

Final Audit Follow Up

As of September 30, 2005



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“Parks and Recreation Aquatics Division – Revenue Controls”

(Report #0526, Issued July 7, 2005)

Report #0608

February 1, 2006

Summary

Parks and Recreation management has completed all nineteen action plan steps developed to address issues identified in audit report #0526, Parks and Recreation Aquatics Division – Revenue Controls.

In audit report #0526, issued July 7, 2005, we found that, overall, the cashing and revenue operations within the Aquatics Division were not adequate. Identified issues indicated the need to strengthen internal controls and improve compliance with applicable policies and procedures. Specific issues identified included:

- Critical records (e.g., cash register tapes, registration forms, class rosters) were not always prepared and/or maintained.
- Management did not provide for independent reconciliations of sources records (i.e., cash register tapes, registration forms, class rosters) to collected and deposited revenues.
- A contract with a private entity was not adequately managed.
- Aquatics management did not always review available accounts receivable reports to identify competitive swim program participants with delinquent payments.
- Daily fee collections were not always timely deposited and cash reports were not always timely prepared.

As also noted in report #0526, records tested and provided by department staff indicated collections of \$7,020 could not be traced to evidence of deposit or other disposition. Management changes were made in the Aquatics Division subsequent to our audit fieldwork.

Management established 19 action plan steps to address the issues identified during the audit. All 19

action plan steps have been completed. In addition, we noted that deposited revenues generated from the City’s swimming facilities increased substantially after action plan steps and related internal controls were implemented. Deposited revenues increased by 14% from fiscal year 2004 to fiscal year 2005.

Scope, Objectives, and Methodology

The audit and this subsequent follow up were conducted in accordance with Generally Accepted Government Auditing Standards and Standards for the Professional Practice of Internal Auditing, as appropriate.

Report #0526

The scope of report #0526 included a review of revenue activity and controls within the Aquatics Division of the Tallahassee Parks and Recreation Department during the sixteen-month period from January 2004, through April 2005.

The objectives of the audit were to determine whether adequate controls were in place to ensure that:

- Fees were properly charges and collected;
- Revenues (from fees) and related activity were properly accounted for in the division’s records; and
- Collected revenues were properly safeguarded and deposited in a timely manner.

To address the above objectives, we conducted interviews, made observations, and reviewed relevant documentation. For the different revenue categories, we conducted data analyses, tests of controls, and relevant detailed tests of transactions. In addition, a surprise cash count of the imprest funds used in cashing operations was conducted.

Report #0608

The purpose of this follow up is to report on the progress and status of efforts by the Parks and Recreations Department to complete action plan steps due for completion during the period March 31, 2005, through September 30, 2005. As a result of prompt corrective action taken by management, this is our first and final follow up on action plan steps identified in audit report #0526.

Previous Conditions and Current Status

In report #0526, we identified issues that indicated the need to strengthen internal controls and improve compliance with applicable departmental and City policies and procedures. Nineteen action plan steps were developed to address the identified issues. As reflected in the following table, each of those 19 action plan steps has been completed.

