



CITY AUDITOR'S OFFICE

Boys & Girls Clubs Lease Agreements

September 4, 2014

AUDIT REPORT NO. 1508

CITY COUNCIL

Mayor W.J. "Jim" Lane
Suzanne Klapp
Virginia Korte
Robert Littlefield
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Vice Mayor Guy Phillips
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September 4, 2014

Honorable Mayor and Members of the City Council:

Enclosed is the audit report for *Boys & Girls Clubs Lease Agreements*, which was included on the Council-approved FY 2014/15 Audit Plan.

Currently, the City has three ongoing lease agreements with the Boys & Girls Clubs of Greater Scottsdale for the Clubs' use of City-owned land and/or facilities. We found that land, a building and improvements acquired by the City through the terms of these leases have not been recorded in the City's capital asset records. As well, compliance with terms and conditions of the lease agreements could be better monitored, and other aspects of contract administration improved.

If you need additional information or have any questions, please contact me at (480) 312-7867.

Sincerely,

A handwritten signature in black ink that reads "Sharron Walker". The signature is written in a cursive, flowing style.

Sharron E. Walker, CPA, CFE
City Auditor

Audit Team:

Cathleen Davis, CIA - Senior Auditor
Dan Spencer, CIA - Senior Auditor

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EXECUTIVE SUMMARY

This audit of *Boys & Girls Clubs Agreements* was included on the Council-approved FY 2014/15 Audit Plan. The audit objective was to review compliance with contract requirements and contract administration of the shared-use agreement. During audit work, we determined there were three City property lease agreements with the Boys & Girls Clubs of Greater Scottsdale, and all three were included in this audit.

Since 1956, the City has entered into a series of agreements with the Scottsdale Boys and Girls clubs, which are now the Boys & Girls Clubs of Greater Scottsdale (Clubs). The Clubs are a private nonprofit organization with a stated mission to provide youth development services that instill strong core values and life enhancing skills in a safe environment.

Currently, the City has three ongoing lease agreements for the Clubs' use of City-owned land and/or facilities. These agreements include the Eldorado Community Center Lease of Real Property Agreement, the Scottsdale Ranch Park Ground Lease Agreement and the Thompson Peak Park Lease Agreement. Each of these Council-approved agreements has unique characteristics related to cost and use sharing.

We found that assets covered by these leases have not been recorded in the City's capital asset records. The City received the Thompson Peak Park land in 2000, subject to the Clubs lease agreement. The lease agreement stated the Lessee's improvements would become property of the City as constructed. However, neither the land nor the building has been recorded in the City's capital asset records. Similarly, the Eldorado Community Center lease agreement stipulated that the Clubs would expand the existing City building and parking lot and the improvements would become property of the City as constructed. These improvements also have not been recorded.

Compliance with the terms and conditions of the lease agreements could be better monitored. Also, contract administration and oversight of the three lease agreements can be improved. Two lease agreements did not have designated Contract Administrators assigned, and the contract administration files should be maintained in a more organized and easily accessible manner.

BACKGROUND

Starting in 1956, the City has entered into a series of agreements with the Scottsdale Boys and Girls clubs, which are now the Boys & Girls Clubs of Greater Scottsdale (Clubs). The Clubs are a private nonprofit organization with a stated mission to provide youth development services that instill strong core values and life enhancing skills in a safe environment.

Currently, the City has three ongoing lease agreements with the Clubs for use of City-owned land and/or facilities. These agreements include the Eldorado Community Center Lease of Real Property Agreement, the Scottsdale Ranch Park Ground Lease Agreement and the Thompson Peak Park Lease Agreement. In addition, a Revocable License Agreement for use of the Paiute Neighborhood Center was in place for the summer of 2014. The Clubs also own and operate the Rose Lane Branch within Scottsdale's city-limits and have branches located in Fountain Hills, Mesa, Phoenix, the Hualapai Indian Community and the Salt River Pima-Maricopa Indian Community.

