

**Hales Corners Park has Benefited
from the Support of its Friends Group;
however, a Formal Agreement with the
Organization is Needed to Achieve
Adherence to Chapter 13 of the
Milwaukee County Ordinances**

February 2019

**Milwaukee County Office of the Comptroller
Audit Services Division**

**Scott B. Manske, CPA
Milwaukee County Comptroller**



**Jennifer L. Folliard, Director of Audits
Molly R. Pahl, Deputy Director of Audits**

Audit Team

Paul A. Grant, CPA
Narcisia 'Edie' A. Bland
Dawnice Anglin

Review Team

Molly R. Pahl
Joseph Williams, CIA

Administrative Support

Cheryl A. Hosp



Office of the Comptroller
Audit Services Division

Milwaukee County

Jennifer Folliard, Director of Audits
Molly Pahl, Deputy Director of Audits

To the Honorable Chairman
of the Board of Supervisors
of the County of Milwaukee

February 7, 2019

We have completed an audit, *Hales Corners Park has Benefited from the Support of its Friends Group; however, a Formal Agreement with the Organization is Needed to Achieve Adherence to Chapter 13 of the Milwaukee County Ordinances.*

Responses from the Department of Parks, Recreation and Culture and the Friends of the Hales Corners Park and Pool, Inc. are attached as **Exhibits 4 and 5.**

We greatly appreciated the cooperation extended by management and staff of the Department of Parks, Recreation and Culture and the Friends of the Hales Corners Park and Pool, Inc. during the course of this audit.

Our report studied the operations of the Friends of Hales Corners Park and Pool, Inc. and found that there are various areas that should be reviewed by Parks management to improve the partnership with the Friends Group. Chapter 13 of the Milwaukee County Code of General Ordinances established guidelines for County Departments that form partnerships with support groups, including friends groups and requires a written agreement with each friends group. There is currently not a written agreement between Parks and the Friends of the Hales Corners Park and Pool, Inc. and we believe that executing this type of agreement would clarify the roles and responsibilities of each party and address concerns related to proper storage and protocol for volunteer activities. We also believe that the Friends of the Hales Corners Park and Pool, Inc. operations would be improved if Parks management issued a volunteer handbook including guidelines especially for financial transactions for friends groups. We made 10 recommendations that we believe will help Milwaukee County improve its relationship with the Friends of the Hales Corners Park and Pool, Inc.

Please refer this report to the Committee on Finance and Audit.

Jennifer L. Folliard
Director of Audits

JLF/mrp

Attachment

cc: Scott B. Manske, CPA, Milwaukee County Comptroller
Milwaukee County Board of Supervisors
Chris Abele, Milwaukee County Executive
Guy Smith, Director, Milwaukee County Parks, Recreation and Culture
Teig Whaley-Smith, Director, Milwaukee County Department of Administrative Services
Kelly Bablitch, Chief of Staff, Milwaukee County Board Staff
Steve Cady, Research & Policy Director, Office of the Comptroller
Janelle Jensen, Legislative Services Division Manager, Office of the Milwaukee County Clerk

Hales Corners Park has benefited from the support of its Friends Group; however, a formal agreement with the organization is needed to achieve adherence to Chapter 13 of the Milwaukee County Ordinances

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Summary

In 1968, a large deep well outdoor pool was opened to the public in Hales Corners Park, a Milwaukee County park located in the Village of Hales Corners. In 2001, a Milwaukee County Aquatics Master Plan recommended that the County's deep well pools, including the Hales Corners pool, be closed because they were financially unsustainable.

The Friends of Hales Corners Park and Pool (Friends Group) has roots as a community workgroup assembled in 2002 to help keep the Hales Corners Park pool open. Since then, the Friends Group incorporated as a nonprofit charitable organization (2007) and has been active in fundraising, sponsorship and volunteer efforts in support of the pool and other Hales Corners Park amenities. The Friends Group expanded its mission to include all of Hales Corners Park in 2013.

Audits of private community organizations, like Friends Groups, that do business with the County, can help clarify partnerships between the County and outside groups while providing valuable information for the development of future public/private partnerships. Recognizing this, the County Board adopted a resolution requesting the Audit Services Division to conduct an audit of the Friends of Hales Corners Park and Pool operations.

Friends of Hales Corners Park and Pool has raised \$388,788 in funds over the last 10+ years. According to Friends Group financial records, the organization received a total of \$388,788 in contributed funds during the period since its incorporation as a 501(c)(3) in October 2007 through December 31, 2017. The Friends Group records show that the funds were contributed from a variety of sources such as foundations, businesses, local government, and individuals. Included among the contributed funds is a \$75,000 matching grant obtained through the Milwaukee County Parks Amenities Matching Fund Program in 2015.

A point of interest associated with Friends Group fundraising is a clause noted in the resolution (File No. 16-620) requesting our audit of the Friends Group. The clause reads "WHEREAS, FOHCPP has stated it has raised approximately \$1.5 million in public and private funds to support its mission."

As a result of our discussions with the Friends Group President, he acknowledged making the statement publicly. However, he explained that his organization did not raise \$1.5 million of its own

money, but rather the figure includes direct and indirect funds, County funds, and funds raised through the marketing of projects. We found this claim to be overstated.

The thrust of the Friends Group fundraising efforts in recent years has been directed toward the creation of an ice rink and shelter, designated to be named the Alyson Dudek International Ice Center and the Jerry and Dorothy Holz Family Outdoor Shelter. In 2014, the Friends of Hales Corners Park and Pool submitted a proposal to Milwaukee County for the creation of the ice skating amenities at Hales Corners Park. The County Board adopted a resolution (File No. 14-676) authorizing the Department of Parks, Recreation and Culture to negotiate and execute a development and management agreement with the Friends of Hales Corners Park and Pool for an initial 10-year term with one five-year renewal.

Fundraising for this project continues to be the focus of the Friend's Group fundraising efforts. However, the Friends Group has not attained the level of funding needed to begin construction. Based on the Friends Group President's discussion with a County official and recently proposed Friends Group fundraising literature, the Friends Group believes that project construction costs have increased since the original proposal was approved.

A written agreement governing overall interaction with the Friends Group would enhance accountability.

Chapter 13 of the Milwaukee County Code of General Ordinances establishes guidelines for County departments that form partnerships with support groups, including Friends Groups. Chapter 13.06 requires "a written agreement with each friends group for approval by the county executive and the county board."

While the County did enter into a development agreement for the ice rink project, the Parks Department does not have an overall 'general' agreement in place to govern the Parks Department's relationship with the Friends of Hales Corners Park and Pool.

In the absence of a written agreement documenting the requirements of Chapter 13, we had concerns about: open meetings, financial reporting, and potential code of ethics/conflict of interest issues. In addition, we found examples of situations where there were misunderstandings about the roles and responsibilities of the Friends Group and Parks Department.

In sum, we observed a need for the Parks Department to clarify its relationship and communication with the Friends Group. We believe a clear governance document, as envisioned by Chapter 13, outlining the terms and details of the entities relationship, including each party's roles, requirements, and responsibilities is needed.

During our review of the Friends Group, we noted a number of areas where internal controls could be strengthened. Proper internal controls include written policies and procedures for the handling of cash and disbursement of funds, proper record keeping, and established segregation of duties so that key duties and responsibilities are divided among different people to reduce the risk of error, misuse or fraud.

Given the 'quasi-public' roles Friends Groups play as representatives of the County, its property and its activities, it's important that Milwaukee County can have full faith and confidence that proper internal controls are in place. We believe there are opportunities to enhance the control environment of the Friends Group and recommend that the Parks Department work with the Friends Group to do so.

We also believe additional written guidance to Friends Groups would help Milwaukee County be a better partner in supporting this dedicated work. We think the many active Friends Groups would benefit from both a handbook produced by Parks and the designation of a County Coordinator for Friends Groups, the latter of which was envisioned in Chapter 13.