Table 1 - Action Plan Steps from Report #0526 and Current Status	
Action Plan Steps	Current Status
<i>Ensure appropriate records are prepared and retained to support revenue operations.</i>	
<ul style="list-style-type: none"> Source documentation such as cash register tapes (Z tapes) and registration forms for swim lessons and lifeguard lessons will be retained in accordance with City record retention requirements. 	√ All records related to revenues including cash register tapes, registration forms, and class rosters are now retained in accordance with City record retention requirements.
<ul style="list-style-type: none"> Rosters will be prepared and retained for participants in registration events such as swim lessons, lifeguard lessons, etc. Those rosters will be updated as necessary to reflect new participants and/or dropouts. The history of such changes will be documented on the rosters. 	√ Rosters are prepared and retained for swim and lifeguard lessons. The roster and registration forms are updated to document any schedule changes and cancellations.
<ul style="list-style-type: none"> Registering participants will be required to complete registration forms prior to participation in applicable aquatic activities (e.g., swim lessons and lifeguard lessons). 	√ Registration forms are completed prior to participation in applicable aquatic activities (e.g., swim lessons and lifeguard lessons).
<ul style="list-style-type: none"> Pool rental contracts will be completed for each rental event, including baptisms. 	√ Rental contracts are required and completed for all rental events.
<ul style="list-style-type: none"> The "official" (i.e., correct final version) internal collection reports prepared for applicable pools will be attached to the related daily cash register tapes and submitted to the Parks and Recreation Administrative Division for processing and retention. In the event more than one version is prepared and retained, the reports will be clearly documented as to which represent the initial and final versions and an audit trail will be maintained to explain the differences. 	√ The final version of the internal daily collection reports, along with the applicable cash register tapes, are submitted to the Administrative Division for processing and retention. Pool supervisors maintain copies of the internal daily collection reports for their respective pools.
<ul style="list-style-type: none"> Staff will be reminded of the importance of documenting: (1) the disposition of all swim passes and (2) the dates of issuance of those passes. 	√ Parks and Recreation management reminded staff of the importance of documenting the disposition of swim passes and the issuance dates of those passes.
<ul style="list-style-type: none"> Pre-numbered pass tickets will be obtained from a vendor. Those passes will be maintained and issued to applicable pool supervisors by the Parks and Recreation Administrative Division. 	√ The Parks and Recreation Administration Division purchased pre-numbered swim and water aerobics passes from a vendor. The Administration Division maintains those passes and issues working supplies to applicable pool supervisors as needed.

<ul style="list-style-type: none"> The contractor providing private swim lessons will be reminded of the contractual requirement to maintain and retain adequate records of program participation, as well as, complete records justifying all charges, expenses, and costs incurred pursuant to the City contract. Future instances of noncompliance will result in termination of the contract. 	<p>√ Parks and Recreations management reminded the contractor of the contractual requirement to maintain and retain adequate records of program participation, as well as, completed records justifying all charges, expenses, and costs incurred pursuant to the City contract. In addition, the contract between the City and the contractor was modified on May 19, 2005, to require the contractor providing those lessons to pay the City lane rental fees. Under this revised arrangement, Parks and Recreation will no longer collect and retain a portion of registration fees from private swim lesson participants (i.e., the City is reimbursed for use of City facilities through the lane rental fees instead of collected and retaining a portion of participant registration fees).</p>
<ul style="list-style-type: none"> Participants in water aerobics will no longer pre-register for classes. Instead, passes (similar to those used for recreational swimming) will be obtained and sold to participants. Each participant will be required to present a pass prior to participation. The passes will be accounted for in a manner similar to the process used for recreational swim passes. 	<p>√ The Parks and Recreations Administrative Division purchased pre-numbered passes for water aerobics. Instead of registering for classes, participants are now required to purchase a pass and present the pass to applicable staff upon entry into the swimming facility prior to participating in the water aerobics class.</p>
<p>Ensure fees are properly collected and timely deposited.</p>	
<ul style="list-style-type: none"> Independent supervisory staff will periodically reconcile: <ul style="list-style-type: none"> ❖ cash register tapes from the various pools to amounts deposited for those pools; ❖ participants in various activities (i.e., swim lessons, lifeguard lessons, competitive swim programs) to rosters prepared for those programs; ❖ rosters of participants (i.e., swim lessons, lifeguard lessons, competitive swim programs) to fees collected and deposited; ❖ rental events to rental fees collected and deposited; and ❖ Pass sales to fees collected and deposited. <p>These periodic reconciliations will be scheduled by management but not announced to staff. Appropriate actions will be taken in the event that those reconciliations show a lack of proper collection and/or deposit of fees.</p> 	<p>√ Independent staff in the Parks and Recreations Administrative Division now conducts periodic surprise audits at the various aquatic facilities. The surprise audits include verifying that fees are properly collected, processed, and deposited based on recorded activities and source records. In addition, supervisory staff at the individual aquatic facilities must now document their verification of support (e.g., cash register tapes, tally sheets, rental contracts) for revenues reported on their Daily Financial Reports.</p>
<ul style="list-style-type: none"> To ensure timely deposit of funds, revenue collections will be recorded, prepared for deposit, and available for pick up by the City's contracted courier within two business days of receipt. 	<p>√ Our review showed that revenue collections are prepared for deposit within two business days of receipt.</p>
<ul style="list-style-type: none"> Cash reports will be prepared and submitted to the Revenue Office no later than five business days after the related deposits are made. 	<p>√ Parks and Recreation Administrative staff is preparing and submitting cash reports to the City's Revenue Office no later than five days after the related deposits are made.</p>
<ul style="list-style-type: none"> Staff will be reminded of the importance of reviewing reports submitted by Accounting Services showing participants in the competitive swim program that are delinquent in their payments. 	<p>√ Parks and Recreation management reminded Aquatics Division staff of the importance of reviewing reports submitted by Accounting Services. Currently, the accounts receivable report sent to the Aquatics Division from Accounting Services is reviewed on a quarterly basis to identify and follow up on competitive swim participants with delinquent accounts.</p>

