

RIVERSIDE: AUDIT & ADVISORY SERVICES

February 25, 2011

TO: Jim Sandoval
Vice Chancellor Student Affairs

Susan Allen Ortega
Dean of Students

RE: Limited Review of the Recreation Department

Ref: Report Number R2011-F

We have completed a review of specific areas and particular issues pertaining to the Recreation Department as requested. Our report is attached for your review.

We will perform follow-up procedures in the future to review the status of management action. This follow-up may take the form of a discussion or perhaps additional fieldwork, as we deem necessary. Project R2011-F will remain open until we have evaluated the actions taken.

We appreciate the cooperation and assistance provided by to us by the Department's management and staff. Should you have any questions concerning the report, please do not hesitate to contact me.

Michael R. Jenson
Director

Attachment

xc: UCR Audit Committee Members
Recreation Department Director Fenex

UNIVERSITY OF CALIFORNIA AT RIVERSIDE
AUDIT & ADVISORY SERVICES
MEMBER OF ASSOCIATION OF COLLEGE & UNIVERSITY AUDITORS

REPORT NUMBER R2011-F
RECREATION DEPARTMENT

FEBRUARY 2011

Approved by:

Richard Melton
Principal Auditor

Michael R. Jenson
Director

**UC RIVERSIDE
RECREATION DEPARTMENT
REPORT R2011-F
FEBRUARY 2011**

I. MANAGEMENT SUMMARY

Based upon the results of work performed within the specific purpose and scope of this review, we offer the following: (1) It is our opinion that the Recreation Department does not currently sponsor the annual Karate Tournament held at the Student Recreation Center (Rec Cen) and therefore should discontinue the administrative support provided to those who do organize this event and (2) Pertaining to non-credit leisure courses taught in the Rec Cen, it is our opinion that fees charged to class participants are fairly consistent with the UC campuses surveyed; however, the percentage of the gross fee income that is subsequently paid back to class instructors in the form of salary is higher at UCR than other UC campuses we surveyed.

The review resulted in the following recommendations that we believe will provide opportunities to improve business practices within the Department:

- For the Department to properly separate itself from those responsible for sponsoring the Karate Tournament, we are recommending that management ensure that the Tournament be advertised as an event sponsored by the event organizers rather than the Recreation Department. Furthermore, we are recommending that revenues collected during the upcoming 2011 Karate Tournament be deposited into an account not owned by the Department and that the balance of funds remaining from the 2010 Tournament and currently being held in a Recreation Department financial account be used to pay 2011 Tournament related expenses until fully expended. (III.A).
- Based on the significant percentage of recreation class gross income being paid to instructors that teach leisure courses at the Rec Cen, we are recommending that management ensure that any related course supplies and equipment are being included before submitting the net proceeds to the instructors. Furthermore, we are recommending that an instructor's handbook be completed to assist leisure class instructors in their duties as an instructor and employee of the campus. (III.B)

Additional information on these and other matters is presented in the remainder of this report.

II. INTRODUCTION

A. PURPOSE

As requested, UC Riverside Audit & Advisory Services conducted a limited review of specific areas and matters pertaining to the Recreation Department. Those particulars included (1) An annual Karate Tournament held at the Rec Cen facility, and (2) Non-credit leisure courses currently being taught in the Rec Cen.

B. BACKGROUND

The Karate Tournament is an annual event that has been held on the UCR campus for a number of years. This past year's Tournament, termed the 38th UC Riverside SHOTOKAN! Karate Championships, was held on May 15, 2010 at the Rec Cen facility. A facility request has recently been made by a member of the UCR Karate Club (Karate Club) to again hold this event at the Rec Cen in 2011.

The Recreation Department offers a number of non-credit courses as part of its recreation leisure line. These classes are taught in the Rec Cen and the courses are designed to teach skills that an individual can use during his or her leisure time.

An administrative staff of approximately 20 full time employees and some 200 part time student employees support the operations of the Department and the Rec Cen facility. The Director reports to the Dean of Students and oversees an approximate budget of \$4 million.

