

Audit

Follow-Up

As of March 31, 2016



T. Bert Fletcher, CPA, CGMA
City Auditor

Audit of Parks, Recreation and Neighborhood Affairs Trousdell Aquatics Center and Gymnastics Center Revenues

(Report #1606, Issued January 14, 2016)

Report #1615

June 2, 2016

Summary

Six of the 16 action plan steps established to address issues identified in audit report #1606 were due for completion as of March 31, 2016. Of those six steps five have been completed. Actions are in progress to complete the one remaining step. We will follow up on efforts to complete the one action plan step in progress, as well as the 10 action plan steps due for completion after March 31, 2016, in our subsequent follow-up engagement.

In audit report #1606, Audit of Parks, Recreation and Neighborhood Affairs Trousdell Aquatics and Gymnastics Center Revenues, issued January 14, 2016; we concluded that, overall, the internal controls in place at the Trousdell Aquatics Center (Pool) and Gymnastics Center (Gym) provided reasonable assurance revenues were properly assessed, collected, safeguarded, deposited, and recorded in the City's records. We did, however, identify instances where the internal controls should be strengthened at both the Pool and Gym. A total of 16 action plan steps were developed by Parks, Recreation, and Neighborhood Affairs (PRNA) management to address the identified issues. Six of those 16 steps were due as part of this initial follow-up engagement.

In regard to the six action plan steps due for completion no later than March 31, 2016; we determined five steps have been satisfactorily addressed and as such are considered complete.

The remaining step is in progress of being completed.

The steps completed by management this follow-up period included:

- Reminding staff of the importance of completely and properly scanning records into the City's electronic document management system.
- Updating cashiering procedures for the Pool to delineate the process cashiers should follow when errors occur while processing sales in the REC-1 system.
- Updating cashiering procedures for the Pool to delineate eligibility and documentation requirements for swim lesson fee waivers.
- Restrictively endorsing checks immediately upon receipt at the Gym.
- Updating procedures for the Gym to require periodic changes to locks, combinations, and access codes at locations where monies are stored.

The remaining step due for completion as of March 31, 2016, provides for regular and periodic reconciliations of recorded revenue collections to amounts that should be collected and deposited based on records of customer participation in gymnastic activities. Management initially considered completing this action plan step

through resumption of reconciliations based on estimates and trend analyses. However, upon further discussions with our office on this matter, PRNA management decided it would be more appropriate to determine if technology is available that could be used to facilitate tracking participation and accounting for revenues, and therefore allow for more efficient and accurate reconciliations. PRNA management and staff are initiating efforts to implement this alternative action, which will require assistance from other City departments, including the City Treasurer-Clerk’s Revenue Office and the Technology and Innovation Department. We will follow up and report on management’s efforts to complete this action plan step in our subsequent follow-up engagement.

We appreciate the cooperation and assistance provided by PRNA staff and management during this follow-up audit.

Scope, Objectives, and Methodology

We conducted this audit follow-up in accordance with the International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards. Those standards require we plan and perform the audit follow-up to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit follow-up objectives.

Original Report #1606

The scope of our initial audit (report #1606) included a review of the fee collection (revenue) process at the Trousdell Aquatics and Gymnastics Centers (Pool and Gym, respectively) during the period August 2013 through March 2015. The objectives of the audit were to determine, for each center, if their respective internal controls effectively ensured: (1) revenues were properly assessed, collected, safeguarded, and deposited;

and (2) revenues were properly recorded and accounted for in the City’s records.

To address the stated objectives, we interviewed staff at the Pool and Gym, observed processes related to the revenue functions, reviewed and analyzed internal financial reports and records, conducted tests of relevant controls for selected activities, and conducted detailed tests of transactions.

Report #1615

This is our first follow-up on action plan steps identified in audit report #1606. The purpose of this follow-up is to report on the progress and status of efforts to complete action plan steps due for completion as of March 31, 2016. To determine the status of the action plan steps, we interviewed staff and reviewed relevant documentation.

Background

The Trousdell Aquatics Center (Pool) is one of eight aquatics facilities (e.g., swimming pools) operated and maintained by PRNA. The Pool operates year-round and generates revenues from multiple aquatics related activities. Activities for which revenues are collected include recreational swimming, water aerobics classes, swim lessons, lifeguard lessons, pool facility rentals, and sales from the Splash Shop.

