



**Internal Audit Division
Finance Department
DeKalb County**

**RECREATION, PARKS AND
CULTURAL AFFAIRS**

**BROWNS MILL AQUATIC FACILITY
CONTRACT COMPLIANCE AUDIT**

JANUARY 2016



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Finance Department
DeKalb County

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BROWNS MILL AQUATIC FACILITY
CONTRACT COMPLIANCE AUDIT

JANUARY 2018



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Internal Audit Division**

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TRANSMITTAL MEMORANDUM

DATE: January 5, 2016
TO: Roy Wilson, Director Recreation, Parks and Cultural Affairs
FROM: Cornelia Louis, Deputy Director Finance – Internal Audit Division
SUBJECT: Browns Mill Aquatic Facility
RE: Contract Compliance Audit

Attached is the report of Browns Mill Aquatic Facility (BMAF) Contract Compliance Audit, which you requested. The issues raised in the report were discussed with you during the Exit Conference on January 5, 2016.

As is customary with our audit work, we do not include the auditee's comments in our report. However, you may consider sending your comments or response directly to Zachary Williams, Chief Operating Officer.

We appreciate the cooperation and assistance we received from Recreation, Parks and Cultural Affairs, Finance, Purchasing and Contracting, Law, and Innovation and Technology Departments. If you have any questions about the audit or this report, please feel free to contact me at 404-371-2639.

Sincerely

Cornelia Louis

CL/CC

cc: Appendix C



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EXECUTIVE SUMMARY

Background

The Internal Audit Department performed a contract compliance audit of Browns Mill Aquatic Facility (BMAF) for the period of January 1, 2014 to August 31, 2015. The audit was at the request of the Chief Operating Officer due to a life-threatening incident that occurred on June 22, 2015 at BMAF. The audit scope included contract agreements between the Recreation, Parks and Cultural Affairs Department (RPCA) and contractors, USA Pools Construction, Inc., and USA Management, LLC., hereafter referred to as (USA Management). Please see **Appendix B** for further definition of the contractors.

Objective and Approach

The objective of the audit is to determine if the County and USA Management complied with the contract requirements. We interviewed County and USA Management personnel, reviewed contract copies, and other supporting documentation.

Please see **Appendix A** for further details on our engagement scope and approach.

Summary of Observations

We are unable to provide an opinion on whether USA Management complied with the contract requirements for 2014 and 2015. Discussions with USA Management were limited due to the unavailability of management and/or staff. Furthermore, USA Management failed to provide requested documents to satisfy their compliance with contractual requirements.

In our opinion, RPCA did not comply with contractual requirements for the BMAF during the period of January 1, 2014 to August 31, 2015. Recommendations for observations made during the audit, listed below, will improve information regarding BMAF contracting activities, strengthen documentation to support invoices, and enhance controls over contract invoices.

1. RPCA lacked documentation on lifeguard training requirements for 2014 and 2015
2. Some lifeguard certifications were invalid
3. Lack of contract management oversight
4. Supplier name change information not retained in the Oracle Financial System
5. RPCA requested payments be disbursed without a valid invoice
6. Payments disbursed to a vendor different from the vendor named in the contract
7. Invoices lacked supporting documentation
8. Information on some invoices were inconsistent/conflicting
9. Payment disbursed for service beyond contract Scope of Work and after contract termination
10. The contracts included errors of key language



Overall Recommendation

RPCA Management should implement monitoring tools for BMAF contracts to ensure compliance with contractual requirements.

Summary Management Response

RPCA Management agrees with the observations and disclosed plans to hire an Aquatic Coordinator to oversee the BMAF and other County pools. This person will be responsible for contract management of the BMAF.

The Aquatic Coordinator would oversee the day-to-day operation and administration of the County's aquatic facilities, which consists of Browns Mill Family Aquatics Center and Cofer, Medlock, Midway, Gresham, Lithonia, Kittredge and Tobie Grant Pools and the Exchange Splash Park; and oversee the hiring, training, testing, and certification of staff and student employees of the facilities. Recruit qualified lifeguards and plan work schedules so that the pools has adequate cover at all times. Will organize training to ensure all employees are aware of safety issues and rules to encourage safe swimming.