In 1992, the Boys Club of Scottsdale merged with the Girls Club of Scottsdale, later becoming the Boys & Girls Clubs of Greater Scottsdale.

www.bgcs.org




Community Services Division staff serve as the City's Contract Administrators, acting as the liaisons between the City and Clubs management, and are responsible for monitoring all aspects of the agreements.

Terms of the Lease Agreements

The City's lease agreements with the Clubs were approved by City Council over a period of years, and each agreement has its own unique characteristics as summarized in Figure 1 on page 4. The agreements extend for periods of 25 to 75 years, depending on whether they are renewed.

(continued on next page)

Figure 1. Summary of Boys & Girls Clubs Lease Agreements

<ul style="list-style-type: none">•Hartley & Ruth Barker Branch•Approved in June 1997•Replaced existing lease for use of another facility•Clubs has shared use of the facility and Eldorado Park•Clubs and City have shared responsibility for maintenance and capital costs	<ul style="list-style-type: none">•Virginia G. Piper Branch•Approved in April 1988•Ground lease required the Clubs to construct a building•Clubs required to allow public/nonprofit organizations to use facility 20 hours per week•Clubs have sole responsibility for maintenance and capital costs	<ul style="list-style-type: none">•Thunderbirds Branch•Approved in May 2000•Grayhawk Residential lease assigned to the City•Lease required the Clubs to construct a building•Branch required to be open 25 hours weekly for public use•Clubs responsible for maintenance and capital costs
Eldorado Community Center Lease 	Scottsdale Ranch Park Lease 	Thompson Peak Park Lease 
<ul style="list-style-type: none">•City owns land, building and improvements	<ul style="list-style-type: none">•City owns land•Clubs owns building and improvements until lease ends	<ul style="list-style-type: none">•City owns land, building and improvements

SOURCE: Auditor analysis of the City's agreements with the Boys & Girls Clubs of Greater Scottsdale.

Eldorado Community Center Lease

The Hartley & Ruth Barker Branch operates at the Eldorado Community Center subject to a lease approved by Council on June 2, 1997.

- The lease is for an initial term of 25 years with an option to extend for an additional 25 years.
- The City leased the facility to the Clubs along with the right to use areas of the park for youth activities and other compatible community recreational activities. Permitted uses include programming for elementary school and teen-aged youth activities, including sports, arts and crafts, computer, cooking and other classes.
- The Clubs were required to enlarge and renovate the existing building and parking lot. These improvements were completed in September 1999.
- The Clubs' rent payment is \$1 per year, payable in advance. The City paid rent totaling \$890,000 during the first five years of the agreement to lease back certain areas for use through the initial term and extension.

- The City is responsible for maintaining landscaping, parking, the facility's exterior and its mechanical systems, including air conditioning, heating and plumbing. The Clubs are responsible for "light" (minor) maintenance and custodial services.
- Both the City and the Clubs are proportionally responsible based on square footage for common-area flooring, roof, air conditioning, heating and plumbing replacement costs. Further, the City and the Clubs share responsibility for maintenance of the gymnasium floor and common area floors and walls.

The Clubs are required to maintain insurance and indemnify the City from liability or obligation. As well, the Clubs cannot assign or sublet the facility without written approval by the City, and has to obtain City approval for Clubs signage and improvements.

Scottsdale Ranch Park Lease

The Virginia G. Piper Branch built facilities in Scottsdale Ranch Park after a City ground lease was approved by City Council on April 4, 1988.

