



# INTERNAL AUDIT REPORT

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## MARINA OPERATIONS

IA 14-03

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MAY 7, 2015



## LETTER OF TRANSMITTAL

**MAY 7, 2015**

**CHAIRMAN PINCAVAGE AND MEMBERS OF THE TOWN OF WESTPORT'S BOARD OF FINANCE:**

I respectfully submit the enclosed internal audit report of the Town of Westport's ("the Town") marina operations. I greatly appreciate the time, patience and cooperation of all parties involved in this audit.

***BACKGROUND OF THE AUDIT:***

In March 2014, the Director of Parks and Recreation alerted the Town's Director of Finance to a concern regarding a missing boat slip payment of approximately \$1,500. Both an internal investigation and a police investigation were conducted. In response to these circumstances, the BOF Audit Subcommittee agreed that it was an opportune time to review financial controls over the marina operation.

This audit commenced in June 2014 but was interrupted in July 2014 when audit matters of a higher priority arose. Field work was re-started in mid-February 2015 with a first draft of this report circulated at the end of February.

This was a generally favorable audit, with findings and recommendations included in Section C of this report. These are intended to identify opportunities for strengthened controls and efficiencies associated with the financial activities of marina operations.

Thank you for the opportunity to provide this information to the Board of Finance.

Very Truly Yours,

**Lynn Scully**

Internal Auditor, Town of Westport

CC: JAMES MARPE, FIRST SELECTMAN  
GARY CONRAD, DIRECTOR OF FINANCE  
EILEEN FLUG, RTM CHAIR  
JEFFREY WIESER, CHAIRMAN, RTM FINANCE COMMITTEE  
STUART MCCARTHY, DIRECTOR OF PARKS & RECREATION

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## A. AUDIT OBJECTIVES, SCOPE & METHODOLOGY

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### **AUDIT OBJECTIVES:**

1. To evaluate the completeness and accuracy of the boat slip information maintained by the Parks and Recreation department and the adequacy of control reporting;
2. To evaluate the processes employed by the Parks and Recreation department to ensure compliance with existing marina policies;
3. To evaluate the wait list process for boat slips, including the procedures employed in administering the escrow account;
4. To review and evaluate the pricing policies for slip fees, fuel and other amenities provided (ice, oil)

### **AUDIT SCOPE:**

This audit involved a review of information contained within



- Activenet software (programmatic application used by Parks & Recreation)
- Microsoft Access database (used to track wait list information)
- MUNIS (Town's financial software)
- Town Comprehensive Annual Financial Reports (CAFR)
- Voter Registration records (to verify residency)

### **AUDIT METHODOLOGY:**

Parks and Recreation staff members were interviewed to gain an understanding of existing processes. Data was obtained from various systems for analysis. An on-site inspection of the both marinas was also conducted.

**B. OVERVIEW OF MARINA OPERATIONS**

The Town of Westport Parks and Recreation Department operates two marinas with 593 boat slips:

	
<p><b>Ned Dimes Marina</b></p> <ul style="list-style-type: none"> <li>•Compo Beach</li> <li>•Westport residents only</li> <li>•462 Boat Slips</li> <li>•294 Dry Stall</li> </ul>	<p><b>E.R. Strait Marina</b></p> <ul style="list-style-type: none"> <li>•Longshore Club Park</li> <li>•Westport residents only</li> <li>•131 Boat Slips</li> <li>•58 Dry Stall</li> </ul>

**Budgets**

The marina (boating) division of Westport Parks & Recreation department generates approximately 20% of estimated revenues and 8% of estimated expenditures for the department, as illustrated in Exhibit 1 below.

*Exhibit 1*

<u>Revenue Budget FY15</u>		<u>Expenditure Budget FY15</u>	
<u>Description</u>	<u>Budget 2015</u>	<u>Description</u>	<u>Budget 2015</u>
BOAT P&R Moorings	720,000	Boating - Salaries	67,031
BOAT Other Rev - Gas	240,000	Boating - EH&OT	58,931
BOAT Other Rev - Oil	1,500	Boating - Uniform Allowance	1,500
BOAT Other Rev - Ice	4,500	Boating - Fac Maint - BOAT	28,565
BOAT Other Rev - Credit Cards	(2,000)	Boating - Items for Resale - BOAT	200,000
		Boating - Fac Imp - Marina	4,500
		Boating - P&R Equip - BOAT	-
<b>Total Marina Revenue Budget</b>	<b>964,000</b>		<b>360,527</b>
<b>Total P&amp;R Revenue Budget</b>	<b>4,772,503</b>		<b>4,728,796</b>
	<b>20%</b>		<b>8%</b>

**Organization**

The Director of Parks and Recreation is responsible for the overall operation of the Town’s Marinas. The Director is advised in this responsibility by both the Parks and Recreation Commission and the Boating Advisory Committee. There are 1 full-time Dock Master and 10-12 part-time seasonal workers dedicated to the marina operation. The Administrative Manager<sup>1</sup> works with the Dock Master in assigning slips, and is primarily responsible for recording the financial activities of the operation.

