



Audit of Recreation Facility Operations

The City of Denton's Recreation Division has established generally effective controls related to management of recreation programs and payments; however, establishment of a central repository for documentation and data retention would improve program, asset, and training records.

Additionally, opportunities exist to enhance physical cash safeguards, and the program plan application and contractor invoice processes.

Audit Team

City Auditor

Madison Rorschach, CIA, CGAP

Audit Staff

Amber Jackson, MBA, CFE

Anthony Branch

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Audit at a Glance

Why we did this Audit:

The City of Denton's Recreation Division is responsible for managing recreation programs, processing program applications, payments and refund transactions, and safeguarding recreation assets. Just over \$2.5 million in revenue was accepted at six facilities in FY2021-22. This audit was included on the City's fiscal year 2022-23 Audit Plan as approved by the City Council.

What we Recommend:

Recommendations 1, 2, 3, 4, 5, & 6

Improve payment processing safeguards and controls.

Recommendations 7, 11, 12 & 15

Ensure required staff trainings and participant waivers are complete and document retention is centralized.

Recommendations 8, 9, & 10

Evaluate Independent Contractor risk review process and ensure contractors are accurately paid.

Recommendations 13 & 14

Ensure safety incidents are reported as required.

Recommendations 16, 17, 18 & 19

Periodically review and properly secure physical assets and recreation management system user access.

What we Found:

This audit generally evaluated the controls implemented to ensure recreation programs are properly managed and conducted in accordance with rules and best practices, and that cash and other assets are properly managed and safeguarded. Your findings are summarized below:

Payment Processing. While some physical cash safeguards are implemented, safes and cash drawers are not consistently physically secured and monitored increasing the risk of theft. That being said, separation of duties and reconciliation procedures are generally adequate. In addition, refunds generally do not require supervisor approval and not all cash handlers are certified by the Finance Department.

Program Management & Safety. Recreation programs are marketed and monitored in accordance with accreditation standards. A process has been established to systematically review Independent Contractor program applications; however, this process may result in inconsistent insurance requirements. Further, safety incidents are not always reported to the Risk Management Division and not all employees have received required safety trainings.

Asset Management. A list of recreation facility assets is generally maintained; however, this list is manipulable by all staff increasing the risk that assets are lost or stolen and not identified. In addition, documentation of periodic inventory reviews performed by staff does not exist. A contractor does inspect equipment regularly and performs maintenance as needed.

Cybersecurity Oversight. Access to the recreation management system is role-based; however, some users were inappropriate based on review. Use of personal emails may hinder this review. Lastly, the recreation management system vendor does not receive a service organization control examination regularly, hindering City monitoring of the systems cybersecurity controls.

Introduction

The Internal Audit Department is responsible for providing: (a) an independent appraisal¹ of City operations to ensure policies and procedures are in place and complied with, inclusive of purchasing and contracting; (b) information that is accurate and reliable; (c) assurance that assets are properly recorded and safeguarded; (d) assurance that risks are identified and minimized; and (e) assurance that resources are used economically and efficiently and that the City's objectives are being achieved.

The Internal Audit Department has completed a performance audit of the City's recreation program management and operations processes. We conducted this performance 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.

Management Responsibility

City management is responsible for ensuring that resources are managed properly and used in compliance with laws and regulations; programs are achieving their objectives; and services are being provided efficiently, effectively, and economically.

Audit Objectives, Scope, and Methodology

The Internal Audit Department has completed an audit of the City's recreation program management and operations processes. This report is intended to provide assurance that the City has established effective policies and procedures to appropriately manage recreation programs, employee training and access, and ensure cash and other assets are managed and safeguarded appropriately.

Audit fieldwork was conducted during November and December 2022, and January, February, and March 2023. The scope of review varied depending on the procedure being performed. The following list summarizes major procedures performed during this time:

- Reviewed documentation to develop criteria including State rules and regulations, best practices, policies, and procedures;

¹ The City of Denton Internal Auditor's Office is considered structurally independent as defined by generally accepted government auditing standard 3.56.

- Developed process narratives to identify current control activities in the recreation program operations, payment, and asset management processes that were certified by Recreation Division staff;
- Interviewed Recreation Division staff and reviewed policies and procedures pertaining to the Recreation Division's payment and program management;
- Reviewed a statistical sample² of 381 payment transactions from October 2021 to September 2022 to determine whether customers were accurately charged, and payments were accurately processed;
- Reviewed a statistical sample³ of 340 refund transactions from October 2021 to September 2022 to determine whether issued refunds were appropriate, and properly reviewed and approved;
- Verified applicable staff completed cash handling training as required per City Policy 403.01;
- Reviewed the population of 26 independent contractor program applications for fiscal year 2022 to ensure all applications and associated documentation were properly reviewed, recorded, and retained;
- Reviewed a statistical sample⁴ of 62 independent contractor invoices from October 2021 to September 2022 to ensure all payments were issued in accordance with contract terms and customer attendance and registration records;
- Reviewed a judgmental sample of 50 customer accounts to determine whether waivers were properly acknowledged annually in accordance with Recreation Division procedures;
- Conducted an on-site visit to each Recreation Center to review cash safeguards and observe a sample of inventory and equipment;
- Reviewed the Division's inventory and equipment records to ensure assets were properly maintained and repaired;
- Reviewed the record of City-reported accidents, and the Division's internal spreadsheet of accidents to ensure they were documented and reported in accordance with City procedure and reviewed staff safety training records;

² This sample size provides with 95 percent confidence that the true population mean is within ± 5 percent of the sample estimate.

³ This sample size provides with 95 percent confidence that the true population mean is within ± 5 percent of the sample estimate.

⁴ This sample size provides with 95 percent confidence that the true population mean is within ± 10 percent of the sample estimate.

