



Lexington-Fayette Urban County Government
OFFICE OF INTERNAL AUDIT

MANAGEMENT ACTION PLAN PROGRESS REPORT

DATE: March 20, 2015

TO: Jim Gray, Mayor

CC: Sally Hamilton, Chief Administrative Officer
Glenn Brown, Deputy Chief Administrative Officer
Aldona Valicenti, Chief Information Officer
Geoff Reed, Commissioner of General Services
William O'Mara, Commissioner of Finance & Administration
Phyllis Cooper, Director of Accounting
Susan Straub, Communications Director
Urban County Council Members
Internal Audit Board Members

FROM: Bruce Sahli, CIA, CFE, Director of Internal Audit
Chris Ensslin, CIA, CFE, Deputy Director of Internal Audit

RE: Golf Course Collections Management Action Plan Progress Report

EXECUTIVE SUMMARY

On May 3, 2010 the Office of Internal Audit issued the Golf Course Collections Audit Report. The 2010 audit report contained ten findings addressing various internal control weaknesses and a Risk Observation regarding a potential overtime pay issue. This follow-up review was conducted to evaluate controls put in place by management to address those specific findings from the May 2010 report.

This review is provided for management information only. It is not an audit and no opinion is given regarding controls or procedures. A summary of each finding and the risk observation from the original May 2010 audit report, and a summary of the results of our follow-up, is provided in the table below. The original findings and risk observation,

management's original responses, and details of the results of this follow-up are contained in the ORIGINAL AUDIT RESULTS AND FOLLOW-UP DETAILS section of this report.

Finding or Risk Observation	Summary of Original Finding	Follow-up Results
Finding #1 High Priority	Bartering System Needs Transparency & Better Oversight	The Division made changes to the bartering system, but there is now less transparency than reported in the 2010 audit.
Finding #2 High Priority	Collections Reconciliation Process Needs Improvement	Avon Golf Course has been closed. Meadowbrook has RecTrac reporting. This finding has been resolved.
Finding #3 High Priority	Free Rounds of Golf Need Improved Oversight	The number of free rounds played by employees is not being tracked. The Division of Parks has no reliable information to determine if free rounds of play by employees are reasonable or excessive.
Finding #4 High Priority	Gift Cards Need Better Management	Gift cards are being tracked and are now numbered. This finding has been resolved.
Finding #5 High Priority	Avon Deposit Procedure Violations and Missing Deposit	The Avon Golf Course has been closed. This is no longer an issue.
Finding #6 High Priority	Void and Return Controls need to be Enhanced	Management is signing off on the Return Control Sheet, providing adequate review of voids and returns. This finding has been resolved.
Finding #7 High Priority	Unnecessary Deposit Activity	Deposits are now combined, eliminating the unnecessary deposit activity. This finding has been resolved.

Finding #8 Moderate Priority	Implement RecTrac Perpetual Inventory Software Feature	Perpetual inventories are now being kept in RecTrac. This finding has been resolved.
Finding #9 Moderate Priority	Cash Drop Procedure Recommended	A cash drop procedure has not been implemented.
Finding #10 Moderate Priority	Written Procedures Need to be Updated	Written procedures have been updated. We obtained a copy of the SOP manual and determined that it is in use in the field. This finding has been resolved.
Risk Observation from Original Report	Potential Overtime Pay Issue	There is no evidence this issue was investigated when it was brought to the attention of a Human Resources Senior Manager in March 2010. At that time, there was no documentation available to support the claim. The Director of Human Resources has taken the reasonable position that based on the lack of supporting documentation, an investigation of this 2010 claim is no longer necessary. No further response required.
New Risk Observation	LFUCG Parks Properties Rental Practice Should be Reviewed	The processes to determine base rent rates and to verify performance of services by tenants in exchange for rent reductions should be reviewed. IRS fringe benefit rules should be reviewed to determine if the reduced rents are reportable on tenant W-2's.

ORIGINAL AUDIT RESULTS AND FOLLOW-UP DETAILS

Original Finding #1. Bartering System Needs Transparency & Better Oversight

Priority Rating: High

Condition:

Several employees in the Division of Parks & Recreation have the responsibility for creating and managing barter deals for all of Parks and Recreation, including festivals when Parks & Recreation has a significant role. Barter deals are non-cash agreements (i.e., no cash payment is required, thereby decreasing funding needs) between Parks & Recreation and various companies where goods or services are provided in exchange for free advertising or the use of various Parks facilities. One such employee stated that the guidelines for bartering for goods and services are intended to mirror LFUCG guidelines for purchasing goods and services. Parks & Recreation provided a spreadsheet that included 76 barter deals with a total value of \$766,932 (which may not be all inclusive). See Attachment I for details.

We found no statute, ordinance, CAO Policy, or Parks and Recreation Policy that governs these barter deals. In addition, there is no evidence these barter deals are officially approved by senior Administration personnel or the Council.

Effect:

While the barter process appears to be an innovative non-cash approach to partner with companies for goods or services during a weak revenue cycle, it lacks transparency and gives excessive authority to Parks employees without proper management oversight. This lack of internal control could allow barter deals to be made that are not in the best interest of the Lexington-Fayette Urban County Government, or that could be made to unduly benefit individuals or companies.

Recommendation:

The barter process needs more management oversight to ensure appropriate non-purchase agreements are being made, that the goods or services received indicate a reasonable value has been obtained in exchange for free advertising or use of facilities, and that barter deals create no reputational risk to the Lexington-Fayette Urban County Government. Parks and Recreation senior management should work with the Division of Purchasing to develop bartering procedures and policies. The Office of Internal Audit will also request that the Department of Law examine the barter process to determine if prior Council knowledge or approval of barter agreements is required.

Director of Parks & Recreation Response:

We agree to craft a tiered policy for administration review that will include a consistent format with greater transparency, and provide that to the Commissioner of General Services within 90 days.

Commissioner of General Services Response:

The Commissioner of General Services concurs with the finding and with the Director of Parks action plan.

Follow-up Detail Results:

The former Director of Parks and Recreation created a policy for bartering. However, this policy was not reviewed by the Department of Law or the Division of Purchasing. The policy stated that the Director can approve up to a \$10,000 barter deal, while barterers greater than \$10,000 would require Commissioner's approval. However, responses to our inquiries indicate that Parks personnel have worked around this policy by treating barterers as donations or sponsorships. The overall result is that the bartering process has less oversight and is still not transparent.

