

# **Board of County Commissioners**

## **Agenda Request**

Date of Meeting: April 7, 2009

Date Submitted: March 20, 2009

To: Honorable Chairman and Members of the Board

From: Benjamin H. Pingree, County Administrator  
Timothy Barden, Assistant. County Administrator  
Ray Gray, Director, Parks and Recreation Department

Subject: Acceptance of Report and Recommendations from the County's Auditor and Staff, Respectively, Regarding the FY2006/2007 Audit of the Wakulla County Parks and Recreation Board.

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### **Statement of Issue:**

This agenda item presents the Board with a brief report on historical activities at the Parks and Recreation Division including the existing Parks and Recreation Board; it presents the Board with a report from the County's Auditor Regarding the FY2006/2007 Audit of the Wakulla County Parks and Recreation Board – a review that was requested by county staff and directed to occur last year by the Board, and presents staff recommendations regarding how to respond and rectify those issues discovered through the requested Audit.

### **Background**

The Parks and Recreation Board(hereinafter referred to as "Recreation Board") consists of twelve (12) volunteer members; two (2) members representing each County Commissioner Districts, one (1) appointed by the Wakulla County School Board and one (1) by collective Board of County Commissioner(hereinafter referred to as "Board") appointment. They are required to have regular monthly meetings at a pre determined location in which minutes are to be recorded. The current list of Board members are attached (Attachment #1).

The first Director of the Recreation Department (1981 to 1983) was Larry Bruce. In 1983 he recommended that a citizen's board be established that would act as an advisory and liaison between the Board and the citizens. In 1984, under the guidance of the new Director, Sunnie Oneal, the Recreation Board was created with the task of governing the baseball, softball and football associations which were established and managed by local citizens/volunteers. Prior to this date, parents concerns over children's playing time and coaches disputes were being addressed by the Board of County Commissioners. The new Recreation Board created by-laws and established a format to act as an advisory board to the Director and to the Board of County Commissioners. This new Recreation Board would also address any conflicts that could not be resolved by the associations.

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In October 2001, Parks and Recreation Director Ray Gray, met with Clerk of Court, Brent Thurmond, County Administrator Parrish Barwick, Parks and Recreation Board President Philip Vause, and Parks and Recreation Treasurer Ben Withers. At this meeting it was decided that the Parks and Recreation Board would collect and keep all youth and adult program revenues and would pay all expenses related to administering the programs. On November 19, 2001, an agreement was signed by County that created the Recreation Board. New by-laws were enacted. These by-laws would govern the Recreation Board similar to previous by-laws. There was no requirement for an annual audit per this agreement or by-laws (Attachment #2).

Prior to October of 2001, all recreation program revenues and expenses were handled by the Wakulla County Clerk of Court with the exception of the Wakulla County Cub League Association, the Wakulla County Little League Association and the Wakulla County Junior Major League Association. Informing this 2001 decision to allow the Parks and Recreation Board to capture and expend these user fees was a concern led by the Recreation Board that youth sports registration fees were being deposited in the Wakulla County General Fund and were not being captured for expenditure on solely parks and recreation activities.

During the beginning of 2007, an administrative review of all county programs and services began in earnest. On April 12, 2007, staff presented an updated set of Parks and Recreation Board By-Laws for approval by the Board of County Commissioners. Significantly, and critical to the overall holistic review and ongoing improvement of program administration within this division, the Board accepted a staff recommendation and directed that the new by-laws include a provision that the Recreation Board must participate in the County's annual financial audit (Attachment #3).

On October 23, 2007, and after a thorough Request for Proposal process was performed, the County contracted with the auditing firm of Powell & Jones to conduct the County's annual financial audit. Included in that contract's scope of work, was a provision that the Wakulla County Parks and Recreation Board be included in the annual financial audit as directed by the Board.

On August 8, 2008, a letter was sent to Powell and Jones requesting the audit be performed and to the Recreation Board notifying them that they would be audited in the 2006/2007 fiscal year and included in that letter was a list of items that the auditor would need to perform the audit (Attachments #4 & 5).

