

# MUNICIPAL AUDITING REPORT CITY OF ROANOKE



## **Parks & Recreation Complaint** **July 12, 2019**

Report Number: 19-010  
Audit Plan Number: 19-312

*Municipal Auditing Department  
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## SUMMARY OF COMPLAINT

1. Promotional merchandise provided to the Department of Parks & Recreation by sponsors was taken for personal use instead of being utilized for programming.
2. Personnel personally benefitted from sponsor relationships.
3. Parks & Recreation staff appeared to be taking time off without entering paid leave or having worked equivalent overtime in advance; staff were not required to keep a record of time worked that would allow for effective management of flex time.

## INVESTIGATION OBJECTIVES & SCOPE

### Investigation Objectives:

1. To determine if cash and goods provided by sponsors in support of Parks & Recreation events and programs are appropriately accounted for and managed.

**No** – We located equipment that appeared to match the description of items alleged by the reporter to have gone missing. However, the Department does not maintain an inventory of durable equipment showing additions and disposals. Additionally, the Department has an informal policy of allowing employees to borrow its equipment for personal use. On this basis, we were unable to prove the allegations as either substantiated or unsubstantiated.

Also, the Department did not have a sponsorship policy that was sufficiently developed or communicated to help ensure conflicts of interest were avoided and all sponsors were treated equitably. Responsibilities for developing sponsor support and accounting for sponsor provided cash and goods were not adequately segregated. There were no procedures for formally acknowledging sponsor support and for segregating responsibilities for reconciling what was promised to what was actually received.

It should be noted that the Recreation Manager appears to have done an excellent job of developing and maintaining relationships with sponsor representatives who, as a result, have generously supported Department events and programs. He was very good about photographically documenting contest winners holding sponsor-provided products. These photographs were sent to vendors as confirmation that products were used as intended and well received.

2. To determine if the Parks & Recreation Department has appropriate controls in place and functioning to help ensure employee work time is effectively accounted for and managed.

**No** – Management allows both salaried and hourly full time employees to take time off during regularly scheduled hours if equivalent time was worked over in advance. There is no formal written policy that communicates how “flex” time is to be documented and

managed. Employees are not required to maintain an official record of time worked. As a result, management is unable to demonstrate compliance with wage and hour regulations for hourly employees. These facts substantiate the reporter's concern that the use of "flex" time is subject to abuse because employees are not required to record the time worked. Controls are not in place to efficiently and effectively manage workforce utilization.

Investigation Scope:

Our investigation focused on the Recreation Division of the Parks & Recreation Department.

We reviewed procedures associated with sponsors, event management, asset management, and time reporting as of March 1, 2019.

Our test work primarily focused on the 2018 Go Outside Festival. However, we analyzed correspondence and other records from prior festivals when needed to gain perspective and clarity.

Time records for employees were analyzed for calendar year 2017 and 2018.

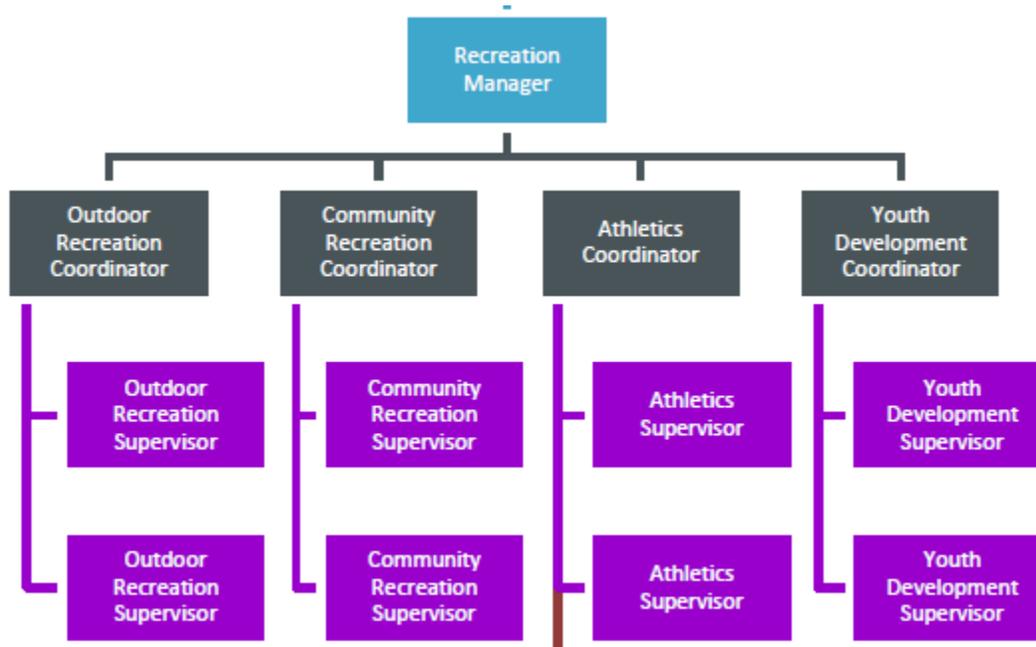
We interviewed a number of Parks & Recreation Department employees about practices within the Department.

