

Audit Recommendation Implementation Update:

September 2012

**City Internal Auditor's Office
City of College Station**

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Introduction

The City Internal Auditor's Office conducts audits in accordance with generally accepted government auditing standards (GAGAS), which are promulgated by the Comptroller General of the United States. As it pertains to audit findings developed during the course of an audit, GAGAS state that "auditors should facilitate follow-up to determine whether corrective actions have been taken."

This involves an evaluation of whether the audit organization has taken appropriate corrective action to address findings and recommendations from previous audit reports. Typically, audit follow-up engagements include the gathering of sufficient, reliable and competent evidence to independently assess the action that has been taken.

Providing timely information to city management, the City Council, and the citizens of College Station is a goal of the City Internal Auditor's Office. Therefore, there should be a balance between providing management with sufficient time to implement an audit recommendation and performing timely follow-up audit engagements. In addition, the use of scarce audit resources should be a consideration in determining when and how audit follow-up work is conducted.

Thorough audit follow-up engagements have been conducted for the following audits: (1) the Convention and Visitor's Bureau, (2) Purchasing Card Program, (3) the Purchasing Processes, and (4) the Fuel Inventory.

Follow-up audit engagements have not been performed for the following audits: (1) Utility Customer Service Cash Handling, (2) Concessions Cash Handling, (3) Aquatics, and (4) Payroll Overtime and Compensatory Time. For these audits, it was decided to require city personnel responsible for implementing the audit recommendations to **self-report** the progress that has been made in taking correction to address the audits' findings. This report consolidates this information provided by city management.

Audit Recommendation Update

Utility Customer Services Cash Handling

The Utility Customer Service Cash Handling Audit was presented to City Council on February 11, 2010. On August 24, 2012, the Utility Customer Service Manager provided a brief follow-up response to the audit recommendations. Each of the six recommendations includes the original response on how the recommendation was proposed to be addressed followed by the actual changes made. Finally, an auditor opinion regarding the sufficiency of the action taken is given—based on the assumption that the self-reported action is an accurate statement.

Recommendation 1: Segregation of Duties (Sr. Customer Service Rep)

Recommendation: To strengthen controls, the Collections Unit Sr. Customer Service Rep. should not function as a backup cashier because she performs the following incompatible duties: reconciles the cashiers' end of the day receipts, approves voided transactions, reviews essential cash control reports, and prepares the daily collections deposit. If this separation of duties is not entirely possible, other means of internal control should be practiced, such as: rotation of duties, exercising stricter supervision, double-checking work, enforced vacations, additional training to improve the quality of performance, and frequent audits.

Response: Management realizes that this recommendation would strengthen controls. However, there is a fine line between too much control and the inability to provide efficient, effective service. It would not be prudent to take away cashiering duties from the Collections Unit Sr. Customer Service Representative as she must function as a backup cashier when we are short handed. We do concur that other means of control should be exercised and will develop a plan to address this.

Action Taken: *According to Utility Customer Service Manager, system access to the Senior Customer Service Rep's profile was changed as of February 23, 2011. As a result, all cash receipts editing authority has been removed from the Senior Customer Service Rep's profile; and she is not able to void or change transactions in any cash receipts batch. Changes to cash batches including voids must be performed by the Customer Service Manager, Supervisor or a Senior Customer Service Rep. in another work group that does not perform cash handling duties.*

Auditor's Opinion: No further action is required for this recommendation.

Recommendation 2: Credit Adjustment Restrictions

Recommendation: To achieve the highest level of internal control, Utility Customer Service should consider segregating the duties of customer service representatives to their essential duties within each business unit. As a result, Collection Unit employees with the primary responsibility of collecting cash payments would not have access to billing and recording functions.

As a mitigating control, Utility Customer Service should at least restrict cashiers from making credit adjustments over \$50. Approximately 84 percent of credit adjustments made in fiscal year 2009 were under \$50. However, this represented only 25 percent of the amount of credit adjustments made in fiscal year 2009. If an adjustment of over \$50 is needed to be made to a customer's account, a cashier could call upon the Collections Unit Sr. Customer Service Rep. to make the adjustment (provided she no longer functions as a cashier).

