

City of Seattle
Office of City Auditor



DEPARTMENT OF PARKS AND RECREATION'S OVERSIGHT OF LEASE AND CONCESSION AGREEMENTS

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AUDIT OBJECTIVES

To determine whether the Department of Parks and Recreation (Parks):

- Is collecting the revenues and public benefits they are supposed to receive under current lease and concession agreements
- Has proper controls for the handling of lease and concession agreements

WHY WE DID THIS AUDIT

- Requested by Councilmember Jean Godden, Chair of the City Council's Parks, Seattle Center, Libraries and Gender Pay Equity Committee
- To help position Parks for success as it takes on Parks District services

TWO OFFICES MANAGE MOST PARKS LEASES

In 2014:

The Contracts Administration and Support Office (CASO) managed 79 contracts that generated \$717,000 in revenues.

Magnuson Park managed 61 contracts that generated \$1,726,000 in revenues.

WHAT WE DID

In addition to interviewing Parks managers and staff, observing their operations, and reviewing their policies and procedures, we:

- Conducted site visits with 5 Parks tenants
- Tested a sample of 81 payments due in 2014 from 27 contracts managed by CASO and Magnuson Park
- Met with managers from other city departments and private industry

LOCATION OF LEASES IN OUR SAMPLE



FINDINGS

We found that all rental payments in our sample were delivered to the City Treasury for deposit in City accounts.

However, we also found that lack of controls leaves Parks at risk in two areas:

- Cash Handling – accepting, recording and depositing payments
- Contract Monitoring – ensuring all payments and public benefit reports are received on time, verified, and approved

FINDING 1: CASH HANDLING

Parks should improve controls over the receipt and deposit of payments made by tenants.

Without these controls, the risk is that tenant accounts could be updated despite the fact that no payments were deposited with the City.

RECOMMENDATION 1: CASH HANDLING

Recommendation 1: To improve internal controls over the receipt and deposit of payments from tenants, Parks should do one of the following:

A. Use FAS Treasury cashiers to process payments

- Parks could direct all lease and concession payments to a dedicated post office box where they would be processed by FAS cashiers.

B. Improve internal controls at their two sites by separating duties, reconciling payments, and restricting access to key documents

FINDING 2: CONTRACT MONITORING - REVENUES

Parks should improve its processes to ensure that all rental payments are collected in full and on time.

From our sample:

- 21 out of 81 payments (26 percent) were late with no documentation of follow up or very delayed follow up.
- These payments represented \$13,919, or 3 percent of the total value of payments in our sample. Of this, Parks has collected a little over half, leaving a balance of \$6,874.

RECOMMENDATIONS 2 & 3

Recommendation 2: Parks needs to improve the policies, procedures, and tools its staff uses to monitor contracts, track payments, etc.

Recommendation 3: Parks should implement one of the following to improve internal controls and enhance efficiency:

- A. Obtain and use additional Summit modules; or
- B. Use a software program Parks already owns; or
- C. Purchase an automated tracking system.

FINDING 3: CONTRACT MONITORING PUBLIC BENEFITS - BACKGROUND

In addition to generating revenues, Parks leases property to:

- Increase the variety and quality of programs available in city parks
- Obtain physical improvements to parks and facilities without using public funds
- Make use of purchased property until it is ready for development

FINDING 3: CONTRACT MONITORING PUBLIC BENEFITS - BACKGROUND

Parks sometimes forgoes revenues to obtain other types of benefits.

For example, at Magnuson Park, of the tenants whose payments we examined:

- 50 percent (\$42,985) in potential monthly revenues were offset by public benefits provided or capital improvements made to Parks facilities.

PUBLIC BENEFITS: DEBORA MOORE AT PRATT FINE ARTS CENTER



PUBLIC BENEFITS: THE TENNIS CENTER CENTER MAGNUSON PARK



FINDING 3: CONTRACT MONITORING - PUBLIC BENEFITS

Parks could do more to monitor the provision of public benefits.

- Not all public benefit reports due during our sample period were submitted by tenants.
- Parks staff did not request back-up documentation to substantiate the public benefits the tenant claimed to provide.

RECOMMENDATIONS 4, 5 & 6

Recommendation 4: Parks should ensure that public benefit reports are submitted on time and include back-up documentation that is reviewed.

Recommendation 5: Parks managers should meet with tenants at least annually to review their public benefit requirements.

Recommendation 6: Parks should update its webpage so the public can easily identify the available public benefits.

FINDING 4: SUPPORTING SMALL BUSINESSES

Parks should consider:

- Simplifying the contract payment basis for some small businesses
- Enhancing support to small businesses operating in Seattle's parks to:
 - Address competition from unauthorized businesses
 - Manage fluctuations in demand based on season, weather, and competing activities in the parks

RECOMMENDATION 7

Parks should consider:

1. Changing the payment basis on contracts that generate \$15,000 or less to the City annually from revenue-based to a flat monthly fee;
2. Changing the contract structure from a concession agreement to a use permit for some small businesses; and
3. Including the value of park activation and enhanced public safety in its calculation of appropriate rent.

PARKS RESPONSE TO OUR AUDIT

Parks management generally concurs with our findings and is taking steps to address our recommendations, including:

- Instituting business process improvements,
- Assessing the fees Parks charges concessionaires, and
- Seeking to obtain additional Summit modules.

CLOSING

Questions?

**Report can be found at:
www.seattle.gov/cityauditor**