### BACKGROUND

The City of Roanoke’s Parks & Recreation Department is a full-service agency accredited through the Commission for Accreditation of Parks and Recreation Agencies (CAPRA). According to the Department’s website, they employ 62 full-time and approximately 160 part-time and seasonal personnel. The Department is responsible for managing the following:

- 60 Parks
- 6 Greenways
- 5 Plazas
- 2 Outdoor Swimming Pools
- 7 Recreation Centers
- 90+ miles of Paved and Natural Surface Trails

The Recreation Division has a Manager and four (4) Coordinators, as shown below:



The Recreation Manager and Coordinators are salaried employees exempt from federal overtime regulations. Supervisors are hourly employees who must be paid overtime for hours worked in excess of 40 within the City’s defined Tuesday through Monday workweek.

The City uses an exception-based time reporting system for full-time hourly and salaried employees that assumes employees worked their regularly scheduled 40-hour week.

- If a salaried employee works less than 40 hours, the employee should submit a Notice of Leave and Adjustments (NLA) to his or her supervisor, who is responsible for confirming the exception or rejecting it.

- Hourly employees must submit NLAs if they work more or less than 40 hours per week. Their supervisor is also responsible for confirming the exception or rejecting it.

The City's exception-based time reporting system complies with the United States Department of Labor wage and hour laws, which do not require a time sheet if an hourly employee works a routine schedule that does not vary from week to week.

Department of Labor laws also allow local governments to award "compensatory time" to hourly employees in lieu of overtime pay.

- Chapter 29 of the Code of Federal Regulations § 553.20 requires "compensatory time received by an employee in lieu of cash must be at the rate of not less than one and one-half hours of compensatory time for each hour worked."
- For example, an hourly employee working 44 hours would accrue six (6) hours of compensatory time that could be taken off in future pay periods.

The City of Roanoke has prohibited the use of compensatory time as a matter of policy.

- It is generally accepted that salaried employees who work an extraordinary number of excess hours during a deadline or project may be allowed to take one or more personal days off without filing an NLA at the discretion of their department manager.
- Hourly employees who flex time are accordingly required to maintain their flex activity within a workweek to comply with the City's policy of not allowing compensatory time.

### **Go Outside Festival**

Better known as GO Fest, this annual event has grown from 4,500 participants in 2011 to more than 38,000 attendees in 2018. GO Fest is the largest program or event Parks & Recreation administers annually; accordingly, much of our investigation focused on the Department's administration of GO Fest. The festival promotes outdoor recreation and healthy lifestyles, with the support of over 175 vendors and more than 350 volunteers.

The Parks & Recreation department works jointly with the Roanoke Outside Foundation to develop and manage GO Fest. The Roanoke Outside Foundation is a 501(c)3 charitable organization created by the Roanoke Regional Partnership to help show case outdoor activities within the Roanoke region.

