



**OFFICE OF THE CITY AUDITOR**  
Long Beach, California

LAURA L. DOUD, CPA  
City Auditor

May 9, 2014

Pat West, City Manager  
333 West Ocean Blvd, 13<sup>th</sup> Floor  
Long Beach, CA 90802

**BACKGROUND**

On March 18, 2014, the Long Beach City Council (Council) requested the Office of the City Auditor to review specific expenses initiated by Parks, Recreation, and Marine (PRM) staff that were charged to the Marina Fund 403 that may be more appropriately charged to the Tidelands Operating Fund 401 or the Rainbow Harbor Fund 411. PRM's budget includes expenditures to all three funds. Excess fund balances in Marina Fund 403 are currently being allocated, in part, to the Los Alamitos Bay Marina Rehabilitation project. The expenses our Office reviewed are detailed in three pieces of correspondence between PRM and the City Manager's Office from January 2013 through December 2013. Copies of the correspondence are attached.

The objective of our audit was to evaluate the reasonableness of the three analyses outlined in items 1 through 3 below and to evaluate the Tidelands Operating Fund 401 and Rainbow Harbor Fund 411's ability to sustain additional costs from Marina Fund 403. In order to meet our objective, we reviewed the analyses for reasonableness of approach and sampled the data for accuracy. We also interviewed PRM personnel and reviewed Tidelands Operating Fund 401 and Rainbow Harbor Fund 411's budget to actual information for fiscal year (FY) 2012 and FY 2013.

During our audit, the scope was limited to review of the following items:

1. PRM's analysis of FY 2012 maintenance expenses totaling approximately \$700,000 that were potentially eligible for transfer from the Marina Fund 403 to the Tidelands Operating Fund 401 (\$620,000) and the Rainbow Harbor Fund 411 (\$80,000).
2. PRM's analysis of FY 2013 maintenance expenses totaling approximately \$324,000 that were potentially eligible for transfer from the Marina Fund 403 to the Tidelands Operating Fund 401 (\$290,000) and the Rainbow Harbor Fund 411 (\$34,000).
3. PRM's analysis of estimated Marine Bureau administrative staff time totaling approximately \$195,000 that is potentially eligible for transfer from the Marina Fund 403 to the Tidelands Operating Fund 401 (\$130,000) and the Rainbow Harbor Fund 411 (\$65,000).
4. PRM's Tidelands Operating Fund 401 and Rainbow Harbor Fund 411 budgets for FY 2012 and FY 2013 to ascertain if additional expenses from Marina Fund 403 could be absorbed.

## **RESULTS**

- 1. Unable to verify approximately \$700,000 in FY 2012 maintenance expenses eligible for transfer from Marina Fund 403 to Tidelands Operating Funds 401 and Rainbow Harbor Fund 411.***

PRM maintenance employees assigned to Marina Fund 403 periodically perform work that is attributed to operations in the Tidelands Operating Fund 401 and Rainbow Harbor Fund 411. Bureau management performed an analysis of Marina Fund 403 maintenance costs for FY 2012 to determine the amount of expenses that should have been charged to Tidelands Operating Fund 401 and Rainbow Harbor Fund 411. The analysis was based on their review of five months of work orders with results extrapolated to project approximately \$700,000 in annual costs that were eligible for transfer.

We reviewed the reasonableness of PRM's overall approach in performing the analysis and accuracy of data used by sampling results for one of the five months. We found that the method used to compare estimated time worked to the actual salary expense was flawed, resulting in material differences in the estimated annual costs. Because of the flawed approach, we are unable to verify the accuracy of the \$700,000 figure. Due to the type of errors noted, it would appear the \$700,000 figure is overstated. In order to determine a more reasonable and accurate figure, our Office would have had to recalculate the entire analysis, which was outside the scope of this audit.