The Deputy Director of Internal Audit and Director of Purchasing met with the Director of Parks and Recreation to discuss the bartering process. The Director of Parks and Recreation agreed to go back and rewrite the policy based on current Division of Purchasing purchase order amount and approval processes. It was understood from that meeting that the Division of Parks would then provide the new policy to the Division of Purchasing and the Department of Law for review before it becomes official.

We recommend the Commissioner of General Services evaluate the Division of Parks processes for bartering, donations, and sponsorships to determine that those processes are clearly defined, are transparent, follow LFUCG purchasing policies, and adhere to any and all approval processes in place for all LFUCG Divisions, including any requirements for Council approvals.

Commissioner of General Services Response:

The Division will work with the Commissioner's staff to develop a comprehensive policy for sponsorships/trades/donations to mirror the Division of Central Purchasing guidelines. The policy shall include the need for Director's approval for all proposals and then outline the need for Commissioner and Council approval based on the projected dollar amount of the trade in question. This policy shall be complete in draft form within 90 days. After which, the policy shall be reviewed by both the Division of Central Purchasing and the Department of Law.

The approval process shall tentatively be reviewed at the following tiered levels.

0 to \$1,000 value	Approved at the Deputy Director Level
\$1,001 to \$5,000 value	Approved at the Director Level
\$5,001 to \$10,000	Approved at Commissioner Level
\$10,001 and above	Council Approval

The policy shall include a clear definition of donations, bartering, and sponsorship opportunities and will encompass work already done to develop the naming/donation policy currently in draft form created by the Commissioner of General Services' staff. Definitions will be provided to make clear what constitutes a barter agreement. Clear deadlines will be communicated for the submission of proposed trades and sponsorship deals to include sufficient time to process the request and meet external deadlines for sponsorship agreements. Timely processing of requests will be necessary to ensure that the service requested can be performed by the requesting agency or partner.

It is the intent of the Division to craft a policy that will provide greater transparency and oversight. This will ensure that LFUCG properties and its reputation are not put at risk without placing undue restrictions on the ability of the Division to accept donations and bartering agreements that effectively enhance the offerings of the Division, and reduce the tax liability of the average Citizen. Prior to a final policy being implemented, all proposals with a value of \$1,001 or greater will be reviewed by the acting Director/Commissioner, and Council approval will be sought for those proposals with a value of \$10,001 or greater.

Original Finding #2. Collections Reconciliation Process Needs Improvement
Priority Rating: High

Condition:

There is no independent Parks management or Division of Accounting comparison of deposits for non-RecTrac Golf Courses (e.g. Avon & Meadowbrook) and concessions to related collection support (i.e., cash register Z-Tapes). There are no written procedures in Accounting regarding the golf course collections reconciliation process. The current reconciliation process in Accounting for RecTrac Golf Courses includes a comparison of the RecTrac data to PeopleSoft which is uploaded from RecTrac to the bank statement or PNC online account.

Effect:

Failure to reconcile deposits per the bank to source documents such as cash register Z-Tapes for Avon, Meadowbrook, and concessions could result in unreported sales being undetected. Furthermore, it could result in erroneous revenue entries being undetected. Written procedures are an important control that provides process instruction, performance standards, and a basis for measuring compliance with management expectations. The absence of written procedures for the Accounting reconciliation process produces potential training and job performance accountability issues.

Recommendation:

In order to properly reconcile reported deposits to actual collection activity for non-RecTrac Golf Courses and Concessions, source documents (i.e. Z-tapes) should be directly compared to the related bank statement and the PeopleSoft financial reports. Division of Parks and Recreation senior management should coordinate with the Division of Accounting to develop a monthly reconciliation process that examines Z-tape, sales reports, and bank statements. Detailed written procedures should be produced for the reconciliation process.

Director of Parks & Recreation Response:

Parks and Recreation currently reconciles all daily sheets to bank statements that are downloaded from the PNC web site. The Staff Assistant to the Golf Services Manager reconciles the daily deposit slips to the bank's statements verifying a match between the bank and our deposit ticket information. The daily sheets are brought to P&R Admin offices at the end of each month and this reconciliation process occurs prior to the 10th of the following month. The suggestion that it be reconciled with both the Z tape and the deposit slip will be implemented immediately. Bringing Meadowbrook and Avon on line with our Rec Trac software would help with this, along with the delivery of point of sale equipment and connectivity, which IT has not been able to do.

It is also our policy that the respective golf courses receive deposit receipts from the bank in order to verify the deposit was received at the bank so the Pro/Manager can sign off on it.

Commissioner of General Services Response:

The Commissioner of General Services concurs with the finding and with the Director of Parks action plan.

Director of Accounting Response:

The Division of Accounting agrees with this recommendation. The Director of Parks and Recreation and the Director of Accounting have discussed this recommendation and it is understood that the Division of Parks is currently comparing collections activity with the Z-tapes prior to entering the deposit into RecTrac. Accounting has documented the reconciliation procedures within the division.

Commissioner of Finance & Administration Response:

I concur with the Director of Accounting response.

Follow-up Detail Results:

We visited Meadowbrook Golf Course and noted RecTrac has been implemented at this location. Avon Golf Course has been permanently closed.

This finding is resolved. No management response required.

**Original Finding #3. Free Rounds of Golf Need Improved Oversight
Priority Rating: High****Condition:**

During the audit we noted a number of complimentary golf passes attached to daily sales reports. Some were issued to businesses and others were issued to individuals. The free passes were not pre-numbered, and there does not appear to be any effective method for determining the actual extent to which these free rounds are being provided. We discussed this with the Director of Parks & Recreation and the Golf Services Manager, who stated there are no Ordinances, CAO Policies, or written Parks and Recreation Policies regarding this practice. They also stated that golf course employees are allowed to play the courses for free.

Effect:

A free pass program without an effective method for tracking the number of free rounds issued or the employees issuing the free rounds is susceptible to misuse. Free rounds of golf to employees may qualify as a non-cash taxable benefit reportable on the employee's W-2.

Recommendation:

We recommend Human Resources, Law, and Parks coordinate to review this practice to determine if it should be continued. Complimentary golf passes should be pre-numbered for tracking purposes and written procedures should be developed defining proper use and documentation requirements. If the practice of allowing golf course employees to play for free is continued, non-cash taxable benefit rules should be researched to determine if the free rounds should be reported on the employees' W-2.

Director of Parks & Recreation Response:

Upon further investigation during the management response phase, we located a written policy from 2000 approved by a prior administration that allows for golf course employees

and non-employees to play golf for free. We will review the policy with Senior Management to craft a more current policy within 90 days.

Commissioner of General Services Response:

The Commissioner of General Services concurs with the finding and with the Director of Parks action plan.