**END OF BACKGROUND**

### Objective 1: Event Sponsorship & Management

Audit Objective:

To determine if cash and goods provided by sponsors in support of Parks & Recreation events and programs are appropriately accounted for and managed.

**Corporate Sponsorships:**

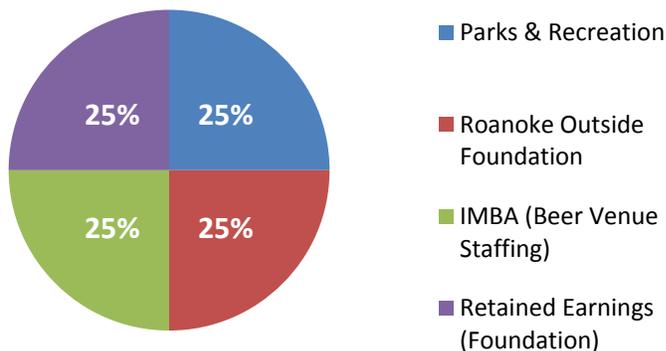
The Parks & Recreation department’s *Corporate Sponsorship Policy* requires sponsorship agreements to be in writing, and that a Section Coordinator, the Business Coordinator, and the Recreation Manager be involved in developing each agreement. Agreements must include details about the fees and in-kind services to be received in exchange for marketing rights and other benefits.

Based on our interviews with management and staff, there was a basic lack of familiarity with the corporate sponsorship policy. In order to evaluate how sponsorships work in practice, we reviewed the records for the 2018 GO Fest. We found that the Recreation Manager was responsible for developing sponsor support, writing and tracking sponsorship agreements, and accounting for festival support and expenses. This concentration of responsibilities was inconsistent with the stated policy and internal control principles.

**GO Fest Responsibilities:**

Responsibilities for planning and managing GO Fest did not fall entirely on the Recreation Manager. The Roanoke Outside Foundation collaborated with the Recreation Manager to develop sponsors, provide outreach, and to serve as a conduit for financing the event.

**GO Fest Profit Split**



The Roanoke Outside Foundation can accumulate net profit from festivals, carrying the balance across fiscal years. This preserves funding for future festivals that would roll into unassigned fund balance if held by the City. The Foundation uses these funds to pay for travel to recreation trade shows in Denver where GO Fest can be marketed to potential sponsors. It also pays some festival expenses directly and transfers profit to Parks & Recreation after the new fiscal year begins.

The Recreation Manager uses an Excel spreadsheet to track all expenditures for GO Fest along with the associated cash and in-kind goods and services provided by sponsors, food vendors, and exhibitors.

Both the City and the Foundation accept in-kind goods provided by festival sponsors. Goods such as hats and t-shirts can be given to volunteers and event staff. More expensive items may be used for festival activities and as contest prizes. Contests, such as the Wild Gear Chase, generate participant fees that help pay festival expenses.

Many of the products provided by sponsors are well regarded by recreation enthusiasts and highly desirable. In some cases, equipment will be the latest model or from a new line. The retail value of some of these goods can be significant.



The risk that sponsor-provided equipment might be diverted for personal benefit by employees was one of the concerns reported to the City's hotline.

***Accounting for Sponsor-Provided Equipment and Apparel:***

In evaluating this risk, we found that sponsor-provided goods fell into three categories:

1. Small items such as hats, t-shirts, and water bottles that are provided in bulk with the expectation that they should be distributed widely to volunteers, event staff, and participants. The nominal value and high quantity of these items do not warrant investing substantial cost and effort in safeguarding them.
2. Modestly expensive items such as bike racks, backpacks, and sleeping bags that are provided in limited quantities for contest prizes. These goods represent significant value and are limited in quantity, justifying basic control steps such as having the business office reconcile incoming goods with sponsor agreements.
3. Expensive items such as tents and bike racks that are given to Parks & Recreation for on-going programming. These are durable items that should be entered into inventory records, assigned a storage location, and accounted for periodically.