- 2. Unable to verify approximately \$324,000 in FY 2013 maintenance expenses eligible for transfer from Marina Fund 403 to Tidelands Operating Fund 401 and Rainbow Harbor Fund 411.***

PRM staff performed another analysis of maintenance expenses employing a different approach using work orders generated in FY 2013. PRM staff reviewed all work orders initiated during the year and compiled data in which work related to Tidelands Operating Fund 401 and Rainbow Harbor Fund 411 appeared to be performed. This analysis projected approximately \$324,000 in annual costs that were eligible for transfer.

We began testing a sample of work orders to assess the reasonableness of the approach and accuracy of data used. After testing 3 weeks, we found that the number of input errors was significant, and the methodology used to calculate full salary costs was flawed. Based on these findings, we believed continuing the testing would result in similar errors. Therefore, we are unable to verify the accuracy of the \$324,000 figure, and due to the type of errors noted, we also cannot estimate if the \$324,000 was over or understated. In order to identify a more reasonable and accurate figure, our Office would have had to recalculate the entire analysis, which was outside the scope of this audit.

We were able to verify that PRM transferred \$290,000 in FY 2013 from Marina Fund 403 to Tidelands Operating Fund 401, based on the results of this analysis. However, they did not transfer the remaining \$34,000 to Rainbow Harbor Fund 411, most likely due to Rainbow Harbor Fund 411 not having enough available fund balance. Since the completion of the

analysis, PRM has made modifications to the work order system to more accurately track maintenance costs attributed to Tidelands Operating Fund 401 and Rainbow Harbor Fund 411. In addition, maintenance employees have been instructed to charge eligible hours directly to Tidelands Operating Fund 401 and Rainbow Harbor Fund 411 on their timesheets. However, the work order system does not interface with the employees' timesheets, and PRM is not currently performing a reconciliation between the work order system and timesheets to ensure all costs are charged appropriately.

**3. *Analysis of Marine Bureau administrative staff time spent on activities related to Tidelands Operating Fund 401 and Rainbow Harbor Fund 411 appears reasonable.***

Similar to maintenance employees, Marine Bureau administrative staff also perform work attributed to operations in Tidelands Operating Fund 401 and Rainbow Harbor Fund 411. However, administrative staff time is not captured through the work order system. In order to approximate time spent by administrative staff on other funds, management reviewed daily activities and estimated the percentage of time applicable to Tidelands Operating Fund 401 and Rainbow Harbor Fund 411 activities. These percentages were then applied to FY 2014 salary budgets which resulted in approximately \$195,000 in eligible annual costs for transfer from Marina Fund 403.

To determine if the time estimates were reasonable, we had discussions with the Marine Bureau administrative staff concerning their job duties and recalculated the percentages against budgeted and actual salaries. We found that the time estimates appear reasonable. However, there are significant differences in total costs when the percentages are applied against FY 2014 budget numbers versus actual salaries. This is due to changes in staffing and salaries since the development of the budget. Going forward, we recommend PRM apply the percentages of time against actual salaries to more accurately reflect costs incurred.

**4. *Budgets of Tidelands Operating Fund 401 and Rainbow Harbor Fund 411 should be regularly monitored before transferring eligible costs from Marina Fund 403.***

As noted previously, PRM's budget includes funding from Tidelands Operating Fund 401 and Rainbow Harbor Fund 411. Tables 1 and 2 detail budgets and actual expenditures for these two funds during FY 2012 and FY 2013.

**Table 1**  
**Tidelands Operating Fund 401**  
**Subfund 001**

<b>Fund 401, Subfund 001</b>	<b>FY 2012</b>	<b>FY 2013</b>
Adjusted Budget	\$ 8,688,597	\$ 8,907,135
Year End Actuals	8,249,810	8,327,755
Available Balance	\$ 438,787	\$ 579,380

PRM was under budget in Tidelands Operating Fund 401 for both fiscal years. If this pattern persists in future fiscal years, PRM can continue to transfer eligible costs from Marina Fund 403.