On February 2, 2009, after completion of the audit report, Powell and Jones submitted the report to the Clerk's Office and County Administration with recommendations for action. Since that time, staff has been working diligently to review those findings and identify measures for corrective action within this division. The analysis section, below, provides a further overview of this process. The audit report is attached for your information and review (Attachment #6).

**Analysis:**

**2001 Agreement Between Wakulla County and Recreation Board**

The agreement between the Board and the Recreation Board that was approved on November 21, 2001, was a one page document that was limited in depth and scope. It outlined how only user fees would be transferred from the Recreation Board to the Clerk's office in order to track participants. In turn, the Clerk's office would issue a check back to the Recreation Board for the user fees. All other fees, including donations, sponsorships, contributions, concessions and fundraisers would be deposited and be kept solely with the Recreation Board. The agreement also stated that an annual program audit would be performed. This Agreement did not, nor did the By-laws, outline any additional operating procedures to provide oversight of this fiscal responsibility such as, specifically, who within the Recreation Board structure would authorize purchases, perform recordkeeping, or track/maintain volunteer and paid personnel management. The agreement also did not specify auditing responsibilities for the Parks and Recreation Board nor did it specify the utilization of County personnel in any capacity with regard to Recreation Board activities. This lack of determination at the outset has clearly yielded challenges for both county staff and the Parks and Recreation Board and resulted in a systematic accountability and accounting failure – the results of which are testified to in the Audit. The original executed agreement is attached (Attachment #7).

An addition concern, while the original Agreement stated that user fees would be transferred between the Recreation Board and the Clerk's office, it did not outline how all the other funding (donations, sponsorships, contributions, concessions and fundraisers) would be handled and accounted for. This agreement also did not outline County Parks and Recreation staff participation in the operation of the Recreation Board nor any compensation back to the County for any such staff participation. Currently, County staff has been very involved in working with the Recreation Board. They have handled a significant part of Recreation Board paperwork, including taking minutes and preparing agendas for all meetings, staff has issued purchase orders and the processing payments for the Recreation Board as well as working concessions. While the agreement had no provision for Recreation Board fiscal accountability by way of financial audit, it did provide for their performance of a loosely defined annual audit of "programs" – presumably to include Recreation Board review of county programming. However, staff has not received, nor has the Board of County Commissioners received, any such written audit by the Recreation Board to staff's knowledge.

In summary, and regardless of the significant findings of the audit report documented further, below, there is a significant level of concern held by staff regarding the operational protocols in place under pre-existing agreements and management of recreation activities that are ill-defined but routinely shared by the Parks and Recreation Board and the County's Division of Parks and Recreation. The Audit, presented below, well synthesizes those concerns holistically and provides an appropriate catalyst for corrective management action presented further below.

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### **The Audit Report**

The audit report that was submitted by the County's auditor for the FY2006/2007 highlighted some major findings related the handling of revenue and expenditures by the Parks and Recreation Board. The findings that the audit report brings forth are very significant and, without corrective action provided herein, troublesome in their scope. The audit findings indicate major deficiencies in the management and accounting practices utilized by County staff and the Recreation Board with relation to the Recreation Board's funds, which if not corrected, could have potential legal and monetary implications – significantly for the Parks and Recreation Board.

#### **Major Findings Presented in the Audit:**

- 1) Lack of documentation of 501c(3) status of Parks and Recreation Board.
- 2) Non-submission of Form 990 that is required to be submitted by all 501c(3)s to the federal government.
- 3) Lack of financial management software to administer the programs and provide adequate reporting methods.
- 4) No evidence of Florida Sales Tax filings on concessions.
- 5) Lack of inventory on concessions.
- 6) No bank reconciliation.
- 7) Non-issuance of 1099 IRS forms for employees paid by Parks and Recreation Board for performance of recreation activities.
- 8) Employees being paid from cash receipts without proper documentation.