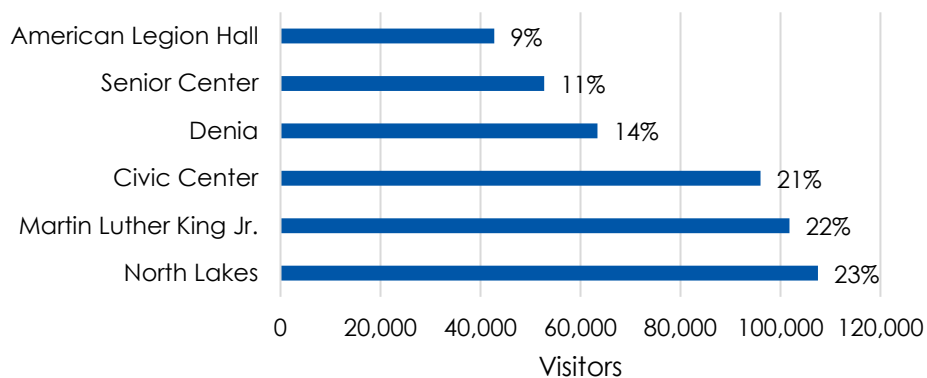
- Reviewed the Division's marketing and customer satisfaction data to determine measures taken to identify and market programs and activities;
- Reviewed the total population of active users in the Division's cloud-based recreation management system to determine whether all users were active employees and assigned user roles aligned with an employee's job responsibilities; and
- Requested the 2021 Service Organization Control report from the City's cloud-based recreation management system vendor and coordinated with Technology Services to discuss data received.

Findings & Analysis

The City of Denton Parks & Recreation Department is responsible for fostering a sense of community and enhancing resident and visitor quality of life by providing recreational, educational, and wellness opportunities; supporting Denton's economic vitality through special events; and providing beautiful, well-maintained parks and public spaces while being good stewards of the environment.

The City of Denton has established six recreation facilities throughout the City that provide a number of programs and activities to community members of all ages. These programs and activities can include, participants exercising at a Recreation Center gym, participating in a fitness or dance class, playing in a bounce house during camp, attending an off-site trip, working in the woodshop, or more. All activities vary based on the specific Recreation Center and available facilities and equipment. During fiscal year 2022, the Parks & Recreation Division recorded over 464,000 customer check-ins throughout all Recreation Center facilities. A breakdown of check-ins by Recreation Center is shown in Figure 1.

Figure 1: 2022 Recreation Center Visitors



Additionally, the Parks & Recreation Department has been in the process of becoming accredited by the Commission for Accreditation of Park & Recreation Agencies – or CAPRA – and submitted required application documentation as of February 2023.

This audit generally evaluated the controls implemented to ensure recreation programs and employee training are adequately managed and ensure cash and other assets are managed and safeguarded appropriately.⁵

⁵ The Parks & Aquatics Divisions were excluded as part of this review.

Enhancement of Physical Cash Handling Controls Would Further Safeguard Funds

The Recreation Division manages and coordinates program and activity registrations for the City. Customers can register for programs or activities at any Recreation location or online through the City's cloud-based recreation management system. Additionally, payment is accepted via cash, check, or debit or credit card in-person or online.

Per [City Policy 403.01 Cash Handling Regulations](#), cash funds must be maintained in a locked container such as a safe and access should be limited to employees certified by the Finance Department as Cash Custodians. In addition, the safe should be kept in a secure area and only designated cash custodians should have keys or combinations to access the funds. Combinations on all safes should be changed as staffing changes occur and surveillance cameras may be used to monitor City funds. Similarly, keys and combinations should be maintained out of site and known only to personnel authorized to access City cash.

According to cash management best practices, safes and cash drawers should be secured to a building or fixture to reduce the possibility of stolen or mishandled funds. Additionally, best practice suggests safes be maintained in areas with video monitoring to assist with deterring theft by employees and customers and provide evidence in the event of a theft to identify and track suspects.

What We Found

- In general, the City's Cash Handling policy is comprehensive and addresses physical cash safeguard best practices as shown in Table 1; however, it does not require that safes or cash drawers be secured to the building or fixture (e.g. cabinet). Similarly, while it recommends safes be under direct video surveillance this is not required, and it is not clear if cash drawers are required to be under video surveillance.

Table 1: Comparison of City Policy to Cash Safeguard Best Practices

Cash Safeguard	City Policy	
	Cash Storage	Cash Drawer
Locked	Required	Required
Secured to Building/Fixture	Not Required	Not Required
Out of Public View	Required	NA
Restricted Access	Required	Required
Key/Combination Change	Required	NA
Direct Surveillance	Recommended	Not Required
Training	Required	Required

- The Recreation Division has established procedures related to cash handling. According to Recreation staff, Cash Handling Procedures were reviewed by the Finance Department in September 2022. Additionally, the safe at each Recreation location is managed by the applicable Recreation Supervisor to issue and update employee passcodes to the safe.
 - Based on review of the Recreation Division's documented procedures, they do not include a documented safe management process (e.g. issuing safe passcodes to employees, periodically changing passcodes during employee turnover, etc.).
- Internal Audit conducted an on-site visit to each Recreation facility on January 23 and January 24, 2023. Based on this visit, each Recreation facility maintains at least one cash drawer at the front desk and a safe in the building to secure cash and deposits.
 - Internal Audit observed the safe, cash drawer, and physical cash handling controls for each location. Table 2 summarizes the observations identified during the on-site visits regarding the location of safes, whether safes and cash drawers were secured to a building or fixture, and the location where cash drawer keys were retained when not in use.
 - All Recreation locations had security cameras monitoring the front desks and registers; however, safes located in the supervisor's office and hallway do not currently have video monitoring.

Table 2: On-Site Visit Observations

Recreation Center	Safe		Cash Drawer	
	Location	Secured	Secured	Key
Civic Center ⁶	Office Hallway	No	No	Front Desk
Senior Center ⁷	Supervisor's Office	Yes	Yes	Front Desk
North Lakes	Supervisor's Office	Yes	No	Front Desk
Denia	Supervisor's Office	No	Yes	Front Desk
MLK	Supervisor's Office	Yes	Yes	Supervisor's Office
ALH	Front Desk	Yes	Yes	Safe

⁶ Civic Center and Rec Care are located in the same building and share the same safe.

⁷ Based on concerns discussed with Internal Audit while on-site, the Senior Center was included in the City's Facility Condition Assessment (FCA). The FCAs assessed the architectural, mechanical, plumbing, fire alerting, site quality and useful life for each facility and system; however, operational or capacity needs were not included.