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Background

In 1968, a large deep well outdoor pool was opened to the public in Hales Corners Park, a Milwaukee County park located in the Village of Hales Corners. The pool features a bathing capacity of 854 people with 50 yards of swim lanes, a diving well, and stair step entry, and is staffed seasonally by Milwaukee County lifeguards. In addition to the outdoor deep well pool and a building with restroom and locker facilities, Hales Corners Park currently features the following amenities:

- Baseball Diamond
- Basketball Court
- Picnic Areas
- Sledding Hill
- Soccer Fields
- Softball Diamond
- Tennis Court
- Tot Lot Play Areas
- Volleyball Court
- Wading Pool

The park also contains Jake's Climbing Rock, donated to the park by a family in memory of their son; and a Veteran's Memorial dedicated by the American Legion Hales Corners Post 299, Veterans of Foreign War Post 10394, and Boy Scout Troop 598. A full timeline of major events at Hales Corners Park is included in Exhibit 2.

In 2001, a Milwaukee County Aquatics Master Plan recommended that the County's deep well pools, including the Hales Corners pool, be closed because they were financially unsustainable. In response, concerned local residents formed a group in 2002 to raise funds for the purpose of keeping the pool open. The group increased its efforts in 2003 providing volunteers and fiscal support toward keeping the Hales Corners pool open. The Internal Revenue Service recognized the Friends Group as a 501(c)(3) nonprofit charitable corporation on October 3, 2007. Prior to 2007, the group operated under the umbrella of the Park People of Milwaukee County, Inc.

The Friends Group expanded its mission to include all of Hales Corners Park and in 2013, the Friends Group filed with the State of Wisconsin to record that its name was changed from Friends of Hales Corners Pool, Inc. to Friends of Hales Corners Park and Pool, Inc. The group's current mission statement is as follows:

Our mission is to keep Hales Corners Park & Pool open and operating and to continue to develop a recreational environment for residents in the Village and surrounding communities to enjoy.

In 2013, the Friends Group installed a small temporary ice rink in the park in honor of Alyson Dudek, a Hales Corners resident and speed skater who won a bronze medal in the 2010 Winter Olympic games (the rink was also installed during the winter months of 2014, 2016, and 2017).

In 2014, the Friends of Hales Corners Park and Pool, Inc. submitted a proposal to Milwaukee County for the creation of a permanent structure, the Alyson Dudek International Ice Center and Jerry and Dorothy Holz Family Outdoor Shelter. The County Board adopted a resolution (File No. 14-676) authorizing the Department of Parks, Recreation and Culture to negotiate and execute a development and management agreement with the Friends of Hales Corners Park and Pool for an initial 10-year term with one five-year renewal. Ultimately, the agreement was signed by both the Friends Group and the County, effective September 2014; the agreement contained language stating that if total fundraising efforts were not reached the project would be scaled back and that construction would not begin until 100 percent of the estimated cost of construction was obtained. At the time the agreement was adopted, the project was estimated to cost \$225,000 and would include a 20,000 square foot temporary ice rink, an open air picnic shelter with restrooms, a concessions area, pathways, and lighting. A due diligence review of the development agreement was completed by the Department of Administrative Services. As of the date of publication of this report, construction of the structure has not yet commenced.

In addition to project-specific agreements like the one adopted in File No. 14-676, Milwaukee County's relationships with friends groups are governed by Chapter 13 of the Milwaukee County Code of General Ordinances. Audits of private community organizations, like Friends Groups, that do business with the County, can help clarify partnerships between the County and outside groups while providing valuable information for the development of future public/private partnerships. Recognizing this, the County Board adopted a resolution requesting the Audit Services Division to conduct an audit of the Friends of Hales Corners Park and Pool operations. The results of our work are described in the following sections.

Section 1: Friends of Hales Corners Park and Pool has raised \$388,788 in funds over the last 10+ years

The Friends Group has been active in fundraising, sponsorship and volunteer efforts in support of the pool and other Hales Corners Park amenities.

As described in the background section, the Friends of Hales Corners Park and Pool (Friends Group) has roots as a community workgroup assembled in 2002 to help keep the Hales Corners Park pool open. Since then, the Friends Group incorporated as a nonprofit charitable organization (2007) and has been active in fundraising, sponsorship and volunteer efforts in support of the pool and other Hales Corners Park amenities.

Friends Group efforts on behalf of Hales Corners Park since 2007 include activities such as continued financial support and volunteer assistance with operating the pool, maintenance of the pavilion, other structures, and amenities, supporting the Veterans Memorial Monument, a project spearheaded by veterans' groups and the Boy Scouts. In more recent years, the Friends Group was involved with the installation of a sand volleyball court, the annual setup, maintenance, and disassembly of a temporary ice rink, and pursuit of the construction of a permanent ice rink and shelter.

The Friends Group raised \$388,788 between 2007 and 2017, including a \$75,000 grant from Milwaukee County. References to \$1.5 million in funding raised were inclusive of Friends funds, indirect funds, County funds, and funds raised through the marketing of projects.

According to Friends Group financial records, the organization received a total of \$388,788 in contributed funds during the period since its incorporation as a 501(c)(3) in October 2007 through December 31, 2017. Table 1, below, provides a break-down of the funds received by year.

Table 1
Friends of Hales Corners Park and Pool
Funds Raised 2007 - 2017

2007*	2008	2009	2010	2011	2012	2013	2014	2015**	2016	2017	Total
\$13,407	\$43,219	\$30,631	\$13,855	\$13,219	\$25,454	\$99,563	\$23,857	\$99,958	\$8,898	\$16,727	\$388,788

*Partial year due to incorporation in October 2007.

**Includes \$75,000 Milwaukee County Parks Amenities Matching Fund Grant.

Source: Friends of Hales Corners Parks and Pool Financial Reports.

The Friends Group records show that the funds were contributed from a variety of sources such as foundations, businesses, local government, and individuals. Included among the contributed funds is a \$75,000 matching grant obtained through the Milwaukee County Parks Amenities Matching Fund Program in 2015, discussed later. Based on our review of Friends Group and County records, the \$75,000 was the only County funds provided directly to the Friends Group.

A point of interest associated with Friends Group fundraising is a clause noted in the resolution (File No. 16-620) requesting our audit of the Friends Group. The clause reads "WHEREAS, FOHCPP has stated it has raised approximately \$1.5 million in public and private funds to support its mission."

The Friends Group President explained that the \$1.5 million includes direct and indirect funds, County funds, and funds raised through the marketing of projects.

As a result of our discussions with the Friends Group President, he acknowledged making the statement publicly. However, he explained that his organization did not raise \$1.5 million of its own money, but rather the figure includes direct and indirect funds, County funds, and funds raised through the marketing of projects. He further clarified that the \$1.5 million referred to in the resolution is misleading, stating that the Friends Group has always said that when all

community stakeholders are added up the total amount raised for the Hales Corners Park and Pool is right around \$1.5 million or greater. He noted that this approach was used for marketing reasons and to get people to take notice of Hales Corners Park and Pool.

At our request, the President provided a schedule setting forth items he considers to be included within his definition of direct and indirect funds raised by the Friends Group, see Table 2, below.

Table 2	
Listing of Direct and Indirect Fundraising Provided by the President of Friends of Hales Corners Park and Pool	
Indirect Funding – Funding Provided by Milwaukee County	
Supervisor Jursik Budget 2009 Amendment (\$50,000 x 10 yrs.)	\$500,000
Metal Roof	575,000
Pool House Plumbing	7,500
Sub-total	1,082,500
Indirect Funding - New Amenities	
Jake's Rock	100,000
Veteran's Memorial	245,000
Sub-total	345,000
Direct Funding - Swim Seasons	
Swim Season 2003-2007	30,000
Sub-total	30,000
Direct Funding - New Amenities & Maintenance	
Volleyball Court	12,000
Outdoor Benches	3,000
Paint Locker Rooms	2,500
Sub-total	17,500
Direct Fundraising	
FOHCPP (Private, Donations, Fundraising)	300,000
Sub-Total	300,000
Grand Total: Indirect and Direct Funding	\$1,775,000
Source: President of Friends of Hales Corners Park and Pool.	