C. SCOPE OF THE REVIEW

The scope of the review included conducting meetings with specific Recreation Department management and staff members, including the Dean of Students on several occasions in order to gather necessary information to form opinions and conclusions in relation to the annual Karate Tournament held in the Rec Cen facility.

Related financial statements and advertising documents specific to the 2010 Tournament were also obtained and reviewed by our office. In addition, a Rec Cen facility request for the upcoming 2011 Tournament was reviewed.

The review scope also included discussions with certain Departmental personnel relating to leisure courses sponsored by and taught at the Rec Cen. Financial information pertaining to these non-credit classes was obtained and reviewed.

In addition, phone conversations were held with Recreation Department business and financial managers from four other UC campuses (UCSB, UCI, UCSC, and

UCD). These interviews were primarily conducted to make comparisons with UCR as to the methodologies used by other campuses in establishing leisure course fees and how these campuses determine the wage amounts that are paid to the class instructors responsible for teaching these classes. Additional information was obtained from the campuses we surveyed as deemed necessary to complete this part of our review.

D. INTERNAL CONTROLS AND COMPLIANCE

The general condition of internal controls was evaluated only to the extent and within the scope of this limited review. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the achievement of objectives as they relate to the effectiveness and efficiency of operations, separation of duties and compliance with University policies and procedures.

Review procedures were performed primarily in January 2011. Accordingly, any evaluation of internal controls was based on our knowledge as of that time and should be read with that understanding.

III. OBSERVATIONS, COMMENTS, AND RECOMMENDATIONS

A. Karate Tournament

Although administrative support has been provided in past years by the Recreation Department to organizers of the annual Karate Tournament, the preponderance of the evidence indicates that the Tournament is not currently being sponsored by the Department.

COMMENTS

As previously indicated in the background section of this report, a Karate Tournament has been held on the UCR campus for a number of years. During those years, the tournament has been coordinated primarily by principals of the Karate Program which at one time was part of Physical Education until being merged into the Recreation Department.

However, based on information our office gathered, approximately 11 years ago, the Karate Program was eliminated as an academic subject by the College of Humanities, Arts and Social Sciences (CHASS). The then Acting Chancellor requested that the Recreation Department absorb into its programming the Karate Program and as much of the PE Activity Class curriculum as could be accommodated. Along with the programming, a specific accounting fund which had been previously assigned to the Karate Program was transferred from Physical Education to the Recreation Department.

As such, the Tournament continued to be hosted by former Karate Program instructors and started being held in the new Rec Cen facility. Basically, for traditional purposes, Recreation Department administration has continued allowing the Tournament hosts to deposit income received from Tournament fees into a Department financial account titled Karate Tournament (Activity Code A01850, Fund # 64525) and also have been assisting in the processing of purchase orders that relate to Tournament expenses incurred by the hosts. The collection of competition and admission fees is typically performed by members of the Karate Club, according to information obtained.

Notwithstanding the long tradition of this event, for purposes of this review, our office focused primarily on the Tournament held in 2010 and the upcoming 2011 event. Based on discussions held and documents reviewed, the 2010 Rec Cen facility request was orally made by a former Karate Program instructor and current Karate leisure course instructor who is also referred to as the “Sensei”. The facility request for the upcoming 2011 tournament was formally made by a member of the Karate Club, a campus student club organization that is outside the Recreation Department.

Last year’s Tournament was advertised, according to a document reviewed, as an event being sponsored by both the UC Riverside Department of Recreation and the American JKA Karate Association. When shown the related document, Department staff were unaware that the event had been advertised as a Recreation Department co-sponsored event. To date there are no advertisements for the 2011 Tournament available for review.

We believe that the Karate Tournament, although having been loosely supported administratively by the Department in past years, is not currently an event being sponsored by the Recreation Department. Rather, it is our opinion that the Karate Tournament is an event organized and sponsored by person(s) and/or organizations outside the Department but being held in the Rec Cen facility which is under the Department’s umbrella of responsibility.