- Additionally, as observed during Internal Audit's on-site visit, the automatic cash drawer function in the recreation management system was not always set-up to allow staff accessibility to open the register from the application during the customer payment process. This required staff to utilize the physical cash drawer key, which does not track employee access to the cash drawer. The cash drawer keys were retained unsecured at the front desk during daily operations, and, as shown in Table 2, four Recreation locations retained the cash drawer key unsecured at the front desk outside of business hours. An example of an unsecured key box is shown in Image 1.
- According to Recreation staff, the automatic cash drawer function previously worked, but technical issues with the system and cash drawers caused errors in the functionality. Recreation staff began investigating this issue once identified during the on-site visits.

Image 1: Unsecured Desk Key Box

Why It Matters

Ensuring safes and cash drawers are properly secured and monitored enhances employee accountability, reduces the risk for theft and fraud, and can provide evidence if a theft occurs. Furthermore, ensuring safe management procedures are documented and available to Recreation staff assists with managing the issuance, removal, and periodic update of employee passcodes, and monitoring employee access to each location's safe to ensure only authorized employees are issued passcodes.

Per best practices, all safes should be secured to the building and under direct video surveillance as well as out of public view. This combination presents an issue for several recreation facilities, which do not typically have non-public areas that are under camera surveillance. This has resulted in several safes being stored in supervisor offices, which can be locked, but do not have security cameras. State regulations allow employers to implement video monitoring in the workplace, including employee offices, but require that only authorized personnel be able to view this footage.

That being said, based on estimates from the City's Facilities Division, an additional security camera is estimated to cost up to \$800, with estimated installation and maintenance costs approximately \$260 annually, and potentially five new devices would need to be installed. Another option would be to move the safes to a public area where security cameras are already

installed, such as behind the front desk, which would not require additional investment. This option does not completely remove the safe from public access, however, securing the safe to the building and properly restricting access (i.e. managing safe passcodes or keys) would mitigate some of the risk that funds could be stolen, as well as, ensuring that video footage was available.

It should be noted that on February 27, 2023, Internal Audit issued an interim report to the Parks & Recreation and Finance Departments that included the previous information.

Recommendations:

1. Update the City's Cash Handling Policy to require safes to be secured to the building and to be under direct video surveillance.

Treasury Division Comments: *Treasury will update Cash Handling Regulations policy 403.01 to include this recommendation.*

2. Update current cash handling procedures to document safe management processes, including passcode issuance and periodic updates for employee turnover.

PARD Comments: *Parks and Recreation will update the current cash handling procedures to comply with this recommendation.*

3. Coordinate with Facilities to ensure all cash drawers and safes are secured to a fixture or building and are under direct video surveillance. Coordinate with the Treasury Division and Facilities Division to determine the feasibility and financial considerations of installing security cameras or relocating current safes to video monitored areas to ensure proper safe management.

PARD Comments: *Parks and Recreation staff met with Treasury to determine the best location for each recreation center safe. To comply with this request, work orders have been submitted to Facilities Management to secure cash drawers and safes in the appropriate location and adjust and or install video surveillance.*

4. Ensure employees handling cash are set-up with the automatic cash drawer function and restrict access to cash drawer keys.

PARD Comments: *All locations have assigned drawer access through CivicRec and relocated the cash drawer keys to inside the safe. The department will develop a process for tracking cash drawer key use for emergency purposes.*

Additional Oversight of Refunds, Conflicts of Interest, & Training Would Provide Assurance Transactions Are Processed Appropriately

As previously mentioned, payments are accepted via cash, check, or debit or credit card in-person or online. Refunds are issued for program cancellations, and personal customer cancellations. In lieu of a payment refund, customers can choose to receive credit towards a future program registration. Justification must be recorded in the recreation management system for all refunds and user credits. Only Program Coordinators and higher positions can process credit card refunds and user credits in the recreation management system.

In addition, [City Policy 403.01 Cash Handling Regulations](#) requires employees who receive and handle cash for their job to complete the Finance Department's cash handling certification course and maintain a signed Certificate of Responsibility. Furthermore, a cash handling refresher course is required every three years after the employee is initially certified.

What We Found

- Based on review of a statistical sample of 381 payment transactions, about 99 percent appeared to be processed appropriately, and customers appeared to be accurately charged based on review of transaction support documentation and Recreation fees.
 - The remaining one percent of payment transactions had the incorrect total recorded on the deposit slip and a missing payment system ledger; however, the payments were still accurately processed through the City's Financial system and bank depository.
- Based on review of a statistical sample of 340 refunds, about 98 percent had a clear purpose recorded in the recreation management system to adequately support the refund transaction.
 - The remaining two percent of refund transactions did not have a purpose clearly documented or easily identifiable.
 - Additionally, based on review of refund support documentation, only refunds issued through a check requisition have documented review and approval by management prior to issuance. Refunds issued by debit or credit card or as a user credit do not undergo review by a supervisor or manager prior to being issued. Also, user credits can be used for future programs or issued in the form of payment at the request of the customer at a later date.
 - Furthermore, there were two observed instances where Recreation Division personnel issued user credits to their own account. These

instances did not appear to be fraudulent based on review of activity attendance records; however, employees should not process personal transactions on their own accounts.

- Based on review of Recreation Division cash handler training records and available documentation, about seven percent of Recreation Division employees have not completed the required cash handling certification training, and eight percent of employees have not taken a refresher training within the past three years. This means about 14 percent of the 93 Recreation employees reviewed are not in compliance with the City's cash handling training requirements.
 - It should be noted, the Treasury Division has been in the process of establishing a tracking mechanism to record cash handling certification and refresher training completion through a workflow software; however, it is each department's responsibility to maintain record of their cash custodians' certification and training requirements.

Why It Matters

Refund transactions vary based on the program, activity, and fee being refunded. Although a refund purpose should be recorded by staff during the refund process, ensuring a second level of review assists with providing assurance that refunds are appropriate and adequately processed.

Furthermore, establishing conflict of interest procedures assists with mitigating the risk an employee inappropriately processes payment or refund transactions to a personal or close relative or friend's account. Ensuring employees are aware of the conflict of interest requirements related to managing account transactions reduces the potential for noncompliance.

Furthermore, cash handling training provides an overview of City cash handling procedures and requirements to ensure cash is handled, managed, and safeguarded appropriately. Cash handling refresher training provides continuing education related to the proper management of cash and related controls after the employee's first initial certification to ensure reinforcement of proper cash management procedures.