Response: Management concurs and will develop a policy to restrict the dollar amount of adjustments made by Customer Service Representatives that handle cash to \$50.00. Any adjustments over \$50.00 will be made by a Senior Customer Service Representative that does not have cash handling duties.

Action Taken: *According to Utility Customer Service Manager, the audit recommendation has been fully implemented. In addition, as of February 23, 2011, the Customer Service Manager runs a report monthly to pull any adjustments entered by the cashiering staff to monitor and verify the procedure is being followed by this work group.*

Auditor's Opinion: No further action is required for this recommendation.

Recommendation 3: Cash Control Policies & Procedures

Recommendation: The Department of Fiscal Services cash control policies and procedures are in alignment with accepted cash handling best practices. The Utility Customer Service Manager should periodically communicate these policies and procedures to her staff along with explaining their purpose and importance. Special emphasis should be placed on providing receipts to customers and retaining receipt support documentation in cash drawers for end of the day balancing. In addition, each cashier location should have a sign encouraging customers to notify management if they do not get a receipt.

Response: Management concurs and has implemented this recommendation. Staff has been instructed to always print a computer generated receipt so that one can be retained in their cash drawer and the other can be presented to the customer.

Management will be revising policies and procedures to include this. Signs will be placed in the lobby and drive through areas encouraging customers to notify management if a receipt is not given.

Action Taken: *According to Utility Customer Service Manager, the audit recommendation has been fully implemented. In addition, fiscal responsibility is discussed during annual performance reviews.*

Auditor's Opinion: No further action is required for this recommendation.

Recommendation 4: Cashing Personal Checks

Recommendation: The Utility Customer Service Manager should implement a policy prohibiting cashiers from cashing employee personal checks of city employees. During the daily balancing process of cash receipts, the Collections Unit Sr. Customer Service Rep. should verify that no employee personal checks are in the front counter or drive thru cash drawers.

Response: Management concurs and will cease cashing personal checks of city employees.

Action Taken: *According to Utility Customer Service Manager, the audit recommendation has been fully implemented.*

Auditor's Opinion: No further action is required for this recommendation.

Recommendation 5: Processing Adjustments to Customer Accounts

Recommendation: Utility Customer Service should reexamine their customer friendly policies of forgiving money owed to the City that are a result of customer mistakes. In fiscal year 2009, Utility Customer Service made 13,155 non-cash credit adjustments (excluding write-offs) for approximately \$767,000. Legitimate account adjustments include: (a) pre-billing adjustments for unusual circumstances, such as meter reading errors and broken transmission lines or facilities; and, (b) post-billing adjustments for other miscellaneous accounting errors noted by both employees and customers for a wide variety of reasons. In other words, generally accepted account adjustments are the result of employee errors. A large number of the account adjustments made by Utility Customer Service, however, are a result of customer friendly policies of liberally forgiving customer mistakes (e.g. late payments, plumbing leaks, etc).

Response: Management concurs and will reexamine these policies. A [revised] policy will be written that will give guidelines for processing adjustments to customer accounts.

Action Taken: *A policy was written and made effective February 1, 2010 that provides guidelines for processing adjustments to customer accounts. The Utility Customer Service Manager and the Water Services Director are comfortable with the current leak adjustment policy and have agreed to maintain that policy.*

Auditor's Opinion: No further action is required for this recommendation.

Recommendation 6: Documentation of Adjustments to Customer Accounts

Recommendation: Support documentation should be required for all types of adjustments in order for the adjustment to be approved and processed. For example, if Utility Customer Service decides to continue to adjust customer bills in the case of a plumbing leak, the customer should be required to furnish documentation that the leak has been repaired.

Response: Management concurs and will work with IT to find a solution that could include scanners or electronic signatures that could be utilized by Customer Service Representatives that handle cash to receive documentation or signatures before making adjustments.

