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City Auditor

HIGHLIGHTS

Highlights of City Auditor Report #1606, a report to the City Commission and City management

WHY THIS AUDIT WAS CONDUCTED

This audit was conducted to evaluate the processes and controls related to the revenues of the Trousdell Aquatics Center (Pool) and Gymnastics Center (Gym). Specifically, the purpose of this audit was 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. The scope of the audit included an evaluation of the effectiveness of the revenue collection processes in place during the period August 2013 through March 2015 at the Pool and Gym.

WHAT WE CONCLUDED

We concluded that, overall, the internal controls at the Pool and Gym reasonably ensured revenues due the City were properly assessed, collected, safeguarded, deposited, and recorded in the City's records. Areas were identified where enhancements and improvements were needed. The more significant areas include the following:

- Due to staffing limitations, incompatible duties were assigned to supervisory staff at both the Pool and Gym.
- Reconciliations of participation in certain aquatics activities to revenue collections were not performed.
- Pool staff was not following procedures for ensuring that rental fees were collected for locker rentals.
- Our review and count of the inventory of items held for sale through the Splash Shop showed inventory records had not been kept up to date and that there were 85 fewer items than indicated by inventory records (after those inventory records were brought up to date).
- At the Gym, checks were not restrictively endorsed immediately upon receipt.
- Written procedures at the Gym requiring periodic changes to the locks, combinations, or access codes were not in place.

Several additional issues were identified during the audit. As reported, those issues were addressed and corrected subsequent to our audit fieldwork when a new cashing system (REC-1) was implemented at the Pool.

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January 14, 2016

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

We concluded that, overall, the internal controls in place provide reasonable assurance revenues at the Pool and Gym were properly assessed, collected, safeguarded, deposited, and recorded in the City's records. We did identify instances where the internal controls should be strengthened at both the Pool and Gym.

WHAT WE RECOMMENDED

To facilitate improvements in the revenue collection process for the Trousdell Aquatics and Gymnastics Centers, we recommended:

- Compensating controls previously established (based on prior audits) to mitigate the risks associated with insufficient segregation of duties should be reestablished. Those controls include, preparation of documented reconciliations of recorded revenue collections to records showing customer participation in certain aquatics and gymnastics activities on a regular and periodic basis.
- Preparation of reconciliations of certain aquatics activities to revenue collections was determined to be impractical. As a compensating control, management should enhance its process of monitoring Pool activity and revenue by preparing more frequent and detailed trend analyses and submitting those completed analyses for PRNA management's review.
- To ensure lockers are not used beyond their paid rental period, locker rentals should be reviewed on a regular basis to include a reconciliation of locker usage to rental agreements.
- Splash Shop inventory records should be updated when new inventory purchases occur and on a periodic regular basis (once a week at a minimum) for sales.
- On a periodic and regular basis, a physical count of the items held for sale through the Splash Shop should be conducted and reconciled to the inventory records. Additionally, the count, reconciliation, and investigation of any differences should be performed by staff that does have access or custody of the inventory or involvement in the maintenance of related records.
- The collection process should be amended such that checks are restrictively endorsed immediately upon receipt at the Gym.
- Written procedures for the Gym should be amended to require, to the greatest extent possible, periodic changes to locks, combinations, and access codes.

Because enhancements attributed to the new cashing system (REC-1) implemented were made subsequent to our audit fieldwork, additional recommendations were not necessary.

We would like to thank PRNA staff and management for their cooperation and assistance during this audit.

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



Report #1606
January 14, 2016

Copies of this audit report #1606 may be obtained from the City Auditor's web site (<http://www.talgov.com/auditing/auditing-auditreports.aspx>), 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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Audit of Parks, Recreation and Neighborhood Affairs Trousdel Aquatics Center and Gymnastics Center Revenues



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Report #1606

January 14, 2016

Executive Summary

Overall we have concluded the controls at the Pool and Gym provide reasonable assurance revenues were appropriately assessed, collected, safeguarded, deposited, and recorded.