Recommendations:

5. Develop a formal refund request process for program and activity fees to document supervisor approval. Consider requiring escalating approval authority based on certain dollar thresholds.

PARD Comments: While requiring supervisor approval for all refunds will present an issue providing responsive customer service for the transfer or withdrawal from programs, Parks and Recreation staff agree that escalating authority based on a certain dollar threshold can be implemented. Staff will discuss what an acceptable threshold might be and provide their suggestions for finance approval.

6. Develop a formal conflict of interest procedure detailing employee responsibility, expectations, and the process to report potential conflict of interests prior to processing account transactions. Consider development of an annual conflict of interest ethics statement.

PARD Comments: Parks and Recreation staff will develop a conflict-of-interest procedure to comply with this recommendation.

7. Ensure all employees who handle cash complete required cash handling certification and refresher training. Training records should be retained in a central repository accordingly.

PARD Comments: Parks and recreation Staff will examine how to improve the tracking process; a database has been set up in a central location.

Central Repository for Recreation Program & Activity Documentation Could Strengthen Current Processes

Recreation programs and activities can be instructed by Recreation Division employees or Independent Contractors.⁸ The Recreation Division has established an [Independent Contractor Guide](#) for current and prospective independent contractors to outline program information, requirements, and the program proposal process. The Program Proposal form is completed by the individual with their proposed program/activity details, including:

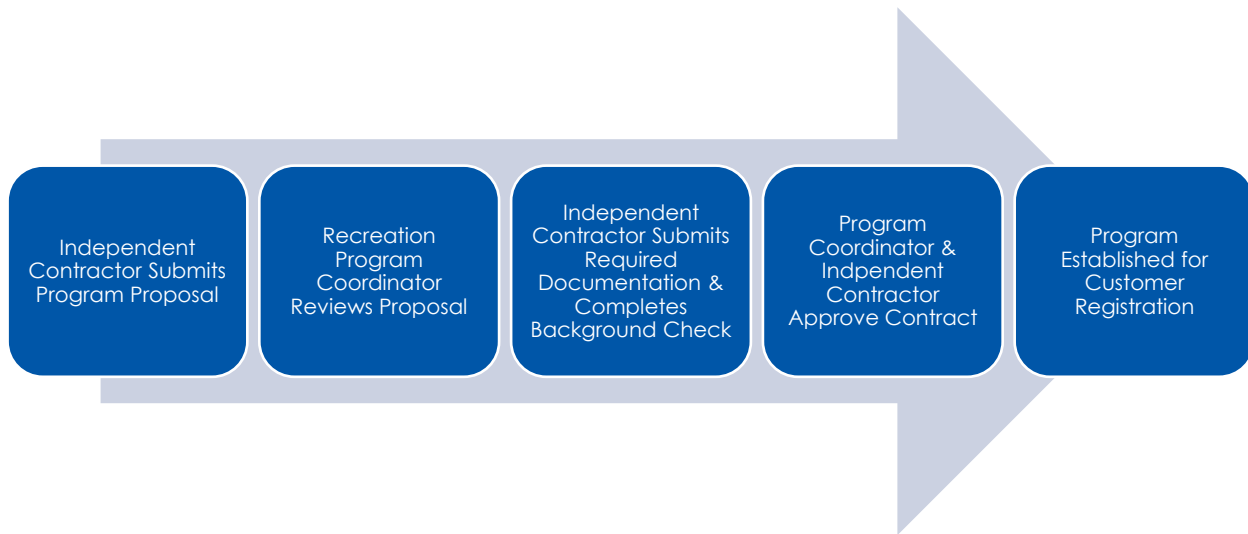
- | | |
|------------------------------|---------------------------------|
| ➤ Course title | ➤ Course description |
| ➤ Age requirement | ➤ Instructor fees |
| ➤ Number of sessions & hours | ➤ Instructor qualifications |
| ➤ Suggested days | ➤ Equipment/supply requirements |

Once received, the Program Coordinator reviews the proposals to determine whether the activity would be eligible to be offered through the City and negotiate instructor fees, if needed. Once the program and contract are approved, the program details are input into the cloud-based recreation

⁸ The Recreation Division coordinated with Human Resources to develop an Independent Contractor Analysis questionnaire to determine whether an individual can be engaged as an Independent Contractor without violating Department of Labor or IRS guidelines.

management system to allow customer registration. Independent Contractors and volunteers must complete background checks annually. The Independent Contractor hiring process is illustrated in Figure 2.

Figure 2: Independent Contractor Program Application Overview



What We Found

- Recreation programs are identified and monitored per accreditation standards. Specifically, the Parks & Recreation Department solicits participant feedback frequently through onsite suggestion boxes, post-program emails, and periodic community surveys. In addition, programs are actively marketed on social media as well as through electronic and physical program brochures each season.
- The Recreation Division process to assess independent contractor risk may result in inconsistency.
 - Recreation Supervisors utilize an Independent Contractor Paperwork Checklist while reviewing plans for program applications. This checklist lays out the requirements for when to reach out to Risk Management with liability insurance; however, it requires the Program Manager to make risk-related determinations regarding whether liability insurance should be obtained.
 - Based on review of program applications for fiscal year 2022, there appeared to be inconsistencies regarding programs requiring liability insurance (i.e. Social Dance) compared to programs with no insurance requirement (i.e. Middle Eastern Dance and Ceramics).

- Risk Management tracks liability insurance review requests through a workflow software; however, this process does not formally track reviews, approvals, and denials, which are currently monitored through email.
 - Additionally, Risk Management is in the process of creating general guidance related to insurance and liability requirements in coordination with the City Attorney's Office which would assist with ensuring all City departments properly manage these liability requirements.
- Not all necessary program plan documentation and information for Independent Contractor programs were readily available for review as shown in Table 3.