The Trousdell Gymnastics Center (Gym), which is located adjacent to the Pool, offers gymnastics programs, classes, and training to the public. Similar to the Pool, the Gym generates revenues through fees for recreational classes, a competitive gymnastics program, private lessons, and facility rentals for events such as birthday parties.

Table 1 below shows the revenues collected through each facility during the 2013, 2014, and 2015 fiscal years.

Table 1

Aquatics and Gymnastics Revenue Summary

Fiscal Year	Aquatics	Gymnastics
FY 13	\$ 217,044	\$ 497,323
FY 14	\$ 212,650	\$ 485,856
FY 15	\$ 220,419	\$ 512,641
Totals	\$ 650,113	\$ 1,495,820

Note: Revenues are shown net of state sales taxes and are rounded to the nearest dollar.

Previous Conditions and Current Status

In our initial audit (report #1606) we noted that, overall, the internal controls in place provided reasonable assurance that revenues due the City for Pool and Gym activities were properly assessed, collected, safeguarded, deposited, and recorded in the City’s records. We did identify issues which

indicated the need to strengthen and enhance those controls. PRNA management developed 16 action plan steps to address the identified issues and related audit recommendations. Six of the 16 action plan steps established were due for completion as of March 31, 2016.

Table 2 that follows shows the status of those six steps as determined through our audit follow-up process. As indicated in that table, five of the six action plan steps have been completed and actions are in progress to complete the remaining step. We will follow up on efforts to complete the one action plan step in progress, as well as the 10 action plan steps due for completion after March 31, 2016, in our subsequent follow-up engagement.

Table 2
Current Status of Action Plan Steps from Audit Report #1606
Due as of March 31, 2016

Action Plan Steps Due	Current Status as of March 31, 2016
Trousdell Aquatics Center	
<i>Improve the completeness and accuracy of the record retention process.</i>	
<ul style="list-style-type: none"> • Applicable staff will be reminded of the importance of properly and completely scanning documents into the City’s electronic document management system. 	<ul style="list-style-type: none"> ✓ <u>Complete</u> – Applicable PRNA staff was reminded of the importance of properly and completely scanning documents into the City’s electronic document management system. Additionally, procedures related to the scanning of documents were revised to require original documents be retained for two weeks after scanning to allow time for confirmation of the ability to retrieve those documents from the electronic document management system. Based on the reminder given to staff and the change in procedures, this step is considered complete.

<i>Update procedures to improve and/or clarify revenue collection related procedures.</i>	
<ul style="list-style-type: none"> • Cashiering procedures will be updated to delineate the process cashiers should follow when errors occur while processing sales in the REC-1 system. 	<ul style="list-style-type: none"> ✓ <u>Complete</u> – In the initial audit we noted that PRNA’s written cashiering procedures do not specifically address the steps a cashier should take in the event an error is made when entering a transaction in the cash register. Subsequent to the completion of the audit, the REC-1 system was implemented at the Pool. The REC-1 system has replaced the cash register previously in use at the Pool and includes new controls to help minimize the risk of errors in the cashiering process. Specifically, that system provides a means for cashiers to affirm (through the use of review screens) that transactions are complete and accurate prior to the finalization of any sale. Cashiering procedures have been amended to explain the transaction review process and how errors can be avoided. Additionally, the revised procedures direct cashiers to contact a supervisor for assistance with the sales transaction process if needed, such as an event where an error occurs and is not identified until after the related transaction is completed. Based on the additional controls implemented through the REC-1 system and the revisions to the cashiering procedures, this step is considered complete.
<ul style="list-style-type: none"> • Procedures providing for swim lesson fee waivers will be updated to include eligibility and documentation requirements 	<ul style="list-style-type: none"> ✓ <u>Complete</u> – Cashiering procedures were revised to include eligibility and documentation requirements for waivers of fees associated with swim lessons. The revised procedures provide that swim fees are waived for children receiving public assistance. The revised procedures further define the specific documentation that must be provided to substantiate a child is receiving public assistance, as well as, the method for the cashier to document they observed that documentation and made the proper waiver determination. Based on the revised procedures, this action plan step is considered complete.