Furthermore, a combination of Karate Club members, the “Sensei” and possibly other individuals and/or outside organizations are those who in our opinion have vouched through the marketing of this Tournament to fully support, financially and otherwise, this event. As a result, we believe these person(s) and/or outside groups have sole responsibility for determining the occurrence of the Karate Tournament in the future and the desired venue.

RECOMMENDATIONS

We believe the Recreation Department should discontinue providing to the Karate Tournament organizers the type of administrative support that has been evident in past years so that the Department separates itself from the sponsors of this annual event. To accomplish such, we are recommending that management ensure that

any future advertisement of this event not include the Recreation Department as an event sponsor.

Furthermore, we recommend that revenues in the form of competition fees and admissions collected during the upcoming 2011 Karate tournament be receipted by event organizers' personnel and deposited outside the Recreation Department's financial accounting system. Since the 2011 Rec Cen facility request was made by a member of the Karate Club, it would seem that the net proceeds after expenses should be deposited in an account owned by Associated Students UCR.

In our opinion, the 2010 Tournament carryover fund balance of approximately \$2300 that is currently held in a Recreation Department account should be used to offset 2011 Tournament related expenses until expended in their entirety and the activity code/fund be closed. Costs charged to the event sponsors by the Department should include event set up, parking, custodial, security, supplies and materials, Rec Cen student employees, etc.

Since Department management is considering the 2011 Tournament a transitional period, Rec Cen staff should determine from those participating and attending the event whether the sponsor(s) are to be treated in the future as an off-campus group. Recreation Department policy requires that 50% or more of attendees for any outside sponsored event held at the Rec Cen be UCR registered students; otherwise, a space rental fee is to be charged to the responsible event sponsor(s).

MANAGEMENT'S RESPONSE

The Recreation Programs accepts the recommendation of the campus auditor and agrees with Audit & Advisory Services Department's assessment.

The Recreation Programs will discontinue providing administrative support to the Karate Tournament and will ensure that the Department will not be listed as an event sponsor in the future.

The balance of Karate funds being currently held in Department accounts will be used to offset the May 7, 2011 tournament expenses. The Department anticipates the event expenses (event set-up, parking, custodial supplies & expenses) for the upcoming tournament will expend the balance entirely. After this tournament the activity and fund will be closed. All net proceeds after expenses from the tournament are the responsibility of the Karate Club and must be deposited into an account outside the Recreation Programs by the Karate Club.

In the future, the tournament will be considered a Karate Club request and arrangements for Student Recreation Center use will be handled as any other UCR registered club request.

B. Leisure Classes

Financial statements prepared by the Department that relate to each leisure class held in the Rec Cen do not include purchases of supplies and equipment expended for course use. A formal instructor manual had not been completed to assist leisure class instructors in their duties as instructors and employees of the campus.

COMMENTS

The Recreation Department offers approximately 65 leisure classes that are held in the Rec Cen. These classes are all non-credit type courses. Current offerings include classes in the following categories: (1) Fitness & Wellness, (2) Dance, (3) Martial Arts, and (4) General. The classes are taught by qualified instructors who have special skills they wish to share. Course fees are to cover instructor's salary including benefits and most supplies and/or equipment. Fees are paid at the Student Recreation Center and each class has a separate fee structure depending on the nature and cost of the class. Different fees have been established for both non-students and students. All classes have a minimum and maximum number of participants required.

Our review included discussions with Departmental staff having primary responsibility for leisure class operations and accounting functions. In addition, we contacted four other UC campuses in order to gather information relating to their leisure course line and to make specific comparisons of their operations to those at UCR.