Table 3: Independent Contractor Program Support Reviewed

Requirement	Percentage	Requirement	Percentage
IC Analysis	18%	IC Paperwork Checklist	55%
IC Program Proposal	45%	HR & RM Email Approval	62%
Assumption of Risk Waiver	45%	COI Questionnaire	67%
Return to Play Action Plan	45%	Background Check	86%
Liability Insurance	50% ⁹	Program Contract	100%

- Of the 22 reviewed Independent Contractors, three last completed background checks in October and November 2020 but instructed youth programs during fiscal year 2022, over a year past the last recorded background check.¹⁰
- All approved program contracts were available.
- Not all Independent contractors' payments for completed programs had adequate documentation based on customer registration and attendance. Program instructors are responsible for taking attendance each session and providing this document to Recreation Center staff for attendance to be recorded in the cloud-based recreation management system.
 - Based on review of the processed independent contractor payments and support documentation for the scope, not all invoices appeared

⁹ Based on review of available support documentation, out of 22 IC programs, eight programs did not require liability insurance. Out of the remaining 14 IC programs, seven programs had an associated certificate of liability insurance, and the remaining seven IC programs could not be determined whether liability insurance was required with available documentation.

¹⁰ While 100 percent of recreation center Independent Contractors were properly vetted through a background check, three from another division within the Parks & Recreation Department excluded from this audit held one or more programs in a recreation center.

to be set-up to adequately detail total payments received, customer registrations, and independent contractor percentage.

- Additionally, one invoice did not have the correct customer registration quantity recorded on the invoice resulting in an overpayment to an independent contractor in the amount of \$60, and a second invoice reflected the correct payment to the independent contractor, but registration was not accurately recorded in the invoice detail. Table 4 summarizes the observations based on review of each invoice.

Table 4: Independent Contractor Payment Verification

Requirement	Count	Percentage
Invoice Detail Adequate	43	69%
Registration Count Accurate	60	97%
Accordance w/ Contract Terms	62	100%

- Furthermore, about 23 percent of invoices did not have a signature acknowledging review and verification by both the independent contractor and the Program Supervisor.
- The Program Attendance Log records the last completed customer waiver dates to ensure customers acknowledge the Annual Liability & Anti-Bullying Waivers annually. The program instructor is responsible for verifying this information during the check-in process and ensuring customers complete the waivers as necessary.
 - Based on review of a judgement sample of 50 customer accounts, not all customers acknowledged the waivers on an annual basis as shown in Table 5.

Table 5: Customer Waiver Completion

Waiver	Completed	Expired ¹¹	No Acknowledgement
Anti-Bullying Waiver	37	5	8
Annual Liability Waiver	43	5	2

- According to Recreation Division personnel, the recreation management system does not have an efficient process to monitor annual waiver completion if in-person customers request to complete the waiver electronically. This requires Recreation staff to reprint the class list to determine whether the waiver has been verified.

¹¹ This includes waivers acknowledged over a year prior to their last check-in.

- Current documentation retention processes are decentralized by Recreation Center, increasing the risk of lost or unorganized records.
 - According to Recreation Division personnel, each Recreation Center is responsible for retaining physical documentation independently at each location (independent contractor documents, customer check-in sheets, customer waivers, etc.).

Why It Matters

Ensuring Independent Contractor program plans are properly reviewed to determine necessary liability and insurance requirements reduces the City's liability risk related to potential injuries or property damage. Although Program Coordinators currently use a checklist to make determinations related to insurance and liability requirements, Recreation Division personnel may not be properly trained or knowledgeable of potential risks compared to Risk Management staff. This could result in inconsistent requirements for independent contractor programs.

Furthermore, ensuring all Risk Management program reviews are adequately recorded assists with tracking and ensuring all requirements are fulfilled prior to approval. This record can also be used to ensure consistency for all program plan reviews. Similarly, ensuring customer waivers are acknowledged at least annually assists with reducing City liability risk as customers acknowledge the potential danger and risk of injury from programs they participate in, and their responsibilities to report instances of suspected harassment and bullying.

The Recreation Division establishes contracts with each independent contractor to document payment details and expectations. Reviewing and attaching proper support documentation to each invoice by Recreation Division personnel assists with ensuring payments are calculated and issued to independent contractors accurately in accordance with contract terms. Additionally, ensuring each invoice is properly authorized by each party provides assurance the invoice was accurately prepared and reviewed.

Recommendations:

8. Develop a process to formally record Risk Management reviews of independent contractors, including approvals, denials, and applicable support documentation.

Risk Management Comments: *The independent contractor process is moving to the new Sr. Compensation Analyst in HR when she starts with the organization in mid-March. The process will be reviewed and updated as needed.*

9. Coordinate with Risk Management to evaluate the current Independent Contractor Program checklist. Consider requiring all program applications to be reviewed by Risk Management.

PARD Comments: *Parks and Recreation Leisure Services will continue to explore ways to refine the existing process in partnership with risk management.*

Risk Management Comments: *The independent contractor process is moving to the new Sr. Compensation Analyst in HR when she starts with the organization in mid-March. The process will be reviewed and updated as needed.*

10. Develop a formal process to prepare and review contractor invoices prior to payment issuance. This should include proper customer registration and attendance support, and acknowledgement by both parties prior to issuing payments.

PARD Comments: *Parks and Recreation staff is in the process of documenting written procedures for accepting, reviewing, and submitting invoices for payment.*

11. Evaluate the current waiver verification process to determine if the recreation management system has a function to allow reporting or alerting capabilities to notify staff of an expired or unacknowledged waiver.

PARD Comments: *Participant waivers are required at the time of online registration. In-person registrations generate an email to the participants which are occasionally overlooked due to memberships lacking instructor oversight of participation. Parks and Recreation staff have confirmed there is no alert through CivicRec to notify when a customer account has an unacknowledged or expired waiver. Staff will continue working to address this concern with the software provider. If the provider is unable to create functionality, staff will work on a procedure to verify waivers for each activity.*

12. Establish a centralized repository for all Recreation Centers to ensure physical documentation is retained electronically and in a central location.

PARD Comments: *Parks and Recreation staff are currently researching a better process for storing documents as a department.*

Recreation Division Accidents Should be Reported Through Risk Management to Ensure Proper Management

As previously mentioned, the Recreation Division holds multiple programs and activities for all age-ranges, and each program can vary based on the specific plans, locations, and actual activities performed. According to the [Commission for Accreditation of Park & Recreation Agencies \(CAPRA\)](#), best practices related to safety training suggest employees complete training related to first aid, and the program must notify personnel of required training, while ensuring proper retention of employee training records.