**Table 2**  
**Rainbow Harbor Fund 411**  
**Subfund 001**

<b>Fund 411, Subfund 001</b>	<b>FY 2012</b>	<b>FY 2013</b>
Adjusted Budget	\$ 2,688,227	\$ 2,776,031
Year End Actuals	2,497,239	2,759,895
Available Balance	\$ 190,988	\$ 16,136

Rainbow Harbor Fund 411 was also under budget for both fiscal years. However, in 2013, available balance at year-end was extremely low and would not allow any eligible costs from Marina Fund 403 to be transferred.

Going forward, PRM must regularly monitor available funding levels in Tidelands Operating Fund 401 and Rainbow Harbor Fund 411 before transferring eligible Marina Fund 403 charges.

## **SUMMARY**

It is evident that PRM maintenance and Marine Bureau administrative staff assigned to Marina Fund 403 are incurring costs related to the Tidelands Operating Fund 401 and the Rainbow Harbor Fund 411. PRM has recently modified its work order system to more accurately track costs by Fund. In addition, maintenance employees are now charging Tidelands Operating Fund 401 and Rainbow Harbor Fund 411 work hours directly on their timesheets. However, to ensure that appropriate amounts are being captured, PRM should reconcile the work order system totals to employee timesheets. In addition, Marine Bureau administrative staff hours attributable to Tidelands Operating Fund 401 and Rainbow Harbor Fund 411 should be based on actual, not budgeted, salaries. PRM will need to consistently monitor the available balances of Tidelands Operating Fund 401 and Rainbow Harbor Fund 411 to ensure the additional expenses transferred from Marina Fund 403 can be absorbed without creating budget shortfalls.

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We would like to thank PRM staff for their assistance and cooperation during this audit. Their timely response to our document requests and questions allowed our Office to complete this review within a very short time frame. The Department's response to the findings are attached.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards. Those standards required 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. We did not gain an understanding of internal control as it relates to our audit objective. Our audit scope was limited to review of the analysis provided by PRM for reasonableness.

Sincerely,



Laura L. Doud, CPA  
CITY AUDITOR

cc: Bob Foster, Mayor  
City Council Members  
George Chapjian, Director of Parks, Recreation and Marine  
Suzanne Frick, Assistant City Manager  
Charles Parkin, City Attorney

# Correspondence



**Date:** January 25, 2013  
**To:** Patrick H. West, City Manager  
**From:** George Chapjian, Director of Parks, Recreation and Marine  
**Subject:** **TIDELANDS/MARINA FUND BUDGETS**

A handwritten signature in black ink, appearing to be 'G.C.', located to the right of the 'From:' field.

As you directed a number of months ago, we have performed an analysis of budgets and resources utilized in all of the Tidelands Funds for the Department of Parks, Recreation and Marine (PRM). This analysis includes operations in the Tidelands Operating Fund (TF401), the Marina Fund (TF403) and the Rainbow Harbor Fund (TF411). PRM has budgetary appropriation and expends resources in each of these funds. This analysis found that the Marina Fund is subsidizing the Tidelands Operating and Rainbow Harbor Funds by approximately \$895,000 a year (\$830,000 to the Tidelands Operating Fund and \$65,000 to the Rainbow Harbor Fund).

I have summarized our analyses below, and included in this memo are my recommendations as to how the budgets should be split to properly reflect staffing efforts in each area.

#### Maintenance Bureau Staffing

The Maintenance Bureau is responsible for all of the open space, facility and custodial maintenance along the waterfront. As you are aware, this requires a significant amount of routine and continuous maintenance. In addition, there is a tremendous amount of work generated by non-routine events, such as the Holiday Tree Program, special events, and emergencies such as dock and facility failures. Historically, this Bureau utilizes staff where skilled employees are needed most, regardless of where they are budgeted. Each employee charges the funds in which they are budgeted without regard to the area they are working. While PRM has always recognized that there was a crossover between funds, it has become apparent in the last few years that this can no longer continue.