Oversee activities such as learn-to-swim classes, swimming techniques, individualized and group lessons, swim clinics, water sports, special events or occasions, recreational and public swimming, diving lessons and other activities; is responsible in managing the collection of daily revenues for the aquatics department; and monitor attendance. Develops and implements various aquatic programs as well as assisting the Recreation Department in organizing youth programs during the pool off-season months. Aquatic Coordinator would ensure that all appropriate water health and safety standards are maintained at all aquatic facilities. Monitor the Lifeguard training certification, as well CPR and first aid certification. Review all invoices prior to payment of services.

The Coordinator will organize the annual swim league and county meet at the end of the season. Coordinate all swim leagues within the county. Order all supplies, equipment by start of the aquatic season. Serve as the department liaison with the Board of Health on inspections of all facilities prior to the start of season.



**RECREATION, PARKS AND CULTURAL AFFAIRS
BROWNS MILL AQUATIC FACILITY
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Approvals:

Original Signed by:

Cornelia Louis
Deputy Director of Finance
Internal Audit Division
Department of Finance
DeKalb County



SUMMARY OF OBSERVATIONS

1. RPCA lacked documentation on lifeguard training requirements for 2014 and 2015

Internal Audit requested supporting documentation from RPCA to determine if lifeguards met lifeguard certification, CPR, and first aid training requirements. RPCA noted BMAF contract monitoring files were missing and the only lifeguard certification documents on file for BMAF were those obtained from USA Management following the life-threatening incident at BMAF in June 2015.

Both contracts, in part, state that lifeguards must have a current lifeguard training certification, as well as CPR and first aid certification, which must be provided to the County prior to opening day of the pool. Lack of lifeguard certifications on file poses a life-threatening risk to pool patrons that may require lifeguard services and it poses a financial risk to the County. In addition, it makes it difficult for the RPCA to monitor lifeguard certifications that may be due for renewal. Furthermore, without required lifeguard training documentation there is a potential for the County to pay for services that did not meet contractual requirements.

Recommendation

To ensure the County is in compliance of lifeguard training requirements for the BMAF, RPCA Management should ensure a current copy of the lifeguard certification, CPR, and first aid training certification, is on file prior to opening day of the pool season.

2. Some lifeguard certifications were invalid

RPCA staff disclosed that upon review of lifeguard certificates provided by USA Management, the same certification number was used for two different lifeguards. Further review by Internal Audit identified that the same certification number was used for three different lifeguards. USA Management staff indicated they did not verify certifications unless required by the County. The contracts with USA Management do not include verification of lifeguard certificates as part of the Scope of Work.

In addition, Internal Audit received lifeguard certificates, in error, for County lifeguards assigned to other County pools. After reviewing the documents, we noted some certificates were invalid. Although the documents pertaining to the other pools were beyond the scope of the audit, due to the



risk associated with the lack of adequate lifeguard training certificates, we included the discrepancy in the report.

Recommendations

RPCA Management should work with the Purchasing and Contracting Department to ensure the contract language include verification of lifeguard certifications, CPR, and first aid training documentation by the contractor.

RPCA Management should develop an effective method of maintaining and monitoring lifeguard certification, CPR, and first aid training documents received from the contractor, as well as from those seeking employment as a lifeguard with the County.

3. Lack of contract management oversight

The RPCA Department Director relies on the Deputy Director over the Parks and Recreation Division to monitor operations of the Aquatic facilities. The Deputy Director manages staff who oversees the day-to-day operations of BMAF and other County pools. The employee who oversaw the everyday operations and contract matters of BMAF retired from the County, effective September 2015. RPCA personnel mentioned because of the retirement, information related to management of BMAF was minimal. The Deputy Director disclosed BMAF contracts are reviewed, yet monitoring is performed only on revenue collected at BMAF.

Contract information is vital to RPCA for making key decisions, monitoring compliance, and ensuring departmental accountability.

Monitoring Activities, an important component of *The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework*, is an ongoing evaluation, used “to ascertain whether the components of internal controls are present and functioning.”¹ “Internal control helps organizations ensure operating, financial and compliance objectives are met.”² Without adequate monitoring activities, management have the potential to overlook breakdown of controls in areas that pose high risks to the organization.

Recommendation

¹ COSO Internal Control – Integrated Framework Principles.” COSO.org, 9 June 2015. Web. 8 January 2016

² Grant Thornton, LLP, *COSO Guidance on Monitoring Internal Control Systems: Introductions*. 2009. PDF file



RPCA Management should actively monitor controls over the contract with BMAF to ensure the County and contractor meets their contractual requirements and to reduce the risk of non-compliance. In addition, best practices recommend that controls be in place to ensure contract information is accessible and accurate.