The Recreation Board consists of volunteer members with limited assistance of County staff from the Recreation Department. The Recreation Board currently does not employ any full-time staff of their own to perform the many functions involved with the operation of a budget, or provide the scope of services, at this size. The increase in financial responsibility has been brought to a level that has become very time consuming for a group of citizens who are just volunteers as well as County staff whose primary job function (under the 2001 agreement) has not been clearly codified as being those activities under the purview of the Recreation Board. At the time of the Recreation Board's creation, the programs administered by the Recreation Board were minimal to reflect the County's relatively small population. For comparison purposes, in 1999 the total revenue collected by the County for all youth and adult related recreation programs was \$22,510. For 2008 fiscal year, for the budget for the same programs administer by the Parks and Recreation Board is approximately \$150,540. That represents a 668% increase in size of the budget since 1999.

Additionally, this audit report is for the fiscal year 2006/2007. Since the time of this audit year, Parks and Recreation staff and the Recreation Board have, combined implemented procedures that address some of the findings in the audit report. Attached is the report of the corrective measures taken since the 2006/2007 audit year to address some of the findings (Attachment #8).

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This attachment of "corrective measures" include activities to clarify 501 C(3) status of the Board, installation of financial accounting software, reviewing all receipts to begin processing of delayed/delinquent Florida State Sales Tax payments, and the establishment of a process to pay employees appropriately, to highlight a few. While not elaborated upon fully in this analysis to mitigate repetition, staff recommends the full review of this document (Attachment #8) for purposes of identifying where we stand today in mitigating some of the noted concerns – some valid progress has already been made. The remainder of this item outlines options to fully improve these deficiencies noted.

Please note: Mr. Richard Powell, from the auditing firm of Powell and Jones, who performed the audit, will be present at the meeting to discuss the audit should the Board have any questions.

**Recommended Steps for Corrective Action:**

In light of the significant findings in the audit report of the Parks and Recreation Board, staff recommends that either of the following options be utilized by the Board to remedy the current situation and remaining systematic disparities.

**Option "A" (NOT RECOMMENDED):**

**Parks and Recreation Board Assumes Total Responsibility of Program Recreation Activities.**

The Recreation Board, if they so desired, could assume total and complete control of all program related activities and financials. The Recreation Board would be completely responsible for all financial management related to these activities. The Recreation Board would lease space from the County for use of the facilities and would be responsible for concession related activities. A memorandum of understanding agreement would need to be entered between the Recreation Board and the Board with the following minimum requirements:

- Established and maintain 501c (3) status with the State of Florida for the duration of the agreement.
- Terms for use of facilities to be utilized along with a fee structure.
- At least one paid part-time or full-time personnel to manage finances paid from Recreation Fees.
- An annual financial audit performed by the County's contracted outside auditor and submitted to the BOCC for review to be paid for by the Recreation Board.
- Annual budget submitted for Board approval.

At their February 23, 2009 meeting, the Wakulla County Recreation Board was made aware of the audit report and its findings and discussed the audit report. The discussion focused on additional remedial measures that could be taken to address the findings. There was also discussion of management options moving forward in the future, and staff from Parks and Recreation concluded

that the Recreation Board is considering transferring all financial management over to the County and then assuming the role of an advisory board to the Board of County Commissioners.

**Option "B" (RECOMMENDED):**

**Board of County Commissioners assumes all financial management, administrative oversight and responsibility for County recreation activities and the current Recreation Board is Reconstituted as an Advisory Board to the County.**

This option involves the County assuming complete control over all recreation activities, including financial management, currently under by the Recreation Board. The Recreation Board would then cease its existence as a 501 C(3), presumably after completing all required payments/addressing any deficiencies noted in the prior fiscal years by the auditors for which they are responsible, and shall become an advisory board to the Board of Commissioners. This would be similar to the Infrastructure Advisory Committee. Basically, the structure would revert back to pre-2001 when all recreation activities were handled by the County. Moreover, these active and well-intended citizens, would be free to assist the Board with ongoing improvements in county recreation activities.