Therefore, PRM analyzed the staffing resources utilized for maintenance operations, by reviewing and calculating the cost of work orders in October and December 2011, and February, April and June 2012. The results of this analysis, which we can make available for independent review, indicates that the Marina Fund (TF403) is subsidizing the non-marina Tidelands areas by approximately \$700,000.

#### Marine Bureau Staffing

In the Marine Bureau, most of the staff are properly separated between the three Tidelands Funds, and charge their time appropriately. There are, however, four exceptions: the Marine Bureau Manager, the Special Projects Officer, the Accounting Clerk III and the Clerk Typist II. The Marina Fund (TF403) funds all

four of these positions wholly, yet the effort of these individuals is about 60% marina and 40% non-marina. The Marine Bureau handles operations in the marinas, in the non-marina areas of Alamitos Bay, on the beaches and in Rainbow Harbor.

We believe that the proper allocation of time for these four positions would be 62.5% in the Marina Fund (TF403), 25% in the Tidelands Operating Fund (TF401) and 12.5% in the Rainbow Harbor Fund (TF411). This would result in a savings to the Marina Fund (TF403) of approximately \$195,000 a year.

#### Staff Re-allocation Recommendations

In general, the historical allocation within the Tidelands Funds has not been an issue since PRM continually meets its budgeted appropriations annually. Years ago, it was apparently widely recognized that the Marina Fund was subsidizing the Tidelands Funds, but was deemed necessary at the time because the Tidelands Operating and Rainbow Harbor Funds were fiscally strapped. However, that dynamic has changed with the increases in oil revenue and the Port transfer. In addition, a healthy Marina Fund is needed to continue the rebuild process. As a result, we recommend the following:

- 1) Re-allocate staff costs in the Maintenance Bureau in line with the analysis. This can be accomplished by changing the budgeted FTEs in the Marina Fund and Tidelands Operating Fund to align with the efforts expended, thus shifting approximately \$700,000 out of the Marina Fund (TF 403) and into the Tideland Operating Fund (TF 401).
- 2) Re-allocate staff costs in the Marine Bureau for the Marine Bureau Manager, Special Projects Officer, Accounting Clerk III and Clerk Typist II. This would entail that each of these individuals charge 5 daily hours to TF403, 2 daily hours to TF401 and one daily hour to TF411. This would shift approximately \$195,000 out of the Marina Fund (TF 403), while shifting \$130,000 into the Tidelands Operating Fund (TF 401) and \$65,000 into the Rainbow Harbor Fund (TF411).

We can supply additional information if needed. Please let me know how you want us to proceed on this, and let me know if you have any questions at this time.

GC:MS:vd

cc: Suzanne Frick, Assistant City Manager  
John Gross, Director of Financial Management  
John Keisler, Manager of Business Operations





**Date:** October 18, 2013  
**To:** Patrick H. West, City Manager  
**From:** George Chapjian, Director, Parks, Recreation and Marine Department  
**Subject:** **Tidelands/Marina Fund Budgets: Update**

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**Background**

In January 2013, the Department of Parks, Recreation and Marine (PRM) completed an analysis of budgets and resources utilized by the Department in all of the Tidelands Funds (Attachment 1). That analysis projected that the Marina Fund (TF 403) was subsidizing the Tidelands Operations (TF 401) and Rainbow Harbor Funds (TF 411) by approximately \$895,000 (\$830,000 and \$65,000, respectively) in Fiscal Year 2012. Organizationally, the \$895,000 is divided between Marine Maintenance (\$700,000) and Marine Bureau (\$195,000) staffing.

That annualized projection for Marine Maintenance was based upon an analysis of five (5) months of work orders (October and December 2011, and February, April, and June 2012), which totaled approximately 3,030 work orders and represented over 20,600 hours of staff time. The analysis focused on personnel costs only, and did not capture any non-personal or internal services.