4. Supplier name change information not retained in the Oracle Financial System

A search in the County's Oracle Financial System (Oracle) identified that USA Pools of Georgia, INC. was issued checks from funds associated with Contract 14-902821 for USA Pools Construction, Inc.; however, Internal Audit could not verify USA of Pools of Georgia, INC. as a registered supplier in Oracle. Furthermore, the Oracle check register data listed payments disbursed to USA Pools Construction, Inc. instead of USA Pools of Georgia, INC., implying these checks were paid to the supplier documented in the contract. The change of the supplier's name provides no historical data of USA Pools of Georgia, INC. in Oracle. In addition, Georgia Secretary of State's website shows USA Pools of Georgia, INC. and USA Pools Construction, Inc. have different addresses and different company officers for each.

Lack of retention of supplier information could lead to fraudulent payments to suppliers that may go undetected. In addition, inaccurate records in Oracle could cause financial data to be unreliable.

Recommendation

Purchasing and Contracting Department should work with the Department of Innovation and Technology personnel to ensure historical data associated with a supplier is retained in Oracle to ensure accuracy and reliability of data.

5. RPCA requested payments be disbursed without a valid invoice

In 2014, RPCA Recreation Program Manager over the BMAF requested that Accounts Payable Division (A/P) process ten payment requests, totalling \$131,120.72, using the vendor's statement; and communicated that invoices would follow. However, there was no record of those invoices within A/P. Moreover, the vendor statement did not include an address, contact name or telephone number of the vendor.

In addition, the vendor's name on the statement, USA Pools, LLC. Inc., was different from the vendor's name in the contract, USA Pools Construction, Inc. We also identified USA Pools LLC. Inc. listed on six additional invoices submitted for payment in 2014.



According to Purchasing and Contracting Department Frequently Asked Questions (FAQ), “Oracle processes payments automatically, once a three-way match is satisfied. First, there must be a valid Purchase Order in the system. Second, end users must enter a receiving transaction for the goods and/or services received. Finally, Accounting Services must receive an original invoice with the valid Purchase Order number on it.”

Management’s noncompliance of established procedures is an override of controls that can have a negative effect on the culture of an organization, and can potentially lead to misappropriation of funds. Lack of vendor information on the invoice does not allow A/P to readily verify payment remittance address and ensure accurate selection of the correct vendor in Oracle. Lack of a valid invoice could result in duplicate billing by the vendor and/or overlapping of services.

Recommendations

RPCA Management should ensure request for payment complies with the County’s three-way match procedures prior to requesting payment.

In addition, RPCA Management should ensure the vendor’s information (name, address, etc.) matches the vendor’s information documented in the contract.

To reduce the risks associated with processing payment without an invoice, the A/P Division should ensure all payment requests include an invoice and comply with the three-way match prior to disbursement of funds.

6. Payments disbursed to a vendor different from the vendor named in the contract

Records show Contract 14-902821 was set-up in Oracle by the Purchasing and Contracting Department with the assigned supplier name as USA Pools Construction, Inc. Conversely, we identified the total contract funds spent in 2014, totaling \$242,434.01, were disbursed to USA Pools of Georgia, INC., with the same address as the contractor on file. Neither RPCA nor Purchasing and Contracting had documentation of the name change. Furthermore, research of business information on Georgia Secretary of State’s website shows the two entities with no record of name change history and the website notes a different address for each. According to Contract 14-902821 between the County and USA Pools Construction, Inc., the County shall pay the *contractor*, the contract price.



Checks made payable to a vendor other than the one associated with the approved contract is an internal control weakness, which can increase the likelihood of fraud.

Recommendations

The Purchasing and Contracting Department and RPCA Management should ensure vendor name changes have supporting documentation and maintained in the contract file.

Accounts Payable should ensure vendor information in Oracle matches vendor information on the invoice prior to remittance. If the invoice information does not agree with Oracle, A/P should seek resolution from the user department.