Based upon the Board's approval of this direction, the following steps would be taken accommodate this transition:

1. Staff will create a Resolution establishing a "Parks and Recreation Advisory Committee" similar to other county advisory committees of the Board. Parks and Recreation Division staff will "staff" this Committee once created and commission appointments are made.
2. The Recreation Board, as presently constituted, will cease operation on June 30, 2009, the end of their fiscal year.
3. The Parks and Recreation Division will immediately assume management of all recreation and financial management activities INCLUDING concessions, payment of staff and ALL noted issues of concern outlined in the Audit.
4. A fund would be established for Recreation related activities, including receipts from all concessions and user fees. This fund will include revenue and expenditure categories for each activity and proceeds will be utilized to fund County recreation activities as directed by the Board of County Commissioners.
5. All revenue and expenditures of this fund will flow though the County coffers through the Clerk of Court's Office, similar to all other county funding.
6. All purchases will adhere to the procedures outlined in the County's purchasing policy. All county standards will apply, all state and federal laws will be adhered to and managed by county staff.

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There is a Board workshop with the Recreation scheduled for May 5, 2009. This workshop could be utilized by the Board to discuss these options with the Recreation Board to more smoothly effectuate a transfer of responsibilities. However, it is recommended that whichever option the Board chooses, the transition begin immediately.

The transition would include the complete and total transfer of all funding and documents in possession of the Recreation Board, along with a full reconciliation of those records. Staff has met with the Clerk's office to make them aware of the possibility of such a transition and they prepared to help facilitate any plan the Board directs with the Recreation Board and County staff.

Please note, while the recommendations outlined above are significant in their nature and swift in their application, they are not intended to overly criticize the good citizens who have for many years assisted the County in crafting an excellent set of parks and recreation programs through this Parks and Recreation Board. The recommendations are, however, an acknowledgement that at the present time and into the future, the requirements mandated for financial and administrative oversight of these programs requires an efficacy and capacity not held nor anticipated by a voluntary citizen 501 C(3) organization.

### **Summary**

The Board of County Commissioners recognizes the amount of time and effort the Recreation Board has put into recreation activities for the youth and adults of Wakulla County. They have provided a very valuable service without compensation for the last 8 years. The County would like to thank the Recreation Board for the work that they have done and look forward to working with them in an advisory capacity in the future.

However, in light of the findings of this recent financial audit, staff is recommending that all financial management of recreation activities, including concession activities, revert back to the County. Included in this recommendation, is the request that the Recreation Board be maintained and that they assume the role of an advisory board to the Board of County Commissioners. This will relieve the Recreation Board, all who serve as volunteers, the burden of managing and maintaining any financial records. This will also enable the County to ensure the funding received for these activities is accounted for properly and within the guidelines set by the County, State of Florida, and the Federal Government.

This is a part of the Board's continuing effort to be consistent across all county departments and divisions to ensure accountability and transparency in County government. Lastly, the citizens of Wakulla County can be assured that sound financial management and reporting of their funds will be undertaken in the same manner as all other County funds through these recommended improvements.

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**Options:**

1. Accept the Auditor Report and approve direction to have the County assume all financial management, administrative oversight and responsibility for recreation activities and direction for the current Recreation Board to cease in its present form and reconstituted as an Advisory Board to the County, as presented in Option "B" of the analysis above.
2. Do not accept the Auditor Report do not approve Option "B".
3. Board direction.

**Recommendation:**

Option #1

**Attachment(s)**

1. Current List of Recreation Board Members
2. 2001 Recreation Board By-Laws
3. April 12, 2007 Agenda Item and Recreation Board By-Laws
4. Request to Powell & Jones to conduct review of financial statements
5. Letter from County Administration to Recreation Board regarding audit
6. Audit Report from Powell & Jones with findings for the 2006-2007 Budget Year
7. 2001 Agreement Between the County and Recreation Board.
8. Corrective Measures Response

BP:TB:RG:vad