In the course of researching GO Fest records and interviewing employees, we developed an appreciation for the level of effort involved in developing sponsor support and producing the event. A great deal of this work was very effectively performed as can be seen by the success of the festival. Sponsorship and exhibitor fees were published; standardized application forms were available online with terms and conditions clearly stated; participating sponsors were well

documented; prizes and prize winners were photographically documented. However, we found controls over the more expensive sponsor-provided goods could be strengthened:

- As previously noted, responsibilities for negotiating, tracking and accounting for sponsor agreements were concentrated with the Recreation Manager. The responsibility for event accounting should rest with the Department's Business Office.
- Since fiscal responsibilities are shared with the Roanoke Outside Foundation, a written agreement is needed to ensure roles and responsibilities are clearly understood. Provisions are needed to ensure financial transparency and accountability between the two organizations.
- Policies and procedures for maintaining a perpetual inventory of equipment are needed to help ensure assets are adequately safeguarded from theft and abuse.
- Any equipment loan program should clearly outline the benefits to the Department, be carefully designed and documented by management, and should be subject to approval by the City Attorney's Office.

As for the sponsor-provided items that were reported as possibly having been taken by employees, we were able to locate matching assets that were in storage at the time of our field observations. While there is no evidence that assets were stolen, existing inventory processes and records are not adequate to deter theft and abuse of assets. Additionally, the practice of loaning equipment to employees could create the appearance of diverting city assets for personal use.

### ***Inventory:***

As just noted, we concluded that existing inventory processes are not adequate. We reviewed Parks & Recreation's inventory records and noted inventories were not completed in a timely manner at some recreation facilities:

<b>Facility Name</b>	<b>Date of Latest Inventory</b>	<b>Date of Previous Inventory</b>	<b>Time Since Last Inventory (Years)*</b>	<b>Time Between Inventories (Years)</b>
Eureka Center	1/9/2018	6/7/2012	1.29	5.51
Garden City	5/25/2012	1/27/2011	6.84	1.31
Grandin Court	1/19/2018	6/8/2012	1.26	5.54
Mountain View	4/24/2019	11/30/2017	0.02	1.38
Preston Park	1/19/2018	7/17/2013	1.26	4.44
Thrasher	1/26/2018	6/7/2012	1.24	5.56
Discovery Center	1/25/2019	3/22/2018**	0.26	0.83**
Norwich	1/25/2019	3/22/2018**	0.26	0.83**

\* Time since last inventory is calculated based upon 4/30/2019

\*\* Date on inventory record was entered incorrectly. Management attested inventory was performed on 3/22/2018.

Department Policy 3.14, *Equipment and Property Policy*, stipulates that inventories of non-consumable equipment and supplies are to be performed annually in March and September. The policy further defines non-consumable equipment and supplies as items generally valued above \$100 but less than \$5,000 and expected to last several years or more.

Assets that meet the thresholds for being inventoried are not added to the inventory records when received, or deleted when disposed of. The items on hand when an inventory is taken are added to the record as needed, assets appearing in the records that are not on hand are deleted. This process does not help ensure inventory is properly safeguarded as the department does not have an expectation of what should be in their inventory.

***Conflicts of Interest:***

In the course of reviewing sponsor correspondence, we noted that some producers and sellers of recreation equipment and apparel view employees of the Recreation division as important influencers in the market place. The ability to place products with professionals who instruct classes, organize events and network with other recreation enthusiasts is an attractive marketing opportunity. As a result, vendors sometimes offer deeply discounted or free products to City and Foundation employees with whom they have frequent contact.

After considerable review and deliberation, as well as consultation with the City Attorney's Office, we concluded that accepting free products from sponsors for personal use could create the appearance of a conflict of interest. Section 2.2-3100 of the Code of Virginia deals with conflicts of interest and prohibits local government employees from accepting a gift or favor that *"...reasonably tends to influence him in the performance of his official duties."* While we did not identify any official act that favored one sponsor over another, the acceptance of a gift creates the risk of influencing an official act.

Discounts that are more generally offered to recreation professionals via association or industry websites would not fall within the prohibited acts in 2.2-3100. These benefits are not only available to public employees but all outdoor recreation professionals within the industry.