The figures shown in Table 2 are amounts the Friends Group President believes to be raised by all community stakeholders. We provide brief comments about the President's figures in the following paragraphs.

Indirect Funding – Funding Provided by Milwaukee County (\$1,082,500):

- \$500,000 budget amendment co-sponsored by former County Board Supervisors Jursik and Cesarz reportedly called for a \$50,000 budget increase in annual funding for the Hales Corners Park to continue for 10 years.

However, based on a review of County budget records, we were only able to confirm that the adopted budget amendment provided a \$50,000 increase for one year only (2009). This is \$450,000 below the amount included in the list provided by the Friends Group President.

- \$575,000 to replace the bath house roof. County financial records show that expenditures totaled \$302,889 for the bath house roof and \$119,644 for new water service, for a total of \$422,533.
- \$7,500 for pool house plumbing. Again, we note this was funded by Parks and there was no indication from the Parks or Friends Group records that the Friends group provided funding for the project.

We also noted from County financial records that expenditures totaled \$194,746 for pool rehabilitation.

Indirect Funding of New Amenities (\$345,000):

- \$100,000 for Jake's Climbing Rock. This includes the donation of the amenity from Jake's family and site preparation and installation by Parks. The Friends Group President also included in this figure funding for a new basketball court and tennis court, paid for by Parks as part of a multi-year, system wide capital project.
- \$245,000 to construct a Veterans Memorial. Funding for this project was provided by local chapters of two veterans' organizations and a local Boy Scout Troop.

Direct Funding of Swim Seasons 2003-2007 (\$30,000):

- The Friends Group incorporated in 2007. We did not examine prior financial records. As a result, we did not attempt to confirm the level of funding for swim seasons earlier than 2007. However, Friends Group records reflect payments to the Village of Hales Corners for water usage and a small amount to Milwaukee County for reimbursement of water usage, totaling \$57,675 over the years 2007 - 2010.

Direct Funding of New Amenities and Maintenance (\$17,500):

- \$12,000 is listed for the volleyball court. Friends Group records show that the Group provided \$10,700 of direct funding to the project.
- \$3,000 listed for outdoor benches. Friends Group records show \$3,915 was directly contributed by the Group.
- \$2,500 is listed for painting locker rooms. This project was undertaken by a local Boy Scout Troop, with no direct expenditures identified in the Friends Group financial records.

Direct Funding Raised Friends Group – Private, Donations, Fundraising (\$300,000):

- According to Friends Group records, \$388,788 was raised during the period 2007 – 2017. This includes a \$75,000 grant provided by Milwaukee County under the Parks Amenities Matching Fund Program.

As can be concluded from the information above and also from the timeline of events presented in Exhibit 2, the Friends Group has been very active in its support of the Hales Corners Park. With regard to the claim that the Friends Group has raised \$1.5 million in support of the Park, whether through direct or indirect efforts, we found this to be overstated. However, it is clear that the financial and non-financial involvement of the Friends Group, as well as that of other community organizations and individuals, has significantly enhanced Hales Corners Park.

The financial and non-financial involvement of the Friends Group, and other community organizations and individuals, has enhanced Hales Corners Park.

The thrust of the Friends Group fundraising efforts in recent years has been directed toward the creation of an ice rink and shelter, designated to be named the Alyson Dudek International Ice Center and the Jerry and Dorothy Holz Family Outdoor Shelter.

In 2014, the Friends of Hales Corners Park and Pool submitted a proposal to Milwaukee County for the creation of ice skating amenities at Hales Corners Park.

In 2014, the Friends of Hales Corners Park and Pool submitted a proposal to Milwaukee County for the creation of ice skating amenities at Hales Corners Park. The proposal calls for the creation of the Alyson Dudek International Ice Center, an Olympic-sized outdoor ice rink and the Jerry and Dorothy Holz Family Outdoor Shelter. The County Board adopted a resolution (File No. 14-676) authorizing the Department of Parks, Recreation and Culture to negotiate and execute a development and management agreement with the Friends of Hales Corners Park and Pool for an initial 10-year term with one five-year renewal.

The agreement was executed between the Friends Group and the County, effective September 2014; it contained a provision stating that if necessary funding levels were not reached, the project would be scaled back and that construction would not begin until 100 percent of the estimated cost of construction was obtained.

At the time of the agreement, the estimated cost of the project was \$225,000.

At the time the agreement was executed, project plans included a 20,000 square foot ice rink, an open air picnic shelter with restrooms, a concessions area, pathways, and lighting, all at an estimated cost of \$225,000. A due diligence review of the plans was completed by the Department of Administrative Services in March 2014.

Fundraising for this project continues to be the focus of the Friends Group fundraising efforts. However, the Friends Group has not attained the level of funding needed to begin construction. Based on the Friends Group President's

Current project costs have increased to within the range of \$340,000-\$360,000.

discussion with a County official and recently proposed Friends Group fundraising literature, the Friends Group believes that project construction costs have increased to within the range of \$340,000-\$360,000 since 2014.

Given that the original proposal was adopted by the County Board in 2014, the Parks Department should work with the Friends Group to provide a project status report to policymakers. In working with the Friends Group, the Parks Department should determine next steps to complete the project, establish a timeline for completion of fundraising, or consider whether it makes sense to scale back and re-submit the original proposal.

Therefore, we recommend:

- 1. The Parks Department should work with the Friends Group to establish a prudent timeline to complete the project fundraising and/or discuss options that may include scaling back the project, and report the result of such efforts to the County Board and County Executive by mid-year 2019.*

A \$75,000 check was issued to the Friends Group in 2015 after it successfully applied for a grant through the Parks Amenities Matching Fund program. The check was dispersed prior to project completion.

As noted earlier in this section, the Friends Group received \$75,000 in 2015 through the Parks Amenities Matching Fund Program. The program, which was originally established in 1994 to attract additional resources to help fund much-needed parks maintenance and repairs, currently allows individuals or groups to request grants to match funding for projects to improve Milwaukee County Parks and their facilities. The grant award amount must be matched dollar-for-dollar.

In February 2014, the President of the Friends of Hales Corners Park and Pool submitted a Parks Amenities Matching Fund Program (PAMF) application, requesting \$75,000 for the Alyson Dudek International Ice Center – Outdoor Pavilion. As stated in the application, “The Parks Department prefers to reimburse grantees after the work is completed” and provides the applicant with the following two options for timing of the payment:

- *We understand payment by Parks will occur after project completion.*
- *We must have Parks Amenities Matching Funds prior to start of the project.*

Milwaukee County approved the Friends Group’s Parks Amenities Matching Funds grant application and issued a \$75,000 check to the organization in January 2015.

The Friends Group checked the box indicating that payment will occur after project completion. However, Milwaukee County approved the Friends Group’s application and issued a \$75,000 check to the organization in January 2015. It is not clear why the check was distributed to the Friends Group given the preference chosen on the application. The individual who currently manages the PAMF program was not employed by the County in 2015.

The letter to the Friends Group from Parks communicating the grant award requested that the Friends Group submit documentation listing the final costs once completed and further stated that should the total cost of the project be less than \$150,000, the Friends Group is responsible for returning dollar-for-dollar any funds which exceed the match.

Both the letter and the application from 2014 are silent on what is to happen if the project is not completed. We interviewed the current PAMF manager who stated that while he could not be certain of the rules in place at the time, under current practice a grantee who receives funds for a

project that ultimately is not completed would be expected to return the grant funds to the County.