<ul style="list-style-type: none"> An internal policy will be adopted that specifies the actions to take for competitive swim program participants with delinquent accounts. Those actions will include terminating program participation if payments are not made within a specified and reasonable time. 	✓ Parks and Recreation updated their written procedures to: (1) include a provision requiring the Aquatics Division to review quarterly reports for the purpose of identifying competitive swim program participants who are delinquent in their accounts, and (2) not allow further participation by a delinquent participant until the outstanding balance is paid along with the fees for the next quarter.
<ul style="list-style-type: none"> The department will no longer collect and retain a portion of registration fees from private swim lesson participants. Instead, the applicable contract will be amended to require the contractor providing those lessons to pay the City lane rental fees. 	✓ The contractual agreement between the City and the vendor was modified on May 19, 2005, to require the contractor to pay the City lane rental fees for private swim lessons taught by the vendor (i.e., a portion of participant registration fees is no longer due the City).
Ensure the accountability and safeguarding of imprest funds.	
<ul style="list-style-type: none"> Custodians will be reminded of the importance of safeguarding and maintaining accountability over imprest funds used for cashiering operations at the various City pools. Any identified shortages will be timely researched, explained, and documented. 	✓ Parks and Recreation Administrative Division staff performed a cash count of the imprest funds used as "cash banks" for the eight aquatic facilities. No shortages were noted. In addition, staff has been reminded of the importance of safeguarding and maintaining accountability over the imprest funds and researching, explaining, and documenting any shortages.
Ensure a proper control environment is maintained.	
<ul style="list-style-type: none"> Department management will emphasize to staff the importance of implementing and complying with established City policy and procedures in regard to internal controls, revenue processing, and ethical behavior. 	✓ Parks and Recreation management reminded staff of the significance of complying with City and department policy and procedures in regard to internal controls, revenue processing, and ethical behavior.
<ul style="list-style-type: none"> Management (director, assistant director, and superintendent) will periodically visit the City pools and review operations and programs, interview staff, and analyze activity for the purpose of identifying risks and means to mitigate those risks. 	✓ Parks and Recreation management now performs periodic monitoring of financial activity through site visits and surprise audits of the aquatic facilities.
<ul style="list-style-type: none"> Existing written internal procedures will be revised to address essential aspects of the preceding action steps. 	✓ The Aquatic Division's written internal procedures were updated as appropriate to address essential aspects noted in the above action plan steps.
Table Legend:	
<ul style="list-style-type: none"> Issue addressed in the original audit 	✓ Issue addressed and resolved

Recent Revenue Activity

Because of the significant control deficiencies identified in audit report #0526, there was an unacceptable risk that revenues were not being properly collected, processed, and deposited. As reported, we noted collections of \$7,020 that could not be traced to evidence of deposit or other disposition. As a result of these initial audit findings, as part of our follow up we compared recorded and deposited revenues in fiscal year 2004 (most of which was covered in our initial audit) to fiscal year 2005. Most of the activity for fiscal year 2005 occurred after (1) the control issues were identified during our audit fieldwork and (2) applicable corrective actions were initiated.

