

# **Final Audit**

## **Follow Up**

*As of March 31, 2007*



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City Auditor

## **Parks and Recreation Tennis Division**

### **Cashiering/Revenue Controls**

*(Report #0617, Issued June 14, 2006)*

**Report #0716**

**May 24, 2007**

### **Summary**

***As of March 31, 2007, the Parks and Recreation department had completed all 14 action plan steps that were developed to address issues identified in audit report #0617.***

In audit report #0617, we found that revenue due the City for activities provided through the Parks and Recreation Tennis Division was appropriately collected, accurately reported, and timely deposited. However, we identified issues that indicated that improvements should be made to further ensure that revenue is safeguarded and appropriately collected, accurately reported, and timely deposited.

We provided specific recommendations to address cashiering and revenue issues identified in the audit. Overall, the Parks and Recreation Tennis Division has been responsive in addressing these issues as steps have been taken to:

- Increase emphasis on the performance of regularly scheduled independent reconciliations of participation activities to related fee collections and deposits.
- Improve the participant sign-in process.
- Develop formal, written procedures addressing various aspects of league play and execute individual written agreements with leagues that address deviations from those procedures.
- Improve the process established to execute, review, and approve rental contracts.
- Develop updated rules and regulations addressing facility rentals for private events.
- Develop a standard contract to use for

instructors wishing to hold private instructional classes at the facility.

- Determine the most appropriate process for determining usage fees for instructors holding private classes at the facility.
- Comprehensively assess the clay court surcharge on all clay court usage.
- Ensure correct reporting of taxable revenues.
- Develop a formal, written policy addressing employee participation in fee-based activities at Forestmeadows and Tom Brown and Winthrop Parks.
- Improve accountability by assigning unique cash register access codes to cashiers.
- Safeguard assets by restricting access to safes and facilities.

### **Scope, Objectives, and Methodology**

The initial audit and the subsequent follow ups were conducted in accordance with Generally Accepted Government Auditing Standards and the Standards for the Professional Practice of Internal Auditing, and accordingly included such tests of the records and other auditing procedures as were considered necessary.

### **Original Report #0617**

The scope of report #0617 included a review of 2005 calendar year revenue activity of the Tallahassee Parks and Recreation Tennis Division. The objectives of the audit were to determine if:

- Fees were properly assessed, collected, processed, accounted for, and deposited;

- Internal controls were adequate in regard to revenue and cashing operations; and
- Revenue and cash collection reports were accurate and timely.

**Report #0716**

This is our second and final follow up on action plan steps identified in audit report #0617. In our first follow up we reported on the progress and status of efforts to implement action plan steps due as of September 30, 2006. The purpose of this final follow up is to report on the progress and status of efforts to complete those action plan steps due for completion as of March 31, 2007. To obtain information, we conducted interviews with key staff, made observations, and reviewed relevant documentation.

**Previous Conditions and Current Status**

In report #0617, we identified issues, including some issues that previously had been identified in the City Auditor's 2001 Citywide Cash Controls audit, that indicated improvements were needed to further ensure that revenue is safeguarded and appropriately collected, accurately reported, and timely deposited. Fourteen action plan steps were developed to address the identified issues. Of those 14 steps, eight were determined to be complete during our September 30, 2006, follow up engagement, with the remaining six due for completion as of March 31, 2007. Table 1 provides a summary of those 14 action plan steps and their current status.

**Table 1  
Action Plan Steps from Report #0617  
Due as of March 31, 2007, and Current Status**

Action Plan Steps	Current Status
<p><b>Ensure that revenue (fees) is properly collected, processed, accounted for, and deposited and fee-based activities are properly administered.</b></p>	
<ul style="list-style-type: none"> <li>• Increased emphasis will be placed on the performance of regularly scheduled independent reconciliations of participation activities to related fee collections and deposits in the following areas:                             <ul style="list-style-type: none"> <li>- Rosters of monthly/quarterly/annual payees to amounts collected and deposited;</li> <li>- Actual court use to scheduled court use, and scheduled court use to amounts collected and deposited;</li> <li>- Rosters for City-sponsored tournaments and fee-based instructional classes (e.g., clinics) to event participants and to amounts collected and deposited;</li> <li>- Facility rentals to amounts collected and deposited;</li> <li>- Lessons taught by City staff to amounts collected and deposited; and</li> <li>- Pro shop purchases to recorded sales and pro shop inventory.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>✓ Emphasis is being placed on the performance of regularly scheduled independent reconciliations of participation activities to related fee collections and deposits. Subsequent to our September 30, 2006, follow up, Parks and Recreation staff performed independent reconciliations in several areas, including reconciliations of:                             <ul style="list-style-type: none"> <li>- Sign-in registers documenting court use by individuals paying daily fees to corresponding payments recorded on applicable daily cash register tapes;</li> <li>- Sign-in registers documenting court use by individuals playing as monthly/quarterly/annual patrons to evidence of receipt and deposit of those individuals' monthly/quarterly/annual fees; and</li> <li>- Rental fee contracts to collection and deposit of related fees.</li> </ul>                             Management also provided evidence that it intends to continue these independent reconciliations for all Parks and Recreation activities (e.g., tennis, youth and adult athletics, aquatics, community centers, golf, gymnastics, playgrounds, special events) on a periodic basis. Those planned independent reconciliations will include, for example, reconciling:                             <ul style="list-style-type: none"> <li>- Actual participation in activities to rosters, sign-in registers, and other participation records;</li> <li>- Participation per rosters, sign-in registers, etc. to corresponding fees collected and deposited;</li> <li>- Cash register tapes to amounts deposited and</li> </ul> </li> </ul>