Based on the results of our audit, we have concluded that, overall, the internal controls at the Trousdel Aquatics Center (Pool) and Gymnastics Center (Gym) reasonably ensured revenues due the City were appropriately assessed, collected, safeguarded, deposited, and recorded in the City's records. We did identify issues, which when addressed, will enhance and improve the controls at the Pool and Gym. The Trousdel Park Complex, operates under the direction of the Parks, Recreation, and Neighborhood Affairs Department (PRNA). That complex houses both an Aquatics Center (Pool) and Gymnastics Center (Gym). The Pool offers a variety of aquatics related activities. Pool revenues for the 2013, 2014 and 2015 fiscal years totaled approximately \$217,000, \$213,000, and \$220,000, respectively. The Gym also offers a variety of gymnastic activities. The Gym revenue for the 2013, 2014, and 2015 fiscal years totaled approximately \$499,000, \$487,000, and \$514,000, respectively.

Audit Objectives and Scope

The objective of the audit was to evaluate the revenue process and controls at the Pool and Gym.

The objective of this audit was to evaluate the processes and controls related to the revenues of the Trousdel Aquatics and Gymnastics Centers. Specifically, the purpose of this audit was 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.

The scope of the audit included an evaluation of the effectiveness of the revenue collection processes in place during the period August 2013 through March 2015 at the Pool and Gym.

Trousdell Aquatics Center – Pool

Relative to the Pool’s revenue-related controls, our audit identified control strengths (assurances) and areas for improvement (issues and recommendations) as described below.

Several control assurances were identified in the audit.

Control Assurances. Controls strengths identified by our audit include, but are not limited to, (1) the operations of the Aquatics Center are customer-focused, (2) written cash collection procedures have been prepared by management and communicated to applicable staff, (3) a cash register is used to record revenue collections at the Pool, (4) the amount of collections, as shown by cash register-produced reports, is reconciled to a closing count of the collections on hand in the register, and (5) monies collected at the Pool are safeguarded through the use of safes and an armored courier service.

The Rec-1 system was implemented subsequent to the completion of our audit fieldwork.

Subsequent to the close of audit fieldwork, the Pool implemented the REC-1 system, a software point-of-sale and record-keeping application. This application (system) will be used in support of aquatics activities. The implementation of this system has resulted in changes in some of the related control processes. The impact of those changes has been considered in our audit recommendations for applicable issues.

Control Issues and Recommendations. The control issues and recommendations identified by our audit include:

Overall Process

Due to staffing limitations, incompatible duties were assigned to supervisory staff.

- Due to staffing limitations, incompatible duties were assigned to supervisory staff such that they had access to and custody of collections, along with responsibility for the reconciliation and maintenance of the related records. We recommend compensating controls previously established (based on prior

A few documents supporting revenue collections were not readable or complete.

audits) to mitigate those risks be reestablished to mitigate the associated risks.

- In our tests of the records of Pool collections, instances were noted where supporting documentation for revenue collections was not readable or complete. We recommend PRNA management remind applicable staff of the importance of properly scanning all documents into the City's electronic document management system.

Recreational Swimming and Aerobics

Formal, detailed and more frequent trend analyses should be prepared.

- In a preferred control environment, daily reconciliations or fees collected to the number of individuals entering the pool for fee related activities would be performed. However, due to various circumstances, it is not reasonable for PRNA to conduct counts of the number of individuals entering the Pool to facilitate such reconciliations. As a compensating control, management prepares annual trend analyses to ascertain the reasonableness of collections. To enhance that control, we recommend formal, detailed and more frequent (e.g., monthly) trend analyses be prepared and submitted to PRNA management for review.

Annual swim passes were not always verified for validity when used.

- Passes for daily recreational swimming and water aerobics are sold in 15-visit, 30-visit, and annual unlimited visit varieties. During our testing of swim passes we identified instances where improvements in internal controls were needed. Specifically; cashiers did not always verify the continuing validity of annual swim passes when those pass holders entered the Pool. Because of features associated with the new REC-1 system whereby electronically produced cards must be scanned and read at the time of pool entry, this issue has subsequently been resolved.

Records were not always sufficient to account for the disposition of swim passes.

- Instances were identified in which the ultimate disposition of four swim passes was unclear. The REC-1 system has changed the process for swim passes whereby all swim pass sales are now recorded and tracked through that system. As such, this issue has subsequently been resolved.