Given the uncertainty surrounding the status of the Hales Corners ice center and pavilion project, we believe it's in the County's best interest for the Parks Department to formally communicate its expectations for the return of the PAMF grant should the Alyson Dudek International Ice Center structure ultimately not be built and that all PAMF materials should be updated to reflect this policy going forward.

Therefore, we recommend that the Parks Department:

2. *Work with the Friends of Hales Corners Park and Pool to formally document that both parties understand and agree that should the Alyson Dudek International Ice Center-Outdoor Pavilion project not proceed, the Friends Group will provide the timely return of the County's \$75,000 grant.*
3. *Ensure proper controls are in place going forward to prevent funds from being dispersed prior to project completion in all cases where applicants indicate in the PAMF program application that funds will be received after project completion; and*
4. *Update all PAMF program materials to clearly disclose that funds dispersed by Parks to the grantee prior to project completion are to be returned in a timely manner to the County should the project ultimately not proceed.*

Section 2: A written agreement governing overall interaction with the Friends Group would enhance accountability

Relationships with Friends Groups are governed by Chapter 13 of the Milwaukee County Code of General Ordinances.

Chapter 13 of the Milwaukee County Code of General Ordinances establishes guidelines for County departments that form partnerships with support groups, including Friends Groups.

Relationships with Friends Groups are governed by Chapter 13 of the Milwaukee County Code of General Ordinances, wherein the following policy is declared:

The role of friends groups is important to many county departments. Some departments possibly could not survive without full participation of the private sector in furnishing additional funding for capital projects, special programs and operating needs. Friends groups add substantially to the limited resources available from the tax base. The general public is greatly benefited through improved facilities and programs. The county has always welcomed and encouraged the establishment of friends groups. By establishing these guidelines, the county hopes to enhance mutual understanding of particular needs and concerns with its friends groups, and establish a fair and consistent policy with them, thus assuring a successful, cooperative effort and relationship.

Chapter 13 includes a discussion on the chapter's "applicability." Section 13.02. makes a distinction between private support organizations (friends groups) that provide financial support and volunteer services and private support organizations that provide only volunteer services, interpretive and educational assistance, and additions to collections but do not provide financial support or have a fiscal relationship [*emphasis added*]. In the case of groups with a fiscal relationship, the provisions of Chapter 13 apply. In the case of non-fiscal relationships, the relationship shall

be governed by a Memorandum of Understanding with the County department head.

We believe that given the Friends of Hales Corners historic and present role in providing both financial support and volunteer services for the Hales Corners Park and Pool, that the group's activities are governed by the provisions of Chapter 13. A copy of Chapter 13 is included as Exhibit 3.

Milwaukee County does not have a general written agreement governing the relationship with the Friends Group, as envisioned by Chapter 13.

Chapter 13.06 requires “a written agreement with each friends group for approval by the county executive and the county board.”

Chapter 13.06 requires “a written agreement with each friends group for approval by the county executive and the county board.”

Chapter 13 further indicates the requirements laid out are necessary given friends groups “close relationship with public institutions” and since “the public often perceives them to be a functional part and representative of a county department.”

In summary, Chapter 13 provides that the following requirements be included in written agreements:

- Outline of program activities and related utilization of county facilities, personnel, utilities, and equipment
- Separate agreement for capital improvement program projects
- Endorsement of open meetings, records, affirmative action and Code of Ethics
- Annual financial reporting to the Office of the Comptroller
- Friends group employee requirements
- County employee conflict of interest provision

The Parks Department does not have an overall 'general' agreement in place to govern its relationship with the Friends of Hales Corners Park and Pool.

- Designation of County Coordinator

As stated in prior sections of this report, while the County did enter into a development agreement for the ice rink project (a “separate agreement for a capital improvement program project”), the Parks Department does not have an overall ‘general’ agreement in place to govern the Parks Department relationship with the Friends of Hales Corners Park and Pool.

In the absence of a written agreement documenting the requirements of Chapter 13, we had concerns about the following matters.

Open Meetings

According to Chapter 13.06. (c), written agreements with Friends groups should include “recognition that the county board endorses a policy of open meetings, open records...” While the Friends Group does have a website where key information is posted, it does not list dates of Board meetings or meeting minutes, as would be expected from an organization complying with open meetings requirements.

Interviews with a number of former and current Parks Management staff indicated that they were never invited to a Board meeting and do not know when the Board meets. On March 24, 2018, the Friends Group President sent an email to Board members stating that all Board of Directors Meetings are closed to the public, including annual meetings.

While the audit team was pursuing fieldwork in 2017, we were alerted to discord on the Friends Group Board, which

resulted in the departure of individuals who had been serving on the Board, and an apparent restructuring of the Board from what was originally envisioned and documented in the group's bylaws. At one point in time during our review there were a total of 5 board members. Currently, the Board consists of three members, and two of the three members are related.

When organizations subscribe to the principles of open meetings, as is envisioned by Chapter 13, such disagreements could be aired in a public forum and recorded so that there is an agreed upon record of proceedings.

Financial Reporting

Chapter 13.06 lists a series of financial reporting requirements for Friends Group organizations, based on annual gross receipts, in order to create a public record of Friends Group financial activity. We were unable to find any documentation that the financial reports described in Chapter 13.06 (d) were ever submitted to the Office of the Comptroller. Table 3 lays out the Chapter 13 reporting requirements, which are to be filed annually.

Table 3
Overview of Chapter 13 Financial Reporting Requirements

Chapter 13.06 (d) Financial Reporting Requirement

1. If the organization's annual gross receipts exceed four thousand dollars (\$4,000), a copy of its state form 308 (charitable organization annual report) submitted to the state department of regulation and licensing to comply with State Statutes.
2. If the organization's annual gross receipts exceed twenty-five thousand dollars (\$25,000), a copy of its IRS form 990 (return of organization exempt from income tax).
3. If the organization's gross receipts exceed fifty thousand dollars (\$50,000), a certified, independently audited, financial statement reporting an audit performed in accordance with generally accepted accounting principles.

Source: Chapter 13 of the Milwaukee County Code of General Ordinances.

Had the provisions of Chapter 13 been followed, the following reports would have been filed with the Office of the Comptroller:

- A copy of form 308 should have been submitted in 2007-2017 because gross receipts exceeded \$4,000 in all of those years.
- A copy of IRS form 990 should have been submitted, based on gross receipts in excess of \$25,000, for the following years: 2008 (\$43,219), 2009 (\$30,631), 2012 (\$25,454), 2013 (\$99,563), and 2015 (\$99,958).
- A certified, independently audited, financial statement reporting an audit in accordance with Generally Accepted Accounting Principles should have been submitted in 2013 (\$99,563 in gross receipts), and 2015 (\$99,958 in gross receipts).

The Friends Group were reported delinquent by the State of Wisconsin Department of Financial Institutions for report year 2014 since the Group did not file an annual report for 2014. According to Vital Statistics Corporation records, the group was restored to good standing in October 2015. In addition, the Friends Group Tax Return Form 990 was filed late for 2014.

Annual financial reporting to the County would enhance Parks' oversight of the Friends Group.

Annual reporting of financial information to the Office of the Comptroller and Parks Department would enhance the Parks Department's oversight of the Friends Group, and help them ensure that the group remains in good financial standing as it continues efforts to support and promote a County park.

Potential Code of Ethics/Conflict of Interest Issues

The President of the Friends Group has worked at two of the companies that have won bids for Hales Corners construction projects. In one instance, a firm which had formerly employed the President was selected to design the Hales Corners Ice Rink and Shelter without a competitive

bidding process. We were told the firm was selected because of their prior experience on projects in the Park (Veterans Memorial and park pavilion). In a second instance, another firm, which employed the Friends Group President at the time, was the winning bidder for construction of the pavilion. Both the Friends Group President and other Board members who served at the time confirmed that the President recused himself from the vote on that award due to a potential conflict of interest. However, according to these same individuals, the President drafted the request for bids document, circulated it for bid solicitation, and conducted the initial bid screening.