Action Taken: *According to the Utility Customer Service Manager, "the majority of adjustments are resulting from billing errors or penalty cancellations. The only adjustment that we may perform outside of billing errors would be for leaks. Staff can easily tell by looking at the water consumption if there is a leak and if it has been fixed. A solution has not been identified at this time that would scan receipts and due to the low number of adjustments that are made by cash handling CSR's staff has opted not to pursue scanners or electronic signatures at this time. Notes are documented in the Customer Information System that explains why each adjustment is being done and identifies the staff member making the adjustment."*

Auditor's Opinion: Inadequate documentation to support an account adjustment can increase the risk that fraud could occur. For example, unsupported account adjustments eliminate the accountability for money from real debts owed to the City if customer payments have been stolen. Management has decided that the increased cost associated with improved documentation methods outweighs the risk involved in this process.

Parks & Recreation Concessions Cash Handling

The Parks & Recreation Concessions Cash Handling Audit was presented to City Council on February 24, 2011. On September 24, 2012, the Director of Parks & Recreation provided a brief follow-up response to the audit recommendations. Each of the recommendations includes the original response on how the recommendation was proposed to be addressed followed by the actual changes made. Finally, an auditor opinion regarding the sufficiency of the action taken is given—based on the assumption that the self-reported action is an accurate statement.

Recommendation 1: Inventory Control by Location

Recommendation: Each concession location should maintain separate inventories. This inventory should include opening inventory, closing inventory, and the number of items sold. Upon arrival each day, opening staff should be required to complete a daily inventory count of the items on hand. At closing, the inventory and the cash register tape should be balanced with stock and cash on hand. Spot inventory checks should also be conducted by the concession supervisor and/or the recreation superintendent.

Response: Management concurs. This process will be implemented with the new season. Each location will be operated as an individual site.

Action Taken: *These recommended procedures have been fully implemented into the Concession Operations.*

Auditor's Opinion: No further action is required for this recommendation.

Recommendation 2: Nightly Deposit Procedures

Recommendation: A deposit slip should be prepared and cash, minus start-up, with deposit slip should be placed in a locking bag and delivered to the bank and deposited nightly.

Response: Management concurs. Policies and procedures will be developed so that staff can begin to make night deposits at the bank. The operating cash will continue to remain at the concession sites, within secure safes.

Action Taken: *Policies and procedures have been developed and staff makes night deposits at the bank. The operating cash will continue to remain at the concession sites, within secure safes.*

Auditor's Opinion: No further action is required for this recommendation.

Recommendation 3: Daily Reconciliations

Recommendation: The concessions supervisor should perform daily reconciliations of the deposit slip and bank receipt, the daily inventory, and cash register tape. Preferably, this should be done each night at the close of all the concession operations. If this is cost prohibitive, these documents should be left for the concession supervisor to pick up each morning, or on Monday for weekends. The copy deposit slip and bank receipt, the inventory, and cash register tape should be kept securely for future audit purposes.

Response: Management concurs. This process will be implemented immediately. Policies and procedures will be developed for the reconciliation of all deposits against cash register tapes and inventories, with spot checks by the Recreation Superintendent.

Action Taken: *Policies and procedures are now in place for the reconciliation of all deposits against cash register tapes and inventories, with spot checks by the Recreation Superintendent.*

Auditor's Opinion: No further action is required for this recommendation.

Recommendations 4, 5, 6, & 7: Cash Register Controls

Recommendation 4: According to city policy, receipts should be provided to customers and receipt support documentation retained in cash drawers for end-of-the-day balancing. In addition, each cashier location should have a sign encouraging customers to notify management if they do not get a receipt. Before this recommendation can be implemented, receipt tape machines at all concession facilities need to be operational.

Response 4: Management concurs. We will purchase new cash registers that have the capability to produce customer receipts. Signs will be posted encouraging customers to notify management if they do not get a receipt. Additionally, we will work with IT to ensure proper operation of the receipt printers associated with the point-of-sale workstations.

Recommendation 5: Cash drawers at all concession locations should be repaired to ensure that they automatically open from the lock position when a point-of-sale transaction occurs.

Response 5: Management concurs. We will work with IT to ensure all non-functional drawers are repaired or replaced.

Recommendation 6: When automated cash registers are used, user names and passwords to the RecWare system should not be shared amongst multiple users. In addition, functional access to the RecWare system for cashiers should be limited to only those functions that are necessary to perform their essential job duties.