Swim pass dispositions were not reconciled to issuances by PRNA administration.

Written cashiering procedures should be updated to better address the voiding of transactions.

Records relating to lifeguard classes could be enhanced to provide a more efficient means to verify all fees had been paid.

Written procedures should be implemented to address fee waiver and documentation requirements.

Fees for locker rentals were not always billed or collected timely.

- Periodic reconciliations of swim passes issued to those sold and still on hand were not conducted as provided for by PRNA procedures. The REC-1 system has changed the issuance process for swim passes precluding the need for such a reconciliation as an inventory of swim passes is no longer necessary. As such, this issue is considered resolved.
- As part of cashier training, cashiers are provided verbal instruction on actions to be taken in the event of an error in cash register (or other cashiering system) usage. However, PRNA’s written cashiering procedures do not specifically address the steps to be taken should such an error be made. We recommend the written cashiering procedures be updated to clearly describe the process to be followed should it become necessary to void a transaction.

Instructional Programs

- Records retained for lifeguard classes could be enhanced to provide a more efficient method to verify all participants in the training classes paid the requisite fees. The REC-1 system implemented subsequent to our audit fieldwork provides a clear audit trail from lifeguard training registration to fee collection. As such, this issue is now considered resolved.
- Procedures allow fee waivers for swim lessons based on economic need. Our review of requirements relating to fee waivers showed PRNA written procedures did not specifically address fee waiver eligibility or documentation requirements. We recommend that PRNA promulgate and adopt fee written waiver eligibility and documentation requirements.

Facility Rentals

- Pool staff was not following procedures for ensuring that rental fees were collected for locker rentals. Specifically, our audit disclosed instances where customers continued to use lockers beyond the end of their rental periods. Management reported they had taken actions to bring all locker rentals and rental agreements up to date. We recommend locker usage be

A few instances occurred where we were unable to determine if fees for Pool rentals were collected.

reviewed on a regular basis to include a reconciliation of locker usage to rental agreements.

- Pool rentals provide for fees for lifeguards who are to be on duty during rental events. Our audit disclosed that for two of the 13 rentals tested, existing records did not provide an efficient method to verify the additional fees for lifeguards were collected. The new and recently implemented REC-1 system provides for a clear audit trail to allow for a determination that all appropriate fees associated with a rental of the Pool have been collected. As such, this issue is now considered resolved.

Splash Shop

Due to staffing limitations, supervisors were assigned incompatible duties relating to the Splash Shop.

- Due to staffing limitations, incompatible duties relating to the purchase, custody, record-keeping, and sales of inventory from the Splash Shop had been assigned to one supervisor. We recommend, those incompatible duties should be separated and performed by other staff to the greatest extent possible.

Inventory records related to the Splash Shop were not timely updated.

- Inventory records for items sold through the Splash Shop were not always timely updated for purchases. We recommend Splash Shop inventory records be updated when new inventory purchases occur and on a periodic regular basis (once a week at a minimum) for sales.

A physical count of the inventory in the Splash Shop showed 83 items with an approximate cost of \$170 that were not located or otherwise accounted for.

- Our count of the Splash Shop inventory showed 85 fewer items (with an acquisition cost of approximately \$170) on hand than were indicated by updated inventory records. We recommend that, on a periodic and regular basis, a physical count of the items on hand for sale through the Splash Shop be conducted and reconciled to the inventory records. The results of the reconciliation and the investigation of differences should be submitted to PRNA management for review and approval.

Trousdell Gymnastics Center

Relative to the Gym's revenue-related controls, our audit identified both control strengths (assurances) and areas for improvement (issues and recommendations) as described below.

Significant control strengths were identified at the Gym.

Control Assurances. Controls strengths identified by our audit include, but are not limited to, (1) written cash collection procedures have been prepared by management and communicated to applicable Gym staff, (2) collections are removed from collection points and stored in a secure location until bank deposits are prepared, and (3) bank deposits are prepared by supervisory staff and taken by an armored courier service for delivery and deposit in the City's bank.

Control Issues and Recommendations. The control issues and recommendations identified by our audit include:

Overall Process

Due to staffing limitations, supervisory staff were assigned incompatible duties.