As a result, it was determined that the allocation of Marine Maintenance costs should be split 47 percent to TF 401, 50 percent to TF 403, and 3 percent to TF 411. This allocation would re-spread approximately \$700,000 in Marina Fund costs to Tidelands Operations and Rainbow Harbor funds. The work order data, analysis of costs, and annualized projections will be provided electronically for your review.

The remaining \$195,000 represents Marine Bureau personnel (Bureau Manager, Special Projects Officer, Accounting Clerk, and Clerk Typist) that are budgeted and charged in the Marina Fund, despite performing activities in the Tidelands Operations and Rainbow Harbor Funds (Attachment 2). The Department believes that the proper allocation of these four (4) positions would be 62.5 percent in the Marina Fund, 25 percent in the Tidelands Operating Fund, and 12.5 percent in the Rainbow Harbor Fund. This would result in a savings to the Marina Fund of \$195,000.

**Tidelands Funds Analysis: Update**

Throughout the last year, PRM staff has continued the review of Tidelands (401, 403, and 411) operations. As a result of this work, the Department has been able to identify a few significant drivers that, once addressed, may eliminate the need to actually reallocate department/fund appropriations.

One of the most significant issues identified from the 5-month work order analysis is the lack of staffing in the entire Marine Maintenance (TF 401 and TF 403) operations. While the Department has been successful doing more with less, it has become clear that PRM cannot continue to meet our customers' expectations without filling our vacant, budgeted, positions. Only time will tell, however, as to whether or not merely filling the positions will meet the ongoing needs of the operation (considering it has been many years since a full staffing complement has been on board).

At this time, the Marine Maintenance operation has approximately 18 vacant positions that are at different stages of the hiring process. These are critical positions in the trades (Carpenters and Painters) and general maintenance operations (General Maintenance Assistants and Maintenance Assistants), and are essential in providing a safe, clean, and thriving marine operation. The Department believes that immediately filling vacant positions will go a long way in addressing the ongoing problem of needing to pull staff from other operations (such as from Marine Maintenance TF 403 to TF 401 operations) just to address high priority or emergency maintenance needs. A full staffing complement in both operations will allow staff to stay within their assigned (and budgeted) work operations. It will also enable the Department to address the backlog of over 550 work orders in Marine Maintenance's TF 401 and TF 403 operations.

Further compounding this issue has been the practice of not coding timecards to appropriately reflect where work was actually performed. In those instances when Marine Maintenance personnel completed work orders in TF 401 areas, they continued to charge their budgeted TF 403 index code. This practice is being corrected for FY 14. It should be noted that the Department's work order system does accurately capture staff's time for where the work was actually performed.

The Department's *Trees in the Bay Program* is an example of where both high vacancy rates in critical positions and staff coding the wrong index codes have perpetuated the problem. This popular community program annually costs approximately \$300,000 to produce. Unfortunately, due to vacancies in the TF 401 Marine Maintenance operation, staff budgeted in TF 403 in the Marine Maintenance operation have performed the work that make this program an annual success. If the TF 401 operations were appropriately staffed, they would have the necessary personnel to complete the work, without pulling staff from other work areas.

In an effort to address the issues noted above, the Department recommends the following actions:

**Recommendations/Next Steps**

1. Fill existing vacancies in budgeted positions (trades, General Maintenance Assistants, Maintenance Assistants, etc.) in Marine Maintenance's TF 401 and

TF 403 operations, needed to complete daily assignments, and to address work order backlogs. This will also allow the Department to utilize staff as assigned and budgeted, without pulling staff from other areas.

2. Charge the appropriate funds, based on where the work activity occurs. This Fiscal Year, PRM personnel will appropriately code their time cards based on where work is performed, not where they are budgeted.
3. Approve Department's request to move the identified FY 13 costs from TF 403 to the funding source where the activity actually occurred. There is an FY 13 appropriation balance in TF 401.