Response 6: Management concurs. We will purchase additional cash registers to allow each concession worker doing sales to not have to share cash registers. All concessions employees with responsibility for handling cash will be issued log-in rights to Safari with user profiles consistent with their job duties.

Recommendation 7: Receipt tape produced by (either manual or automated) cash registers should contain the following control features: information identifying the cashier who processed the payment, pre-numbered receipt numbers in sequential order, mode of payment, transaction date, payment amount, and itemized payment descriptions.

Response 7: Management concurs. New cash registers will be purchased that have these capabilities. We will also pursue an upgrade of the automated system to ensure it has these capabilities.

Action Taken: *The Director of Parks & Recreation stated "we worked with IT to ensure all non-functional drawers were repaired or replaced, and ensured proper operation of the receipt printers associated with the point-of-sale workstations. We repaired the cash registers to have the capability to produce customer receipts. Signs were posted encouraging customers to notify management if they do not get a receipt. These cash registers allowed each concession worker doing sales to not have to share cash registers. All concessions employees with responsibility for handling cash are issued log-in rights to the management software with user profiles consistent with their job duties."*

Auditor's Opinion: No further action is required for these recommendations.

Recommendation 8: Cash Handling Policies & Procedures

Recommendation: Cash handling policies and procedures specific to concession operations, which are aligned with cash handling best practices, should be drafted and communicated to all current and future concession personnel.

Response: Management concurs. These cash handling policies and procedures will be drafted and implemented.

Action Taken: *These recommended procedures have been fully implemented into the Concession Operations and communicated to staff.*

Auditor's Opinion: No further action is required for this recommendation.

Recommendation 9: Tracking Detailed Sales Receipts

Recommendation: Adequate records should be maintained in order to track detailed sales receipts and revenue by concession location. The RecWare system should have the capability to be configured to accomplish this objective.

Response: Management concurs. The RecWare programs will be upgraded to work with new cash registers to be able to perform these tasks.

Action Taken: *The Parks and Recreation Department has changed the software used for this function and is making sure that it has the capability to meet these objectives.*

Auditor's Opinion: No further action is required for this recommendation.

Recommendation 10: Cash Payments to Temporary Staff

Recommendation: Under no circumstances should concessions staff be compensated in cash for services rendered to the City. The Parks and Recreation Department should follow proper hiring and payroll procedures as set by the Human Resources Department.

Response: Management concurs. This practice will not be allowed and proper hiring and payroll procedures will be followed.

Action Taken: *These recommended procedures have been fully implemented into the concession operations and communicated to staff.*

Auditor's Opinion: No further action is required for this recommendation.

Recommendation 11: Outsourcing Concession Operations

Recommendation: The City should solicit proposals from vendors who are interested and qualified to provide concession sales at Central Park, Veterans Park, Bee Creek Park, Adamson Lagoon Pool and Wolf Pen Creek Amphitheater. An internal proposal submitted by the Parks and Recreation Department should be included and evaluated against all private sector proposals that are submitted. This will require Parks and Recreation to conduct a thorough examination of all costs and

revenue associated with the concessions program within the context of private sector competition.

If outsourced, administrative overhead costs currently associated with concessions would most likely still exist, but will be allocated to other Parks and Recreation programs. Therefore, only direct costs should be taken into consideration when comparing Parks and Recreation's proposal to other private businesses' proposals.

Response: Management concurs. Bid documents will be produced to solicit Requests for Proposals for the operations of the concession stands. We will include an updated business plan by the Parks and Recreation Department.