- The lease has an initial term of 50 years with an option to extend for an additional 25 years.
- The City Council has approved five lease amendments:
 - In April 1990, the size of the leased premises and maximum size of the improvements were increased.
 - In December 2000, the leased premises and maximum improvement sizes were again increased.
 - In October 2002, a provision was added for the City to consent to additional uses of the premises.
 - In February 2003, a wireless communication facility sublease was approved.
 - In December 2008, the maximum improvement size was increased and the City Manager or designee was authorized to approve additional facility uses.
- The Clubs were required to construct a new building and parking lots, which was completed in January 1992. As allowed by the 2000 and 2008 amendments, the Clubs also constructed and then expanded its Administrative Training Center which was completed in January 2010. The Clubs retains ownership of the buildings and improvements through the lease term, but title vests with the City at the end of the lease.
- The lease permits the Clubs to use the premises for childhood education, cultural arts, fitness programs, summer camps, sports programs, activities for senior adults and day care programs. The 2008 amendment allows the City Manager to consent to additional uses.
- The Clubs are required to reserve joint use time of the facility with the City, schools and/or other nonprofit, recreation-based service organizations at no fee for a minimum of 20 hours per week. However, the Clubs may recover reasonable out-of-pocket expenses.
- The Clubs are responsible for maintaining the facilities at its sole expense.

As well, the Clubs must maintain insurance and indemnify the City from liability or obligation. The Clubs pay \$1 per year in rent and may not assign or sublet the facility without the City's written approval.

Thompson Peak Park Lease

The Thunderbirds Branch operates in Thompson Peak Park. The City Council approved this 50-year lease on August 15, 2000, after accepting property from Grayhawk Residential that was subject to the Boys & Girls Clubs lease.

- The assigned lease agreement has an initial term of 50 years with an option to extend for an additional 25 years.
- The Clubs were required to construct a new building, which was completed in May 2001. The lease specifies that the Clubs' improvements became the City's assets "brick by brick" as they were constructed.
- The Clubs' permitted uses include children's day care, elementary school, teenage youth activities and senior activities, including sports, arts and crafts, computers, cooking and other classes.
- The Clubs pay \$1 per year for rent, and are required to keep the facility open for public use at least 25 hours per week.
- The City has the right to use the facility from time to time with specified scheduling accommodations.
- The Clubs are responsible for all maintenance, utilities and landscaping, except that the City is responsible for maintaining the parking area.

As well, the Clubs must maintain insurance and indemnify the City from liability or obligation. The Clubs may not assign or sublet the facility without the City's written approval and the City and the Clubs must agree on any signage changes.

OBJECTIVES, SCOPE, AND METHODOLOGY

An audit of *Boys & Girls Clubs Lease Agreements* was included on the City Council-approved fiscal year 2014/15 Audit Plan. The audit objective was to review compliance with contract requirements and contract administration of the shared-use agreement. During audit work, we determined there were three ongoing property lease agreements with the Boys & Girls Clubs of Greater Scottsdale, and all three were included in this audit.

To gain an understanding of the City's lease agreements with the Boys & Girls Clubs of Greater Scottsdale (Clubs) and their operation, we interviewed Community Services Division personnel, including the Parks, Recreation and Human Services Director, the Parks & Recreation Manager who serves as Contract Administrator, and Eldorado Community Center staff. We also interviewed staff of the City Attorney's Office, Facilities Management, Real Estate and Risk Management. As well, we spoke with the Boys & Girls Clubs Senior Vice President of Operations and a Branch Manager and reviewed the Boys & Girls Clubs of Greater Scottsdale's website regarding the individual branches.

In addition, we reviewed:

- Related audit reports previously issued by this office, including *Parks & Recreation Intergovernmental Agreements* - Audit Report No. 1102 issued in September 2010 and *Pool Usage: Agreements and Administration* - Audit Report No. 1007 issued in June 2010.
- Eldorado Lease of Real Property (contract no. 970068); including one amendment and the joint operations manual.
- Ground Lease for the Scottsdale Boys Club at Scottsdale Ranch Park (contract no. 870366); including four amendments, consent of sublease and associated council action reports.
- Ground Lease for the Scottsdale Girls Club at Scottsdale Ranch Park (contract no. 870446); including associated council action reports.
- Thompson Peak Park Lease Agreement (recording no. 2000-0653229); including the assignment to the City, special warranty deed and associated council action reports.