Exhibit 2



**Parks and Recreation Commission**

The Parks and Recreation Commission is established in the Town Charter, as follows:

**§ C30-1. - Composition and Appointment.**

The Parks and Recreation Commission shall consist of 5 members who shall be electors of the Town appointed by the First Selectman. Such members shall serve 4 year terms and until their successors are appointed and have taken office.

<sup>1</sup> The salary for the Administrative Manager is accounted for within the Parks & Recreation Administration Budget (810).

**§ C30-2. - Powers and Duties.**

The Parks and Recreation Commission shall establish policy for the maintenance and use of parks, playgrounds, beaches, swimming areas, boat mooring areas<sup>2</sup>, playfields, indoor recreation areas and other recreation areas and facilities owned or controlled by the Town, except those under the jurisdiction of the Board of Education. It shall recommend and approve regulations for the use of parks and recreational facilities for adoption by the Board of Selectmen. It shall cooperate with other Town officials, boards and commissions and with private and public organizations concerning recreational plans and facilities.

**§ C30-3. - Parks and Recreation Department.**

There shall be a Parks and Recreation Department. The head of the Parks and Recreation Department shall be the Parks and Recreation Director who shall be responsible to the First Selectman on all matters of administration and operation and to the Parks and Recreation Commission on all matters of policy. The Parks and Recreation Department head shall administer the recreation program, as well as the construction and maintenance of such property and facilities as the First Selectman may direct.

**Boating Advisory Committee**

Dedicated specifically to the Town's marina operations, the Boating Advisory Committee consists of seven members appointed by the First Selectman that serve four-year terms.

The committee advises the Parks & Recreation Department on all matters pertinent to boating. This includes advising the Parks & Recreation Department regarding policies and procedures affecting the town marinas, including policies concerning the assignment of slips, measurement of boats, and rules and regulations regarding the usage of these town facilities.<sup>3</sup>

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<sup>2</sup> Current marina policies are provided as Appendix A of this report.

<sup>3</sup> Excerpted from the town website [www.westportct.gov](http://www.westportct.gov).

**Pricing and Demand**

There is high demand for boat slips, as indicated by the 959 applications placed on the wait list.<sup>4</sup> The average length of time on the wait list varies from 1-11 years.<sup>5</sup>

*Exhibit 3*

	AVAILABLE SLIPS			ANNUAL FEE/SLIP	# WAITLIST
	COMPO	LONGSHORE	TOTAL		
<b>35'-40'</b>	11		11	2,450	105
<b>28'-34'</b>	47	18	65	1,900	280
<b>27'</b>	38		38	1,470	81
<b>22'-26'</b>	166	17	183	1,400	318
<b>19'-21'</b>	139	31	170	875	128
<b>Up to 18'</b>	37	45	82	724	47
<b>ROWBOATS</b>	24	20	44	400	0
	<u>462</u>	<u>131</u>	<u>593</u>		<u>959</u>

Wait list applicants pay \$50 per category (boat length), which is deposited in the escrow account to be applied to the first year's slip fee (see finding 2a).

Other sources of revenue include dry stalls (storage), launch fees, transient fees, gasoline, oil and ice sales.

<sup>4</sup> Wait list information is as of 10/1/2014.

