

Audit

Follow Up

As of September 30, 2006



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Parks and Recreation Tennis Division Cashiering/Revenue Controls

(Report #0617, Issued June 14, 2006)

Report #0711

February 19, 2007

Summary

The Parks and Recreation Tennis Division has completed eight of the 11 action plan steps that were due for completion as of September 30, 2006. The target dates for completion of the three remaining action plan steps have been amended to later dates. In our next follow up we will review actions to complete those three steps, along with actions to complete three other steps due for completion subsequent to September 30, 2006.

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 and steps have been taken to:

- Improve the participant sign-in process.
- Improve the process established to execute, review, and approve rental contracts.
- Develop updated rules and regulations addressing facility rentals for private

events.

- Comprehensively assess the clay court surcharge on all clay court usage.
- Ensure correct reporting of taxable revenues.
- Improve accountability by assigning unique cash register access codes to cashiers.
- Safeguard assets by restricting access to safes and facilities.

Target completion dates for the following three action plan steps initially due at September 30, 2006, have been amended to later dates.

- Increased emphasis on the performance of independent reconciliations of participation activities to collections and deposits.
- Consideration of a more appropriate and efficient process to determine usage fees for instructors holding classes at the facility.
- Development of formal, written procedures addressing various aspects of league play.

Scope, Objectives, and Methodology

The initial audit and this subsequent follow up 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 # 0711

This is our first follow up on action plan steps identified in audit report #0617. The purpose

of this follow up is to report on the progress and status in completing the action plan steps due for completion as of September 30, 2006. 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 had previously 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, 11 were determined due for completion as of September 30, 2006. Table 1 provides a summary of those 11 action plan steps and their current status.

**Table 1
Action Plan Steps from Report #0617
Due as of September 30, 2006, and Current Status**

Action Plan Steps	Current Status
Ensure that revenue (fees) is properly collected, processed, accounted for, and deposited and fee-based activities are properly administered.	
<ul style="list-style-type: none"> • 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"> - Rosters of monthly/quarterly/annual payees to amounts collected and deposited. - Actual court use to scheduled court use, and scheduled court use to amounts collected and deposited. - Rosters for City-sponsored tournaments and fee-based instructional classes (e.g., clinics) to event participants and to amounts collected and deposited. - Facility rentals to amounts collected and deposited. - Lessons taught by City staff to amounts collected and deposited. - Pro shop purchases to recorded sales and pro shop inventory. 	<ul style="list-style-type: none"> ◇ As reconciliations have been scheduled, but not completed at this date, the target date for completion of this action plan step has been amended to a later date. Accordingly, this action step will be addressed in our subsequent follow up.

<ul style="list-style-type: none"> Review and revise the sign-in process to assure that all participants sign in and clearly denote their method of payment. 	<ul style="list-style-type: none"> ✓ Additional procedures have been instituted to ensure that patrons appropriately sign in. Instructions have been given to front desk staff emphasizing that patrons participating in regular daily play must complete every box on the sign-in register, to include name, type of patron (e.g., monthly, annual, daily), activity (e.g., tennis or racquetball), court time and court number, and residency status. Front desk staff were instructed how to obtain and record that information when participants fail to record the required information. Our review of sign-in sheets during our follow up fieldwork shows that these additional procedures and instructions have been effective.
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> ✓ Our follow up fieldwork showed that properly executed and signed rental agreements were on file for the eight rental events occurring subsequent to our initial audit.
<ul style="list-style-type: none"> Records will be maintained that document the disposition of scheduled rental events as well as rental inquiries. 	<ul style="list-style-type: none"> ✓ Procedures have been established to ensure that the occurrence or cancellation of activities scheduled in the rental book is appropriately recorded.
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> ✓ Staff has determined the essential rules pertinent to rental events. Those rules are now included as an attachment to the standard rental agreement. At the time that the rental agreement is executed, that attachment is signed by the rental party acknowledging their understanding and agreement to comply with the rules.
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> ◇ Due to anticipated changes in staff, the target date for completion of this action plan step has been amended to a later date. Accordingly, this action step will be addressed in our subsequent follow up.
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> ◇ Due to anticipated changes in staff, the target date for completion of this action plan step has been amended to a later date. Accordingly, the action step will be addressed in our subsequent follow up.
<ul style="list-style-type: none"> The \$1.00 clay court surcharge will be assessed for all clay court usage, including tournament activity. 	<ul style="list-style-type: none"> ✓ The clay court surcharge is now being applied to tournament use as well as other usage of clay courts.
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> ✓ State sales taxes are now being 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 are being properly classified as taxable income on the daily cash reports.
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> ✓ Unique cash register codes have been assigned to all cashiers and the cashiers have received instructions as to their use. Our review showed that cashiers are using their unique number to enter transactions.

<ul style="list-style-type: none"> • In accordance with established policies and procedures, combinations to all safes will be periodically changed, including routine change of safe combinations whenever there is a termination or turnover of staff having knowledge of or access to those safe combinations. 	<ul style="list-style-type: none"> ✓ Based on discussions with a locksmith, management determined that it would be cost prohibitive to periodically change the safe combinations at the facility. As an alternative action, management changed the door locks that access the rooms in which the safes are located, and restricts access to those rooms by distributing applicable door keys to authorized staff.
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Table Legend:

- Issue addressed in the original audit.
- ✓ Issue addressed and resolved.
- ◇ On-going activities, target date for completion has been amended.

Conclusion

The Parks and Recreation Tennis Division has completed eight of 11 action plan steps that were due for completion as of September 30, 2006. The target dates for the three remaining action plan steps have been amended to future dates. Those three steps will be reviewed in the next follow up, along with three action plan steps due subsequent to September 30, 2006.

Significant actions remaining to be completed subsequent to September 30, 2006, include:

- Performance of regularly scheduled independent reconciliations of participation activities to related fee collections and deposits.
- Development of formal, written procedures and agreements to address various aspects of league play.
- Establishing written agreements with each league to address any deviations from established policies and procedures and roles and responsibilities of City staff and league representatives.
- Development of a formal written policy addressing employee participation in fee-based activities at Forestmeadows and Tom Brown and Winthrop Parks.

- Executing written contracts, with instructors using facilities to provide private instructional classes, that define roles and responsibilities as well as applicable terms, conditions, and fees.
- Consideration of a more appropriate and efficient process to determine usage fees for instructors holding classes at the facility.

We appreciate the cooperation and assistance of the Parks and Recreation Tennis Division staff provided in this audit follow up.

Appointed Official's Response

City Manager:

I'm extremely pleased with the progress that has been made to date by the Parks and Recreation Tennis Division in addressing the action plan steps in this audit. Eight of the eleven action plan steps that were due by September 2006 have been completed and the dates for the three other action plan steps have been amended with the assistance of the Auditor's Office for timely completion. We appreciate the cooperation and assistance of the Auditor's staff in generating this follow up report. Our goal is to complete the remaining action steps before the next reporting period.

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).

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