To gain an understanding of authoritative policies, we reviewed:

- City Charter, Article 1: Incorporation, Form of Government, Powers and Boundaries, Section 3. *Powers of city* and Article 8: Contracts, Section 7. *Sale or transfer of interests in city property*
- City Code, including relevant sections within Chapter 2 - *Administration*, Chapter 20 - *Parks, Recreation and Cultural Affairs*, and Chapter 48 - *Land Divisions*
- Administrative Regulations, including AR 215 *Contract Administration* and AR 400 *Centralized Reporting of Real Property Leases/Licenses with Terms Longer than One Year* among others.

To assess compliance with key contract requirements and evaluate whether the City has adequate controls to ensure effective administration of the agreements, we:

- Reviewed the contract files completeness and documentation of the Contract Administrator's role in identifying and resolving issues with contract terms. This included determining whether the Contract Administrator maintained the signed contract, required bonds and insurance certificates and documentation for requests for payment.
- Examined documents to determine whether the City properly reviewed and authorized the Clubs' facility uses and modifications.
- Confirmed that the Contract Administrator assigned to the Eldorado Community Center lease had received appropriate training through the City's Contract Administrators Academy.
- Examined the terms of the agreements, with the assistance of the City Attorney's Office, to determine if the Clubs' branch facilities were City-owned assets.
- Examined SmartStream fixed asset reports to determine if City-owned assets on these leased properties had been properly and timely recorded.
- Compared the City's and the Clubs' exclusive and first-priority use areas as stated in the agreement to actual use at the Eldorado/Barker Branch facility.
- Requested and reviewed records of joint use time by the City, schools and nonprofit, recreation-based organizations at the Piper Branch facility and by the City at the Thunderbirds Branch facility.
- Evaluated, with the assistance of the City's Risk Management Director, certificates of liability insurance and property insurance provided by the Clubs for compliance with the lease agreements.
- Reviewed SmartStream reports and Facilities work orders to determine the cost of maintenance and repairs at the Eldorado/Barker Branch facility.
- Conducted an internet search and interviewed Parks & Recreation staff to review the Clubs uses of the Eldorado/Barker Branch facility.
- Reviewed the draft second amendment for the Eldorado/Barker Branch facility lease to determine if the proposed terms and conditions address any issues or risks known at this time.

Our audit found that City-owned assets have not been recorded in the City's fixed asset records, compliance with the terms and conditions of the lease agreements could be better monitored and contract administration and oversight of the lease agreements can be improved.

We conducted this audit in accordance with generally accepted government auditing standards as required by Article III, Scottsdale Revised Code §2-117 et seq. Those standards require 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. Audit work took place from July to August 2014.

FINDINGS AND ANALYSIS

1. Assets covered by these lease agreements have not been recorded in the City's fixed asset records.

Land and building improvements covered through the City's lease agreements with the Boys & Girls Clubs of Greater Scottsdale (Clubs) have not been recorded in the City's fixed asset records.

A. *Thompson Peak Park Land, Building and Other Improvements*

The City acquired the Thompson Peak Park land from Grayhawk Residential, Inc. (Grayhawk) through a special warranty deed in August 2000.¹ At the same time, Grayhawk assigned its rights and interests in a lease agreement with the Clubs to the City. This lease agreement allowed the Clubs to construct improvements on the leased portion of the Thompson Peak Park property and also stated that these improvements become the real property of the Lessor (the City).

Neither the land nor the building and other improvements appear to have been recorded in the City's fixed asset records. Based on construction permits, the Clubs' improvements were originally valued at \$1,457,290. Currently, the Maricopa County Assessor's Office reflects a market value of the Park, building and other improvements at approximately \$10.5 million.

B. *Eldorado Community Center Improvements*

As provided in the Eldorado Community Center lease agreement, the Clubs were to construct renovations, enlargements and improvements to the existing City building and parking lot. The agreement required a minimum of 28,000 square feet of building floor area and 133 parking spaces. Specific improvements included a gymnasium, locker facility, meeting rooms, kitchen, teen room, office space, restrooms, parking spaces, landscaping and field lighting. These improvements were completed in September 1999 and by terms of the lease agreement became the real property of the City.