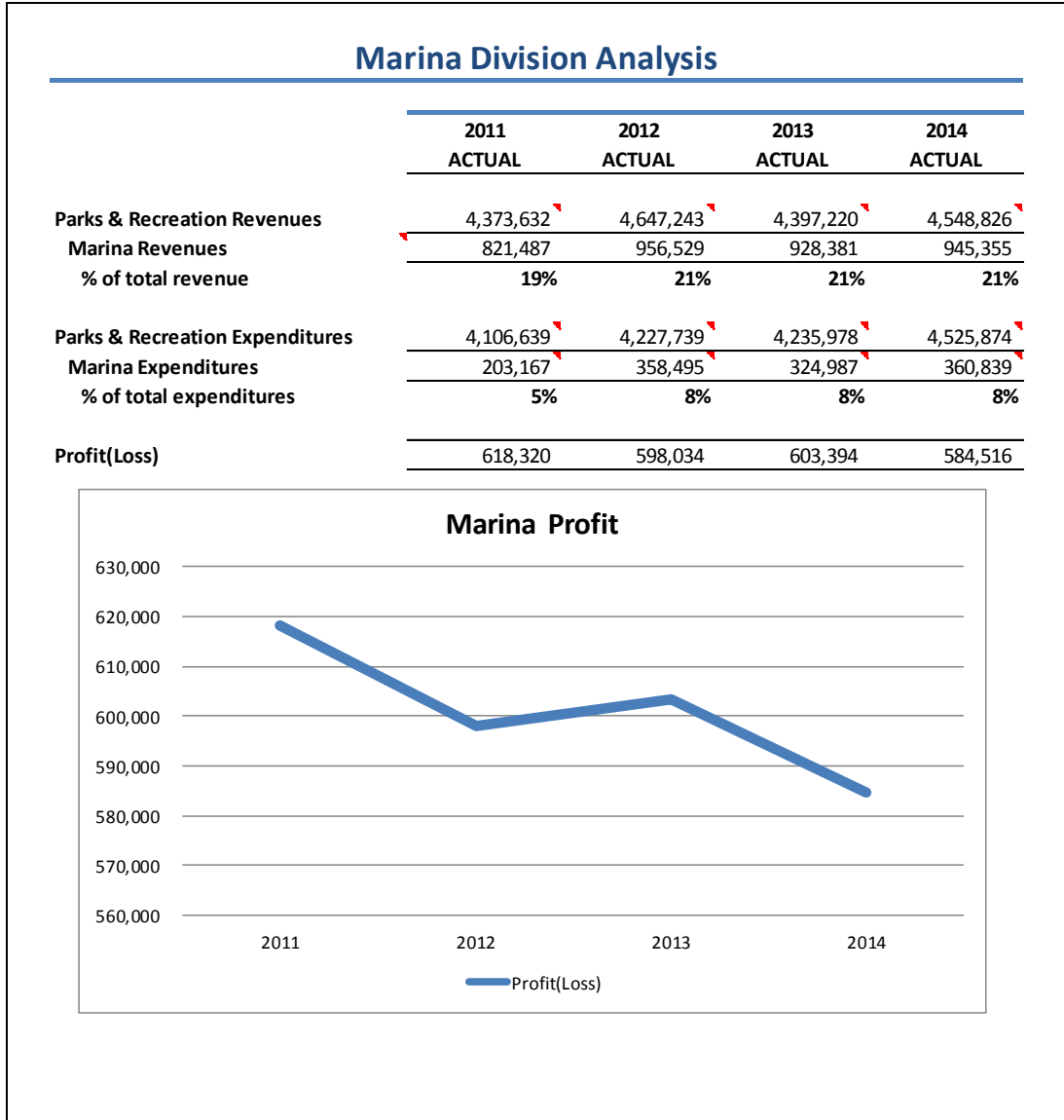
<sup>5</sup> www.westportct.gov



**Actuals**

The actual revenues and expenditures for marina operations over the past four fiscal years are illustrated in Exhibit 2. The profit per year from this activity averages \$600k.