Action Taken: *According to the Director of Parks & Recreation, the Department, in response to the Concessions Audit Report, and in order to meet the Council's directive of no subsidy for concessions operations, implemented the following Departmental restructuring for concession operations.*

"The Parks and Recreation Department has moved the budgeted Recreation Supervisor-Food Services salary and benefits from the Recreation Fund to the General Fund with a commensurate realignment of duties. As part of the reorganization, the Recreation Supervisor-Food Services became the Recreation Supervisor – Athletic Events. This position is responsible for attracting and negotiating tournaments with outside athletic event promoters and organizers, as well as creating invitational tournaments in a variety of areas to include but not limited to softball, soccer, flag football, lacrosse, rugby, and any other sport that we may wish to pursue. This move resulted in additional tournaments in College Station and will further increase sales and revenues at concessions stands at athletic facilities. With this staff change, the decision was made to keep the concession operations at Veteran's Park and Central Park in-house in order to meet the increased demands of the tournaments at those sites.

We have integrated the concession stand at Adamson Lagoon into the daily operations of that facility. This enabled us to utilize existing aquatics staff for operations as well as coordinate facility schedules. The concession is also being used as the source of food for the numerous swimming pool rentals. This change has allowed us to have better control over the concessions operation at that facility. To ensure the concessions operation in those areas that the City still manages operates in a positive cash flow manner, several internal changes have been made. First, pricing has been adjusted to reflect the cost of operation and focusing on profitable items. Secondly, operations at smaller, non-revenue generating activities have been halted. Third, services have been reduced at existing activities, based on schedule and attendance.

The concession stands at Southwood Park and W. Smith Ballfields we are working with the local Little League to continue to operate those facilities. The City receives 5 percent of the gross sales. At Bee Creek Park, we have turned over operations to the Brazos Valley Girls Softball Association (BVGSA)."

Auditor's Opinion: No further action is required for this recommendation.

Parks & Recreation Aquatics

The Parks & Recreation Aquatics Audit was presented to City Council on February 24, 2011. On September 24, 2012, the Director of Parks & Recreation provided a brief follow-up response to the audit recommendations. Each of the recommendations includes the original response on how the recommendation was proposed to be addressed followed by the actual changes made. Finally, an auditor opinion regarding the sufficiency of the action taken is given—based on the assumption that the self-reported action is an accurate statement.

Recommendations 1 & 2: Staffing Levels

Recommendation 1: The Parks and Recreation Director should work with the Pool Supervisor to determine appropriate staffing levels to move from a year-round staffing model to a seasonal model. Employing part-time/seasonal aquatics personnel only during the periods when city-owned pools are open to the public would result in significant savings. Therefore, part-time/seasonal aquatics personnel should not be employed year-round. There may be a need to hire some staff prior to pool openings to receive specific training related to the operation of aquatic facilities. There may also be a need to continue the employment of some staff shortly after the pools close to assist in pool closing procedures. However, this should be limited and should not persist for a significant period of time.

Response 1: Management concurs. The operation of the Aquatics program during the October – March season is directly tied to the use of the CSISD Natatorium. If the decision were made to no longer utilize that facility, many of the issues listed would be addressed. If the ILA with the CSISD includes the Natatorium in the future, it would be our recommendation that the fees to area swim teams and programs would be increased so that additional revenue could offset expenses.

In regards to programs that we currently offer that are deemed "outside the core" of Aquatics, we would solicit sponsors to cover the expenses or, failing that, no longer offer them. Again, this is contingent upon the future use of the CSISD Natatorium.

Recommendation 2: The City should not staff the Natatorium with city aquatics personnel. In addition, the City should not use the facility for any city-run programs

such as the recreational swim team or water aerobics classes. When the City renegotiates its inter-local agreement with CSISD, the City's relationship with the Natatorium should be removed from the contract. This will not only reduce staffing expenditures, but also reduce costs associated with potential CSISD billings to the City. CSISD should decide how much they want to charge or subsidize for competitive swimming programs and the general public for the use of their facility. In effect, this would place the responsibility of the amount of subsidization of non-city run programs to the facility owner.

Response 2: Management concurs, however, the decision to continue the ILA with the CSISD that includes the Natatorium is a City Council decision.