Again, the expenditure transfer is based on actual accounting of all FY 13 Marine Maintenance operations and is not a projection based on a smaller sample of work orders. This corrects the problem of staff charging where they were budgeted in FY 13, versus where the work order activities occurred. All costs related to the City's *Trees in the Bay Program* are included in this request. Correcting this program's funding would also represent a significant, symbolic action in addressing the community's concerns.

It is important to note that the Department does not anticipate needing any budget reallocations in the Marine Maintenance operation at this time.

4. Approve a change to the budgeted allocation of the 4 Marine Bureau personnel as part of the FY 15 Budget development process (62.5%, 25%, 12.5% split).

Should you have any questions or concerns, please contact me at 570-3170.

Attachments 1-2  
Electronic Attachments (Work Order Data and Analysis)

Cc: Suzanne Frick, Assistant City Manager  
John Gross, Director of Financial Management  
Ramon Arevalo, Manager, Maintenance and Development Bureau  
Stephen P. Scott, Manager, Business Operations Bureau  
Elvira Hallinan, Special Projects Officer, Marine Bureau



**Date:** December 5, 2013  
**To:** George Chapjian, Director of Parks, Recreation & Marine  
**From:**  Suzanne Frick, Assistant City Manager  
**Subject:** Tidelands Items

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George, this memo is in response to your January 25, 2013 memo and the follow-up email from November 25, 2013 (see attached) requesting Tidelands operating funds be transferred to the Marina Fund. The following outline the decisions.

In summary, your November 25, 2013 communication requested the following:

1. A one-time transfer of \$293,000 from Tidelands operating to the Marina Fund to reflect charges that were made by staff to the wrong account. No new funding is being requested.
2. Increase the current PRM Tidelands operating budget by \$195,000 to off-set time Marina staff devote to Tidelands operations.
3. Increase the PRM Tidelands operating budget by \$52,000 to address increased operations and supply costs.
4. Increase the PRM Tidelands operating budget by \$213,000 to address increased water charges in the Tidelands area.

The following reflects the City Manager's decision on the requested items:

**Request #1:** This request is approved.

**Request #2:** There does not appear to be any change in the scope or responsibilities for the Marina staff. It is possible that Marina staff have not been correctly charging their time to the appropriate accounts. Because there is a substantial TF 401 operating budget for PRM (\$8m), we propose you use the existing PRM Tidelands operating budget to cover any time Marine Bureau staff spend on projects outside the Marina.

**Request #3:** This increase is approved.

**Request #4:** This increase is approved for FY 14 and possibly FY 15. During FY14 PRM needs to identify what improvements should be done to reduce water consumption. Instead of increasing the budget, we want to make improvements that reduce water consumption, reduce water costs or maintain costs at the current level. We would like a list of water conservation projects so they can be implemented in FY 15.

Attachment

562.570.7650 fax

George Chapjian---11/25/2013 01:59:04 PM---Suzanne, Per your request, please find below our TF 403 vs. TF 401/411 summary, in addition to a lis

From: George Chapjian/PR/CLB  
To: Suzanne Frick/CM/CLB@CLB,  
Cc: Patrick West/CM/CLB@CLB, Jyl Marden/CM/CLB@CLB, Stephen Scott/PR/CLB@CLB  
Date: 11/25/2013 01:59 PM  
Subject: Fw: Tidelands Items

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Suzanne,

Per your request, please find below our TF 403 vs. TF 401/411 summary, in addition to a listing of our ongoing TF 401 needs.

**TF 403 vs. TF 401/TF 411 Items:**

1) Marine Maintenance Activities - In FY 13, PRM moved approximately **\$293,000** from TF 403 to TF 401 (where the work actually occurred). This **did not necessitate a budget adjustment**, as PRM had sufficient TF 401 appropriation. On a go forward basis, PRM will charge where the work actually occurs, not where the employees who performed the work are budgeted. At this time, a budget adjustment is not anticipated.