***Cash from Sponsors and Exhibitors:***

As noted previously, the Recreation Manager is responsible for sponsor agreements and event accounting for GO Fest. The Parks & Recreation Department's Business Office prepares the daily deposits for the Department, including GO Fest monies when directed by the Recreation Manager. The Business Office has not been assigned any role in verifying the terms of sponsor agreements were fulfilled or that all cash credited to sponsors was deposited in the City's bank account.

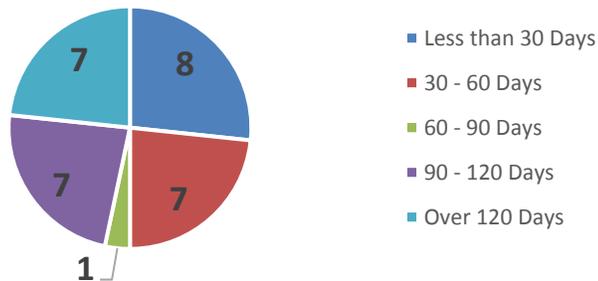
We reviewed the available records from the 2018 Go Fest and attempted to reconcile cash recorded on the Recreation Manager's event / budget spreadsheet to revenues reported in the City's general ledger. We found that GO Fest revenues were reported in a revenue account

that contained revenue from other sources so that an exact reconciliation was not possible. We did not identify any missing deposits.

While reviewing the details of a deposit on 7/6/18, we identified an issue with timely deposits as the age of checks confirmed funds provided to the Department were being held for extended periods of time:

### # of Checks by Age

Cash Deposit on 7/6/18



GO Fest revenues are expected to substantially cover event expenses. In order to keep revenues and expenditures associated with the 2018 GO Fest within the same fiscal year, checks were held until the start of the fiscal year in which the event was to occur. This practice is not in accordance with daily deposit requirements under *Section 2-172 of the Code of the City of Roanoke*.

### End of Objective 1

## Objective 2: Flex Time

### Audit Objective:

To determine if the Parks & Recreation Department has appropriate controls in place and functioning to help ensure employee work time is effectively accounted for and managed.

### **Overview:**

The Recreation Division plans and manages various recreational sports leagues and seasonal events. These events take place throughout the week, including evenings and weekends. The demand for staff hours to cover games and events fluctuates, not only from day-to-day, but also week-to-week and month-to-month, based on the seasonal nature of recreation. As an example, when one seasonal sport wraps up and the next is beginning to kick off, a lull in demand for staff hours can occur.

The Division utilizes both salaried and hourly employees, as well as part-time seasonal staff, in order to provide adequate staff coverage without incurring overtime. Management has also allowed full time staff, both salaried and hourly, to “flex” their time. An example of flex time would be working a Saturday event for four (4) hours and then working only four (4) hours of a normal eight (8) hour workday on Monday.

The hotline report included a concern that Recreation employees and management might be abusing flex time, taking time off without having worked equivalent extra hours in advance. The reporter indicated that employees were not required to keep a record of hours worked to support flex time taken.

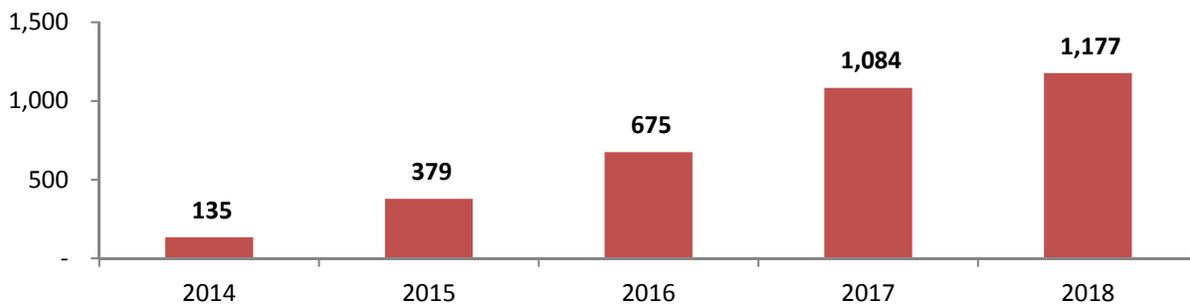
On the basis of our interviews with employees and review of available records, we confirmed the following:

- A formal policy on flex time was not developed or communicated in writing.
- The informal flex time practice was not compliant with city policies or federal wage and hour laws as employees were not containing their use of flex time within the City’s defined workweek.
- Employees were not required to complete a weekly time sheet documenting hours worked.
- Flex hours were frequently used well after the pay period in which they had been earned.
- Employees were not required to specify the dates / events on which they had worked over to support flex time hours taken.

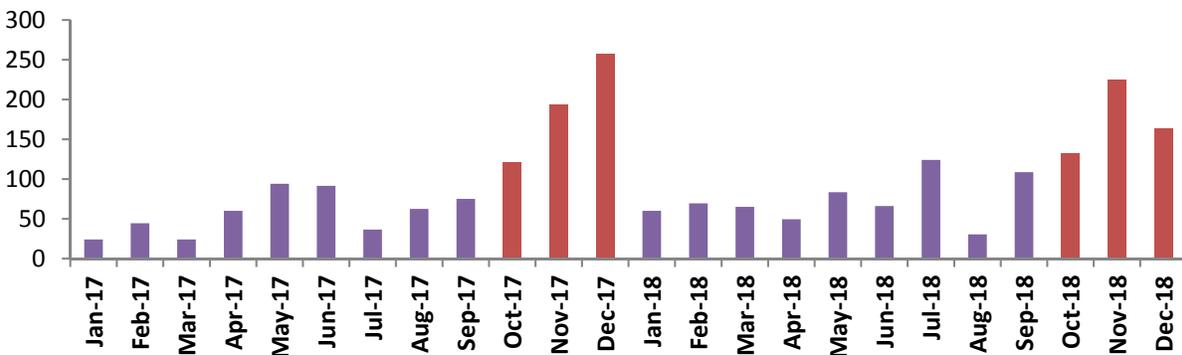
Recreation employees were directed to use the “Out of Office” feature of the City’s Notification of Leave and Adjustments (NLA) system to report flex time taken. The entry notifies the person’s supervisor and posts on the Division’s NLA calendar so that coworkers can see the person is out of the office. It does not affect payroll leave balances and serves as the only record of flex time taken. While analyzing “Out of Office” data, we noted that some employees may also post an “Out of Office” entry when attending a meeting, conference, or training.

Data showed the use of “out of office” notifications has steadily increased over the past 5 calendar years. In the past two years, these notifications were predominately taken during the last quarter of the calendar year:

### Out of Office Hours Reported for Parks & Recreation



### Out of Office Hours by Month

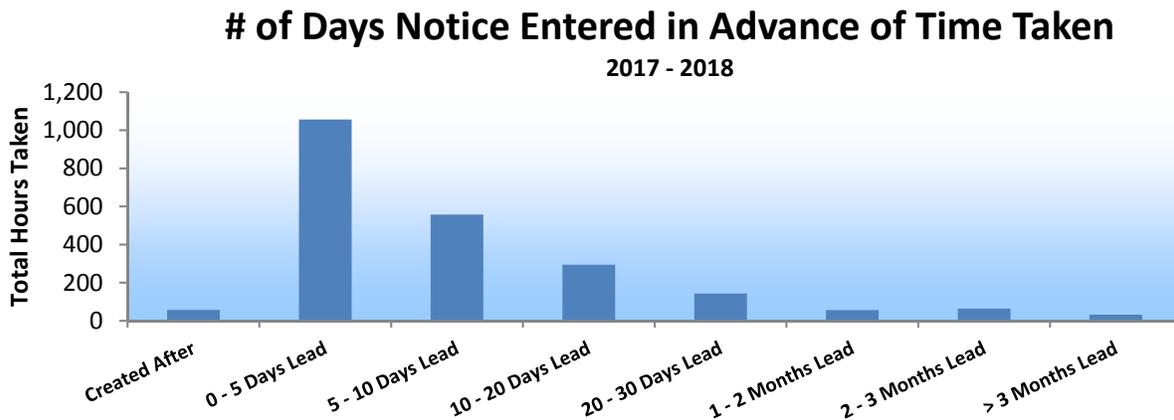


Approximately 48% of “Out of Office” hours in calendar years 2017 and 2018 occurred October through December. This indicated that much of the flex time earned during the busier seasons of Spring, Summer and Fall was accumulated and taken off during the Winter and around holidays.

