

HIGHLIGHTS

Why We Did This Audit

The Milwaukee County Board of Supervisors, adopted a resolution requesting that the Director of Audits conduct an audit of the Department of Parks, Recreation and Culture's lease and concessions agreements with private companies who provide revenue generating business activities.

What We Recommended

ASD made 15 recommendations that, if implemented, will improve the lease and concession agreement function at the Parks. Parks accepted all of our recommendations. Key recommendations include:

- *Establish policy and procedures for handling outside agreements.*
- *Conduct an annual survey of vendor provided services and maintain a complaint log.*
- *Establish a policy and procedures to execute changes via amendments to agreements or letters of agreement.*
- *Establish a method to monitor financial terms of agreements and require submittal of all necessary financial documents.*
- *Work with Risk Management to devise a system to assist the Contracts Manager's review of Certificates of Insurance.*
- *Establish a system to conduct spot checks of vendors' agreement requirements.*
- *Establish a system to ensure invoices match agreement terms and work with Community Business Development Partners on Targeted Business Enterprise participation.*
- *Work with Zilli's to reconcile invoices and commission schedule and recoup funds as necessary.*
- *Execute a letter of understanding regarding complimentary food and beverage items with Zilli's and recoup revenue as appropriate.*
- *Execute a letter of understanding on the ability of Zilli's to offer complimentary room rentals.*
- *Request documentation from Zilli's when a credit for room rental is issued.*
- *Provide instructions to Zilli's on documentation of sales tax payments if Zilli's will continue to pay on behalf of the County.*
- *Work with Zilli's to determine chair rental revenues from 2016 to 2018 and recoup funds as necessary and establish a policy and procedures to track use of chairs for future rentals.*
- *Execute a letter of understanding on the ability of Zilli's to charge a coordination fee for events held at Boerner.*
- *Remit to Zilli's the overcharge for phone services.*



Parks agreements provide enhanced opportunities to residents and major revenues are received but more attention to details is required

BACKGROUND

The Department of Parks, Recreation and Culture (Parks) strives to create and sustain quality parks, facilities and services which offer citizens of Milwaukee County opportunities for recreation, improvement of their physical and mental well-being, and enhancement of their quality of life. Parks oversees the operation and management of a county park system with 15,325 acres, 158 parks, 11 parkways and a 210-mile trail system. The 2019 Adopted Budget for the Parks Department included \$36.9 million in expenditures, \$21.0 million in revenues which results in tax levy funding of \$15.9 million. Parks is budgeted to employ 240 full time employees along with funding for seasonal, hourly and pool positions which are the equivalent of 229 full time positions in 2019 but also has over 300 agreements with outside entities to fulfill its mission.

OVERALL OBJECTIVE

The objective of the audit was to review Parks lease and concessions agreements with private companies who provide revenue generating business activities. We did this by selecting six vendors and their agreements for a detailed review in order to draw conclusions on what is working well and what needs improvement.

WHAT WE FOUND

- Parks was unable to provide an updated master list of all of its contracts, agreements, leases and other formal documents, an estimate of over 300 was provided.
- Of the six vendors and their agreements that we reviewed, we found that Parks collected the primary revenue source owed in the agreements, however, some payments were based on vendors' calculations and were not verified.
- By executing these agreements, Parks is able to provide additional services to the community. Adding an evaluation component such as a survey would provide additional information to Parks on the quality of services provided by vendors.
- During our review we noted a practice of Parks entering into verbal agreements or modifications to the agreements without official documentation.
- The Certificate of Insurance system appears to be flawed and in need of revision and clarification for Parks to perform their required verification function.
- There is no spot checking of vendor required permits and licenses. Allowable onsite inspections or required cleanings are also not occurring.
- Our review of Zilli's invoices found gross sales in an amount which should have triggered an annual commission payment. In April of 2019 Parks invoiced Zilli's for the outstanding amounts and Zilli's paid in May of 2019. In addition, Zilli's provided complimentary food and beverage items but did not include the items in its commission reports. Complimentary room rentals were also noted. The agreement does not clearly address how to handle complimentary items.
- Parks was unable to provide documentation that room rental credits issued by Zilli's were accurate and in compliance with Boerner's room cancellation policies.
- Currently, Zilli's submits sales tax directly to the State. Parks is not currently monitoring to ensure the County's tax liability has been fulfilled.
- Chair rental revenue is not being received in full by Parks when chair rental applications have been submitted by Zilli's to Parks.
- Other Zilli's agreement issues include a coordination fee charged by Zilli's and phone utility charges.

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