In summary, the questions asked each of the UC campuses surveyed including UCR were as follow:

- (1) How does your Recreation Department set or determine fees to be charged to registrants of non-credit recreation classes ie cooking, dance, kick boxing, yoga, etc?
- (2) Of the gross income collected from those classes, how do you determine what percentage of the revenues generated is to be paid to the class instructors?
- (3) Is the Recreation Department responsible for purchasing any supplies or equipment needed for the various classes or are related class expenses paid for by either the class attendee or the instructor?
- (4) How is the instructor paid? Are they paid through the PPS system as an employee or an independent contractor? Are instructors on a By Agreement or other type of Instructor Agreement?
- (5) Do you prepare any type of financial statement by class that shows net income after expenses that is realized by the department?

- (6) Do you have a Recreation Instructor's Handbook that documents instructors' roles and responsibilities, emergency procedures in case of accidents, related University policies including Conflict of Interest, etc. that is provided to the instructor upon hiring?

Based on the overall results of the limited survey, course fees at UCR are in line with other campuses that offer similar leisure classes. One campus had artificially low fees; however, this is due to the significant amount of their budget being derived from various student fees. Fees for the courses were primarily established by most campuses, including UCR, through reviewing the rates being charged for similar classes that are sponsored by other organizations or educational institutions, i.e. Adult Education, YMCA, City Parks and Recreation, community colleges. All had similar responses that their goal was to keep the class fees reasonable and “basically breakeven” on an overall basis.

All campuses surveyed pay their instructors through the PPS via a “By Agreement” or as a part-time employee. Some are paid by class hour at a negotiated rate while others including UCR pay their instructors a percentage of gross fee income collected for a particular class. As an example, UCR instructors are paid monthly based on course participants and fees collected to date by the payroll cutoff period. Eighty percent of the gross proceeds collected from those enrolled to date are paid to the instructor that following month. Including employee benefits, we noted that the percentage increases to approximately 81-85%.

Two other campuses also pay their instructors a percentage of the course gross income; however, in both cases, the percentages were lower than UCR (50% and 70% respectively). We did find though that these particular campuses also include in their prepared financial statements specific to these courses any related class supplies and/or equipment costs whereas UCR does not. Rather, purchases of this nature are included within the overall Rec Cen budget but are not shown as separate line items on the leisure course financials. All except one responder indicated that income and expense statements are prepared for their leisure classes.

Aside from UCR, three of the four UC campuses we surveyed had completed an Instructor's Handbook that documented instructors' roles and responsibilities. Each of those campuses believed this type of manual to be a very important training tool for their instructors. Although the Department does provide orally an orientation session for new instructor hires, information provided has not been formalized into a manual that can be provided to the instructors.

RECOMMENDATIONS

To ensure that the leisure line program is being operated on at least a break-even basis, we recommend that all associated direct expenses including supplies and equipment be shown on the related leisure course financial statements. Although a net surplus of approximately \$13,000 was shown on the leisure course line income and expense statement for fiscal year 09-10, all course related expenditures are not included in the statement when those types of purchases are made.

As a good business practice, we recommend that the Department complete an Instructor's Handbook. The manual should document instructors' roles and responsibilities, administrative and related university policies, emergency procedures, and other information deemed necessary to fully inform course instructors of their position with the Rec Cen program. The Instructor Agreement form should be included in the handbook.

MANAGEMENT'S RESPONSE

The Recreation Programs accepts the recommendations from the Audit & Advisory Services Department.

The management does want to stress that there is a financial process in determining the viability of classes and expenses. If expenses are needed for a particular class, i.e. groceries for a cooking class, these expenses are calculated in the class budget along with the salary, with the department receiving a 15-20% of the income. Currently we do not offer any classes that require expenses other than salaries. On a need basis, the class funds contribute toward the cost of replacement mats and other necessary equipment. We will begin though posting any related class expenses as a line item on the Leisure Class financial statements.

The Recreation Programs has begun to develop an Instructor's Policy and Responsibility Handbook as recommended by the Auditor. This handbook will include campus policies, instructor's responsibilities and roles, emergency procedures, and other pertinent information. We believe that this is an important tool for our instructor to reinforce our orientation meetings. This handbook will be completed and used by the beginning of Spring quarter 2011.