Follow-up Detail Results:

Our review determined that the number of free rounds played by employees is not being tracked. The Division of Parks therefore has no reliable information to determine if free rounds of play by employees are reasonable or excessive. We recommend a policy be developed that clearly specifies situations in which free rounds of play are allowed and to what extent they are allowed. A log of free rounds should be developed and maintained for management review at all golf courses to ensure compliance with this policy.

Commissioner of General Services Response:

The Division of Parks and Recreation Golf Operations has a policy regarding free golf rounds. However, due to an issue with RecTrac software, the tracking element of the program was disabled. When ringing in a comp round at the register, recording the type of comp round could be bypassed, thus effective tracking was not possible. This has been corrected so that now any comp round will be assigned a category based on the policy. Management review can now be done on a periodic basis. Constant monitoring of employee use can now be done, and reviewed periodically to determine if there is any type of abuse occurring.

A log book will be placed at each course in order for employees to sign in prior to play. The log book will denote exactly which employees are playing complimentary rounds and at what times. With the combination of the log book and software tracking, the Division feels that the proper amount of controls are in place to preclude abuse of this policy, but will perform periodic reviews to ensure compliance.

The current policy details the working definition for a "complimentary round" as well as who is eligible to receive comp rounds, when they can be used, and the method used to track the rounds. Golf management shall provide periodic reviews to ensure that the policy is not being abused.

Although the policy covers more than just employee play, it is germane to note that complimentary golf rounds for employees is an industry recognized method of maintaining healthy employee morale as well as a critical source of feedback used to

improve the customer experience. Employees are encouraged to report any course deficiencies or maintenance issues gleaned through their continued use of the facility.

Original Finding #4. Gift Cards Need Better Management
Priority Rating: High

Condition:

The golf courses sell gift cards which customers can use to purchase merchandise or apply their value against greens fees. According to RecTrac, gift card sales totaled \$57,815 in FY 2009. Gift cards are also given as prizes at various LFUCG golf tournaments. We noted that the gift cards are not numbered to allow for proper sales and inventory tracking, are printed on card stock that can be easily duplicated, and discussions with golf course personnel indicate there is no process to account for the actual inventory of gift cards on hand at the various golf courses.

Effect:

The absence of good gift card sales tracking and inventory controls exposes Parks & Recreation to the risk of lost or stolen gift cards with no accountability.

Recommendation:

Gift cards should contain pre-printed sequential serial numbers for sales and inventory tracking purposes. A book inventory tracking process should be implemented and a monthly inventory of gift cards should then be conducted and variances between book and physical inventories should be promptly investigated.

Director of Parks & Recreation Response:

A numbering system for the cards will be developed and we will implement use of log books to track them. Gift Certificates for tournament prizes are a bit different and require a signature from the Golf Services Manager with a strict expiration date. We will institute these changes by July 1, 2010. Gift Certificates for Kearney Hill Golf Links are not actual certificates but rather merchandise credits in the customer's name, which can only be applied to a purchase in the golf shop.

Commissioner of General Services Response:

The Commissioner of General Services concurs with the finding and with the Director of Parks action plan.

Follow-up Detail Results:

We checked the inventory control logs at Lakeside, Meadowbrook, and Kearney Hill. The logs are being kept properly and gift cards have a control number.

This finding has been resolved. No management response required.

Original Finding #5. Avon Deposit Procedure Violations and Missing Deposit
Priority Rating: High**Condition:**

Parks & Recreation procedures require that collections exceeding \$100 must be deposited daily. In a random sample of 50 days activity, the Avon golf course had 17 deposits ranging from one to five days late, and also had one missing deposit in the amount of \$399.25 reported as being collected on June 28, 2009. See Attachment II. The missing deposit anomaly has not been resolved as of the date of this report.

We also noted that the Avon floor safe is bolted to the top of a table contained within a locked fence cage in Avon's basement.

Effect:

Late deposits are a violation of Parks & Recreation procedures and unnecessarily expose cash to the possibility of theft. Regarding late deposits and the floor safe security, it is noteworthy that in the past the Avon golf course was broken into and its safe was stolen.

Recommendation:

Avon personnel should be instructed to consistently comply with Park & Recreation's requirement to make deposits daily if daily collections exceed \$100. Failure to comply should result in appropriate disciplinary action. Facilities Management personnel should be contacted to secure the floor safe to the floor.

Director of Parks & Recreation Response:

This issue is of great concern to us. Safeguards are in place to prevent this from happening and several failures occurred as well as policy violations that have since been remedied. Our policy says that the person who signs the nightly report is responsible for making sure it gets to the bank. It is the Golf Course manager's responsibility to ensure that the receipt of the bank deposit be received from the bank, the next day. Also by policy, any deposit over \$100 is to be made nightly. A mistake was made by us in reconciling deposits. We did not catch the missing deposit. All of these policies are in place to protect LFUCG and our employees. In this case, all of our policies failed for that day's deposit. The individuals have

been properly notified, and this should not be an issue in the future, but if it does recur, personnel action recommending dismissal will occur.

We have been required to bolt all safes to the floor as a result of an earlier audit. Avon experienced two break ins where the safe was physically removed from the premises and later found on the course destroyed. Several things were put into place to attempt to prevent this from occurring again.

1. A larger heavier safe was purchased and mounted in the basement vs. in the golf shop or in the office. It is located in a caged area that is also locked at night.
2. A security system has been installed and is monitored by a security service.
3. Assistance from the base operations security office is supposed to help monitor the property after hours.

Commissioner of General Services Response:

The Commissioner of General Services concurs with the finding and with the Director of Parks action plan.

Follow-up Detail Results:

Avon Golf Course has been permanently closed.

No management response is required.

Original Finding #6. Void and Return Controls need to be Enhanced

Priority Rating: High

Condition:

A random sample of 50 Daily Reports for each golf course noted a significant amount of absent or incomplete documentation regarding Return and/or Void activity at all six golf courses. Parks & Recreation provides the courses a Return Control Sheet that should be completed with related return receipts attached to it, but this form was commonly incomplete with receipts often missing. Problems noted with Voids included the absence of management's signature to verify review and/or the reason for the void was not documented. We also noted a segregation of duty issue as the same person ringing up the voids often signed off on the void and returns log that they were reasonable and appropriate. Control issues regarding voids and returns were previously noted in the April 2, 2004 Audit Report.

Effect:

Undocumented returns and voids are a significant control weakness, providing the opportunity for misappropriation of funds.