Both situations summarized above have the appearance of potential conflicts of interest. The Friends Group currently lacks a formal bidding process for contractors performing work at the Park on the group's behalf. The establishment and of clear and documented procurement processes could avoid potential appearances of conflicts of interests.

The requirements of Chapter 13 emphasize the important role Friends Groups play in their efforts to support public institutions, and that it's therefore necessary that such groups operate as quasi-public entities.

The requirements of Chapter 13 emphasize the important role Friends Groups play in their efforts to support public institutions, and that it's therefore necessary that such groups operate as quasi-public entities. As part of this, it was envisioned that there would be clear guidance for Friends Groups to have structures in place to ensure that open meetings are held, there's appropriate financial reporting, and policies that would address code of ethics/conflict of interest issues. Additional guidance for those involved with governance of not for profit organizations is available from various sources such as not for profit associations, large external audit/consulting firms that may issue free guidebooks, local universities, and the American Institute of Certified Public Accountants.

It is prudent that the principles of Chapter 13 be codified in an overall governing document with the Friends Group. Therefore, we recommend that the Parks Department:

5. *Enter into a written agreement with the Friends Group following the requirements established in Chapter 13 of the Milwaukee County Code of General Ordinances. The agreement should be submitted to the County Board of Supervisors and the County Executive for review and approval and it should contain clear policies on open meetings, financial reporting, and Code of Ethics/Conflicts of Interest requirements.*
6. *Request submittal of periodic financial reports for the Friends Group.*

The lack of defined and agreed-upon utilization of County facilities, personnel, utilities and equipment has resulted in a tense relationship between the Friends Group and Milwaukee County Parks Department staff, which may have been avoided with a clear agreement outlining the relationship.

We found examples of situations where there were misunderstandings about the roles and responsibilities of the Friends Group and Parks Department.

In addition, to the issues summarized above, we found examples of situations where there were misunderstandings about the roles and responsibilities of the Friends Group and Parks Department. Those situations are summarized below.

Facility Access and Recycling Pile Up

Early in our review, Parks staff expressed their concern that the Friends Group was using the Hales Corners Park poolhouse building for Friends use. Parks staff informed us that the Friends President often stores items in the building that do not belong there, including a snow blower. According to Parks' staff, they had requested that the equipment be removed from the facility due to safety and potential code violations. In June 2017, auditors from our office observed that the snow blower was stored in the poolhouse building while conducting field work. A picture of the snow blower appears below.



Source: Picture of Friends Group snow blower stored in a section of the poolhouse building taken by Audit Services Division.

According to the Friends Group President, Parks management agreed with his suggestion to move the snow blower to the outside closet on the pool deck.

As part of their work on behalf of the park, the Friends Group organized an aluminum can drive. As a result, large amounts of cans were stored in the Hales Corners poolhouse building. Parks staff indicated that they requested that the cans be removed since as a public building, it needs to follow safety standards. We observed the large volume of cans stored in the facility during one of our visits.



Source: Picture of Friends Group cans stored in poolhouse building pending recycling, taken by Audit Services Division.

For many years, the Friends Group President had his own key to the Hales Corners Park building, which allowed him to have full access to the building.

For many years, the Friends Group President had his own key to the Hales Corners Park building, which allowed him to have full access to the building. The Parks Department changed the locks to the building in October 2016 and implemented a policy to limit access and exercise control over key usage in December 2016.

Ultimately, the cans were removed. According to the Friends Group President, they would have been removed earlier had he had keys to the poolhouse as he had in prior years. Instead, they remained for an extra week so he could coordinate a group of volunteers to assist. He stated that the Friends Group picked up and organized Parks Department clutter as well.

Tense relationship

As part of our work, we interviewed both Parks staff and the President of the Friends Group. Both Parks staff and the Friends President indicated that at times communication

was strained. While Parks staff acknowledge the passion and hard-work of the Friends President, they also stated that he was difficult to work with. At times, Parks leadership attempted to redirect the Friends Group President's communication as a way of preventing staff from becoming upset. According to the Friends President, he often found it difficult to coordinate with different staff during the different seasons, and was unhappy with response times. We reviewed email correspondence between the two parties for the period of our review and did find evidence of tense communication between the two entities.

We believe a clear governance document, as envisioned by Chapter 13, outlining the terms and details of the entities relationship, including each party's roles, requirements, and responsibilities is needed.

In sum, we observed a need for the Parks Department to clarify its relationship and communication with the Friends Group. We believe a clear governance document, as envisioned by Chapter 13, outlining the terms and details of the entities relationship, including each party's roles, requirements, and responsibilities is needed. Therefore, we recommend that:

7. *The written agreement with the Friends Group should also include the following elements:*
 - a. *Language clarifying financial, volunteer, and operational support associated with the roles and responsibilities of each party.*
 - b. *Language clarifying concerns related to proper storage, and protocol for volunteer activities.*

During our review of the Friends Group, we noted a number of areas where internal controls could be strengthened.

Small organizations can be especially vulnerable to misuse of funds. It is therefore prudent that such organizations have proper controls in place. Proper internal controls include written policies and procedures for the handling of cash and disbursement of funds, proper record keeping, and

established segregation of duties so that key duties and responsibilities are divided among different people to reduce the risk of error, misuse or fraud.

During the course of our work, we identified a number of instances where internal controls need to be strengthened.

During the course of our work, we reviewed the Friends' Tax Return 990 forms and other supporting financial documentation for the years 2008-2017. We identified a number of instances where internal controls need to be strengthened. Our observations are summarized below.

- A truck was purchased for \$500 for the Friends Group by the President of the Friends Group without knowledge or authorization of the Board of Directors. The organization's bylaws state "the President may sign authorized by the Board of Directors, any deed, mortgages, bonds, contracts, or other instruments which the Board of Directors has authorized." The subject vehicle was also purchased from a family member of the President, a potential conflict of interest.
- The President of the Friends Group made checks payable to "cash" for petty cash transactions. During our review, we were unable to track whether the petty cash was replenished. Going forward, a petty cash fund should be established, receipts obtained for all expenses paid, and the recipient of the cash should sign the receipt or a voucher.
- During our records review, we found that the President of the Friends Group wrote and signed 18 checks to himself, totaling \$1,377.89 as reimbursement for Friends Group expenses. While all these reimbursement checks were supported with receipts, disbursement procedures should be established with a focus on segregation of duties. Going forward, the person to whom the check is written should not be the signer. Additional members of the Board should serve as check signers and procedures with proper check approval and verification with supporting documentation should be established.
- Some donations and fundraising events lacked supporting documentation such as donor and event lists. As a result, these contributions may not qualify as a deductible contribution, and the organization lacks a clear audit trail to support the organization's income.

Going forward, the Friends Group should establish a recordkeeping and donor receipt system in line with U.S. Internal Revenue Service Code Publication 526 for Charitable Organizations.

Given the ‘quasi-public’ roles Friends Groups play as representatives of the County, its property and its activities, it’s important that Milwaukee County can have full faith and confidence that proper internal controls are in place.

Given the ‘quasi-public’ roles Friends Groups play as representatives of the County, its property and its activities, it’s important that Milwaukee County can have full faith and confidence that proper internal controls are in place, as envisioned by the requirements listed in Chapter 13. We believe there are opportunities to enhance the control environment of the Friends Group.

Therefore, we recommend that the Parks Department:

8. *Work with the Friends Group to:*
 - a. *Document efforts made to strengthen internal controls with a special focus in the following areas: establishment of a conflict of interest policy; petty cash procedures; proper check approval, signature authority, and verification procedures; enhanced recordkeeping and donor receipt system.*
 - b. *Report changes implemented as a result of this work in forthcoming audit follow-up reports to the Audit Services Division, which will be included for review by policymakers.*

The Parks Department should seek adherence to Chapter 13, and dedicate a County Coordinator to serve as a liaison between the Department and the Friends Group.