7. Invoices lacked supporting documentation

The following observations were noted during our review of contract related invoices:

- Forty-five percent of payment requests, totaling \$111,313.29, submitted by USA Management in 2014 had invoices. However, those invoices did not include supporting documentation. In 2015, 100% of USA Management invoices, totaling \$150,436.82, did not include supporting documentation. During both years, the invoices noted information such as number of lifeguards on duty and days and hours worked; however, there was no supporting documentation such as timesheets to support the hours worked. Furthermore, there was no documentation that RPCA requested supporting documentation to ensure accuracy of the services provided. For example:
 - One 2015 invoice totaling \$5,800.00 for a swim meet, did not list the County pool used for the swim meet or the number of lifeguards on duty.
 - Another 2015 invoice totaling \$20,000.00 for initial clean-up and lifeguard services did not provide details of the cleaning services provided and the number of participants. Furthermore, timesheets were not included in supporting documentation.
 - Finally, a 2015 invoice for \$994.50 listed 85 hours of opening work; however, the contractor previously billed for initial cleanup, setup and lifeguard services that totaled \$20,000.00. There was no supporting documents to show type of clean-up services provided or the number of participants included.

Both contracts state “payments to the Contractor shall be made only upon an itemized bill submitted to and approved by the said representative.” The approver should ensure services billed on each



invoice were provided. Approving invoices without supporting documentation creates a potential for the County to overpay for services, or pay for services not within the terms of the contract.

Recommendation

RPCA Management should ensure invoices include supporting documentation to verify accuracy of charges and services billed were within the terms of the contract.

8. Information on some invoices were inconsistent/conflicting

We noted the following observations during our review of invoices:

- One invoice was dated August 18, 2014 and noted the period week of August 16, 2014 thru August 22, 2014; yet, the dates of service were August 9, 2014 and August 10, 2014.
- Although the amount is immaterial, one invoice was understated by \$5.75.

Both contracts state “payment is to be made no later than thirty (30) days after **submittal of an undisputed invoice.**” Lack of invoice review for accuracy could result in overbilling, which can be costly to the County. In addition, notifying vendors of inaccuracies that may result in reimbursement to the vendor could have a positive effect on vendor and customer relations.

Recommendation

RPCA Management should ensure invoices are reviewed for accuracy prior to payment requests.

9. Payment disbursed for service beyond contract Scope of Work and after contract termination

Although the contract Scope of Work does not include lifeguard training of County staff, an invoice for \$2,100.00 was submitted for training. Additionally, the date of the invoice noted as August 1, 2015, was after the contract termination date of July 28, 2015. Contract 967029 was executed with Scope of Work to provide lifeguard supervision and pool maintenance services. Furthermore, Contract 967029 reads, “In case of termination of this Contract before completion of the Work, the Contractor will be paid only for the portion of the Work satisfactorily performed through the effective date of termination as determined by the County.”

Paying for services outside the Scope of Work can cause RPCA to exceed the contract budget, which may require allocation of funds from other resources. In addition, payment for services occurring after termination date is an internal control weakness, if left unmanaged could result in additional unauthorized disbursement of funds. Lastly, allowing services to be provided after



contract termination can put the County at risk, especially if the services provided were the reason for the termination.

Recommendations

RPCA Management should request a separate purchase order for any work that is not within the contract Scope of Work, if the contract has not been terminated.

RPCA Management should ensure disbursement requests are only for satisfactory work performed through the effective date of any contract terminated by the County.

Purchasing and Contracting Department should work with Department of Innovation and Technology to ensure system controls are in place to detect terminated contracts.

10. The contracts included errors of key language

RPCA personnel reviewed both contracts for substance, and the Purchasing and Contracting Department performed a quality review; however, there were significant errors identified. A review of 2014 Contract (14-902821) identified it was processed as an emergency contract, yet language in the "Payment" section failed to cover retroactive payments for expenses already incurred to keep BMAF in operation. Additionally, language in the Scope of Work section read, "Lifeguard certifications are to be on file on or before May 24, 2012"; the contract was executed in 2014. Lastly, a Proposal document inserted in the contract is from the previous contract for BMAF and states "after 8/12/12 the number of lifeguards is reduced to 12." This language implies that after August 12, 2012 there will be a reduction in the number of lifeguards needed on-site.

A review of the 2015 Contract (967029) identified the agreed upon amount of \$240,000 (\$80,000 each for 2015; and 2016 and 2017, if renewed) was different from the approved BOC Agenda Item amount of \$245,000 for 2015. An amendment was routed for approval to correct the payment terms and amount; however, the BOC terminated the contract on July 28, 2015, therefore the amendment was canceled.

Per the DeKalb County Purchasing Policy, "All formal, written contracts shall be reviewed and approved as to form by the Law Department prior to execution by either party. All contracts shall conform to state and federal law and to County policies and shall otherwise contain such provisions as are reasonably necessary to protect the interests of the County." The policy does not provide specific instructions regarding review of contract for substance by the user departments.