Recommendation:

It is recommended the Return Control Sheet be fully completed on a consistent basis with all related documents attached. This form should then be reviewed on a timely basis with proper and timely completion strictly enforced. Voids and returns should be reviewed and signed by pro shop personnel and the Golf Course Pro. Periodically the Deputy Director of Enterprise Management or the Golf Services Manager should review voids and returns at each Golf Course. Return/Void procedures should be amended to require customer signatures on all voids or return receipts to provide further validation, and the subsequent transaction should also be printed out and attached to the Return Control Sheet to document the ringing up of the correct transaction.

Director of Parks & Recreation Response:

We have not followed our existing policy with regard to voids and returns carefully enough. This will be reviewed with our golf managers and golf shop staff, and our policy as written will be more strongly enforced. It is however, not possible for a manager to always sign off on a return, at the time of the transaction, due to staffing and other duties in these 100+ acre facilities. Managers are not always on duty or available. We will institute the requirement for customer signatures on voids/returns effective immediately.

The Golf Services Manager and the Deputy Director of Enterprise will review all such transactions monthly, and take action as needed, beginning July 1, 2010. Voids and returns discovered during closing at night during reconciliation for such things as cash being charged vs. a credit charge will be explained and noted on the receipts by the person in charge.

Commissioner of General Services Response:

The Commissioner of General Services concurs with the finding and with the Director of Parks action plan.

Follow-up Detail Results:

We reviewed the voids at Kearney Hill, Meadowbrook, and Lakeside and determined that management is signing off on the Return Control Sheet/Void Log.

This finding has been resolved. No management response is required.

Original Finding #7: Unnecessary Deposit Activity
Priority Rating: High

Condition:

The golf courses still prepare separate deposits for golf course operations and concession sales. This process is no longer necessary, as all golf collections are now recorded in one General Ledger account.

Effect:

Preparing two deposits when only one is sufficient creates additional administrative work and costs associated with the preparation of the extra deposit slips, the cost of the deposit slips and plastic deposit drop bags, and the effort on the part of Accounting to reconcile deposits to the LFUCG financial records.

Recommendation:

It is recommended all golf course collections be combined into one daily deposit for each golf course.

Director of Parks & Recreation Response:

We strongly support this recommendation and it can be implemented immediately upon the approval of Accounting and will begin no later than July 1, 2010.

Commissioner of General Services Response:

The Commissioner of General Services concurs with the finding and with the Director of Parks action plan.

Director of Accounting Response:

The Division of Accounting agrees with this recommendation.

Commissioner of Finance & Administration Response:

I concur with the Director of Accounting response.

Follow-up Detail Results:

Unnecessary deposit activity has been resolved. Golf Courses are combining the daily deposits.

This finding has been resolved. No management response required.

Original Finding #8. Implement RecTrac Perpetual Inventory Software Feature
Priority Rating: Moderate

Condition:

Golf course pro shop inventory shrinkage is currently managed using profit percentage rather than utilizing RecTrac's capability to provide a perpetual inventory system that tracks inventory sales and shrinkage by item bar code and dollar value. In the 2004 Internal Audit report, it was recommended Parks & Recreation consider installing a POS system that allows management to track sales by Universal Product bar Codes (UPC's). This type of system can provide a detail of losses by product code and will calculate the dollar value of inventory shrinkage, providing a better indicator of the effectiveness of inventory controls and highlighting those areas needing attention.

The 2004 management response from Parks and Recreation stated they had evaluated/recommended a POS system in 2002, but this was declined due to budget constraints and potential technical problems. The 2004 response further stated that requests to receive funding to upgrade the (then existing) register system or purchase software and hardware for POS system would be ongoing.

The RecTrac system implemented by Parks and Recreation in 2008 has this capability. However, Golf Course personnel have not been properly trained to use this function.

Effect:

The use of profit margin to determine the effectiveness of inventory shrinkage controls is not a particularly effective method, and the failure to implement the improved inventory control capabilities of RecTrac's bar code scanning technology is an underutilization of an important inventory management tool.

Recommendation:

Parks & Recreation management should implement RecTrac's perpetual inventory capabilities. Large retail inventories such as those at the four main pro shops would be better controlled through a POS system that allows management to track sales by Universal Product bar Codes (UPC's). This type of system can provide a detail of losses by product code and will calculate the dollar value of inventory shrinkage, providing a better indicator of the effectiveness of inventory controls and highlighting those areas needing attention. In addition, this type of POS System can often provide detailed reports of voids, returns, price changes, redemption of gift certificates, etc. providing management better tools for evaluating the appropriateness of sales and related activity rang through the register. The use of an outsourced trainer who specializes in RecTrac services should be considered to obtain the best instruction in the shortest amount of time so that this system can be fully functional in time for the 2010 peak golf season.

Director of Parks & Recreation Response:

We will purchase and integrate Rec Trac's inventory system in FY 11 and have it operating before May 2011.

Commissioner of General Services Response:

The Commissioner of General Services concurs with the finding and with the Director of Parks action plan.

Follow-up Detail Results:

We checked the perpetual inventory in RecTrac at Lakeside, Meadowbrook, and Kearney Hill. Inventory is now being recorded in RecTrac when received, and reduced in RecTrac when sales occur. Perpetual inventory is now being kept.

This finding has been resolved. No management response required.

Original Finding #9. Cash Drop Procedure Recommended

Priority Rating: Moderate

Condition:

Parks & Recreation golf courses collect a significant amount of cash from fees and the sale of merchandise and concessions. However, there is no written procedure addressing how much cash should be allowed to accumulate in the register tills before some should be removed and placed in a safe for added security of funds. Such a practice is common in retail and other cash collection businesses and is typically referred to as a cash drop.

Effect:

The absence of a cash drop procedure results in unnecessary risk of cash loss or theft.

Recommendation:

Parks & Recreation senior management should develop written procedures defining when cash drops are required. Once this procedure is in place, the Golf Services Manager or a designee with no cash collection responsibilities in the golf course being audited should conduct surprise cash counts during periods of heavy sales volume to determine if golf course personnel are in compliance. Failure to comply should result in appropriate disciplinary action.

Director of Parks & Recreation Response:

This policy can be easily implemented and adhered to, but it creates the issue of storage of money in two locations, one of which would not be manned. We will implement a cash drawer counting and sign off procedure to occur during the shift change in the middle of the day effective July 1, 2010, in which we will turn down the till so the employee on the “box” is accountable for the change fund.

Commissioner of General Services Response:

The Commissioner of General Services concurs with the finding and with the Director of Parks action plan.