Action Taken: *According to the Director of Parks & Recreation, "the operation of the Aquatics program during the October – March season is directly tied to the use of the CSISD Natatorium. The decision for FY12 was to continue to support the CSISD in their use of the facility. We did, however reduce the recreation program offerings at the facility to reduce our costs. We no longer offered public swimming at the Natatorium and have combined our programs, offering them at the same time, in order to reduce costs. We have also modified our facility use schedules to reflect much more of a seasonal model with the majority of our programming taking place April through September.*

In regards to programs that we currently offer that are deemed outside the core of Aquatics, we would solicit sponsors to cover the expenses or, failing that, no longer offer them. We are no longer offering the Train-the-Trainer program and are working with the Texas Parks and Wildlife Department to offer a fishing program in lieu of the Pool-Trout-Fish-Out.

For the upcoming fiscal year (FY13), the Aquatics Division will be proposing several changes. Many of the changes are a direct reflection of the recommendations from the Aquatics Audit. The action with the most impact is the final change in swimming pool operations from a year round basis to reflect more of a seasonal use schedule.

As part of this plan, the reduction of year round operations to a seasonal schedule will allow for the reduction of one full-time position (Assistant Supervisor – Programs) to part-time/seasonal, and the transfer of the Assistant Supervisor – Maintenance to an opening in the Operations Division.

This plan will decrease the services offered during the off-season time of the year, however the current program use is minimal (water aerobics and lap swimming). There will also be a small loss of revenues from the cancelled programs, however there would be a substantial increase in revenues with the decision to begin to charge the Ags Swim Club for their pool use time."

As a result, there is a projected \$101,362 net budget reduction proposed for FY13. The proposed FY2013 schedule is as follows:

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- Oct -** • All swimming facilities closed for general operations
- Mar:** • Maintenance on all of the swimming pool facilities during this time
 • No longer offer any city programs or classes at the Natatorium
 • Continue support of CSISD programs at the Natatorium with lifeguards and facility oversight
 • Ags Swim Club: Continue to work through the City for Natatorium use, but begin to phase in a fee increase to cover costs associated with their use
- | | | |
|-----------|------------|---|
| Fee | Aug 2012 = | \$1/swimmer/month (approximate current rate) |
| Increase | Jan 2013 = | \$5/swimmer/month |
| Schedule: | Aug 2013 = | \$10/swimmer/month |
| | Jan 2014 = | \$15/swimmer/month |
| | Aug 2014 = | Re-evaluate cost associated with the program to determine the fee |
-
- April:** • Adamson Lagoon will open to the public on weekends only
 • Lifeguard and Instructor Training Classes for the general public will begin
 • Swim Clinic will begin
-
- May:** • Adamson Lagoon will open to the public on weekends only
 • Swim Programs begin (Swim Team, Water Aerobics, Lap Swimming)
 • Southwood & Thomas Pools open for the season on Memorial Day weekend
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- Jun -** • All pools remain in full operation until the weekend before the school year begins
- Aug:** • All pools will remain open on weekends through the Labor Day weekend
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- May:** • Adamson Lagoon and Southwood Pools will be open to the public on weekends until the end of the month
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Auditor’s Opinion: No further action is required for these recommendations.

Recommendation 3: Wasteful Expenditures

Recommendation: The mission goals and objectives of the aquatics program should be better defined by the acting Director of Parks and Recreation in conjunction with the City Manager’s Office. The Pool Supervisor should be instructed to carry out the newly defined mission, goals, and objectives of the program by eliminating expenditures or programs that are not in alignment with them.

Response: Management concurs. The mission goals and objectives of the Aquatics program will be re-examined with the staff and management, with policy direction

from the City Manager's Office. New direction, programs, staffing, and program offerings will need to be planned and implemented.

Action Taken: *The aquatics operations supervision has been moved under the direct oversight of Peter Lamont, Recreation Superintendent. Peter is assisting with program and schedule modifications as directed by the Department Director.*

Auditor's Opinion: No further action is required for this recommendation.

Recommendation 4: Staff Overtime

Recommendation: Staffing levels of part-time seasonal staff should be better managed to ensure that there is adequate staffing levels to prevent the payment of overtime to these employees. This audit finding was also addressed in the payroll audit released in May 2010. The second recommendation of the payroll audit should be referred to and implemented.