Exhibit 4



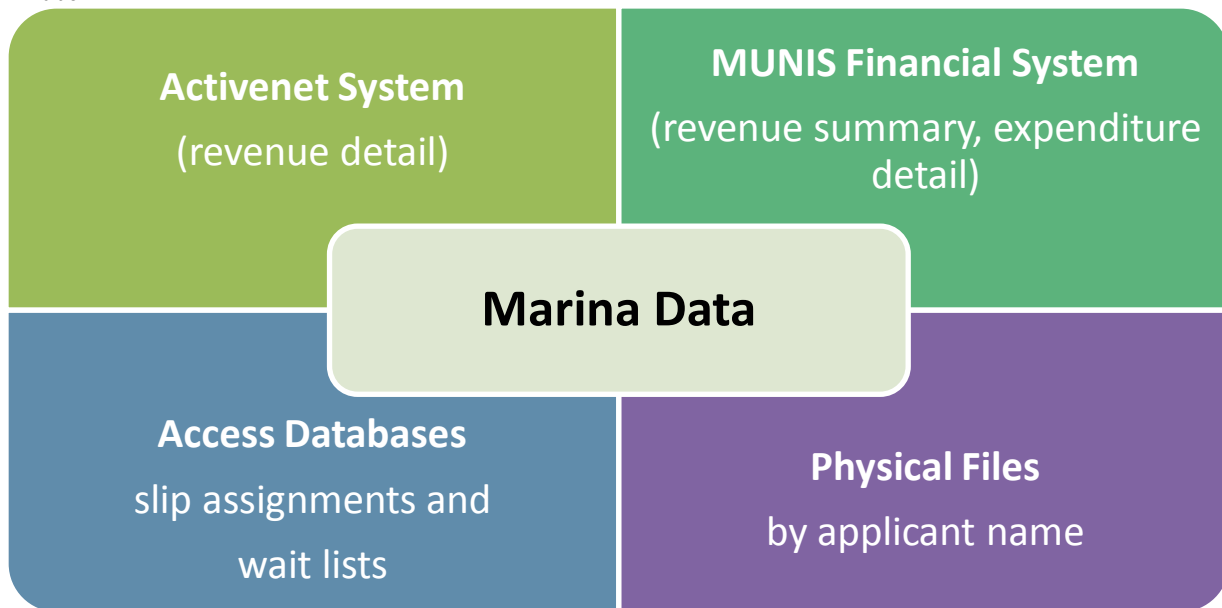
**Other Costs**

Certain overhead costs attributed to the marina operations such as benefits and debt service are contained within other areas of the Town budget. These costs are considered by the Director of Parks and Recreation in the context of the overall budget but were not considered to be within the scope of this audit.

**Records**

Marina operational and financial information is maintained in several locations:

*Exhibit 6*



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## C. FINDINGS AND RECOMMENDATIONS

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It should be noted that some minor internal control issues were identified as a result of this review. The following findings and recommendations are operational in nature and are intended to assist Town administrators in identifying opportunities for strengthened controls and efficiencies.

**Objective 1.**

***To evaluate the completeness and accuracy of the boat slip information maintained by the Parks and Recreation department and the adequacy of control reporting.***

Boat slip assignment information is contained electronically within the department's Activenet system and also in Microsoft Access database files. A reconciliation of the information contained within these two separate systems was conducted successfully.

As mentioned in the letter of transmittal, this audit was undertaken in the wake of an investigation of missing funds. The prompt detection of funds missing (within 10 days of the incident) is an indication of good control reporting. During the course of this audit, the department had undertaken several steps to further improve controls over cash receipts processing, including the installation of security cameras and strengthened computer access policies.

There are no audit findings associated with this objective.

**Objective 2.**

***To evaluate the processes employed by the Parks and Recreation department to ensure compliance with existing marina policies.***

**1. Finding re: Proof of Registration:**

Marina policy requires that slip holders provide evidence of a current boat registration (issued every April by the State of CT). Although customers are required to show the registration prior to being issued a boat slip, departmental policy does not require that copies of the current registration be retained as part of the customer file.

Without this documentation in the customer file, there is insufficient evidence of ownership verification, increasing the risk that vessels might belong to non-residents.<sup>6</sup>

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<sup>6</sup> See Marina Policies, Appendix A, policy #1

**Recommendation:**

To demonstrate compliance with marina policies<sup>7</sup> a copy of the current boat registration, either scanned or paper, should be required to be on file in the Parks & Recreation Office.

Parks & Recreation administrators should investigate whether a scanned registration can be attached to a customer account in Activenet or to a customer record in MS Access.

**Objective 3.**

***To evaluate the wait list process for boat slips, including the procedures employed in administering the escrow account.***

**2. Finding: Wait List Escrow Balance:**

The Town’s Finance Department maintains the records associated with the escrow account for boating wait list deposits. According to the Town’s MUNIS records, the balance in the account at 10/1/2014 is approximately \$109k. As there were 959 applications for boat slips in the P&R wait list database on that date, there were \$61k in excess funds in this account<sup>8</sup> as illustrated below:

*Exhibit 7*

<b><u>Boat Slip Application Fees (Wait List)</u></b>	
MUNIS Escrow Bal 10/1/2014	108,585 <sup>▲</sup>
10/1/2014 Wait List Deposits 959 applications @ \$50	47,950 <sup>▲</sup>
Excess Escrow Funds	<u>60,635</u>

There are two potential reasons for this excess in the account:

- **Deposits may exist that were not applied to an individual’s slip fee**

Applications for the boat slip wait list are taken throughout the year in the Parks & Recreation office at \$50 per application. Currently, the boat wait list application states that

<sup>7</sup> See marina policies, Appendix A, policy #1 and 2

<sup>8</sup> There was a subsequent reimbursement for 2 applications on 11/19/14, reducing this balance by \$100.

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*“upon assignment (of the slip) the \$50 application fee will be credited to the first year’s mooring/slip fee.”* Since moving boat slip accounts to the Activenet register system 8 years ago, the Parks & Recreation office is not able to issue credits for these application payments, however. While some refunds have been processed for existing slip holders, there are likely deposits in the escrow account that should be refunded to customers.

- **Forfeited funds**

The Boat Waiting List Application clearly states that the applicant must request a refund in writing if they opt off the list or refuse a boat slip assignment. These funds are otherwise considered forfeited and should no longer be held in escrow.