Follow-up Detail Results:

During the opening meeting, golf management told us cash drops have not been implemented. We validated that cash drops are not being done while at the golf courses. We reiterate our previous recommendation that Parks & Recreation senior management should develop written procedures defining when cash drops are required. Once this procedure is in place, the Golf Services Manager or a designee with no cash collection responsibilities in the golf course being audited should conduct surprise cash counts during periods of heavy sales volume to determine if golf course personnel are in compliance. Failure to comply should result in appropriate disciplinary action.

Commissioner of General Services Response:

The issue of separating the cash into two different locations makes reconciling and doing cash audits more difficult. With seasonal personnel often running the register and not having access to the safe or the combination, this recommendation is very difficult to implement. With the increase of debit and credit card sales the amount of cash being kept on a daily basis is not as large as in the past. Random samplings of cash deposits show that at most \$X to \$X on our busiest days in cash is a large deposit, and during business hours this is kept in two locations, i.e. the snack bar and the golf shop. So roughly X% of our sales are cash which is split into two locations, the snack bar register and the golf shop register.

With that in mind, the Division will decrease the cash start up to \$X for each register, thereby decreasing the amount in each register. Upon reaching a total of \$X in each drawer, that drawer will be reduced back to \$X and the remainder will be put in the safe at each course. At closing, the early deposit will be combined and all sales will be reconciled in order to compile the nightly deposit which is then taken to the bank.

Additionally, with the recent addition of security cameras aimed at every golf register, golf management feels that sufficient control processes are currently in place to reduce the chance of employee theft. Any infractions can now be reviewed by golf management as well as LFUCG security. It is also now possible to log in from anywhere with internet access to view the security cameras, allowing constant access by management.

Original Finding #10. Written Procedures Need to be Updated
Priority Rating: Moderate

Condition:

Parks & Recreation golf course sales and collections written procedures have not been updated since RecTrac was implemented. Written procedures are an important control that provides process instruction, performance standards, and a basis for measuring compliance with management expectations.

Effect:

Outdated written procedures could result in golf course personnel being inconsistent in following management's expectations and RecTrac operating processes regarding cash receipts. Outdated procedures also make it more difficult to train employees and hold them accountable for proper implementation of training.

Recommendation:

Management should develop and implement standard operating procedures for RecTrac in time for the 2010 peak golf season.

Director of Parks & Recreation Response:

We agree that this process needs to occur. A new policy and procedure manual was started in December in an effort to address the new Rec Trac system. We will have these policies in place by July 1, 2010.

Commissioner of General Services Response:

The Commissioner of General Services concurs with the finding and with the Director of Parks action plan.

Follow-up Detail Results:

We obtained a copy of the standard operating procedures manual and determined it is available at the golf courses.

This finding has been resolved. No management response required.

RISK OBSERVATION FROM ORIGINAL REPORT

Standards for the Professional Practice of Internal Audit stipulate that it is the Office of Internal Audit's responsibility to inform management of areas where risk to the organization or those it serves exist. The following observation identifies a risk to the LFUCG associated with golf course operations that is outside the scope of the audit, but which is considered to be of sufficient importance to deserve mention in this report to ensure awareness by senior Administration personnel and the Urban County Council.

Potential Overtime Pay Issue:

During the audit, we were informed by a golf course employee at one of the golf courses that hourly employees worked overtime during a city tournament but were not paid for the overtime worked. There was no documentation available to support this claim. This matter has been reported to the Division of Human Resources for further investigation as deemed appropriate.

Director of Parks & Recreation Response:

We are unaware of this complaint and strongly encourage HR to follow up with the employee in question. It is against Parks' policy for employees to work without pay. We believe that a misunderstanding occurred either in the employee's telling of the incident or his/her memory of the event. Our policy is to flex the time of any hourly employee involved in mandatory work on a weekend for a special event, or to pay them overtime if they were required to work over 40 hours.

Commissioner of General Services Response:

The Commissioner of General Services concurs with the Director of Parks response.

Follow-up Detail Results:

This issue was originally communicated to a former Human Resources senior manager in March 2010 who is no longer employed by the LFUCG. The current Director of Human Resources looked into this matter and could not find any investigative records associated with this risk observation. The Director of Human Resources stated to us, "As you mentioned in the risk observation, there was no documentation available to support the claim. Accordingly, at this point in time, we believe that an investigation of this event would not be necessary."

We consider this position to be reasonable. No further response required.

NEW RISK OBSERVATION

The following observation identifies a risk to the LFUCG associated with Parks & Recreation operations that is outside the scope of the audit, but which is considered to be of sufficient importance to deserve mention in this report to ensure awareness by senior Administration personnel and the Urban County Council.

LFUCG Parks Properties Rental Practice Should be Reviewed

The Division of Parks & Recreation owns seven houses that are being rented to current and former employees as allowed under Section 21-32 of the Code of Ordinances. The tenants perform some work on the parks grounds and provide some security oversight of the parks where the houses reside. In exchange for these services, monthly rent (identified as “market value” in the rent calculation) is reduced based on the calculated value of the labor provided (identified as “labor costs” in the rent calculation). As a result of the labor cost allowance, tenants’ monthly rents have been reduced in amounts ranging from \$218.26 to \$612.35. Three of the seven tenants had their monthly rent reduced to less than \$100 per month by the labor cost allowance. The three year Lease Agreements were last approved by Council in April 2012. Seven of the eight properties saw their monthly rent “market value” increase \$30 per month over the 2009 three year lease rates, while one property’s “market value” was decreased \$70 as compared to the 2009 three year lease rate.

Section 21-32 of the Code of Ordinances states, “Houses, apartments and other living quarters managed by the division of parks and recreation may be rented to individuals in accordance with written criteria approved by the commissioner of the department of general services. Rental arrangements for these houses, apartments and living quarters shall be subject to the review and approval of the chief administrative officer.”

The Commissioner of General Services should review the process used to determine “market values” and the process used to verify that work agreed to by the tenants is being performed in exchange for having their rent reduced. In addition, management should evaluate the fringe benefit reporting requirements included in IRS Publication 15-B to determine if the rent reductions meet IRS exclusion requirements, or if the reduced rent is a taxable fringe benefit to be reported on the tenants’ W-2 Forms.

Commissioner of General Services Response:

Lease agreements for the seven Division owned properties are currently expired and the renewal process is under review. The Department of General Services is working with a recognized, licensed real estate agent to determine current market rental values for each property. Having just completed, the lease agreements including addenda detailing labor trade values shall be closely examined to determine that the proper market value of the labor provided is being assigned. The lease agreements will then be revised and submitted to the Department of Law for review. After which, the agreements shall be submitted for Council approval as has always been the case.

