



# AUDIT HIGHLIGHTS

## McCormick-Stillman Railroad Park Operations

October 9, 2015

Audit Report No. 1607

### WHY WE DID THIS AUDIT

This audit was included on the Council-approved FY 2015/16 Audit Plan to evaluate controls over and accountability for park operations.

McCormick-Stillman Railroad Park has a FY 2015/16 operating budget of \$2 million and 26.6 full-time equivalent employees.

### BACKGROUND

The Parks & Recreation Department operates the McCormick-Stillman Railroad Park (Park), which offers authentic train and antique carousel rides, a historical railroad museum, scale model train exhibits, concession and souvenir sales, picnic areas and playgrounds.

In 1967, Anne and Fowler McCormick donated 100 acres of land to the City for a park. Subsequently, in 1971, Guy Stillman donated his 5/12 scale railroad and helped found the Scottsdale Railroad & Mechanical Society (Society) to raise funds for the park's creation.

The Society has since funded or helped to fund major Park amenities and Park events. As well, four model railroad clubs have constructed and maintain and operate model railroad exhibits at the Park.

As a City park, admission is free but tickets must be purchased for train or carousel rides and admission to the Railroad Museum.

### City Auditor's Office

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### WHAT WE FOUND

- The Park's key third-party agreements were allowed to expire and other aspects of contract administration can be improved.**  
The Park's key contract with the Society expired in June 2011, and the clubs' revocable license agreements were allowed to expire. The former Park contract administrator served on the Society's board, informal modifications to the Society's agreement occurred and City building access seems excessive. Contract administration files were not complete or organized.
- Improvements could be made in the Park's asset management.**  
Society-donated assets totaling more than \$262,000 had not been recorded in the City's records and oversight of historically significant or higher risk items could be improved.
- Better rates and fees analysis and implementation, billing and accounting practices and inventory management can improve the Park's cost recovery results.**  
A cost and market rate analysis was not documented, and rates and fees were not consistently applied. Also, cash handling practices for third-party monies were not effective, direct staffing costs were not recovered and inventory management could be improved.
- Certain controls over information technology can be strengthened.**  
The Park's point-of-sale system and website are maintained through third-party support. IT support and controls were not effective.
- Operating procedures have not yet been documented.**  
The Park does not have formal, written operating procedures. Although a previous Park supervisor started an operations manual, it has not yet been completed.

### WHAT WE RECOMMEND

We recommend the Parks & Recreation Department:

- Ensure Contract Administrator duties are performed and documented.
- Inform the City Treasurer's Office of donated assets and maintain records of historically significant and high risk items.
- Perform a cost analysis and provide all rates and fees to Council. Also, ensure staffing costs are accurately calculated, require accountability for third-party monies and institute reliable inventory management practices and records.
- Evaluate the Park's point-of-sale system and ensure the system is properly maintained. Also, request approval for the third-party website.
- Complete the operations manual.

### MANAGEMENT RESPONSE

The Department generally agreed with the audit recommendations and expects to have all recommendations implemented by the end of the current fiscal year.