	<p>reported on cash reports;</p> <ul style="list-style-type: none"> <li>- Rental events (field and facility) to fees collected and deposited; and</li> <li>- Private lessons given to fees collected and deposited.</li> </ul>
<ul style="list-style-type: none"> <li>• Review and revise the sign-in process to assure that all participants sign-in and clearly denote their method of payment.</li> </ul>	<p>✓ Completed during prior period.</p>
<ul style="list-style-type: none"> <li>• Formal, written procedures will be developed addressing appropriate aspects of league play, including a clear definition of “leagues,” fees, methods and timing of payment, court use, and roles and responsibilities of City staff and league representatives.</li> </ul>	<p>✓ Parks and Recreation Tennis Division provided a definition of tennis leagues in their updated policies and procedures. Various aspects of league play are also addressed in those updated policies and procedures.</p>
<ul style="list-style-type: none"> <li>• Written agreements will be entered into with each league to address any deviations from established policies and procedures and fees, methods and timing of payment, court use, and roles and responsibilities of City staff and league representatives.</li> </ul>	<p>✓ Written agreements were developed and executed with two leagues/groups that were allowed to deviate from the updated policies and procedures addressing league play. Those written agreements address the approved deviations, which pertain primarily to the methods of determining and paying fees. Those agreements provide that the formally approved deviations will be in effect through December 31, 2007. Parks and Recreation management indicated that they plan to continue working with all leagues and groups to ensure fair and consistent treatment.</p>
<ul style="list-style-type: none"> <li>• Proper rental agreements will be executed with each entity renting facilities for private events. Management’s review and approval of those agreements will be documented.</li> </ul>	<p>✓ Completed during prior period.</p>
<ul style="list-style-type: none"> <li>• Records will be maintained that document the disposition of scheduled rental events as well as rental inquiries.</li> </ul>	<p>✓ Completed during prior period.</p>
<ul style="list-style-type: none"> <li>• Written rules and regulations addressing rental of facilities for private events will be updated and a copy of those rules and regulations will be provided to each renting entity.</li> </ul>	<p>✓ Completed during prior period.</p>
<ul style="list-style-type: none"> <li>• Written contracts will be executed with instructors using facilities to provide private instructional classes. Those contracts will delineate the roles and responsibilities of division staff and the instructor as well as applicable terms, conditions, fees, and requirements.</li> </ul>	<p>✓ Standard contracts have been developed for use with each instructor wishing to hold private instructional classes at Forestmeadows facilities. That standard contract addresses applicable roles and responsibilities as well as terms, conditions, fees, and requirements.</p>
<ul style="list-style-type: none"> <li>• Management will explore whether a flat fee methodology is appropriate and more efficient than the current process of charging usage fees based on a percentage of participants in the instructors’ classes.</li> </ul>	<p>✓ Parks and Recreation management has determined that “A fee of 20% of the monthly gross of the classes taught...” is the most appropriate charge for the use of classroom facilities at Forestmeadows facilities. Tennis staff will perform periodic audits of class participation to verify accuracy of rental payments received by the City.</p>

<ul style="list-style-type: none"> <li>The \$1.00 clay court surcharge will be assessed for all clay court usage, including tournament activity.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Completed during prior period.</li> </ul>
<ul style="list-style-type: none"> <li>State sales taxes will be properly assessed on appropriate revenues, including fees collected from entities using facilities for private instructional classes, tennis ball machine rentals, and vending machine commissions. Those revenues will be properly classified as taxable income on the daily cash reports.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Completed during prior period.</li> </ul>
<ul style="list-style-type: none"> <li>A formal written policy will be developed addressing employee participation in fee-based activities at Forestmeadows and Tom Brown and Winthrop Parks. That policy will be made available to applicable employees.</li> </ul>	<ul style="list-style-type: none"> <li>✓ The written policies of the Tennis Division have been updated to allow full and part-time division staff the opportunity to participate in fee-based tennis activities at no cost. This policy has been made available to Tennis Division staff.</li> </ul>
<ul style="list-style-type: none"> <li>Each cashier will be assigned a unique cash register access code and instructed to protect and not share that code with others. Cashiers will be required to use their assigned access codes to enter transactions in the cash registers.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Completed during prior period.</li> </ul>
<ul style="list-style-type: none"> <li>In accordance with established policies and procedures, combinations to all safes will be periodically changed, including routine changing of safe combinations whenever there is termination or turnover of staff having knowledge of or access to those safe combinations.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Completed during prior period.</li> </ul>

**Table Legend:**

- Issue addressed in the original audit.
- ✓ Issue addressed and resolved.

**Conclusion**

The Parks and Recreation Tennis Division has completed the 14 action plan steps developed in audit report #0617 to further ensure that revenue is safeguarded and appropriately collected, accurately reported, and timely deposited.

We appreciate the cooperation and assistance provided by the Parks and Recreation Tennis Division staff in this audit follow up and commend them for their actions to address all issues within time periods established by them.

**Appointed Official's Response**

**City Manager:** I am extremely pleased that the Parks and Recreation Department has completed all 14 action plan steps that were developed to address issues identified in audit report #0617, and truly appreciate the cooperation of the City Auditor's staff in working with our staff to complete this process. I am confident that the implementation of this action plan will result in continued improvements in our cashiering and revenue controls and in the overall operation of the Tennis Division.

Copies of this audit follow up or audit report #0617 may be obtained from the City Auditor's website (<http://talgov.com/auditing/index.cfm>) or via request by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail or in person (Office of the City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail ([auditors@talgov.com](mailto:auditors@talgov.com)).

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