Discrepancies in key contract terms can create delays in payments or services, and can have a negative effect on one or all parties involved. In addition, it would be challenging to enforce the terms of the contract to ensure compliance.

Recommendation

RPCA Management and the Purchasing and Contracting Department should ensure accuracy of contract terms prior to signing-off and routing for approval.

Comment

Both contracts include a section entitled “Reviews and Acceptance,” which gives the County the right to review work performed by the contractor; however, adding a “Right to Audit” clause in all contracts supports compliance. The clause permits the County, at its sole discretion, the right to audit a Contractor’s records related to the contract, including but not limited to sales records, receipts, payroll records, inventory reports, etc., and would require the contractor to maintain contract records for a said period of time.



APPENDIX A – ENGAGEMENT OBJECTIVES AND SCOPE

Engagement Objectives

The overall objective of the audit is to determine if the County and USA Management complied with the contract requirements. We performed a risk assessment to determine areas of audit focus and the following sub-objectives were created:

1. To determine if the payments to the vendor were according to the payment terms of the contract for 2014 and 2015
2. To determine if the County had lifeguard certifications on file prior to opening day of the pool for 2014 and 2015

Engagement Scope and Approach

To meet the audit objective, we interviewed staff, reviewed invoices and other documentation, reviewed data in the Oracle Financial System, and visited the Browns Mills Aquatic Facility. In addition, we reviewed contract 14-902821 executed July 9, 2014 with USA Pools Construction, Inc. and contract 907829 executed May 8, 2015 with USA Management, LLC. to gain an understanding of contract requirements.

Our scope was limited to review the County's compliance with the contract requirements because of USA Management's staff and/or management limited availability. Furthermore, USA Management failed to provide requested documents to satisfy their compliance with contractual requirements.

DeKalb County Board of Commissioners (BOC) terminated the contract with USA Management during the July 28, 2015 board meeting for failure to provide proof of certified lifeguards. Due the potential legal liability to the County because of USA Management's failure to provide certified lifeguards, three invoices from USA Management, LLC. dated in July 2015 were pending approvals by the Law Department. Therefore, these invoices were not included in our audit tests.



APPENDIX B – DEFINITIONS AND ABBREVIATIONS

Acronyms and Abbreviation

BMAF:	Browns Mill Aquatic Facility
USA Management:	2014 - Name used to represent the following for purpose of audit: USA Pools Construction, Inc. USA Pools of Georgia, INC. USA Pools, LLC. Inc. 2015 - Name used to represent the following for purpose of audit: USA Management, LLC.

Key Definitions

Scope of Work:	Services to be provided by the contractor
Three-Way Match:	Receipt of a valid Purchase Order, receiving transaction for the goods and/or services received, and receipt of an original invoice with the valid Purchase Order number on it.
Supplier:	Term synonymous with contractor and vendor
Internal Control-Integrated Framework	Established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to provide a framework to assist organizations to meet established goals and objectives. The components include Control Environment, Risk Management, Control Activities, Information and Communication, and Monitoring Activities.
Contract Review as to Form	A review of standard terms and conditions (i.e. indemnification, insurance, etc.)
Contract Review as to Substance	A review for correctness of contract terms, contract time, and Scope of Work, etc.



APPENDIX C – DISTRIBUTION LIST

This report has been distributed to the following individuals:

DeKalb County Board of Commissioners

Lee May, Interim Chief Executive Officer

Zachary L. Williams, Chief Operating Officer/ Executive Assistant

Virginia Rutledge, Financial Consultant

O.V. Brantley, County Attorney

Talisa R. Clark, Interim Chief Procurement Officer

John Matelski, Chief information Officer/Director of Innovation & Information

Claudette Leak, Assistant to the Chief Operating Officer

John Williams, Vice President - USA Management, LLC.

Subject: FW: Internal Audit Report - Recreation, Parks & Cultural Affairs - BMAF - Contract Compliance Audit
Attachments: 2016 Compliance Audit - Rec Park & Cult Aff - Browns Mill Aquatic Fac. .pdf

Felecia,

Please see items 4 & 9....and coordinate with appropriate parties to determine how we may be able to assist in implementing the recommendations. Though not specifically mentioned, we may be able to assist in a couple other recommendation solutions as well.

Thanks

John

John Matelski, CGCIO | Chief Innovation & Information Officer
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