD does not have a mission statement adopted by the AFMD that would specifically apply to the management and maintenance of existing athletic fields | PARD AFMD Mission statement was adopted and approved verbally February 2009 by the PARD Director and Deputy Director of Greenspace Management. Since this time a transmittal sheet was developed for written approval and is now a part of the SOP. . | Closed The approved and adopted <i>Sports Field Management: Standard Operating Procedures Manual</i> includes a Mission Statement on page 2 of the manual. | Adequate |
| 2009-24 | 14. LITTER REMOVAL | A review of the PARD work order forms for the 13 month period (April, 2007 through April 2008) did not indicate compliance with the daily pick up of litter for Level 1 Fields and twice per week for Level 2 Fields. | In Spring 2010, task code 60 was added as a means of recording on the work order form that visual inspection of a field indicated that de-littering was not necessary during a particular, routine maintenance/field prep work day. It is an alternative to using task code 10 which indicates that the field was in fact de-littered. These measures help ensure that the task of de-littering is never overlooked by maintenance staff & provides a means for documenting such. | Closed Review of Memorial Park work orders completed in October and November 2011 revealed that Task Code 10 "Litter and Trash Remove" was recorded routinely. | Adequate |

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| | | | | Ongoing/Closed | Remediation Process |
| 2009-24 | 15. ATHLETIC FIELD MAINTENANCE | A review of the PARD work order forms for the 13 month period (April 2007 through April 2008) did not indicate compliance with: the Skinned Area Maintenance/Field Marking; Mowing/Trimming; and Other Field Maintenance Activities targeted maintenance standards. | In Spring 2010, task code 65 was added as a means of recording on the work order form that visual inspection of a field indicated that mowing was not necessary during a particular, routine maintenance/field prep work day. It is an alternative to using task code 15 which indicates that the field was in fact mowed. These measures help ensure that the task of mowing is never overlooked by maintenance staff & provides a means for documenting such. The Division Manager closely monitors the use of Code 65 to ensure that sound judgment is exercised. | Closed We reviewed completed revised work orders for Memorial Park Athletic Fields and found that they are routinely completed and that they include task codes (identified on the work order) that are used to identify maintenance activities performed and not performed. Therefore, documentation now exists to measure against standards. | Adequate |