These improvements do not appear to have been recorded in the City's fixed asset records. Based on construction permits, the Clubs' improvements were originally valued at \$1,017,000.

The Accounting department is responsible for maintaining a current list of the City's fixed, or capital, assets which include land, buildings and improvements with an initial individual cost of over \$10,000 as provided in Administrative Regulation (AR) 226 *Capital Assets: Acquisition, Inventory and Disposal*. However, the contract administrators did not recognize the assets acquired through the terms of these leases and notify Accounting of the contributed assets.

Recommendation:

Community Services management should work with the City Treasurer's Office to ensure the Eldorado Community Center and the Thompson Peak Park assets are recorded as appropriate in the City's capital asset records.

¹ Grayhawk conveyed the land to the City for a 51-acre park as required in Grayhawk's development agreement and consistent with the Parks (now Parks & Recreation) General Plan.

2. Compliance with the terms and conditions of the lease agreement could be better monitored.

The City and/or the Clubs may not be in compliance with some key terms and conditions of the lease agreements.

- A. The City and the Clubs have changed uses of the Eldorado Community Center/Barker Branch facility without documenting both parties' agreement in the manner prescribed in the lease agreement. The lease provides for "exclusive use," "priority use" and "shared use" areas. The Clubs increased its "exclusive use" area by 3,585 square feet, or 11% of the available area, and its "priority use" area by 2,212 square feet, or 6.8%. The City also increased its "exclusive use" area by 2,359 square feet, or 7.3% of the available area. Although required when changes are made, the City has not prepared a new use diagram for both parties to sign and date or otherwise acknowledge in writing, so that it could be attached and made part of the lease.

Since capital asset repair and replacement costs are allocated based on the City's and the Clubs' proportional use, it is important to have written documentation of actual room use.

- B. The Clubs made improvements at the Eldorado Community Center/Barker Branch facility without requesting or obtaining the City's written approval as required in the lease agreement. Specifically, in 2010, the Clubs sold naming rights to the gymnasium and various other rooms and painted its logo on the gymnasium floor. Even after requests by Community Services staff, the City's logo was not added. Additionally, there have been several instances noted when the Clubs made improvements such as constructing walls, replacing flooring, installing doors, mounting permanent signage, and painting walls without the prior written approval of the Contract Administrator. For such actions, the lease agreement provides the consequence of paying for the cost of returning the facility to its original condition.

Recommendations:

Community Services management should ensure the Contract Administrator:

- A. Documents changes to room use at the Eldorado Community Center/Barker Branch facility as required by the lease agreement.
- B. Notifies the Clubs in writing if facility modifications are made by the Clubs without the City's required advance approval that the City may bill for the cost of returning the facility to its original condition if necessary.

3. Contract administration and oversight of the lease agreements can be improved.

Two of the lease agreements did not have designated Contract Administrators assigned to monitor the agreements. Further, better organized contract administration files and familiarity with contract terms would assist in monitoring the Clubs' and the City's contract compliance. Areas for improvement include:

- A. At the time of our initial review, neither the Scottsdale Ranch Park lease agreement nor the Thompson Peak Park lease agreement had a Contract Administrator assigned by Community Services management. AR 215 *Contract*

Administration requires that each City contract is assigned a Contract Administrator responsible for monitoring all aspects of the written contract. Lack of contract administration can increase the risk that the lease agreements will not be sufficiently managed and key terms, conditions and specifications of the contract will not be monitored.

