




20 E Main St Suite 820  
PO Box 1466  
Mesa, Arizona 85211-1466

ITEM NO. 39

Date: December 8, 2009

To: Audit and Finance Committee

From: Jennifer Ruttman, Interim City Auditor 

Subject: Adult Sports Program Audit

cc: Bryan Raines, Deputy City Manager/Acting PRCF Director  
Mike Holste, PRCF Assistant Director

Pursuant to the Council-approved audit plan, the City Auditor's Office has completed an audit of the Adult Sports Program. Included with this letter are the audit report, 2 corrective action plans (CAPs) and management's response.

We would like to thank Parks, Recreation and Commercial Facilities management and staff for their cooperation, professionalism and assistance throughout the audit process. If you have any questions please feel free to contact me at x3767 or Jason Taylor at x3635.

## Audit Report

**Department:** Parks, Recreation and Commercial Facilities (PRCF)

---

**Audit Subject:** Adult Sports Program

---

**Report Date:** July 21, 2009

**Audit Period:** July 2008 – June 2009

**Purpose:** The primary objectives of this audit were:

1. To determine whether PRCF's Adult Sports registration fees are adequate to recover the program's costs.
2. To assess the adequacy of PRCF's internal control over the receipt of Adult Sports registration fees.

**Scope:** To accomplish this audit, we:

1. Conducted interviews with various PRCF personnel.
2. Observed various Adult Sports facilities and league play.
3. Reviewed revenue, cost, and facility usage data related to the Adult Sports program.
4. Reviewed supporting documents and other evidence related to costs and internal control activities.

**Background:** Mesa's Adult Sports program currently includes two sports: softball and flag football. Softball is the larger of the two, with an average of 260 teams participating in each season, compared to about 30 for flag football.

The program offers various leagues within each sport, depending on competition level and preferred game times. Games last about an hour, and are typically played in the evenings at 5 facilities throughout the city. Each game is officiated, and the facilities are staffed with supervisors to provide assistance and oversight. There are 4 softball seasons and 3 flag football seasons each year. At the end of each season, the top teams play in tournaments, with plaques or t-shirts being awarded to the league champions. Registration fees are currently \$470 per season for softball and \$475 for flag football.

In March 2003, the City Council directed the Adult Sports program to recover its costs through participation fees. At that time, the program also included volleyball, basketball, soccer, and baseball. However, with the recent budget cuts, PRCF reduced the program to softball and football after December 2008. Historically, PRCF has reported that adult softball

consistently recovers over 100 percent of its costs; whereas other sports do not.

We previously issued two reports related to the Adult Sports program. In April 2007, we reported on an adult softball employee theft incident and the related internal control weaknesses. In December 2008, we issued a report based on our standard follow-up procedures. We reported that PRCF had significantly improved its internal controls over softball, but still had not fully implemented all of our original recommendations.

**Conclusions and  
Recommendations:**

1. PRCF should seek clarification from the current City Council as to its cost recovery expectations. Although prior Councils directed PRCF to achieve "full cost recovery" for the program, it is not clear whether this includes indirect costs such as field maintenance. The program is not currently recovering these costs, and doing so would likely require increasing registration fees to levels above the current market.

We were able to verify that the program is currently recovering its direct costs, which include program staff, contracted sports officials, electricity usage, and t-shirt purchases. Although we have some reservations about whether PRCF's cost estimation methods will be valid in future years, PRCF management has been receptive to our concerns and suggestions for improvement.

2. Despite previously agreeing to do so, PRCF had not limited employees' access rights to its financial system (RecTrac), thus increasing the risk of fraud or errors. After the end of this audit, PRCF management asserted that they had resolved the issue. However, they should continue to periodically review and realign RecTrac access rights with employees' job responsibilities.

Please see the attached Corrective Action Plans for detailed findings and recommendations.

**Corrective Action Plan #1**  
**Audit Subject: Adult Sports Program**

**July 2009**

---

**Title: Indirect Cost Recovery**

---

**Observation:** It is unclear whether Council expects PRCF to recover indirect costs related to the Adult Sports program.

**Discussion:** The City is effectively subsidizing the facilities maintenance costs of the Adult Sports and facilities rental programs, at a rate of over \$200,000 per year. Although a previous City Council expressed willingness for the City to subsidize youth sports programs, it directed PRCF to ensure that the Adult Sports program achieve “full cost recovery.” The Council did not specify whether this should include indirect costs such as field maintenance.