Please find the attached addenda (at the end of this report) detailing the exact labor calculations and expectations made for each tenant. The addenda uses current labor calculations and a reasonable number of hours to accomplish the assigned task in order to determine the reduction in rent warranted. This document is included in the lease agreement previously approved by Council.

The Division will report the individual reduction amounts to the Division of Accounting in the month of November annually so that these amounts can be reflected on the employee's W-2s.



Lexington-Fayette Urban County Government
DEPARTMENT OF GENERAL SERVICES

Jim Gray
Mayor

Richard Moloney
Chief Administrative Officer

Jerry E. Hancock, Director

ADDENDUM 1
LEASE MEMORANDUM FOR
3561 SHAMROCK ROAD AT MASTERSON STATION PARK
TO COMMENCE DECEMBER 2011

This list includes the duties expected of the tenant of the subject property. It is expected that the hours worked would average these totals on a year round basis. Some seasonal variation is expected.

- Park Security Requirements:** **total = 12 hours**
1. Check all facilities for security daily on weekends and holidays, investigate acts of vandalism, assist rental patrons and park visitors at shelters, barns and or open areas throughout the park.
 - Expected to take 1 hour per day (4)
 2. Respond to calls concerning fire alarm system for indoor arena, receive and direct calls for assistance from park patrons.
 - Expected to take 1 hour per month (1)
 3. Provide visual security for horse paddocks and tack barn area, located at the rear of the park on a daily basis after closing hours.
 - Expected to take ¼ hour per day (7)

- Residence Maintenance Requirements** **total = 4 hours**
1. Provide routine and special building maintenance on residence.
 - Expected to require 4 hours per month (4)

Total number of hours monthly = (16)

Market Rate for house = \$560

-Less Labor Value Contribution

	<u>Civil Service</u> <u>Rate</u>	<u>Hours</u>	<u>Labor</u> <u>Value</u>
Security Guard Rate	\$12.839	12	\$154.07
Skilled Trades Worker	\$17.636	<u>4</u>	<u>\$ 70.54</u>
		16	\$224.61

Net Effective Rental Rate (\$560 - \$224.61) = \$335.39



Lexington-Fayette Urban County Government
DEPARTMENT OF GENERAL SERVICES

Jim Gray
Mayor

Richard Moloney
Chief Administrative Officer

Jerry E. Hancock, Director

ADDENDUM 2
LEASE MEMORANDUM FOR
MASTERSON STATION HOUSE #1
TO COMMENCE DECEMBER 2011

UTILITY TERMS

1. The lessee shall pay to the Lexington-Fayette Urban County Government, the amount of \$130.00 each month for utility costs (\$35.00 for water and \$95.00 for gas) incurred at the property at 3561 Shamrock Lance, Lexington, KY. This amount is due to the Lexington Division of Parks and Recreation, 469 Parkway Drive, Lexington, KY 40504.
2. The lessee shall be responsible for all other utilities including, but not limited to, electric, phone service and television cable service.
3. This agreement is subject to change upon necessary and reasonable cause.

UTILITY COSTS

Water \$ 35.00**
Gas \$ 95.00***

Total Utilities \$130.00

**Water costs based on the average Fayette County usage of 172 gallons per day at a rate of \$3.12 per 1000 gallons, plus meter and tax fees; provided by Kentucky American Water.

***Home gas costs based on the average monthly bill in Fayette County for a 950 sq. ft. home (\$.095 per sq. ft.) provided by The Greater Lexington Chamber of Commerce.



Lexington-Fayette Urban County Government
DEPARTMENT OF GENERAL SERVICES

Jim Gray
Mayor

Richard Moloney
Chief Administrative Officer

Jerry E. Hancock, Director

ADDENDUM 1
LEASE MEMORANDUM FOR
RAVEN RUN HOUSE
TO COMMENCE DECEMBER 2011

Park Security Requirements:

total = 12 hours

1. Provide visual security of the front gate and camping gate area, conduct driving rounds of the parking lot, nature center and Prather field. Investigate and respond to burglaries, vandalism, trespassing.
 - Expected to take one third hour per night

Severe Weather Activities:

total = 2 hours

2. Conduct visual inspection of parking lot and nature center after severe weather to determine damage or report fires. Open park during heavy snow, plowing entrance road and parking lot or moving animals as needed. Provide animal care/feeding on holidays and during emergencies when staff cannot get to the park.
 - Expected to take 1/2 to 1 hour a week on average

House/yard Maintenance Requirements

total = 4 hours

3. Perform light maintenance on the house to include cleaning gutters, touch up painting, replacing tiles on floors and the like, as needed or directed. Normal landscaping, mow grass, trim trees etc. are expected to be performed outside of these rent reductions.
 - Expected to take 1 hour a week

Total Number of Hours Monthly = 18

Market Rate of House = \$445

-Less Labor Value Contribution

	<u>Civil Service</u> <u>Rate</u>	<u>Hours</u>	<u>Labor</u> <u>Value</u>
Security Guard Rate	\$12.839	14	\$179.75
Skilled Trades Worker	\$17.636	<u>4</u>	<u>\$ 70.54</u>
		18	\$250.29

Net Effective Rental Rate (\$445 -- 250.29) = \$194.71



Lexington-Fayette Urban County Government
DEPARTMENT OF GENERAL SERVICES

Jim Gray
Mayor

Richard Moloney
Chief Administrative Officer

Jerry E. Hancock, Director

ADDENDUM 2
LEASE MEMORANDUM FOR
RAVEN RUN HOUSE
DECEMBER 2011

Utility Terms

1. The lessee shall pay to the Lexington-Fayette Urban County Government, the amount of \$112.00 each month, made up of \$35.00 for water and \$77.00 for electric service incurred at the property, no later than the 15th of each month.
2. The lessee shall be responsible for all other utilities including but not limited to phone service and television cable service.
3. This agreement is subject to change should the property become individually metered or rates change, or for such other necessary and reasonable cause.

Water costs are based on the average Fayette County usage of 172 gallons per day at the rate of \$3.12 per 1000 gallons, plus meter and tax fees, provided by Kentucky American Water.

Electrical costs based on monthly average calculated using Kentucky Utilities Home Energy Calculator for standard 1000 sq. ft. home.