2) Marine Bureau Administrative Staff - As part of the FY 14 Budget development process, PRM requested that **\$195,000 in appropriations be transferred from TF 403 to TF 401 and TF 411**, to reflect actual work performed by the Marine Bureau's administrative staff (Bureau Manager, Special Projects Officer, Accounting Clerk, and Clerk Typist). These employees are budgeted 100% in TF 403 and charge their time entirely to that funding source, although they perform work in support of TF 401 and TF 411 operations. Attached please find a document that highlights the work (and average hours/day) performed outside of TF 403.

**TF 401 Needs:**

3) Beach Restrooms - Custodial Supplies - As part of the FY 14 Budget development process, PRM requested **\$52,000 in new TF 401 appropriations** to adequately fund operating and maintenance costs of new public beach restrooms. New restroom configurations (addition of stalls) have resulted in higher use, and have increased the costs for materials, utilities, and maintenance. To ensure that restrooms are clean and available to the public, PRM is requesting to increase the budgeted amount for the restrooms that opened since FY 12, and eleven drop-in restroom buildings opening in FY 14.


4) Water Budget in TF 401 - As part of the FY 14 Budget development process, PRM requested **\$213,000 in new TF 401 appropriations** to properly fund water utility costs for


new and existing beach facilities and grounds. The water budget for Tidelands areas facilities and grounds is underfunded (\$100k budget vs. \$313k actuals). This shortfall has been funded by keeping positions vacant and reducing budgets for maintenance materials. The request will adjust the water budget to historical average usage to allow PRM to hire needed staff and fully fund grounds and facilities maintenance.

## Department Response



**Date:** May 27, 2014

**To:** Patrick H. West, City Manager 

**From:** George Chapjian, Director of Parks, Recreation and Marine 

**For:** Laura L. Doud, City Auditor

**Subject:** Response to Audit Report on Marina-Funded Activities in Tidelands Operating and Rainbow Harbor Funds

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The Parks, Recreation and Marine Department (Department) would like to thank the Office of the City Auditor (Office) and staff for their time and effort in reviewing the Department's efforts to accurately account for maintenance and administrative activities in the Tidelands Operating (401) and Rainbow Harbor (411) funds, which were funded by the Marina Fund. The review was conducted in a professional, productive, and collaborative way.

The following provides a management response to the results identified in the subject review.

**Result 1: Unable to Verify Approximately \$700,000 in FY 2012 Maintenance Expenses Eligible for Transfer From Marina Fund 403 to Tidelands Operating Fund 401 and Rainbow Harbor Fund 411.**

Response: The Department agrees that the estimated \$700,000 in annual expenditures identified by the former Marine Bureau Manager as eligible for transfer out of the Marina Fund cannot be verified, as it was merely an extrapolation of a 5-month sample of work orders. The Department took work orders for 5 months in FY 12 that were performed in Tidelands (non Marina) areas, but were still charged to the Marina Fund. The result of this review was then projected out for an entire fiscal year to arrive at an estimated annual cost of activities that were not eligible for Marina Fund support. It is important to note that this exercise did not take into account a full year of work orders, or actual costs. As a result of this methodology, however, any special projects or peaks in workload that occurred during the sampled 5 months would skew the annual projection.

**Result 2: Unable to Verify Approximately \$324,000 in FY 2013 Maintenance Expenses Eligible for Transfer From Marina Fund 403 to Tidelands Operating Fund 401 and Rainbow Harbor Fund 411.**

Response: Although the City Auditor's Office was unable to verify the eligible expenses, PRM believes that its review and analysis is sound. In an effort to provide an accurate accounting of work paid for, but performed outside of, the Marina Fund, the Department performed a comprehensive analysis of Marine Maintenance staffs' time cards and work orders. Unlike the 5-month sample from FY 12 noted above, the scope of this analysis covered the entire FY 13.