The facilities in question include a soccer field and 3 softball complexes that are fenced-off and used almost exclusively by the Adult Sports and facilities rental programs. Subsidized community programs such as city-sponsored and not-for-profit youth sports organizations generally use other facilities.

The maintenance costs for the facilities in question are mostly related to turf maintenance, such as mowing, fertilization, sprinkler repair, and infield care. However, about \$20,000 is also spent for light repairs and restroom cleaning. Unlike the program’s direct costs such as contracted sports officials and electricity usage, these maintenance costs do not change based on the size of the Adult Sports or rental programs that use them. In other words, they are “fixed costs” that could only be eliminated by cutting both the Adult Sports and rental programs, and disallowing any other public use of the facilities. Even then, the City would incur some tangible and intangible costs related to weed abatement and urban blight, or to convert or sell the property.

Requiring the Adult Sports and facilities rental programs to recover the full costs may result in participation fees and rental rates that exceed current market rates. For example, if the Adult Softball program were to recover the maintenance costs in proportion to its 85% field usage, softball participation fees would likely have to be increased from \$470 to \$640 per team. In comparison, double-header adult softball fees charged by the other East Valley municipalities, range from \$360 to \$603.

Various other options also exist. For example, the participation and rental fees could be increased to at least partially recover the fixed costs. In addition, PRCF officials suggested allowing the general public to use the facilities, effectively “shifting” the subsidy from Adult Sports to the general public. The fourth adult softball facility is currently operated in this manner. Finally, the Council may also desire to make no changes, and continue subsidizing the Adult Sports and facilities rental programs.

**Recommendation:** PRCF should seek clarification from the current City Council as to its cost recovery expectations, and should take appropriate action as needed to meet those expectations.

**Corrective Action Plan #2**  
**Audit Subject: Adult Sports Program**

**July 2009**

---

**Title: Registration Controls**

---

- Observations:** PRCF allowed a key employee to have excessive access rights to the financial system, despite previously agreeing to limit such access.
- Discussion:** We previously communicated concerns over financial system access in our April 2007 Adult Softball Revenue audit report and December 2008 follow-up report. PRCF indicated in its response to the follow-up that it was in the process of reviewing access rights and security levels. However, management had not made any changes until we brought it to their attention during the current audit. This lack of action exposed the Adult Sports program to increased risk of fraud and errors. After the end of this audit, PRCF management asserted that they had resolved the issue. However, they should continue to periodically review and realign RecTrac access rights with employees' job responsibilities.
- Recommendations:** PRCF should periodically review and realign RecTrac access rights with employees' job responsibilities. For example, staff that do not have a need to process payments and refunds should not have the ability to do so in RecTrac.



mesa·az

PARKS, RECREATION & COMMERCIAL FACILITIES

December 7, 2009

TO: Jennifer Ruttman, Interim City Auditor  
THROUGH: Chris Brady, City Manager *CB*  
FROM: Bryan Raines, Acting PRCF Director  
SUBJECT: Department Response to Auditors Report for Adult Sports Program DT 7-20-09

This report is in response to the Adult Sports Program Audit Report forwarded to the PRCF Department by the City Auditors Office. The Parks Recreation and Commercial Facilities Department (PRCF) is continually looking for ways to ensure financial integrity and provide checks and balance in our processes. We appreciate the assistance and feedback from the Auditor's office and welcome its recommendations. There were control weaknesses identified in the initial 2007 audit and the follow-up in 2008, of which have been addressed and procedures implemented to minimize risks.

**CAP #1: Cost Recovery Clarification**

*PRCF should seek clarification from the current City Council as to its cost recovery expectations.*

Response: PRCF agrees with the recommendation to seek clarification from the City Council as to cost recovery expectations for the Adult Sports Program. If the Audit and Finance Committee is in agreement, this issue could be brought to Council as part of the budget review process this coming spring.

**CAP #2: Registration Controls**

*PRCF allowed a key employee to have excessive rights to the financial system, despite previously agreeing to limit such access.*

Response: All security levels have been reviewed and adjusted by PRCF staff to ensure that the level of access now reflects the employee's job duties. Security access tables are reviewed and updated to ensure appropriate user access.