Lexington-Fayette Urban County Government
DEPARTMENT OF GENERAL SERVICES

Jim Gray
Mayor

Richard Moloney
Chief Administrative Officer

Jerry E. Hancock, Director

ADDENDUM 1
LEASE MEMORANDUM FOR
3401 SHAMROCK ROAD AT MASTERSON STATION PARK
TO COMMENCE DECEMBER 2011

Park Security Requirements:

total = 18 hours

1. Share park security checking duties on weekends and holidays, and assist in calls for assistance for park patrons as needed.
 - Expected to take 2 hours every week (8)
2. Check on condition of all horses owned/boarded on site. Respond to calls concerning the fire alarm system for the indoor arena. Receive and respond to all calls for assistance from park patrons.
 - Expected to take 1 hour every other week (2)
3. Provide visual security for horse paddocks and tack barn area, located at the rear of the park after normal park visitation hours.
 - Expected to take ¼ to ½ hour per day (8)

Emergency Requirements

total = 2 hours

1. Respond to rental patron requests at shelters/barns/open areas and to provide emergency assistance as needed.
 - Expected to take 1 hour a month on average (1)
2. Provide emergency feeding/watering of horses as needed.
 - Expected to take 1 – 2 hours per month (1)

House Maintenance Requirements

total = 10 hours

1. Cleans and services heating systems, doors, windows and other systems as needed to maintain in working order.
 - Expected to take 1 hour per month (1)
2. Perform minor electrical and plumbing repairs as needed to include drain line cleaning and/or replacement.
 - Expected to take 1 -2 hour per month (1)
3. Performs routine and specialty maintenance projects on the building to repair and improve its condition as agreed with the Director of Parks and Recreations. Priorities currently are: 1) exterior painting, 2) renovation of front porch, 3) renovation of back porch and pantry, and 4) interior painting. Provides about 9 – 10 hours a month (8)

Total Number of Hours Monthly = 30

Market rate for house = \$755

-Less Labor Value Contribution

	<u>Civil Service Rate</u>	<u>Hours</u>	<u>Labor Value</u>
Security Guard Rate	\$12.839	20	\$256.78
Skilled Trades Worker Sr.	\$18.367	10	\$183.67
		30	\$440.45

Net Effective Rental Rate (\$755 - \$440.45) = \$314.55



Lexington-Fayette Urban County Government
DEPARTMENT OF GENERAL SERVICES

Jim Gray
Mayor

Richard Moloney
Chief Administrative Officer

Jerry E. Hancock, Director

ADDENDUM 2
LEASE MEMORANDUM FOR
MASTERTON STATION HOUSE #2
TO COMMENCE DECEMBER 2011

UTILITY TERMS

1. The lessee shall pay to the Lexington-Fayette Urban County Government, the amount of \$130.00 each month for utility costs (\$35.00 for water and \$95.00 for gas) incurred at the property at 3401 Shamrock Lane, Lexington, KY 40504.
2. The lessee shall be responsible for all other utilities including, but not limited to, electric, phone service and television cable service.
3. This agreement is subject to change upon necessary and reasonable cause.

UTILITY COSTS

Water	\$35.00
Gas	<u>\$95.00</u>
Total Utilities	\$130.00

**Water costs based on the average Fayette County usage of 172 gallons per day at a rate of \$3.12 per 1000 gallons, plus meter and tax fees; provided by Kentucky American Water.

***Home gas costs based on the average monthly bill in Fayette County for a 950 sq. ft. home (\$.095 per sq. ft.), provided by The Greater Lexington Chamber of Commerce.



Lexington-Fayette Urban County Government
DEPARTMENT OF GENERAL SERVICES

Jim Gray
Mayor

Richard Moloney
Chief Administrative Officer

Jerry E. Hancock, Director
ADDENDUM 1
LEASE MEMORANDUM FOR
JACOBSON PARK TRAILER LOT
TO COMMENCE DECEMBER 2011

Park Security Requirements: **total = 17 hours**

1. Check all facilities for security daily on weekends and holidays, investigate acts of vandalism, assist rental patrons and park visitors at shelters, marina and open areas throughout the park.
 - Expected to take 2 hours every week (8)
2. Lock the front gate at closing time and request that all patrons leave in timely fashion. Check on abandoned vehicles and determine course of action, call police if needed. (10 hr/mo in summer, 6 in spring/fall, 3 in winter = 78hr/ 12 months) (7)
3. Receive and respond to all calls for assistance from park patrons, providing public relations and requests for use of telephone etc.
 - Expected to take 1 hour every other week (2)

Total Number of Hours Monthly = 17

Market rate of mobile home lot = \$310

-Less Labor Value Contribution

	<u>Civil Service</u> <u>Rate</u>	<u>Hours</u>	<u>Labor</u> <u>Value</u>
Security Guard Rate	12.839	17	\$218.263

Net Effective Rental Rate (\$310 - \$218.263) = \$91.74



Lexington-Fayette Urban County Government
DEPARTMENT OF GENERAL SERVICES

Jim Gray
Mayor

Richard Moloney
Chief Administrative Officer

Jerry E. Hancock, Director

ADDENDUM 2
LEASE MEMORANDUM FOR
JACOBSON PARK TRAILER LOT
TO COMMENCE DECEMBER 2011

UTILITY TERMS

1. The lessee shall pay to the Lexington-Fayette Urban County Government, the amount of \$112.00 each month for utility costs (\$77.00 for electric and \$35.00 for water) incurred at the property at 4051 Richmond Road, Lexington, KY. This amount is due to the Lexington Division of Parks and Recreation, 469 Parkway Drive, Lexington, KY 40504.
2. The lessee shall be responsible for all utilities including, but not limited to, phone service and television cable service.
3. This agreement is subject to change upon necessary and reasonable cause.

UTILITY COSTS

Electric	\$ 77.00*
<u>Water</u>	<u>\$ 35.00**</u>
Total Utilities	\$112.00

*Electrical costs based on monthly average calculated using Kentucky Utilities Home Energy Calculator for standard 1000 sq. ft. home.

**Water costs based on the average Fayette County usage of 172 gallons per day at a rate of \$3.12 per 1000 gallons, plus meter and tax fees; provided by Kentucky American Water.



Lexington-Fayette Urban County Government
DEPARTMENT OF GENERAL SERVICES

Jim Gray
Mayor

Richard Moloney
Chief Administrative Officer

Jerry E. Hancock, Director

ADDENDUM 1
LEASE MEMORANDUM FOR
CADEN LANE HOUSE
TO COMMENCE DECEMBER 2011

Park Security Requirements:

total = 8 hours

1. Provide visual security of the front gate, settlement school property and cemetery area providing at least one visual review each night. Investigate and respond to burglaries, vandalism, trespassing
 - Expected to take one quarter hour per night

Landscape Improvement Requirements

total = 6 hours

2. Perform light maintenance on the house to include cleaning gutters, outside trim painting, fence line cleaning, cutting down limbs. Tenants are expected to mow the approximate 1 acre, including weed-eating of a small cemetery on the site. Tenant will be allowed to enjoy the grass area from the front of the school house to the street, with the remaining area reserved for historic site purposes. Significant landscaping improvements are expected to provide an attractive presentation to this historic property, year round.
 - Expected to take 3 hours a week on average.