- Due to staffing limitations, incompatible duties related to access and custody of revenues as well as maintenance of the related records was assigned to supervisory staff at the Gym. We recommend compensating controls previously established (based on prior audits) to mitigate those risks be resumed to mitigate the risks associated with supervisory staff performing incompatible duties.

Checks were not restrictively endorsed immediately upon receipt.

- Checks were not restrictively endorsed until the time of the bank deposit preparation process. We recommend the collection process be amended such that checks are restrictively endorsed immediately upon receipt.

Written procedures were not in place to require locks, combinations, and access codes to be periodically changed.

- Written procedures did not require periodic changes to the locks, combinations, or access codes to locations where monies are secured. We recommend the written procedures be amended to require, to the greatest extent possible, periodic changes to locks, combinations, and access codes.

Overall, we have concluded the controls over the revenue processes at the Pool and Gym provide reasonable assurance revenues are properly accounted for. Areas for improvement were identified.

Overall conclusion. – While there were a number of issues related to the internal controls over the revenue processes at the Pool and Gym identified in this audit; we concluded that, overall, the controls at those locations are adequate to provide reasonable assurance revenues were properly assessed, collected, safeguarded, deposited, and recorded in the City’s records. Recommendations were made to improve and enhance applicable areas.

We would like to thank the management staff of PRNA, the Pool, and the Gym for their cooperation, patience, and assistance during this audit.

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



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Report #1606

January 14, 2016

Scope, Objectives, and Methodology

The objective of this audit was to evaluate the internal controls related to the revenues of the Trousdel Aquatics and Gymnastics Centers.

Guidelines relating to internal controls are established in APP No. 630.

The Trousdel Aquatics and Gymnastics Centers, as parts of the Athletics Division of the Parks, Recreation and Neighborhood Affairs Department (PRNA), offer programs and activities to enhance the quality of life for Tallahassee and Leon County Citizens. Similar to most programs offered by the PRNA, the Aquatics and Gymnastics Centers assess and collect fees to partially defray the cost of operations.

The objective of this audit was to evaluate the processes and controls related to the revenues of the Trousdel Aquatics (Pool) and Gymnastics (Gym) Centers. Specifically, the purpose of this audit was to determine for each Center whether its respective internal controls reasonably ensured:

- Revenues were properly assessed, collected, safeguarded, and deposited.
- Revenues were properly recorded and accounted for in the City's records.

In conducting our audit, we applied the definition and approach to internal control described in Administrative Policy and Procedure (APP) No. 630, the City's adopted internal control guidelines. APP No. 630 defines internal control as a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) effectiveness and efficiency of operations (incorporates the safeguarding of assets against loss), (b) reliability of financial reporting, and (c) compliance with applicable laws and regulations. Further, APP No.

630 defines the components of internal control and provides specific guidance to those assigned responsibilities for internal control.

To meet the audit objectives we:

To meet the audit's objectives we interviewed staff, observed revenue processes, reviewed relevant records, and conducted tests of collections.

- Interviewed management and staff of the Aquatics and Gymnastics Centers and management and staff of the PRNA Administrative Division.
- Observed processes related to the revenue functions.
- Reviewed and analyzed internal financial reports and records.
- For selected activities, conducted tests of relevant controls.
- Conducted detailed tests of transactions.

The scope of this audit included a review of the fee collection (revenue) processes at the Trousdell Aquatics and Gymnastic Centers in place during the period August 2013 through March 2015.

We conducted this audit in accordance with the International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards.

We conducted this audit 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 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 objectives.

The results of our audit are described in detail in the succeeding two sections of this report, one section describing audit results for the Aquatics Center and one section describing the audit results for the Gymnastics Center.

***Aquatics Center
Revenues, Control
Assurances, and
Issues and
Recommendations***

We have classified Pool activities into four major categories.

Aquatics Center Revenues

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. For purposes of this audit, we have classified the Pool's significant revenue-generating activities into four categories. Those categories and the respective revenue generating activities are as follows:

Recreational Swimming and Water Aerobics

- Recreational Swimming and Aerobics Classes - Participants pay a one-day (daily) admission fee or purchase 15-visit, 30-visit, or one-year (annual) passes.