As shown in Table 2 below, we noted that for the facilities audited, recorded/deposited revenues in fiscal year 2005 were 14% higher than recorded/deposited revenues in fiscal year 2004. While specific reasons for this increase cannot be determined due to the lack of adequate records in fiscal year 2004, it is indicative that improved controls have likely made a difference.

Table 2 – FY 2004 and FY 2005 Activity and Revenue by Pool

POOL (Note 5)	ACTIVITY	FY 2004 RECORDED REVENUE (Note 1)	FY 2005 RECORDED REVENUE (Note 1)
Trousdell Aquatic Center (Year-round activities)	<ul style="list-style-type: none"> • Recreational Swimming <ul style="list-style-type: none"> ○ Daily Admissions ○ Passes • Swim Lessons (Note 2) • Water Aerobics (Note 3) • Lifeguard Lessons (Note 2) • Competitive Swim Programs • Pool Rentals • Locker Rentals 	\$206,528	\$239,861
Wade Wehunt (Myers) (Year-round activities)	<ul style="list-style-type: none"> • Recreational Swimming <ul style="list-style-type: none"> ○ Daily Admissions ○ Passes • Swim Lessons (Note 2) • Water Aerobics (Note 3) • Lifeguard Lessons (Note 2) 	\$75,021	\$79,359
Forestmeadows – (Seasonal only - Note 4)	<ul style="list-style-type: none"> • Recreational Swimming <ul style="list-style-type: none"> ○ Daily Admissions 	\$2,264	\$2,251
Hilaman (Seasonal only - Note 4)	<ul style="list-style-type: none"> • Recreational Swimming <ul style="list-style-type: none"> ○ Daily Admissions 	\$931	\$746
Levy (Seasonal only - Note 4)	<ul style="list-style-type: none"> • Recreational Swimming <ul style="list-style-type: none"> ○ Daily Admissions • Water Aerobics (Note 3) • Swim Lessons (Note 2) 	\$1,644	\$2,676
Robinson Trueblood (Seasonal only - Note 4)	<ul style="list-style-type: none"> • Recreational Swimming <ul style="list-style-type: none"> ○ Daily Admissions 	\$2,229	\$3,800
Walker Ford (Seasonal only - Note 4)	<ul style="list-style-type: none"> • Recreational Swimming <ul style="list-style-type: none"> ○ Daily Admissions 	\$946	\$1,857
	TOTAL	\$289,563	\$330,550 (Note 6)

NOTES:

1. Amounts reported by the Parks and Recreation Aquatics Division.
2. Revenue collected for swim and lifeguard lessons taught at all pools (including Trousdell and Levy but excluding Jack McLean) was included in the Wade Wehunt amount because all swim lesson fees were collected and processed at that pool.
3. Some of the revenues for water aerobics classes held at Levy and Trousdell pools are included in the Wade Wehunt amount because most registration fees (for classes at those pools) were paid and processed at Wade Wehunt pool prior to the initiation of passes for that activity.
4. Seasonal pools were open only during 70-day periods (end of May through early August) each year.
5. Jack McLean Aquatics facility opened mid-April 2005 and was therefore not included in the scope of the initial audit or this follow up engagement.
6. Revenues increased by \$40,987, or 14%.

Conclusion

Parks and Recreation management has been responsive in addressing issues identified in audit report #0526. All action plan steps have been successfully completed. To ensure that subsequent revenues are properly collected, processed, and deposited, it is imperative that Parks and Recreation management continue the actions implemented and taken to date.

We appreciate the response and assistance provided by applicable department staff during this follow up.

Response from Appointed Official

City Manager:

I appreciate the thorough job the City Auditor's staff did in examining the Aquatics Division's revenue process and operations, and the steps the Parks and Recreation Department have taken to successfully rectify identified deficiencies. We recognize and appreciate the importance of good internal controls, and are confident that continued active monitoring of the controls implemented as a result of this audit will improve operations and performance within the Aquatics unit.

Copies of this Final Audit Follow Up or audit report #0526 may be obtained from the City Auditor's website (<http://www.talgov.com/auditing/index.cfm>), or via request by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail, or in person (City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail (auditors@talgov.com).

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