Minor House/Property Improvements

total = 4 hours

3. Perform and/or assist in projects directed by Parks Maintenance to aid/repair condition of property such as walkways, front fence, tree line or other projects determined either by Parks or the historic grant authorities.
 - Expected to take 4 hours a month

Total Number of Hours Monthly = 18

Market rate for house = \$ 630

-Less Labor Value Contribution

	Civil Service <u>Rate</u>	<u>Hours</u>	Labor <u>Value</u>
Security Guard Rate	\$12.839	8	\$102.71
Skilled Trades Worker	\$17.636	10	\$176.36
			\$279.07

Net Effective Rental Rate (\$630 – 279.07) = \$350.93



Lexington-Fayette Urban County Government
DEPARTMENT OF GENERAL SERVICES

Jim Gray
Mayor

Richard Moloney
Chief Administrative Officer

Jerry E. Hancock, Director

ADDENDUM 2
LEASE MEMORANDUM FOR
CADEN LANE HOUSE
705 CADEN LANE
TO COMMENCE DECEMBER 2011

UTILITY TERMS

1. The lessee shall be responsible for all utilities including, but not limited to, electric, water, gas, phone service and television cable/satellite service.
2. This agreement is subject to change based on necessary and reasonable cause.



Lexington-Fayette Urban County Government
DEPARTMENT OF GENERAL SERVICES

Jim Gray
Mayor

Richard Moloney
Chief Administrative Officer

Jerry E. Hancock, Director

ADDENDUM 1
LEASE MEMORANDUM FOR
HISLE PARK HOUSE
TO COMMENCE DECEMBER 2011

Park Security Requirements:

total = 12 hours

1. Provide visual security of the perimeter of the property once a month, checking gates and fences and reporting findings. Visually check Briar Hill Road fences daily. Respond to incidents of vandalism and report and correct as needed.

- Expected to take ¼ hours per night on average year-round (12)

House Maintenance Requirements

total = 8 hours

2. Perform maintenance on the house to include cleaning gutters, paint and repair interior and exterior doors, windows and storms, dormers, landscape maintenance, fence line cleaning etc. Perform and/or assist in projects directed by parks maintenance to repair house as needed.

- Expected to take 2 hours a week on average (8)

Park Maintenance Requirements:

total = 30 hours

3. Perform mowing duties to include Equine Trail, barn areas, archery range and refuse collection for entire park.

- Expected to take 7.5 hours a week (30)

Total Number of Hours Monthly 50

Market rate for house = \$680

-Less labor Value Contribution

	<u>Civil Service Rate</u>	<u>Hours</u>	<u>Labor Value</u>
Security Guard Rate	\$12.839	12	\$154.07
Skilled Trades Worker Sr.	\$18.367	8	\$146.94
Public Service Worker (blended)	\$10.378	<u>30</u>	<u>\$311.34</u>
		50	\$612.35

Net Effective Rental Rate (\$680 - \$612.35) = \$67.65



Lexington-Fayette Urban County Government
DEPARTMENT OF GENERAL SERVICES

Jim Gray
Mayor

Richard Moloney
Chief Administrative Officer

Jerry E. Hancock, Director

ADDENDUM 2
LEASE MEMORANDUM FOR
HISLE PARK HOUSE
3601 BRIAR HILL ROAD
TO COMMENCE DECEMBER 2011

UTILITY TERMS

1. The lessee shall be responsible for all utilities including, but not limited to, electric, water gas, phone service and television cable/satellite service.
2. This agreement is subject to change based on necessary and reasonable cause.



Lexington-Fayette Urban County Government
DEPARTMENT OF GENERAL SERVICES

Jim Gray
Mayor

Richard Moloney
Chief Administrative Officer

Jerry E. Hancock, Director

ADDENDUM 1
LEASE MEMORANDUM FOR
CARDINAL RUN HOUSE
2075 PARKERS MILL ROAD 40513
TO COMMENCE DECEMBER 2011

Park Security Requirements:

1. Provide visual security of the front and concession gate, conduct driving rounds of the parking lot, concession areas and ball fields on a daily basis. Check door lock status at both concession stands, restrooms, mechanical rooms and scorer stand boxes, retrieving scoreboard controllers if necessary during season. Turn off lights at 11pm if leagues fail to do so during the season. Investigate and respond to burglaries, vandalism, and trespassing.
 - Expected to take ¼ hour per night on average year round. (8)
2. Provide regular visual security of Cardinal Run North property to check barn for vagrants and potential vandalism, and to overlook LYSA construction activities and materials as that project progresses.
 - Expected to take ½ hour 3 or 4 times a week. (10)

House/Yard Maintenance Requirements

3. Perform maintenance on the house to include cleaning gutters, paint and repair interior and exterior doors, windows, and storms, landscape maintenance, fence line cleaning etc. Mow grass and weed eat around house and Park Maintenance equipment storage area using tenant-owned equipment.
 - Expected to take 2 hours a week on average. (8)

TOTAL NUMBER OF AVERAGE HOURS MONTHLY: (26)

Market Rate for House \$580

Less Labor Contribution

	<u>Rate</u>	<u>Hours</u>	<u>Labor Value</u>
Security Guard	12.839	18	\$231.10
Skilled Trades Worker	17.636	8	<u>\$141.09</u>
			\$372.19

Net Effective Rental Rate = \$580 – 372.19 NET DUE MONTHLY \$207.81



Lexington-Fayette Urban County Government
DEPARTMENT OF GENERAL SERVICES

Jim Gray
Mayor

Richard Moloney
Chief Administrative Officer

ADDENDUM 2
LEASE MEMORANDUM FOR
CARDINAL RUN HOUSE

UTILITY TERMS

1. The lessee shall be responsible for the electricity, gas, and water used at the residence at 2075 Parker's Mill Road, Lexington, Kentucky, which are separately metered. Payment, billing and security deposits, if any, shall be the sole responsibility for paying the bill for the electricity to operate a security light mounted on a pole directly adjacent to the 2-car garage.
2. The lessee shall be responsible for all other utilities including but not limited to phone service and television cable/satellite service.
3. This agreement is subject to change, or for such other necessary and reasonable cause.