The Department looked at every FY 13 time card and work order to determine the number of hours, by employee, worked outside of the marinas. Utilizing bi-weekly labor reports, staff then calculated the actual loaded hourly rate per employee (for each pay period, as hourly rates do change throughout the year). Staff was then able to compare hours worked and fully loaded labor rates, per employee, to determine the amount each pay period that was charged incorrectly to the Marina Fund. It is important to note that through this analysis, staff also found, and corrected, charges that were Marina Fund eligible, but charged to Tidelands Operating or Rainbow Harbor Funds. This comprehensive analysis resulted in a net \$293,000 in FY 13 actual costs being journal vouchered out of the Marina Fund.

**Result 3: Analysis of Marine Bureau Administrative Staff Time Spent on Activities Related to Tidelands Operating Fund 401 and Rainbow Harbor 411 Appears Reasonable.**

Response: The Department agrees that the Marine Bureau's administrative staff time spent on activities related to the Tidelands Operating Fund 401 and Rainbow Harbor Fund 411 are reasonable. The Department has determined that 37.5 percent of the Marine Bureau's administrative staff time is spent on Tidelands Operating 401 (25%) and Rainbow Harbor 403 (12.5%) activities. Further, the Department appreciates, and has implemented, the recommendation to apply the percentage of time spent against actual salaries, instead of the total \$195,000 proposed in 2012, to more accurately account for costs incurred.

**Result 4: Budgets of Tidelands Operating Fund 401 and Rainbow Harbor Fund 411 Should Be Regularly Monitored Before Transferring Eligible Costs From Marina Fund 403.**

Response: The Department concurs with this result and will continue to monitor the various Tidelands budgets to ensure that there is budget capacity prior to transferring eligible costs from Marina Fund 403.

**Conclusion**

In conclusion, the Parks, Recreation and Marine Department would like to thank the Office of the City Auditor for their efforts. PRM spent a lot of time and effort to arrive at an accurate accounting of FY 13 personnel charges hitting the Marina Fund. Although the City Auditor's Office was unable to verify the numbers, the Department is confident the movement of these charges out of the Marina Fund is based on sound review and analysis.

Should you have any questions, please feel free to contact me at 570-3170.

cc: Suzanne Frick, Assistant City Manager  
Debbie Ellis, Assistant City Auditor  
Ramon Arevalo, Maintenance and Development Bureau Manager  
Elvira Hallinan, Acting Marine Bureau Manager  
Stephen Scott, Business Operations Bureau Manager

# Counter to Department Response



**Date:** May 29, 2014  
**To:** Patrick H. West, City Manager  
**From:** Laura L. Doud, City Auditor *ld*  
**Subject:** **Counter to Response from Parks, Recreation and Marine to Audit Report on Marina-Funded Activities in Tidelands Operating and Rainbow Harbor Funds**

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Based on the audit report of the Marina Fund dated May 9, 2014, and Parks, Recreation and Marine (PRM) Department's corresponding response, we believe additional clarification is warranted with regards to findings outlined in Result 2, which addressed PRM's compilation of \$324,000 in maintenance expenses that possibly qualified for charges to the Tidelands Operation and Rainbow Harbor Funds.

PRM prepared their analysis by reviewing every maintenance work order and identifying jobs that occurred in the Tidelands area. Work order information from the Tideland's jobs was logged into a spreadsheet and corresponding salaries and fully-loaded benefit costs were applied. While the approach of reviewing each work order and applying appropriate personnel costs is sound, the execution was not accurate or consistent. When transferring data from the work order into the spreadsheet, we found the number of input errors was significant at 25% for the sample weeks we reviewed. In addition, the fully-loaded costs computed by the Department were not calculated consistently, and there was no documentation to explain why the calculation varied. The volume of errors was significant, therefore resulting in our inability to confirm the validity of PRM's analysis.

As stated in our audit report, it is evident that PRM maintenance staff assigned to Marina Fund 403 are incurring costs related to the Tidelands Operation and Rainbow Harbor Funds. Going forward, PRM has implemented new procedures which should improve the accuracy and consistency of ensuring the appropriate maintenance costs are charged to the correct Fund. An analysis similar to the one we audited should no longer be necessary.