Response: Management concurs. A plan for decreasing the amount of overtime will be reviewed with upper management. It should be noted that the amount of overtime has continued to decrease since 2008. It is the Aquatics program's mission for the overtime amount to continue in this downward trend. Reductions can be realized through hiring and training enough staff to be able to have a large enough labor pool to draw from at peak times of the season.

The second recommendation of the payroll audit is currently being reviewed by the Human Resource Department. If accepted, we will implement the policy immediately.

Action Taken: *According to the Director of Parks & Recreation, "the Aquatics Supervisor is working diligently to reduce overtime. It should be noted that the amount of overtime has continued to decrease since 2008. It is the Aquatics program's mission for the overtime amount to continue in this downward trend. Reductions will be realized through hiring and training enough staff to be able to have a large enough labor pool to draw from at peak times of the season. As a comparison, the overtime expenses in FY08 = \$28,936 and in FY11 = \$3,885, a reduction of \$25,051."*

The second recommendation of the payroll audit is currently being reviewed by the Human Resource Department.

Auditor's Opinion: No further action is required for this recommendation.

Recommendation 5: Training Expenditures

Recommendation: Part-time, seasonal staff training should be limited to what is necessary to fulfill essential job duties. Alternatives to reduce training expenditures should also be explored; such as the revenue generating model for lifeguard certifications utilized by the City of Bryan. In addition, the Pool Supervisor should consider diverse training opportunities. For example, instead of attending Ellis and Associates training in Arizona each year, alternatives such as National Aquatics Conference and National Aquatics Management School should be considered—which have training opportunity options that focus not only on safety concerns but also on operations, management, and cost management issues within the aquatics industry.

Response: Management concurs. The Department, and specifically the Pools Supervisor, is on board in relation to investigating different lifeguard training and certification opportunities and exploring different models. We will continue to explore and take advantage of varied training opportunities in the aquatics industry.

The revenue generating model for training is currently being investigated with the help of the Human Resources Department and the Public Communications Department. We are looking at offering lifeguard and swimming instructor training programs to the general public and then accepting applications from those that pass the classes versus the current method of hiring staff first and then training them at the full expense of the City.

Action Taken: *According to the Director of Parks & Recreation, "the Parks and Recreation Department has re-aligned all aquatics operations into one division from three separate areas. We have also made the move away from Ellis and Associates training to the American Red Cross. This allows us to fully utilize the same organization for lifeguard training as well as swimming instructors. This training is much less expensive and shares training classes without a reduction in quality and safety. There was a direct savings of \$22,091 due to not having to pay for the Ellis & Associates client fee.*

The revenue generating model for training has been changed to fit the move to the American Red Cross. We are now offering lifeguard and swimming instructor training programs to the general public and then accepting applications from those that pass the classes versus the current method of hiring staff first and then training them at the full expense of the City.

These changes had a direct budget savings of \$15,612 for the first 8 months of FY12 as compared to FY11, and an increase in revenues of \$8,100 from the lifeguard and swimming instructor training classes offered to the public."

Auditor’s Opinion: No further action is required for this recommendation.

Payroll Overtime & Compensatory Time

The Payroll Overtime & Compensatory Time Audit was presented to City Council on July 8, 2010. On September 26, 2012, the Chief Financial Officer in conjunction with Director of Human Resources provided a brief follow-up response to the audit recommendations. Each of the recommendations includes the original response on how the recommendation was proposed to be addressed followed by the actual changes made. Finally, an auditor opinion regarding the sufficiency of the action taken is given—based on the assumption that the self-reported action is an accurate statement.

Recommendations 1: Policy Alignment with FLSA Minimum Requirements

Recommendation: Align city overtime and compensatory time with FLSA minimum requirements. For the purpose of computing overtime and compensatory time for non-exempt employees, holiday, sick, or vacation time used during the pay period would no longer be included.

Response: Management concurs with this recommendation and will modify the current policy to realign to meet the requirements of FLSA. This rewritten policy will include the understanding that only time worked will be counted towards overtime, to exclude vacation, sick, holiday pay – which are not hours worked, but earned.

Action Taken: *According to management, the overtime/comp time policy has been revised & implemented and is in accordance with FLSA requirements.*

Auditor’s Opinion: No further action is required for this recommendation.