We recognize that friends groups are often small organizations, supported by dedicated volunteers who strive to support Parks activities, with work that is done in spare time outside of other occupational and family commitments.

Early in our fieldwork, we learned that the Parks Department was in the process of developing a Volunteer Handbook. We reviewed a draft copy, and while it did provide guidance for

Parks' use of volunteers, it did not include information on Chapter 13 or necessarily fully apply to friends groups whose operations include the provision of financial support as well volunteer services, as is the case with the Friends of Hales Corners Park and Pool.

To enhance the understanding of the role of friends groups and communicate Chapter 13 requirements and guidance, we recommend that Parks management:

9. *Fully develop and issue the Handbook to include a copy of Chapter 13 and operational guidance specifically for friends groups.*

Chapter 13 envisioned the designation of a County coordinator for friends groups.

Finally, Chapter 13 envisioned the designation of a County coordinator for friends groups. Given the miscommunication documented earlier in this report, we concur that this is a good idea going forward.

Therefore, we recommend:

10. *The Parks Department assign a County Coordinator for the Friends of Hales Corners Park and Pool.*

Audit Scope and Methodology

The objectives of this audit were to conduct an operational audit of Friends of Hales Corners Park and Pool (FOHCPP), and to:

1. Determine how much has FOHCPP raised (in both public and private funds) and how was it spent; and
2. Determine if there are opportunities to improve financial management and accountability of Milwaukee County's agreements with FOHCPP, including the Memorandum of Understanding (MOU) between the County and FOHCPP.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

During the course of the audit, methodology included developing an understanding of processes and control for fundraising activities of Friends of Hales Corners Parks and Pool, Inc. The audit procedures, which were developed to evaluate the processes and controls to meet the audit objectives we:

- Reviewed Internal Revenue Services Tax Return 990 Forms from 2008 - 2017, relevant supporting documentation and verified that reporting and filing of documents were performed consistently and timely.
- Assessed controls surrounding receipts, disbursements, variance source documentation and data retention processes.
- Reviewed Milwaukee County Parks Amenities Matching Funds Program Data procedures and guidelines.
- Assessed controls and processes surrounding disbursements and the collection of both cash and checks.
- Interviewed FOHCPP Board Members and Officers to determine the form of governance and how decisions are made within the organization.
- Conducted site visits and tour to document Hales Corners Park building and pool and took pictures of items of interest.
- Interviewed pertinent Department of Parks, Recreation and Culture management, and staff to gain insight on the property's history, operations, and maintenance efforts with FOHCPP.
- Interviewed Department of Administrative Services Architecture, Engineering and Environmental Services staff to gain insight into the history and current physical state of the property and to establish a reasonable explanation of project design site changes.

- Reviewed American with Disabilities Act Standards regarding requirements of newly designed and constructed state and local government facilities related to Alyson Dudek International Ice Rink, and Holz Family Pavilion projects architectural drawings and changes requested.
- Reviewed the FOHCPP bidding processes for awarding contracts for the Alyson Dudek International Ice Rink, and Holz Family Pavilion projects.
- Reviewed the Commission for Accreditation of the Park and Recreation Agencies National Accreditation Standards for best practices related to Volunteer Management.
- Reviewed agreements, partnerships and Memorandum of Understanding with Friends of Hales Corners Park and Pool and other Friends Groups.
- Reviewed County Board Ordinances and committee minutes to identify issues, concerns, recommendations, and County Board Resolutions relating to FOHCPP and related audit objectives.
- Obtained and review applicable policies and procedures, internal forms, reports, correspondence and documents relating to the audit objectives.
- Conducted internet research, reviewed surveys, briefings, communication, contracts, data and policy analyses undertaken by Milwaukee County pertaining to the FOHCPP and its operations.
- Established a timeline of events and identified special projects and improvements at Hales Corners Park completed by the FOHCPP from 2007 - 2017.

HALES CORNERS PARK AND POOL

Timeline of Significant Dates and Events

Timeline



1968



2010



2012



2015

1968	Hales Corners Pool Opens.	2008	The main drain was plugged in the pool at the beginning of the season and removed at the end of season.
2001	Swimming Pool Master Plan recommends closing Hales Corner Pool and other pools.	2009	Friends begin building repairs and painting Hales Corners Park.
2001	A resolution authorizing and directing the Parks Director to negotiate on behalf of the County with any government, non-profit or private agency that are interested in operating any of Milwaukee County's pools.	2010	Jake's Climbing Rock is donated by the Knapp family to honor their son Jacob's life.
2002	A resolution directing the Park's Director to raise the resident fee for juniors and establish a non-resident fee for adults at Hales Corners pool.	2010	Friends and Parks enters into a one week Operating Agreement from August 23, 2010 to August 29, 2010 to extend hours of operations from 1:00 p.m. to 5:00 p.m.
2002	The Friends initially organized to keep the pool open.	2010	The American Legion Hales Corners post 299 and Veteran of Foreign War 10394 and Boy Scout Troop 598 and Friends helps raise funds for Veteran Memorial.
2003	Friends of Hales Corners worked for 5 years under the Park People of Milwaukee, Inc., 501 (C) (3) organization to help fundraising efforts.	2010	Pool Report Inspection rates Hales Corners pool overall condition with a C- grade that falls into the category that was most in need of rehabilitation.
2004	Park's Superintendent of Parks, requesting authorization to enter into a one-year agreement with the YMCA of Metropolitan Milwaukee, Inc., for the operation of Hales Corners pool during 2004.	2011	New Basketball and Tennis Courts installed, and new Children's Play Area.
2004	YMCA of Metropolitan Milwaukee, Inc. operated the Hales Corner Pool from 2004 through 2005.	2012	Veteran's Memorial opens at Hales Corners.
2004	Creation of the Aquatic Advisory Committee to review and implement the 2002 Aquatic Master Plan for Milwaukee County.	2013	The Friends Group filed with the State of Wisconsin to record that its name was changed from Friends of Hales Corners Park, Inc. to Friends of Hales Corners Park and Pool, Inc.
2006	The pool shuts down overnight everyday due to a valve that control flow (Fisher valve) was malfunctioning causing excessive water lost.	2013	Friends secure total of \$75,000 Donation all for matching grants for small Ice Rink.
2006	Resolution authorizing and directing the Superintendent of the Department of Parks, to work with the Friends of Hales Corners pool, private groups and individuals to raise additional funds that would result in a zero tax levy impact for 2006.	2014	FOHCPP enters into a Development and Management Agreement with Parks to construct an Ice Rink the Alyson Dudek International Ice Center and the Holz Family Shelter, a year-round picnic shelter. The project cost was estimated at \$225,000.
2007	The Village of Hales Corners, Carrico Aquatic Resource and Southwest YMCA operated Hales Corners pool.	2014	Finalize design selection of Hunzinger for International Ice Rink. Public informational Meeting to seek partnership with Milwaukee County.
2007	Friend of Hales Corners Pool, Inc. forms as a separate 501 (C) (3) organization and increases fundraising activities.	2014	Milwaukee County contributed \$75,000 from the Park's Amenities matching funds for the ice rink and shelter project.
2008	The Village of Hales Corners enters into a Lease and Services Agreement with Milwaukee County to operate the pool for the summer of 2008 season.	2015	In 2015, the Friends of Hales Corners Park & Pool built a 50 x 80 Volleyball Sand Court for approximately \$10,700.
		2015	FOHCPP holds Groundbreaking Ceremony for Alyson Dudek International Ice Center and Reiman Rink & Holz Family Shelter with Hunzinger Construction Company.
		2015	A resolution appropriating \$15,000 to keep Hales Corners and Wedgewood wading pool open and operating through 2015.
		2015	County Supervisors added a total of \$525,000 to capital budget, \$250,000 for pool house metal roof and \$275,000 for pool rehabilitation.
		2017	The final Ice Rink and Shelter Project Plan were approved by Milwaukee County for approximately \$308,000.
		2017	The Village of Hales Corners Plan Commission approves Ice Rink Center and Shelter Projects on June 19, 2017.