Trousdell Gymnastics Center	
<i>Improve safeguarding of collections at the Gym.</i>	
<ul style="list-style-type: none"> • Checks received at the Gym will be restrictively endorsed upon receipt. 	<ul style="list-style-type: none"> ✓ <u>Complete</u> – This was reported by management as complete in the original audit (see page 35 of report #1606). As part of our follow-up, we visited the Gym and determined that checks are now being restrictively endorsed at the time of receipt. Accordingly, this action plan step is considered complete.
<i>Reduce the risk of unauthorized access to locations where monies may be stored.</i>	
<ul style="list-style-type: none"> • Procedures will be amended to require locks, combinations, and access codes to locations where monies are stored be changed on a periodic basis. 	<ul style="list-style-type: none"> ✓ <u>Complete</u> – Procedures were revised to require periodic lock and safe combination changes. Additionally, management changed the combination to the safe in accordance with the revised procedure. This step is considered complete.
<i>Reduce the risks associated with the performance of incompatible duties by supervisory staff.</i>	
<ul style="list-style-type: none"> • On a regular and periodic basis, documented reconciliations of recorded revenue collections to records showing customer participation in gymnastics activities will be prepared and retained for PRNA management review and approval. The reconciliations will be prepared by staff independent of the revenue collection process. 	<ul style="list-style-type: none"> ○ <u>In Progress</u> – Upon discussions between PRNA management and the City Auditor’s Office on this action plan step, a determination was made that, in lieu of performing reconciliations that provided assurance based on estimates and trend analyses, efforts would be made to identify and use available technology to facilitate tracking participation and accounting for revenues, and therefore provide for more accurate and efficient reconciliations. PRNA management is initiating those alternative efforts, which will require assistance from other City departments (e.g., City Treasurer-Clerk’s Revenue Office and Technology & Innovation). We will follow-up on those efforts in our subsequent follow-up engagement.
Table legend	
<ul style="list-style-type: none"> • Issue to be addressed from original audit. 	<ul style="list-style-type: none"> ✓ Issue addressed and resolved. ○ Actions to address issue are in progress.

Conclusion

Table 2 above shows that five of the six action plan steps due for completion as of March 31, 2016, have been completed. The completed actions included:

- Reminding staff of the importance of completely and properly scanning records into the City’s electronic document management system.
- Updating cashiering procedures for the Pool to delineate the process cashiers should follow when errors occur while processing sales in the REC-1 system.
- Updating cashiering procedures for the Pool to delineate eligibility and documentation requirements for swim lesson fee waivers.
- Restrictively endorsing checks immediately upon receipt at the Gym.
- Updating procedures for the Gym to require locks, combinations, and access codes to locations where monies are stored be changed on a periodic basis.

Table 2 also shows that actions are in progress to complete the remaining step, which involves reconciliations of applicable records to ensure amounts due the City for gymnastic activities are properly collected and deposited.

As previously noted within this report, there are 10 additional action plan steps that are due for completion subsequent to March 31, 2016. Those 10 steps include:

- Regularly and periodically preparing documented reconciliations of recorded revenue collections to records showing customer participation in aquatics activities.
- Reviewing and separating duties related to purchasing, custody, recordkeeping, and sales of Splash Shop inventory among staff.

- Sampling and reviewing records scanned into the City electronic document management system for accuracy and completeness.
- Preparing formal documented trend analyses of Pool activities and related revenues.
- Researching, analyzing, and explaining any unusual variations in Pool activities or revenue collections as identified by the trend analyses.
- Submitting the trend analyses and explanations of unusual variations in Pool activity or revenues to PRNA management for review and approval.
- Periodically reviewing and reconciling locker usage at the Pool to locker rental agreements.
- Updating Splash Shop inventory records for purchases of new inventory.
- Conducting periodic physical counts of the inventory held for sale through the Splash Shop, reconciling those counts to the inventory records, and researching and explaining differences between the physical counts and related inventory records.
- Submitting the results of the reconciliation of Splash Shop inventory to PRNA management for review and approval.

We will follow up and report on management’s efforts to complete those 10 action plan steps, as well as the one step in progress as described previously, in our subsequent follow-up engagement.

We appreciate the cooperation and assistance provided by PRNA staff and management during this audit follow-up.

Appointed Official's Response

CITY MANAGER

We appreciate the thorough job the City Auditor's staff did in the follow up audit report of Trousdell Aquatics Center and Gymnastic Center Revenues and the steps the Parks, Recreation and Neighborhood Affairs Department has 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 discussed in this audit will continue to improve operations and performance.

Copies of this Follow-Up Audit Report #1615 or the initial audit report #1606 may be obtained from the City Auditor's web site (<http://www.talgov.com/auditing/auditing-auditreports.aspx>), 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).

Audit Follow-Up conducted by:
Dennis Sutton, CPA, CIA, Audit Manager
T. Bert Fletcher, CPA, CGMA, City Auditor