What We Found

- The City has established [City Policy 409.01 Workers' Compensation/Salary Continuation Program](#) to outline the process to manage employee accidents that occur on the job; however this policy does not cover the procedure to manage accidents that occur to members of the public participating in City programs or on City property. The City has also established [City Policy 409.03 Personal Injury & Accident Response Procedure](#); however, this policy is not currently in use but has not been formally rescinded. Both policies are in the process of being reviewed and updated. Specifically, there is no guidance established for City departments that are responsible for primarily managing public participants and programs.
 - According to the Risk Management Division, all accidents should be reported through the City's incident reporting system.
- Based on discussion with Recreation Division personnel, the Recreation Division does not report all accidents through the City's established reporting system. Accidents the Division deems 'minor' are recorded internally on a spreadsheet only accessible to Recreation personnel.
 - Based on review of the Recreation Division's internal accident spreadsheet, recorded incidents vary from head injuries to knee scrapes, and some incidents appear to be minor while others appear to potentially be more severe.¹² Since these incidents are internally recorded, Risk Management does not have the opportunity to review each accident and determine whether additional follow-up or action is needed.

¹² The severity of each accident was not evaluated by Internal Audit and the information recorded for each incident was limited and varied based on the individual recording the entry to the spreadsheet.

- As of January 2023, Risk Management and the Recreation Division have been in the process of coordinating to ensure all incidents are reported through the City's designated system, regardless of the severity level determined by Recreation Division personnel. Furthermore, the Recreation Division was not instructed to report all incidents through this mechanism prior to this period.
- The Recreation Division is responsible for providing safety training to staff and is currently tracking employee training completion on a spreadsheet. Additionally, according to Recreation Division personnel, the department is in the process of moving all employee training requirements to a workflow system database.
 - Based on review of the provided safety training spreadsheet, approximately 74 percent of employees completed CPR & AED training, but seven percent of employees still needed to take the training and eight percent of employee training appeared to be expired according to the recorded dates.
 - This spreadsheet does not detail whether the recorded dates are training completion or expiration dates.

Why It Matters

The Recreation Division hosts programs and activities for members of the public of all ages. Due to the nature of these activities and quantity of customers assisted daily, the risk of an accident may be higher compared to other City departments. Additionally, each accident can vary based on the age of the participant and specific activity. Ensuring all accidents are properly reported provides assurance accidents are reviewed and managed appropriately by qualified personnel, regardless of if medical treatment is immediately requested, to assist with accident investigations and mitigating potential City liability.

Similarly, ensuring proper guidance is established for accidents that occur to members of the public as part of City programs or on City property will further assist with ensuring all accidents are properly reported and managed.

Further, ensuring staff are properly qualified to handle general first aid care can improve the outcome of potential accidents and provide assurance proper protocols are established in the event of unexpected incidents during the course of recreation programs. Safety training should be adequately recorded to allow employees and supervisors to properly track training, and ensure training is completed timely and remains current.

Recommendations:

13. Continue coordinating with Risk Management to ensure incidents are reported appropriately. Update procedures to reflect updated processes.

PARD Comments: *Parks and Recreation and Risk Management met in January to determine reporting procedures for all levels of incidents and accidents. Parks and recreation will continue working with risk to refine this process and develop written expectations for when to report.*

14. Establish guidance for City incident reporting, including requirements and expectations to properly manage incidents and accidents that occur to members of the public.

Risk Management Comments: *An SOP is in development to provide city-wide guidance on the requirements and expectations of accident/injury reporting to Risk Management for all incidents, including those that occur to members of the public.*

15. Ensure safety training records are adequately tracked and recorded. Safety training documents should also be retained in a central repository.

PARD Comments: *Staff will update written procedures regarding training requirements and tracking to comply with this recommendation.*

General Asset Management & Repair Process Established; Further Guidance Would Ensure Assets & Inventory are Properly Managed

Each Recreation Center maintains different equipment and inventory as necessary and is responsible for the general management and maintenance of all assets. Best practices suggest that a record of assets be maintained and periodically reviewed to ensure items are not lost or stolen. In addition, assets, especially work out equipment, should be regularly inspected to ensure they are properly functioning.

What We Found

- The Recreation Division maintains a spreadsheet of each Recreation Center's assets; however, these records are accessible to all Recreation employees and changes or deletions to inventory records cannot be tracked.
 - Furthermore, some Recreation Division programs offer food and drinks available for purchase during the program. Currently, this inventory is also recorded and managed in a spreadsheet.
- Internal Audit conducted an on-site visit to each Recreation Center and observed a sample of inventory items. Based on the on-site visit, all assets

were observed by Internal Audit, with the exception of the Rec Care games stored in storage containers at Fleet Services.

- Recreation Division assets are mainly identified by serial number, but if an item does not have a serial number, there are no asset tags and employees must use their knowledge to locate and identify each item.
- Internal Audit also observed six tablets used by Rec Care that were not included on the asset report obtained from the Recreation Division. Furthermore, Internal Audit observed keys to the Rec Care vehicles available at the Civic Center that were maintained in an unlocked, open area next to the indoor public track. A full inventory of all Recreation Center assets would need to be conducted in order to identify additional non-recorded assets.
- According to Recreation Division personnel, each Recreation Center completes a quarterly review of their inventory and provides results to the applicable Recreation Supervisor; however, when these asset reports were requested by Internal Audit, Recreation Division personnel were unable to locate or provide completed copies.
- The Recreation Division maintains a contract with an independent equipment servicer to complete periodic preventative maintenance and conduct repairs when an issue is reported. The Recreation Division has established a repair log recording the asset, date, issue description, comments from the service provider, and whether the repair has been completed. This log appeared to be adequately updated based on review.

Why It Matters

Due to the nature of assets maintained at each Recreation Center, each location is responsible for managing and maintaining all equipment and inventory. Similarly, equipment should be properly recorded, tracked, and periodically observed to verify condition and determine if repairs or potential replacement is needed. Asset tags can assist with identification of inventory and equipment and ease location monitoring within facilities.

Additionally, ensuring equipment and inventory are recorded in a central repository that cannot be altered by all staff reduces the risk for stolen or misplaced assets. Similarly, vehicle keys should be properly secured to ensure only authorized City employees have access.