CHAPTER 13 - GUIDELINES FOR COUNTY DEPARTMENTS ESTABLISHING PARTNERSHIPS WITH SUPPORT GROUPS

13.1 - Declaration of Policy.

The role of friends groups is important to many county departments. Some departments possibly could not survive without the full participation of the private sector in furnishing additional funding for capital projects, special programs, and operating needs. Friends groups add substantially to the limited resources available from the tax base. The general public greatly benefits through improved facilities and programs. The county has always welcomed and encouraged the establishment of friends groups. By establishing these guidelines, the county hopes to enhance mutual understanding of particular needs and concerns with its friend's groups and establish a fair and consistent policy with them, thus assuring a successful, cooperative effort and relationship.

13.2 – Applicability.

1. The provisions of this policy are applicable to all county department and agency heads in interacting with private support organizations (friends groups) formed to provide financial support and volunteer services for an activity of the county or any of its departments or agencies.
2. The relationship with those private support organizations that provide only volunteer services, interpretive and educational assistance, and additions to collections, but do not provide financial support or have a fiscal relationship, shall be established in a memorandum of understanding with the county department head.

13.3 - Organization – County.

The county public facilities are owned and managed for the benefit of the people of the entire community. Responsibility, authority and accountability for their activities lie in the county executive and the county board; active management lies in the designated department head. The county cannot delegate or contract away its statutory powers and responsibilities. Accordingly, organizational internal controls within a county department are the responsibility of the department head who must adhere to all applicable ordinances, procedures and ethical standards of county government. Acceptance of all gifts to county departments by department heads shall be conditioned upon approval by the county executive and county board, or within parameters established by ordinance.

13.4 - Organization – Friends Groups.

Friends groups are independent organizations having their own governance and fiscal structure. In order to achieve county-wide consistency and fiscal accountability, all friends groups should conduct fiscal affairs through a nonprofit, nonstock Internal Revenue Code 501 (c) (3) tax-exempt corporation structured through articles of incorporation and bylaws to support, assist and promote the activities of the county department or agency under the provisions of a written agreement approved by the department head, the county executive and the county board.

13.5 - Role of Friends Groups.

Friends groups, in cooperation with the county department head and within policies, programs and goals of the department, may raise funds and may provide volunteer assistance and support, both in terms of physical facilities and programs. Friends groups may be considered by the county department head to be the lead volunteer organization for the department, but it shall not prevent the department head from accepting assistance from other groups where there will be no conflict with agreements executed with friends groups.

13.6 - Relationship – Friends Groups.

Because of their close relationship with public institutions, friends groups acquire a quasipublic status. The public often perceives them to be a functional part and representative of a county department. Public confidence and support is best maintained by adequate disclosure of all activities. Basic to the quasipublic nature of friends groups, the department head shall negotiate a written agreement with each friends group for approval by the county executive and the county board, including:

- (a) A statement of purpose and outlining its program activities and related utilization of county facilities, personnel, utilities and equipment.
- (b) A provision that if the friends groups participate in a capital improvement program, they be a party to a separate written contract setting forth the nature, scope and ownership of the improvements, together with the responsibility and accountability for planning, fundraising and construction.
- (c) Recognition that the county board endorses a policy of open meetings, open records, affirmative action and its code of ethics, and expects county employees to understand and comply with such policies in working with friends groups. Friends groups, their agents and employees shall comply with all applicable federal, state and county laws and regulations governing conflicts of interest. Recognition that county employees are responsible to disclose promptly to the county executive and county board information concerning proposed capital plans, operating support, promotional plans, programs and activities of friends groups.
- (d) Filing annually, with the office of the comptroller, for public record:
 - (1) If the organization's annual gross receipts exceed four thousand dollars (\$4,000.00), a copy of its state form 308 (charitable organization annual report) submitted to the state department of regulation and licensing to comply with s. 440.41, Wis. Stats.
 - (2) In addition, if the organization's annual gross receipts exceed twenty-five thousand dollars (\$25,000.00), a copy of its IRS form 990 (return of organization exempt from income tax).
 - (3) In addition, if the organization's annual gross receipts exceed fifty thousand dollars (\$50,000.00), a certified, independently audited, financial statement reporting an audit performed in accordance with generally accepted accounting principles.
- (e) Limiting its employees to those engaged in the administration of friends groups and those providing interpretive, educational and visitor services where such activities are specifically set forth in the agreement and are not within the jurisdiction of the county employees. All other persons engaged in county department activities, or who control county funds, assets, employees or programs, shall be county employees whose compensation may be funded by friends group allocations.
- (f) Encouraging all county employees to be a member of friends groups, but avoiding any conflict of interest; employees shall not serve as officers or directors of the friends groups.
- (g) Designating a coordinator or liaison person for the department and the friends group. The department head or designee shall be the county coordinator and shall have authority to administer the agreement on behalf of the county. Friends representative shall be available to county for consultation and assistance.

13.7 – Fund Management.

- (a) Friends groups have authority to solicit, retain and expend funds they determine are appropriate to their programs and goals. Funds donated to the county by friends groups shall be managed so as to assure funds raised are used as intended by the donors consistent with ch. 59, Wis. Stats. Funds transmitted to the county treasurer by friends groups, with a description of the intended use, shall be identified as deposited for that purpose and shall be expended only after a fund transfer consistent therewith is authorized.
- (b) The department head and designees have authority to solicit funds they determine are appropriate to their programs and goals. Such funds shall be payable to the county and may not be accepted by friends groups. Funds payable to the county shall be immediately deposited with the county treasurer in accordance with county procedures. An "appropriation transfer request" by the department head will be required for the release of such funds. The department head, and designees, may participate in solicitations when requested by a friends group.
- (c) There shall be an accounting with the department of the use by each of the other's real or personal property, personnel, utilities, equipment and similar expenses, and provision for the reimbursement of reasonable value thereof.

Source: Auditor formatted using Milwaukee Code of Ordinances Chapter 13 - Guidelines for County Departments Establishing Partnerships with Support Groups.

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Memo

Milwaukee County Parks
9480 Watertown Plank Rd.
Wauwatosa, WI 53226
(414) 257-PARK

February 6, 2019

TO: Jennifer L. Folliard, Director of Audits
FROM: Guy Smith, Executive Director of Parks 
Subject: **Audit of "the Friends of Hales Corners Park & Pool" – Parks Response**

Below are the responses to the Audit Services Division’s ten recommendations for the Friends of Hales Corners Park & Pool.

These following items are addressed in our responses; how the recommendation in the report will be implemented, who shall be responsible for seeing that implementation is carried out, when the implementation will be completed, and alternate solutions to the concerns noted in the report if the recommendations are not to be implemented.

Should you have questions or concerns, please contact me.

Parks management should establish a timeline for Friends to complete fundraising for the ice center and outdoor shelter.

1. The Parks Department, specifically Parks Contracts and Development Managers, will work with the Friends Group to establish a timeline to complete the ice center and outdoor shelter fundraising and/or discuss options that may include scaling back the project. Progress on timeline development to be shared in audit follow up reports.

Parks management should establish proper controls regarding the disbursement of funds from the Parks Amenities Matching Fund (PAMF) and update all materials to clearly disclose funds are to be returned to Parks if the project does not proceed. Parks should formally document the return of the \$75,000 PAMF grant for the Alyson Dudek International Ice Center and outdoor shelter should construction not occur.

