

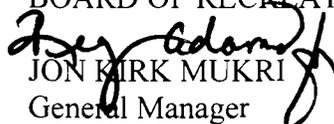
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CITY OF LOS ANGELES
DEPARTMENT OF RECREATION AND PARKS

September 1, 2010

TO: BOARD OF RECREATION AND PARK COMMISSIONERS

FROM:


JON KIRK MUKRI
General Manager

SUBJECT: DEPARTMENT RESPONSE TO THE CITY CONTROLLER "FORENSIC
AUDIT OF THE REPORTED GROSS RECEIPTS AND RELATED
PAYMENTS BY J. H. KISHI COMPANY"

On August 3, 2010, the Office of the City Controller (Controller) released the "Forensic Audit of the Reported Gross Receipts and Related Payments by J. H. Kishi Company". A response to the Controller from the Department, with a plan to address the four recommendations contained in the audit report, is due by September 3, 2010.

The following are the four Controller audit report recommendations and the Department of Recreation and Park's (RAP) plan to address the recommendations:

Recommendation No. 1

Ensure that any future contracts that may involve handling of cash receipts by concessionaires require appropriate internal controls, such as proper separation of duties for cash handling and a clear audit trail to show that all amounts collected have been properly reported.

Department Plan

RAP addressed the cash handling issue through the Electric Golf Carts Rental Request for Proposals (RFP) released in 2007 by requiring that RAP collect the golf cart rental fees in order to ensure an accurate reporting of gross revenues collected. The award of the concession agreement resulting from the RFP process was not approved by Council and the collection of the golf cart fees by RAP was implemented on March 1, 2010.

Contract language regarding reconciliation of reported revenues and the reporting of adjustments to gross revenues have been developed and included into current concession agreements.

Also, procedures to minimize the risk of not detecting unrecorded sales have also been implemented (e.g., signs have been placed at concessions requesting patrons to call the RAP Concessions Unit should a receipt not be issued for a transaction and a secret shopper program reports on unrecorded sales).

RAP will continue to review existing contract language as it relates to business records, cash handling, and accounting records. Any necessary revisions will be included in future concession agreements.

A letter to all current concessionaires will be sent by the end of September 2010 as a reminder of their fiduciary and contractual responsibilities in properly reporting gross revenue and providing accurate rental payments.

Recommendation No. 2

Consider performing further research to determine the number of golf tournaments held at City golf courses during the 2006 and 2007 calendar years to quantify additional unreported revenues.

Department Plan

The RAP Golf Division is currently reviewing records and compiling a list of tournaments held during the 2006 and 2007 calendar years to provide to the RAP Auditors to review to determine potential additional unreported revenues. A reconciliation of the tournaments and any potential fees owed to the Department by Kishi is expected to be completed by the end of October 2010.

Recommendation No. 3

Pursue collection for the underpaid rental fees of \$16,262 plus any other amounts determined to be underpaid.

Department Plan

On August 11, 2010, RAP received payment from Kishi in the amount of \$16,262. RAP is calculating the late fees and interest owed on the amount in accordance with the concession agreement. A letter requesting the total amount owed will be sent to Kishi by the end of September 2010.

Recommendation No. 4

Work to expedite either executing a new contract for golf cart rental operations or bringing the function in-house.

Department Plan

The most recent Request for Proposals (RFP) process took approximately two-and-a-half years from the time the Board of Recreation and Park Commissioners approved release of the RFP on April 5, 2007 until Council disapproved the award on September 4, 2009. It is anticipated that another RFP process would similarly take over a year to complete and result in a final executed agreement.

On September 1, 2010, the Department intends to present a Board Report with options and a recommendation for consideration by the Board of Recreation and Park Commissioners.

Staff will update the Board within six months on the status of the progress of the plans to address the recommendations contained in the Controller audit report.

This report was prepared by Robert N. Morales, Senior Management Analyst II, Finance Division.