There are two primary issues with the accumulation of excess time worked over various pay periods and taken at a later date:

1. Department of Labor (“DOL”) regulations specify that hourly (non-exempt) employees must be paid 150% of their normal rate for any hours worked in excess of 40 during the employer defined work week. Governments are allowed to award compensatory time to be taken off at a later date. However, 1.5 hours of compensatory time must be awarded for every hour worked in excess of the 40-hour maximum. City policy prohibits the use of compensatory time.
2. The risk that employees can inflate the number of hours accumulated due to supervisors not having the opportunity to confirm the accuracy of extra hours recorded at the time they were worked.

We analyzed how far in advance “Out of Office” notices were entered as a possible indication that employees were in effect giving their supervisors the opportunity to confirm extra hours at the time they were worked:



This data indicates the majority of notices were entered no more than 10 days in advance of taking flex time off. Advance notice indicates the out-of-office tool has been used proactively by employees to manage their schedules. However, notices created with significant lead time provide indications employees have not been containing the use of flex time within the City’s Tuesday – Monday work week.

In some cases, employees entered comments identifying the dates or events when the flex time was accumulated. In most cases, employees did not include any information about the dates / events worked to accumulate the flex time being taken off. Extra hours should have been worked in advance of taking flex time off.

Interviews with a cross-section of Recreation employees confirmed that the utilization of flex time is an honor-based system. While employees were uniformly appreciative of being able to flex their time, there were concerns related to accountability and inconsistency. Such concerns would be alleviated to some degree with a well-designed and clearly communicated policy, along with improved record keeping.

In our early conversations with the Director of Parks & Recreation, he stated that Recreation staff were expected to flex their time within the two week pay periods set by the City. As we progressed through our analysis of the data and our interviews with staff, he acknowledged that this expectation was not uniformly applied.

Based on our conversations with employees and the Assistant City Manager for Community Development, management personnel are expected to lead by example, both in words and actions. Even when policies are clearly stated, which was not the case for flex time, management's conduct sets the tone for how employees perceive they should act. On this basis, we performed additional detailed analysis of the Director's utilization of paid leave and flex time.

Based on our analysis of email activity, meeting and appointment data, travel workflows, and paid leave entries, we could positively identify two consecutive work days when the Director did not work and for which no paid leave was entered. The Director explained that he had taken those two days as flex time in advance of traveling to a work related conference the following weekend. There was no "Out of Office" entry entered in the NLA system to report this flex time, which is contradictory to the expectations set for staff. Only two "Out of Office" entries were entered by the Director during 2017 and 2018; neither indicated flex time was being taken.

We were able to gather the following information about the conference and the department's activities at the conference:

- Saturday was primarily a golf tournament that some of the Recreation staff skipped in favor of visiting an amusement park.
- Training sessions were scheduled for Sunday and Monday.

The Director is a salaried employee and exempt from wage and hour overtime rules. However, Department of Labor overtime regulations applicable to hourly staff specify that overnight travel to and from training that occurs outside of the employee's regular work schedule does not count as compensable time unless the employee is actually performing work. Applying this logic uniformly to salaried employees, the time spent traveling on Saturday and visiting an amusement park should not have been counted towards accumulated flex time.

In conclusion, we confirmed the reported concern that controls over flex time were inadequate to ensure employees and management properly reported paid leave. Additionally, the manner

in which flex time has been administered risks violating the Department of Labor's overtime laws and regulations. Given that employees were not required to prepare a record of time worked or file an NLA to document time worked beyond the regularly scheduled 40 hours, we are unable to determine if employees appropriately reported paid leave.