2. Our Contracts Manager will work with the Friends Group to formally document that both parties understand and agree that should the Alyson Dudek International Ice Center-Outdoor Pavilion project not proceed, the Friends Group will provide the timely return of Milwaukee County's grant of \$75,000 .
3. The Parks Development Manager and Contracts Manager will develop controls to ensure that funds are dispersed in accordance with the Parks Amenity Matching Fund (PAMF) application. The Contracts Manager will also develop an agreement to address the rules and responsibilities of the PAMF recipient, including the return of monies, if the applicant elects to receive the PAMF funds prior to project completion.
4. Parks Development Manager will update all PAMF program materials to clearly disclose that funds dispersed by the Parks Department to the grantee prior to the completion of a project are to be returned to Milwaukee County in a timely manner should the project not proceed.

Parks management should enter into a written agreement with the Friends Group per Chapter 13 of the Milwaukee County Ordinances. The agreement should include language clarifying the roles and responsibilities of each party and address concerns related to proper storage and protocol for volunteer activities. And the Parks Department should request periodic financial reports from the Friends Group.

5. The Parks Department will enter into a written agreement with the Friends Group following the requirements established in Chapter 13 of the Milwaukee County Code of General Ordinances. The agreement will be submitted to the County Board of Supervisors and County Executive for review and approval. It will contain clear policies on open meetings, financial reporting, and Code of Ethics/Conflicts of Interest requirements. This agreement will be developed by Parks Contracts Manager by the conclusion of 2019.

6. The Parks Contract Manager will request financial reports from the Friends Group at the end of each fiscal year.
7. The written agreement with the Friends Group will include:
 - a. Language clarifying financial, volunteer, and operational support associated with the roles and responsibilities of each party.
 - b. Language clarifying concerns related to proper storage and protocol for volunteer activities.

Parks Management should work with the Friends Group to document efforts made to strengthen the internal controls of the Friends Group and report efforts in audit follow-up reports.

8. The Parks Department will work with the Friends Group to:
 - a. Document efforts made to strengthen internal controls with a special focus in the following areas: establishment of conflict of interest policy; petty cash procedures; proper check approval, signature authority, and verification procedures; enhanced recordkeeping and donor receipt system.
 - b. Report changes implemented as a result of this work in forthcoming audit follow-up reports to the Audit Services Division, which will be included for review by policymakers.

Parks Management should finish development and issue its Volunteer Handbook and include guidelines for friends group based on Chapter 13.

9. The Volunteer Handbook is nearing completion and will include Chapter 13 of the Milwaukee County Code of General Ordinances and operational guidance specifically for friends' groups. Upon the hiring of our new Engagement Manager, they will be tasked to finalize and issue this handbook.

Parks should assign a County Coordinator for the Friends Group.

10. The Parks Department is in the process of interviewing for an Engagement Manager and anticipate having this position filled soon. The Engagement Manager and South Region Operations Manager will be the primary contacts for the Friends of Hales Corners Parks.



February 4, 2019

Jennifer L. Folliard
Director of Audits
Milwaukee County Office of the Controller
Audit Services Division

Re: Friends of Hales Corners Park & Pool Audit

Dear Ms. Folliard:

The Friends of Hales Corners Park & Pool (Friends) appreciates and thanks you for the draft of Milwaukee County's Audit Report of the Friends, dated January 21, 2019, and for the invitation to comment.

The completely volunteer-based Friends have been a partner with Milwaukee County Parks in supporting the Hales Corners Park and Pool since 2003 and have been pleased to have been able to provide financial and volunteer support to help maintain and improve this valuable public venue. We look forward to continuing to work with Milwaukee County Parks in supporting Hales Corners Park, and appreciates the Audit Service Division's recommendations to Parks Management, including the development of a formal agreement with all friends groups to clarify the roles and responsibilities of the Friends and the Parks Department, consistent with the requirements of Chapter 13 of the Milwaukee County Code of General Ordinances. This will benefit all parties.

In reviewing the draft Audit Report we found some factual discrepancies and items for which we would like to provide clarification.

Schedule of Direct and Indirect Funding:

This statement was intended to reflect the total economic impact the Friends' efforts have had on supporting, enhancing and improving Hales Corners Park & Pool, and included a combination of cash donations; in-kind donations; services, amenities and improvements provided by local businesses and boy and girl scouts; and County-funded improvements. The Friends acknowledge that they mistakenly thought that Supervisor Jursik's 2009 Budget Amendment of \$50,000 in pool funding was an annual amount for the past ten years, not just a one-year allotment, which resulted in an overstatement of funds raised, and that several County-funded improvements cost less than believed. The Friends appreciate the clarification.

The Friends would like to note that in 2007 the pool was losing a significant amount of water daily, which required the pool to be constantly refilled with cold water. This "leak" resulted not only in excessive and costly water use, but in colder pool water temperatures, which hampered



attendance. Despite diligent efforts by County maintenance workers, the source of the leak was not found. Working with the Friends, the owner of Underwater Connections, a scuba shop located in Hales Corners, assembled a team of volunteer divers to try to ascertain the cause of the leak. Within a few hours, the divers identified and fixed the problem at no cost to Milwaukee County. Based on its operating agreement with Milwaukee County, the Friends, however, were responsible for water costs, and paid the County \$9,000 in water charges in 2007.

Open Meetings:

Since its inception in 2003, the Friends frequently and consistently held meetings which were open to the public, including its annual meeting and Board of Directors meeting. During these meetings, open and transparent discussion ensued on all Friends' business and financial matters, and financial and other documents were shared freely with anyone who attended the meeting. Financial reports are posted on the Friends' website. Over the years, members of the Milwaukee County Parks Department were routinely invited to attend Friends' meetings and representatives attended on occasion.

As noted in the Audit Service Division's Report, Milwaukee County has not implemented a general written agreement governing the relationship with The Friends, as required by Chapter 13.06 of the Milwaukee County Code of General Ordinances, which sets forth meeting requirements for Friends groups. Until this report was issued, the Friends were unaware of these requirements. Once an agreement with Milwaukee County is established, the Friends will comply with specified requirements.

Utilization of County Facilities:

The Friends, nor its officers, do not routinely store personal items in the Hales Corners Pool Building. As part of its fundraising and awareness efforts, the Friends conduct an aluminum can recycling program. There are numerous recycling containers located throughout the Village, including one at Hales Corners Pool. Often, residents often donate large bags of cans that do not fit into the recycling container and they are left outside the pool building. Cans are generally picked up from the pool area by Friends' volunteers every day or so. At times, the cans can accumulate. On one occasion, there was an unusually large supply of cans, which were temporarily stored in the pool building basement until a group of volunteers could move them. While removing the cans, the Friends volunteers also organized and cleaned up the pool basement.

Strengthen Internal Controls:

As observed in news reports, there is often room within any for-profit corporation or not-for-profit organization, large or small, to improve its internal procedures. The Friends understand the need for proper financial controls, appreciate the concerns noted, and look forward to working with Milwaukee County to strengthen its internal procedures. However, we would like to clarify that the Friends' did seek and obtain permission from Board members to purchase for



\$500 a 1992 pick-up truck with a Blue Book value of \$720 for the Friends' use (e.g., hauling the aluminum cans from the recycling program, etc.) from the President's father, who had had a stroke and was unable to drive any longer. Until the purchase of the truck, the Friends' President used his own personal van for can recycling and other Friends' needs until it was no longer operable. Also, any petty cash (cash for the cash box to make change at fundraising events) transactions and reimbursements to any Friends' members/volunteers have always had receipts to substantiate the expense and the reason, and the receipts were submitted to the Friends' treasurer, who is a certified public accountant. To ensure proper financial control and transparency, all Friends' bank statements and banking information is sent directly to the treasurer.

The Friends appreciate the thoroughness, fairness, and professionalism of the Audit Services Division during this audit, and look forward to continuing its partnership and strengthening its relationship with the Milwaukee County Parks Department in its on-going efforts to support the Hales Corners Park and Pool.

Respectfully,

Donald G. Schwartz
President
president@halescornerspark.com
Mobile: 414-418-8299