- B. In 2010, the City replaced the HVAC system at the Eldorado Community Center/Barker Branch facility. The total cost of the project was more than \$502,000, and the City calculated the Clubs' proportionate share to be \$381,800 based on the capital item replacement formula included in the lease agreement. However, the Clubs maintained that the City failed to notify and confer with the Clubs in advance as required by the lease agreement. The Clubs also objected to the cost and necessity of the work. The contract administration file did not contain documentation that the City conferred with the Clubs regarding the upcoming HVAC replacement or the expected costs. Therefore, the City and the Clubs plan to settle for reimbursement of \$175,000 which is less than 50% of the amount originally calculated to be owed.
- C. The Contract Administrator did not timely bill \$12,400 for the Clubs' proportional share of a boiler that had to be replaced. A new boiler was installed at the Eldorado Community Center/Barker Branch facility in the fall of 2013. The City received and paid the final invoice in December 2013 and the Contract Administrator conferred with the Clubs about their proportional reimbursement amount in January 2014. However, the accounts receivable billing was not sent to the Clubs until June 2014. The Clubs paid the invoice timely in July 2014.
- D. The Eldorado Community Center lease agreement contract administration file is not currently maintained in an organized and easily accessible manner. Specifically, the Contract Administrator had some difficulty producing records of correspondence, conversations and other data pertinent to the contract. The Contract Administrator's ability to monitor contract terms and conditions and facilitate the shared use agreement could be impacted by the manner in which the files and information are organized and maintained.
 - 1. The Contract Administrator did not maintain current insurance certificates. In the fall of 2013, the Contract Administrator first requested insurance certificates showing coverage as required in the Eldorado Community Center lease agreement. Insurance certificates had not been obtained in the preceding few years. Some of these insurance certificates expired at the end of June 2014. At the end of July 2014, at our request, the Contract Administrator requested updated certificates as well as evidence of property liability coverage. The Clubs provided the insurance certificates to show the required coverage properly in effect.
 - 2. Throughout the audit, the Contract Administrator located and provided copies of documents on an ad hoc basis and printed out or forwarded email communications between the City and Clubs covering a range of issues as requested. The documents did not always identify the resolution of the identified issues, such as approvals for modifications, painting, the Clubs' signage, room naming rights or changes to facility use.
- E. Although the lease terms state the Clubs will provide day-to-day "light" maintenance, the City's Facilities Management has absorbed the cost of providing

routine maintenance services at the Eldorado Community Center/Barker Branch facility. In the past two-and-a-half years the City has incurred more than \$25,000 for routine maintenance costs at this facility.

While the lease agreement specifies that the Clubs shall provide day-to-day light maintenance to maintain the facility, the agreement does not further define that term. In the draft second lease amendment that is being finalized, the City plans to accept responsibility for maintenance.

- F. Parks & Recreation staff was not aware that both the Scottsdale Ranch Park and the Thompson Peak Park leases provide for use of the branch facilities at no fee by the City or other nonprofit organizations.
 - 1. The Scottsdale Ranch Park lease agreement requires the Clubs to “reserve joint use time of the facilities with Lessor, schools and/or other nonprofit, recreation-based service organizations at no fee for a minimum of 20 hours per week.” Parks & Recreation staff has not been monitoring this requirement. However, the Clubs management told us they have a no-fee facility use agreement with a local elementary school and allow a couple other nonprofit, recreation-based organizations to use meeting rooms from time to time.
 - 2. The Thompson Peak Park lease allows the City to use the Clubs’ Thunderbirds Branch facility from time to time for events, performances and related activities. Since staff was not aware of the lease term, this resource has not been used.

One method of assuring effective contract administration would be to develop a matrix of all key terms and requirements. This would facilitate maintaining current insurance certificates and other applicable documents and monitoring contract compliance.