Recommendations 2: Fire Personnel Compensation

Recommendation: Adjust fire personnel overtime pay compensation to reflect a 28 day pay period based on the FLSA 207(k) exemption.

Response: Firefighter pay is currently calculated based on a formula that includes their 24 hour workday, and calculations are based on the assumption of paying out a yearly rate that is different than typical pay calculations. Texas Law has allowed for a calculation of hours that would include a different assumption of overtime pay. The HR Director and CFO will review the current calculation method in calculating firefighter pay and submit to the City Manager’s Office for further review.

Action Taken: *According to management, Fire personnel overtime is calculated based on 28 day period and the FLSA 207(k) exemption.*

Auditor's Opinion: No further action is required for this recommendation.

Recommendations 3: Seasonal/Temporary Worker Overtime

Recommendation: Only under very limited circumstances should temporary or seasonal workers be scheduled to work overtime.

Response: Management agrees with this finding, and will begin implementation of a new category of worker, to include part-time, non-benefitted to better account for the various scenarios workers may be working. This additional category would be added for those employees who work longer throughout the year on a part-time basis, but not eligible to receive benefits.

Action Taken: *According to management, "we have been working on the restructuring of the seasonal temp pay plan and the categories of seasonal/temp. The work of implementing a part-time/non benefitted category will be submitted to the City Manager's Office for review and implementation in FY 13."*

Auditor's Opinion: No further action is required for this recommendation.

Recommendations 4: Using Compensatory Time to Earn Overtime

Recommendation: The practice of using compensatory time to earn overtime or additional compensatory time should be eliminated.

Response: Management agrees with this finding and will educate supervisors regarding the practice of approving compensatory time, which would exclude the ability to earn overtime on comp time hours.

Action Taken: *According to management, the revised comp time policy addresses the issue of approving comp time and not utilizing overtime as opportunity to earn additional comp time.*

Auditor's Opinion: No further action is required for this recommendation.

Recommendations 5: Seasonal/Temporary Employment

Recommendation: The Parks and Recreation Department should coordinate with the Human Resources Department a good deal before the opening of seasonal facilities to better plan the hiring process of temporary and seasonal workers. In addition, the HR Director should take all the necessary steps to (1) create a part-

time without benefits employee classification, and (2) ensure that all city employees are appropriately classified.

Response: Management agrees with adding an additional category of part-time, non-benefitted and will work on the creation of this additional classification and moving employees to the correct classification.

Action Taken: *According to management, Human Resources has been working diligently on the temp/seasonal portion of the pay plan. The addition of an additional category (part-time, non-benefitted) will be presented for approval for FY 13. Additional work has begun, based on new criteria under the Affordable Health Act, which will have some additional impact to the part-time category.*

Auditor's Opinion: No further action is required for this recommendation.

Recommendations 6: Secondary Employment within the City

Recommendation: The HR Director should develop procedures to ensure that secondary employment within the City meets the four FLSA exemption criteria—the secondary employment must be (1) occasional and sporadic, (2) part-time, (3) at the employee's option, and (4) substantially different. The HR Director should also work with Parks and Recreation staff to develop a solution to meet staffing needs at special events, while complying with the FLSA. In addition, better record keeping is needed to ensure that secondary employment hire and termination dates are accurate. Therefore, these records will not appear to be on-going, part-time positions when they are actually temporary and sporadic in nature.

Response: Management agrees with this recommendation in the criteria of secondary employment as it relates to FLSA regulations. HR Director will review current procedures and make any changes to ensure this criteria is met regarding any secondary employment within the City. Currently managers oversee the hiring and termination process for seasonal/temp employees, and HR will continue to educate supervisors of the importance of ensuring that employees are terminated from the system in a timely fashion.

Action Taken: *According to management, overall the use of secondary employment within the City (i.e. J2 positions) has been greatly reduced. We have very few employees who participate in secondary employment within the organization, and any secondary employment requires the appropriate policies and FLSA guidelines to be in place. We will continue to review the policy and practice of secondary employment to ensure that the criteria is appropriately applied.*

Auditor's Opinion: No further action is required for this recommendation.