Recommendations:

- 16.** Conduct a full inventory of all assets and record items in the cloud-based recreation management system or other centralized repository that cannot

be easily manipulated by all staff. Consider tagging assets to assist with identification and tracking.

PARD Comments: *Parks and Recreation has been part of the city-wide team working on procuring an asset management software that can properly track and maintain assets across the entire department.*

17. Establish procedures to periodically review Recreation Center inventory and assets, and ensure completion is verified and documentation retained in a centralized repository.

PARD Comments: *Parks and Recreation has been part of the city-wide team working on procuring an asset management software that can properly track and maintain assets across the entire department.*

18. Ensure City vehicle keys are properly secured and only accessible to authorized Recreation Division personnel.

PARD Comments: *To comply with this recommendation, Parks and Recreation will work with Fleet and Facilities Management for security improvement. Vehicle keys have been moved inside a secure area.*

Improvement of User Access & Vendor Oversight Would Enhance City Data Protection

The Recreation Division utilizes a cloud-based recreation management system to manage programs and customer registrations. Customers can register online through their own accounts, or in-person at a Recreation Center, and payments are also processed through this system. Customer account data is maintained in the system, including names, birthdates and addresses. Payment information is also retained on the account at the customer's discretion.

What We Found

- The Recreation Division has established separate user access groups for employees based on their job titles and duties and employees maintain independent login credentials. Based on review of the 126 users as of November 2022, there were two shared user accounts, and four users appeared to have inappropriate access due to no longer being a City employee or job position changes.
 - According to Recreation Division personnel, all six accounts were updated during the course of the audit, and the two shared accounts had not been utilized since 2019.

- Based on review of all City employee user's registered email addresses to the system, approximately one-third of employee users are registered to the system with non-City of Denton email addresses.
- According to Technology Services, since the Parks & Recreation Department hires over 150 seasonal employees for a short period of time during the Summer, a City email account isn't currently created for those employees as specified by Parks & Recreation and Technology Services Leadership. This practice is applied for all City of Denton seasonal employees.
- According to the cloud-based recreation management system vendor, the vendor does not undergo a Service Organization Control – or SOC – examination but uses a separate platform for website hosting. The website platform vendor is SOC compliant; however, the City's vendor is responsible for management and cybersecurity of the system utilized by the City for recreation program management.
 - According to Technology Services, best practices suggest the system vendor should undergo their own SOC review and have a SOC report outlining their internal security controls to provide assurance data is being adequately protected.
 - Based on review of the system vendor's contract, there does not appear to be a requirement for the vendor to undergo a third-party SOC examination but does include a clause for the City's right to conduct an audit of the vendor.¹³

Why It Matters

The City has contracted with a third-party software vendor to provide a cloud-based recreation management system, that contains sensitive customer information. In general, regular review of this type of vendor's Service Organization Control report helps the City ensure adequate controls have been implemented to safeguard City and customer data and reduce the risk associated with a cybersecurity event.

Furthermore, allowing employees to use personal email addresses to access the City's cloud-based recreation management system for job purposes increases the risk that their accounts are not timely deactivated. Similarly, since the City does not manage cybersecurity aspects of employees' personal email accounts, if these are hacked external parties could potentially obtain access

¹³ Due to the nature of this observation and City-wide impact, this issue will be presented as part of the City Auditor's Office annual risk assessment and a recommendation is not being addressed with this report.

to the City's customer data (payment, addresses, names, birthdates, etc.) more easily. Ensuring user access is periodically reviewed provides assurance user access to the system is appropriate, especially once the majority of seasonal employees have separated from the City (i.e. end of Summer).

Recommendation:

19. Establish a process to periodically review the user access list at the conclusion of the Summer season to ensure only current employees have access to the system. Consider coordinating with Technology Services to reevaluate the use of non-City email addresses for City employment and system user account management.

PARD Comments: *Parks and Recreation will evaluate and refine the current process to comply with this recommendation.*

Appendix A: Management Response Summary

The following summarizes the recommendations issued throughout this report. The auditors found that staff and the Department were receptive and willing to make improvements to controls where needed. Management has provided their response to each recommendation.

1	<i>Update the City's Cash Handling Policy to require safes to be secured to the building and to be under direct video surveillance.</i>	Concur	Expected Completion: 12/31/2023
Treasury Division Comments: Treasury will update Cash Handling Regulations policy 403.01 to include this recommendation.			Responsibility: Treasury Division
2	<i>Update current cash handling procedures to document safe management processes, including passcode issuance and periodic updates for employee turnover.</i>	Concur	Expected Completion: 3/31/2023
Parks & Recreation Department Comments: Parks and Recreation will update the current cash handling procedures to comply with this recommendation.			Responsibility: Leisure Services Program Area Manager
3	<i>Coordinate with Facilities to ensure all cash drawers and safes are secured to a fixture or building and are under direct video surveillance. Coordinate with the Treasury Division and Facilities Division to determine the feasibility and financial considerations of installing security cameras or relocating current safes to video monitored areas to ensure proper safe management.</i>	Concur	Expected Completion: 4/30/2023
Parks & Recreation Department Comments: Parks and Recreation staff met with Treasury to determine the best location for each recreation center safe. To comply with this request, work orders have been submitted to Facilities Management to secure cash drawers and safes in the appropriate location and adjust and or install video surveillance.			Responsibility: Leisure Services Program Area Manager, Recreation Center Supervisors
4	<i>Ensure employees handling cash are set-up with the automatic cash drawer</i>	Concur	Expected Completion:

<i>function and restrict access to cash drawer keys.</i>		3/10/2023
Parks & Recreation Department Comments: All locations have assigned drawer access through CivicRec and relocated the cash drawer keys to inside the safe. The department will develop a process for tracking cash drawer key use for emergency purposes.		Responsibility: Leisure Services Program Area Manager, Recreation Center Supervisors
5	<i>Develop a formal refund request process for program and activity fees to document supervisor approval. Consider requiring escalating approval authority based on certain dollar thresholds.</i>	Concur Expected Completion: 07/01/2023
Parks & Recreation Department Comments: While requiring supervisor approval for all refunds will present an issue providing responsive customer service for the transfer or withdrawal from programs, Parks and Recreation staff agree that escalating authority based on a certain dollar threshold can be implemented. Staff will discuss what an acceptable threshold might be and provide their suggestions for finance approval.		Responsibility: Parks and Recreation Business Manager
6	<i>Develop a formal conflict of interest procedure detailing employee responsibility, expectations, and the process to report potential conflict of interests prior to processing account transactions. Consider development of an annual conflict of interest ethics statement.</i>	Concur Expected Completion: 05/05/2023
Parks & Recreation Department Comments: Parks and Recreation staff will develop a conflict-of-interest procedure to comply with this recommendation.		Responsibility: Leisure Services Program Area Manager
7	<i>Ensure all employees who handle cash complete required cash handling certification and refresher training. Training records should be retained in a central repository accordingly.</i>	Concur Expected Completion: 05/23/2023
Parks & Recreation Department Comments: Parks and recreation Staff will examine how to improve the tracking process; a database has been set up in a central location.		Responsibility: Assistant Director Leisure

			Services, Leisure Service Program Area Manager
8	Develop a process to formally record Risk Management reviews of independent contractors, including approvals, denials, and applicable support documentation.	Concur	Expected Completion: 12/31/2023
Risk Management Comments: Concur. The independent contractor process is moving to the new Sr. Compensation Analyst in HR when she starts with the organization in mid-March. The process will be reviewed and updated as needed.			Responsibility: HR/Risk Management
9	Coordinate with Risk Management to evaluate the current Independent Contractor Program checklist. Consider requiring all program applications to be reviewed by Risk Management.	Concur	Expected Completion: 03/17/2023 & 12/31/2023
Parks & Recreation Department Comments: Parks and Recreation Leisure Services will continue to explore ways to refine the existing process in partnership with risk management.			Responsibility: Leisure Services Program Area Manager & HR/Risk Management
Risk Management Comments: Concur. The independent contractor process is moving to the new Sr. Compensation Analyst in HR when she starts with the organization in mid-March. The process will be reviewed and updated as needed.			
10	Develop a formal process to prepare and review contractor invoices prior to payment issuance. This should include proper customer registration and attendance support, and acknowledgement by both parties prior to issuing payments.	Concur	Expected Completion: 3/31/2023
Parks & Recreation Department Comments: Parks and Recreation staff is in the process of documenting written procedures for accepting, reviewing, and submitting invoices for payment.			Responsibility: Leisure Services Program Area Manager
11	Evaluate the current waiver verification process to determine if the recreation management system has a function to	Concur	Expected Completion: 05/30/2023

allow reporting or alerting capabilities to notify staff of an expired or unacknowledged waiver.

Parks & Recreation Department Comments: Participant waivers are required at the time of online registration. In-person registrations generate an email to the participants which are occasionally overlooked due to memberships lacking instructor oversight of participation. Parks and Recreation staff have confirmed there is no alert through CivicRec to notify when a customer account has an unacknowledged or expired waiver. Staff will continue working to address this concern with the software provider. If the provider is unable to create functionality, staff will work on a procedure to verify waivers for each activity.

Responsibility:
Leisure Services
Program Area
Manager

12 *Establish a centralized repository for all Recreation Centers to ensure physical documentation is retained electronically and in a central location.*

Concur

Expected
Completion:
09/30/2023

Parks & Recreation Department Comments: Parks and Recreation staff are currently researching a better process for storing documents as a department.

Responsibility:
Leisure Services
Program Area
Manager

13 *Continue coordinating with Risk Management to ensure incidents are reported appropriately. Update procedures to reflect updated processes.*

Concur

Expected
Completion:
03/31/2023

Parks & Recreation Department Comments: Parks and Recreation and Risk Management met in January to determine reporting procedures for all levels of incidents and accidents. Parks and recreation will continue working with risk to refine this process and develop written expectations for when to report.

Responsibility:
Leisure Services
Program Area
Manager,
Recreation
Center
Supervisors

14 *Establish guidance for City incident reporting, including requirements and expectations to properly manage incidents and accidents that occur to members of the public.*

Concur

Expected
Completion:
12/31/2023

Risk Management Comments: Concur. An SOP is in development to provide city-wide guidance on the requirements and expectations of accident/injury reporting to

Responsibility:
Risk
Management

Risk Management for all incidents, including those that occur to members of the public.

15	<i>Ensure safety training records are adequately tracked and recorded. Safety training documents should also be retained in a central repository.</i>	Concur	Expected Completion: 04/28/2023
Parks & Recreation Department Comments: Staff will update written procedures regarding training requirements and tracking to comply with this recommendation.			Responsibility: Leisure Services Assistant Director, Leisure Services Program Area Manager, Recreation Supervisors
16	<i>Conduct a full inventory of all assets and record items in the cloud-based recreation management system or other centralized repository that cannot be easily manipulated by all staff. Consider tagging assets to assist with identification and tracking.</i>	Concur	Expected Completion: 09/30/24
Parks & Recreation Department Comments: Parks and Recreation has been part of the city-wide team working on procuring an asset management software that can properly track and maintain assets across the entire department.			Responsibility: Tech Services Asset Management Parks and Recreation
17	<i>Establish procedures to periodically review Recreation Center inventory and assets, and ensure completion is verified and documentation retained in a centralized repository.</i>	Concur	Expected Completion: 09/30/24
Parks & Recreation Department Comments: Parks and Recreation has been part of the city-wide team working on procuring an asset management software that can properly track and maintain assets across the entire department.			Responsibility: Tech Services Asset Management Department Parks and Recreation

18	<i>Ensure City vehicle keys are properly secured and only accessible to authorized Recreation Division personnel.</i>	Concur	Expected Completion: 03/17/2023
Parks & Recreation Department Comments: To comply with this recommendation, Parks and Recreation will work with Fleet and Facilities Management for security improvement. Vehicle keys have been moved inside a secure area.			Responsibility: Leisure Services Program Area Manager, Recreation Supervisors
19	<i>Establish a process to periodically review the user access list at the conclusion of the Summer season to ensure only current employees have access to the system. Consider coordinating with Technology Services to reevaluate the use of non-City email addresses for City employment and system user account management.</i>	Concur	Expected Completion: 04/28/2023
Parks & Recreation Department Comments: Parks and Recreation will evaluate and refine the current process to comply with this recommendation.			Responsibility: Leisure Services Program Area Manager, Recreation Supervisors, Technology Services