Recommendations:

Community Services management should:

- A. Designate a contract administrator for the Scottsdale Ranch Park and the Thompson Peak Park lease agreements. Additionally, Community Services management should consider developing a contract administrator succession plan to ensure continuity of contract administration for long-term lease agreements.
- B. Ensure the Contract Administrator provides sufficient notice to the Clubs when capital equipment replacement is needed.
- C. Ensure the Contract Administrator sends accounts receivable billings for the Clubs’ proportional share of capital expenses on a timely basis.
- D. Ensure the Contract Administrator maintains organized, complete contract administration files including records of all correspondence, conversations and other activities pertinent to the contract.
- E. Seek to clarify the City’s and the Clubs’ responsibilities for various types of maintenance in the draft second amendment if the responsibilities and costs are to be shared.
- F. Ensure the Contract Administrator monitors compliance with the Scottsdale Ranch Park and Thompson Peak Park lease terms for shared facility use.

MANAGEMENT ACTION PLAN

1. Assets covered by these lease agreements have not been recorded in the City's fixed asset records.

Recommendation:

Community Services management should work with the City Treasurer's Office to ensure the Eldorado Community Center and the Thompson Peak Park assets are recorded as appropriate in the City's capital asset records.

MANAGEMENT RESPONSE: Agree

PROPOSED RESOLUTION: Staff will work with City Treasurer's office to ensure improvements are recorded as appropriate in the City's capital asset records.

RESPONSIBLE PARTY: Parks & Recreation Manager

COMPLETED BY: 11/07/2014

2. Compliance with the terms and conditions of the lease agreement could be better monitored.

Recommendations:

Community Services management should ensure the Contract Administrator:

- A. Documents changes to room use at the Eldorado Community Center/Barker Branch facility as required by the lease agreement.
- B. Notifies the Clubs in writing if facility modifications are made by the Clubs without the City's required advance approval that the City may bill for the cost of returning the facility to its original condition if necessary.

MANAGEMENT RESPONSE: Agree

PROPOSED RESOLUTION:

- A. Room use will be reviewed in monthly documented meetings and all changes to room use will be documented.
- B. Staff will meet quarterly with Boys and Girls Clubs Area Director. Staff will notify Clubs that City may bill for cost of returning facility to its original condition if Clubs make facility modifications without City's required advance approval.

RESPONSIBLE PARTY: Parks & Recreation Manager

COMPLETED BY: 11/07/2014

3. Contract administration and oversight of the lease agreements can be improved.

Recommendations:

Community Services management should:

- A. Designate a contract administrator for the Scottsdale Ranch Park and the Thompson Peak Park lease agreements. Additionally, Community Services management should consider developing a contract administrator succession plan to ensure continuity of contract administration for long-term lease agreements.
- B. Ensure the Contract Administrator provides sufficient notice to the Clubs when capital equipment replacement is needed.
- C. Ensure the Contract Administrator sends accounts receivable billings for the Clubs' proportional share of capital expenses on a timely basis.
- D. Ensure the Contract Administrator maintains organized, complete contract administration files including records of all correspondence, conversations and other activities pertinent to the contract.
- E. Seek to clarify the City's and the Clubs' responsibilities for various types of maintenance in the draft second amendment if the responsibilities and costs are to be shared.
- F. Ensure the Contract Administrator monitors compliance with the Scottsdale Ranch Park and Thompson Peak Park lease terms for shared facility use.

MANAGEMENT RESPONSE: Agree

PROPOSED RESOLUTION:

- A. Management has assigned a Contract Administrator for the Scottsdale Ranch Park and Thompson Peak Park lease agreements.
- B. Staff will meet annually with Facilities Management staff to ensure review of planned projects at Eldorado facility. Sufficient notice will be provided to Clubs when capital equipment replacement is needed.
- C. Staff will ensure accounts receivable billings for Clubs' proportional share of capital expenses are sent and received timely, and document as such.
- D. Staff will maintain organized, complete contract administration files including records of correspondence, conversations, and activities pertinent to the contract.
- E. Staff will meet with Boys and Girls Clubs area director quarterly, documenting meetings/discussions.
- F. Staff will monitor compliance with Clubs regarding shared facility use at Scottsdale Ranch Park and Thompson Peak Park bi-annually.

RESPONSIBLE PARTY: Parks & Recreation Manager

COMPLETED BY: 05/08/2015

City Auditor's Office

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