**End of Objective 2**

**SUMMARY OF MANAGEMENT ACTION PLANS**

<b>Management Action Plan – Parks &amp; Recreation Flex Time Usage</b>	
Non-exempt staff will work a flexible schedule within the current work week or be paid overtime. It is the expectation that exempt staff work a 40-hour work week and follow the same regimen of working a flexible schedule within the same work week.	
<b>Assigned To</b>	<b>Target Date</b>
Michael Clark	07/01/19

<b>Management Action Plan – Go Outside Festival Agreement</b>	
Recreation Manager has completed a first draft MOU with Roanoke Outside for the management of GO Fest. It is currently under review by the Director and will be sent to the City Attorney’s Office for review and approval before routing for signatures. It is anticipated a signed agreement will be in effect for the 2019 event.	
<b>Assigned To</b>	<b>Target Date</b>
Patrick Boas, Michael Clark	10/01/19

<b>Management Action Plan – Parks &amp; Recreation Corporate Sponsorship Policy</b>	
An updated sponsorship policy has been reviewed by Municipal Auditing and approved by the Parks and Recreation Leadership Team.	
<b>Assigned To</b>	<b>Target Date</b>
Michael Clark	07/18/19

<b>Management Action Plan – NLA Request Detail</b>	
All supervisory staff have been instructed to monitor their respective employees’ NLA entries and verify accuracy of description. Recreation Program Supervisors will also begin using the same timesheets that part-time staff use. Each timesheet will be signed by the respective Recreation Program Coordinator on a weekly basis. This will be monitored throughout the year as a part of the quarterly performance communication meetings.	
<b>Assigned To</b>	<b>Target Date</b>
All Department Supervisory Staff, Michael Clark	07/01/19

<b>Management Action Plan – Gift Acceptance for Personal Use</b>	
A Department Code of Ethics was created in 2013 and is currently being reviewed by Municipal Auditing. Upon completion, the Code will be shared with all Department staff. Department Leadership Team staff will craft a policy concerning gift acceptance for personal use.	
<b>Assigned To</b>	<b>Target Date</b>
Department Leadership Staff, Michael Clark	10/01/19

<b>Management Action Plan – Parks &amp; Recreation Inventory</b>	
Department Leadership staff will conduct annual inventories for all items valued over \$100 and will explore the possibility of creating an inventory tag system through VUEWorks or some other software package.	
<b>Assigned To</b>	<b>Target Date</b>
Department Leadership Staff, Michael Clark	06/30/20

<b>Management Action Plan – Go Fest Accounting</b>	
Recreation Manager will delineate cash and in-kind services on the event spreadsheet in an effort to provide a clearer picture of event revenues and expenses. As noted above, acknowledging the acceptance of money and donations has been shifted to the Business Coordinator. With that shift, the Business Coordinator will conduct an annual audit of the accounting and subsequently sign off on it.	
<b>Assigned To</b>	<b>Target Date</b>
Patrick Boas, Nicole Ashby	10/01/19

<b>Management Action Plan – Personal Use of Parks &amp; Recreation Equipment</b>	
Personal use of Department equipment is prohibited. All equipment will only be used for their intended purposes and by only City staff. Requests from outside agencies for use of equipment will be denied moving forward.	
<b>Assigned To</b>	<b>Target Date</b>
Michael Clark	07/01/19

<b>Management Action Plan – Holding Checks for Deposit</b>	
Deposits will follow existing City policy and guidelines and will not be held longer than allowed.	
<b>Assigned To</b>	<b>Target Date</b>
Nicole Ashby	07/01/19

**MANAGEMENT COMMENTS**

None provided

**ACKNOWLEDGEMENTS**

We would like to thank staff from the Parks & Recreation Department along with the City's Department of Technology, Department of Management & Budget, Treasurer's Office, and City Attorney's Office for their assistance in investigating these matters.



**Brian J. Pendleton, CPA**  
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