**Recommendation<sup>9</sup>:**

***A reconciliation between Finance Department records and Parks & Recreation detail for this fund must be conducted at least annually.***

Current slip holders that were moved from the wait list to an assigned boat slip within the past 8 years<sup>10</sup> and did not receive a refund or a credit toward their first year fee must be identified and either:

1. billed a discounted price (reduced by \$50) for the next season, or
2. issued a reimbursement check for \$50.

The total amount of these reimbursed funds should be transferred from the escrow account to the appropriate revenue account (10147830 466304 BOAT – P&R Moorings).

After accounting for all current wait list deposits and recommended reimbursements, any excess funds should be considered forfeited (per terms of the application contract), removed from the escrow fund and moved to the Town’s General Fund.

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<sup>9</sup> Per the Town’s Controller, this recommendation has been implemented prior to the finalization of the report. \$51,234 was transferred from the escrow account to the general fund (booked to 466304 Boating Revenue) as forfeited funds and \$5,950 was issued in refunds to existing customers.

<sup>10</sup> Since the Parks & Recreation Department began using Activenet to account for revenues – see finding 3.

**3. Finding: Wait List Application Fee/Deposit Processing:**

Exhibit 8 below illustrates the current processes for wait list applications. Boat slip application forms and fee payments are processed and secured outside of the Activenet cash register system. These payments are processed separately because they are not immediately recognized as revenue. They are instead treated as refundable down-payments for future boat slip assignments, implying a custodial responsibility of the Town. These funds are deposited into an escrow fund account on a monthly basis, with a copy of the deposit slip delivered to the Finance department for recording.

By accounting for these transactions outside of the cash register/daily deposit process, controls over cash receipts are weakened, leaving these monies more susceptible to theft.

Exhibit 8

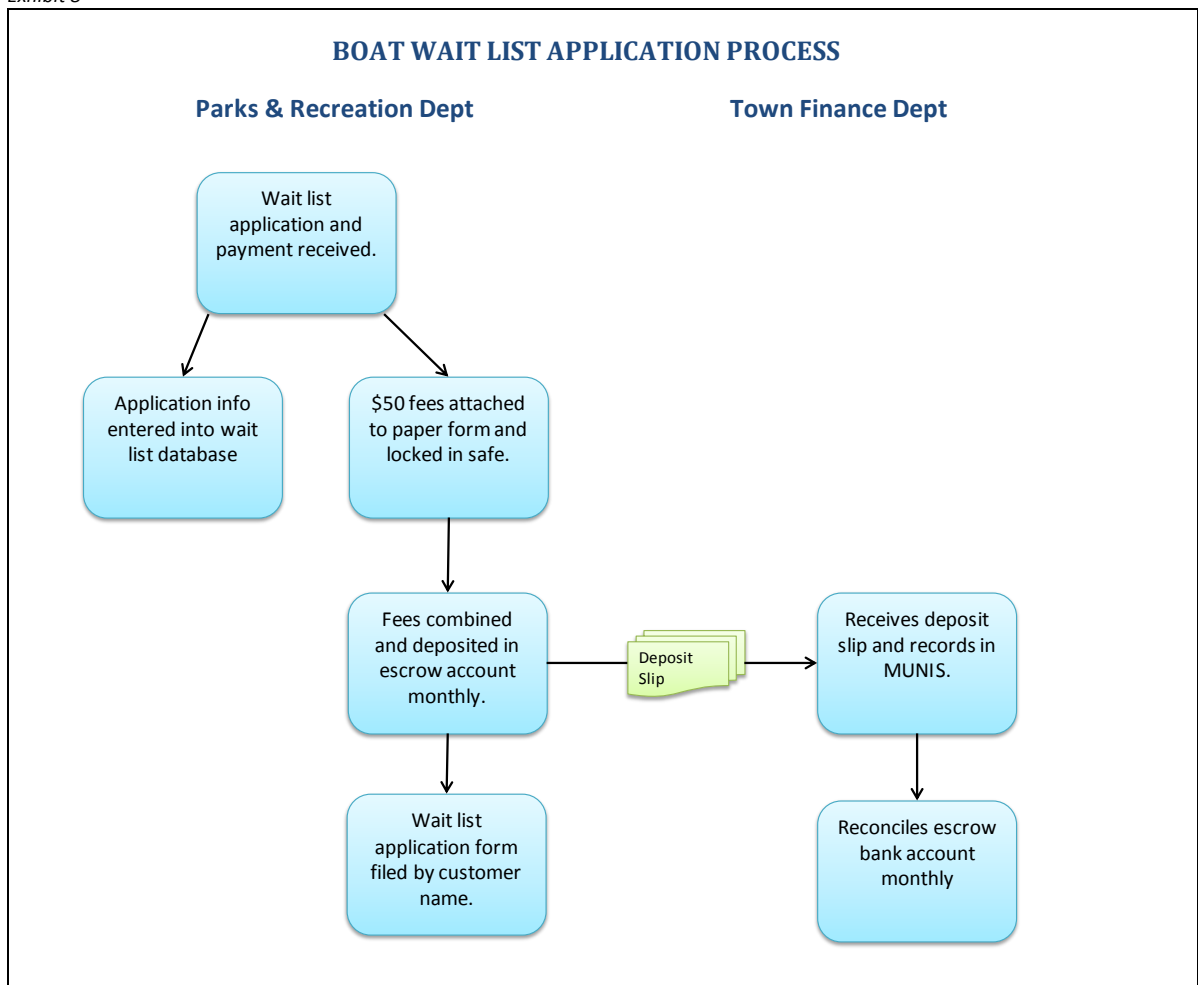
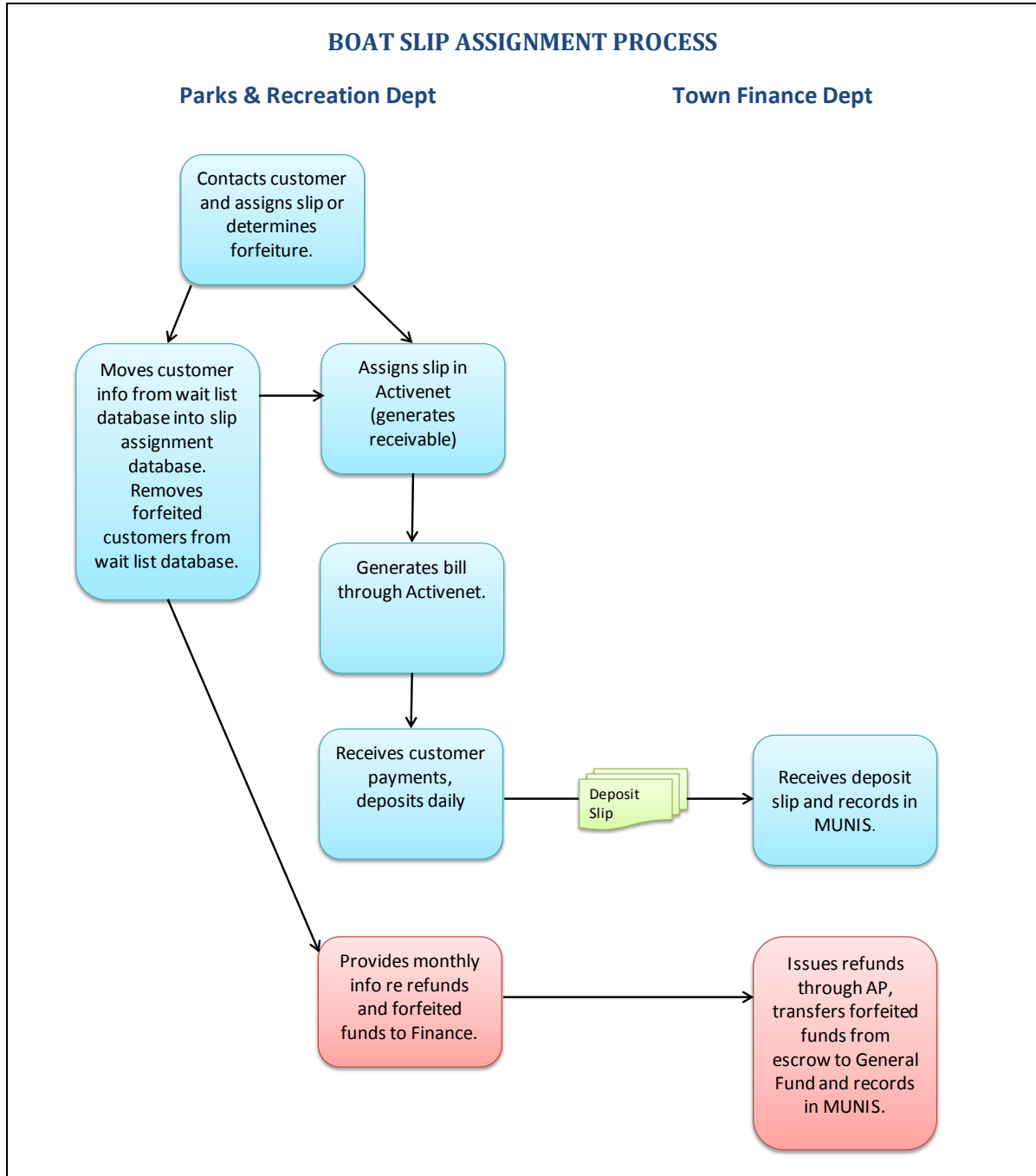


Exhibit 9 illustrates how boat slips are assigned. Because the application fees are treated as down-payments, extra procedural steps are necessary to ensure that the \$50 down-payments are refunded to the customer. Similarly, forfeited funds must be recognized as such and transferred to the general fund.

Exhibit 9



**Recommendation:**

The Director of Parks and Recreation should consider a change in policy regarding the nature of these application payments *for new applicants*. If the application fee were treated as a one-time, nonrefundable fee to be put on the wait list (rather than as a down-payment), it would be easier to incorporate these payments into the Activenet cashiering system. This would improve controls over cash receipts by including them in the daily deposit and alleviate the need for tracking these individual payments in an escrow fund.

This change would involve revising the application contract and would be subject to the approval of the Parks and Recreation Commission.

**4. Finding: Wait List Information Processing:**

Wait list information contained within the hard copy application form must be manually entered into custom MS Access database records, which are updated as time allows. This manual processing is time-consuming and there is risk of error.

**Recommendation:**

The Police Department is in the final stages of obtaining an outsourced, online solution for its Railroad Parking Wait List processing and has indicated that its vendor can potentially accommodate the marina wait list. It is recommended that the Parks & Recreation Department consider this solution for its own wait list processing. This would potentially eliminate the need for routine data entry (applicants would enter their own data), greatly reduce database management requirements and provide Parks & Recreation administrators and customers with a perpetually up-to-date wait list.

**Objective 4.**

***To review and evaluate the pricing policies for slip fees, fuel and other amenities provided (ice, oil)***

Pricing for slip fees is recommended by the Director of Parks & Recreation and is approved by the Parks & Recreation Commission. Pricing for fuel, oil and ice is determined by the Director of Parks & Recreation using competitive pricing.

There are no audit findings associated with this objective.



# APPENDIX A

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## MARINA POLICIES

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<b>Policy/Procedure</b>	
1	Bona fide Westport residents are the only persons allowed to hold slips at either town marina.
2	The Connecticut Boat Registration issued annually in April will be proof that the boat assigned to each space is in the name of the Westport applicant. Registration copy is to be submitted annually to the Parks and Recreation Dept.
3	All boats assigned to Town marinas are measured by the Dockmaster prior to receiving a slip assignment. The overall length measured from any pulpit or bowsprit to the stern-most structured part of the boat (including swim platforms) determines the length used for assignment purposes.
4	The maximum allowable boat length for new assignments is 40 feet.
5	The Parks and Recreation Department reserves the right to change slip assignments for any reason whatsoever. Any boat that is not in its proper location or encroaches on the safety of others may be moved and the owner may lose town marina privileges. All boats staying in Town marinas after November 1st must retain liability insurance for the month of November.
6	All boats using town facilities must carry liability insurance. Boat owners are responsible for damage done to docks or adjacent boats.
7	Slip holders must maintain their vessels in a sound and seaworthy condition. The Parks and Recreation Department may withhold or withdraw slip space for any occupant whose vessel is considered in the opinion of the Dockmaster to be unsound structurally or mechanically, in danger of sinking or hazardous to town facilities or other vessels in the marina.
8	Owners who sell boats during the boating season must make notification of the sale within ten (10) days of the sale. The use of a slip or drystall does not go with the sale of the boat, even for the remainder of the season.
9	Commercial vessels are not assigned space at either marina. A Commercial vessel is defined as a vessel used by its owner or others for charter, or any other reason that would procure monetary values of any amount back to the owner.
10	Any boater wishing to use someone else's assigned space must first get permission from the Dockmaster. Boaters MAY NOT give permission to another boater to use the space assigned to him/her. All requests MUST have written permission of the Dockmaster.
11	Slip holders who vacate their slips for weekend or extended cruises must notify the Dockmaster of the days they will be absent so their slips can be used for transient boats. A temporary pass must be picked up at the marina office and put on car dash board to avoid parking ticket. (Transient boat income contributes to the support of marina operations). As a safety precaution, they should also file a trip plan with the Dockmaster.
12	There will be NO upgrading in size of boat or type of boat at either marina without first notifying the

	Dockmaster in writing. NO upgrading will be allowed if the upgrading constitutes a move from the applicant's present slip. If the upgrading cannot take place at the applicant's present assignment, the applicant may apply to the waiting list provided the boater completes a new waiting list application and remits the \$50 application fee.
13	Any slip/drydock assignee whose space is still vacant as of June 15th of each year must contact the Administrative Manager at the Parks and Recreation Office in writing as to why it is still vacant. If no response is received by June 30th, the slip/ drydock may be reassigned from the waiting list.
14	The period of berthing shall be from April 1st to November 30th with no services (sales or security) during April and November. All boats must be removed from Town marinas and property by November 30th. Boats remaining after December 1st will be charged a \$30 per day storage fee until the boat is removed. Boats remaining after December 15th will be considered abandoned and will be removed from their slip/drydock at the cost of removing the boat, but not less than \$25. The boater will be charged a \$5 per day storage fee until the boat is removed and be subject to loss of slip/drydock assignment. After sixty days each boat will be auctioned off in accordance with state statutes.
15	All vehicles entering Compo Beach to use the marina facilities MUST have a Compo Beach Parking Emblem. Boaters will not be allowed in the Beach/marina area without an emblem and MUST pay the prevailing daily fee.
16	The dock area known as the "wave breaker" at E.R. Strait Marina will be used as an area for availability of gas dock, servicing boats from the "Hole" and a pick up and drop off area. Boats have a maximum 30 minute tie up time and cannot be left unattended. The washing of boats at either Gas Dock is prohibited.
17	There is no overnight tie-up at the gas docks at Ned Dimes Marina or E.R. Strait Marina except for emergency situations, and the Dockmaster will be advised of the emergency situation at the time of tie-up.
18	Any boat owner or operator of a boat, through the operation of his/her vessel, who comes in contact with another vessel - no matter how insignificant it appears at the time - will make notification IN WRITING to the Dockmaster within 24 hours of the incident.
19	Repair work and painting of boats within town marinas is to be kept at a minimum so as to keep floats and water clean and to avoid interfering with other boaters. Cessation of repair/painting work will be at the sole discretion of marina staff.
20	Power washing and bottom painting of boats is prohibited at town marina facilities.
21	Bow pulpits, anchor rollers, anchors and other protrusions must be kept within the confines of the slip so as not to overhang on walkways and endanger pedestrian traffic. Any boats which are docked "stern first" must not allow engines or swim platforms to protrude over walkways or allow pulpits, anchor rollers or anchors to extend beyond the designated slip space into the fairway. Any injuries resulting from non-compliance will be the responsibility of the boat owner and could result in loss of marina privileges.
22	All protective padding, dock wheels or similar devices attached to slips at Town Marinas must be installed by the Dockmaster or his employees. Such equipment will become part of the dock and remain the property of the town. To assure conformity all padding must be approved by the Dockmaster.
23	Skiffs and dinghies must not be kept on the docks or fingers at any time.

24	Main docks and fingers must be kept completely free of gear.
25	Dock lines should be of adequate diameter and length and in good condition. They should be kept neatly coiled so that they do not present a hazard to those walking on the docks.
26	Boarding steps or combination steps with lockers must have the approval of the Dockmaster. Units cannot exceed 18” in width or be permanently secured to the docks. Steps must not restrict passage on main docks and fingers and must be kept in good repair and cosmetic condition. Milk crates will not be deemed acceptable as boarding platforms.
27	Advertising signs shall not be displayed from vessels, docks or land areas adjacent to town marinas.
28	Open fires in grills, hibachis, etc. are prohibited on floats, docks or ramps as well as on board any vessel in the marina.
29	Storage of gasoline, alcohol and other inflammables is prohibited on docks or in lockers at any time.
30	When a boat is unattended all cabin heaters, air conditioners, hot water heaters and dockside water pressure must be turned off.
31	No dockside electrical box changes may be made by any boater. Electrical connections from boats to dockside electrical hookup must be made only with approved marine grade, grounded power cords designed specifically for dockside electrical service. Electrical hookups are limited to one such hookup per boat.
32	Heads must not be pumped overboard. There is a pump-out station at the main dock at Compo for this purpose. Boaters must use biodegradable toilet paper to prevent damage to the pump out station.
33	Bilges containing fuel or oil must not be pumped overboard. Crankcase oil or other hazardous materials must be disposed of properly (as required by law).
34	All waste or recyclable materials are to be placed in appropriate trash receptacles.
35	Unless permission is granted in advance by the Dockmaster, overnight sleeping is prohibited on boats at town marina facilities.
36	Any person entering or leaving the town marina facilities during the boating season between the hours of 8pm and 7am is required to register with the security guard. The guard is authorized to deny access to persons refusing to comply with this security precaution.
37	Please keep dock carts clean and return them to the head of each ramp after use. Slip holders at Town marinas are responsible for turning off water and recoiling hoses after each use.
38	If you need assistance in docking, sound your horn twice at or near the gas dock and the staff will make every effort to help you.
39	Sailing is prohibited in Town Marinas.

40	Boaters using Town marinas must keep dogs on leash and are responsible to pick up feces and dispose of same properly.
41	Vehicles with attached trailers must park in assigned lot. Trailers left unattended will be towed at owners expense and subject to a fine.