Instructional Programs

- Swim Lessons – Participants pay a registration fee for swim lesson classes which are administered by City staff at the Pool.
- Lifeguard Lessons – Participants pay a registration fee for classes that provide lifeguard training and certification. The lifeguard lessons are administered by City staff at the Pool.

Pool Facility Rentals

- Pool Facility Rentals for Parties – Participants pay fees to rent selected pool facilities for the purpose of private engagements, such as, for example, birthday parties and other celebrations.
- Locker Rentals – Pool users may pay fees to rent lockers on a daily, monthly, quarterly or annual basis.
- Camp Rentals – Organizations pay fees for pool usage by, for example, summer camps for school-age children. The fees are based on the daily rate set for recreational swimming and are typically collected prior to the event.

Splash Shop

- Splash Shop – For the convenience of the users of the Pool, the Pool operates a small retail store where items often needed by

pool visitors (e.g., goggles, sunblock, and swim diapers) are sold.

Revenues for FY 2015
totalled approximately
\$ 220,000.

A schedule of Pool fee rates charged for the various programs during fiscal year 2015 and a summary of the associated revenues at the Pool during fiscal years 2013, 2014, and 2015 is shown below in Table 1.

Table 1
Schedule of Pool Fee Rates and Summary of Pool Revenues

Activity	FY 2015 Fee Rates	Fiscal Year 2013 Revenues	Fiscal Year 2014 Revenues	Fiscal Year 2015 Revenues
Recreational Swimming and Water Aerobics				
Daily Fee (Child/Adult)	\$ 3.72	\$ 85,925	\$ 91,609	\$ 88,269
Daily Fee (Senior)	3.02	2,410	2,516	3,472
15 Visit Pass (Child/Adult)	36.50	26,360	20,993	20,000
15 Visit Pass (Senior)	28.84	2,423	2,451	2,806
30 Visit Pass (Child/Adult)	73.02	23,732	19,496	20,402
30 Visit Pass (Senior)	57.44	4,480	3,734	4,150
Annual Pass (Child/Adult)	379.30	4,931	6,069	3,033
Annual Pass (Senior)	298.14	3,578	2,385	2,407
Water Aerobics (Child/Adult)	4.50	1,125	1,913	1,224
Water Aerobics (Senior)	3.50	227	361	378
15 Visit Water Aerobics (Child/Adult)	47.25	3,119	3,969	3,402
15 Visit Water Aerobics (Senior)	36.75	2,793	2,793	2,977
30 Visit Water Aerobics (Child/Adult)	94.50	2,174	1,607	1,512
30 Visit Water Aerobics (Senior)	73.50	4,924	3,822	4,971
Special Events	3.72	777	156	2,050
Total		\$ 168,978	\$ 163,874	\$ 161,053
Instructional Programs				
Swim Lessons	\$ 48.50	\$ 8,027	\$ 11,252	\$ 15,344
Life Guard Training (Non-City Employee)	175.00	2,975	3,850	4,775
Life Guard Training (City Employee)	75.00	8,400	8,805	7,520
Life Guard Re-Certification	30.00	1,000	535	1,100
Total		\$ 20,402	\$ 24,442	\$ 28,739

Pool Facility Rentals				
Pool Rental	\$ 210.23	\$ 12,193	\$ 11,352	\$ 9,956
Pool Rental (Additional Hours)	75.35	75	75	0
Life Guard Rental (Hourly)	11.50	6,992	6,268	5,141
Lane Rentals	15.12	91	76	348
Rental For Baptism	47.21	0	0	0
Pool Rental for Meets (Per Hour)	320.00	0	0	0
Locker Rental (Daily)	1.86	100	73	100
Locker Rental (Monthly)	6.98	356	237	370
Locker Rental (Quarterly)	19.53	2,187	898	1,758
Locker Rental (Annual)	75.12	3,227	1,728	5,859
Total		\$ 25,221	\$ 20,707	\$ 23,532
Splash Shop				
Splash Shop Revenues	N/A	\$ 2,443	\$ 3,627	\$ 7,095
Total Aquatics Revenues		\$ 217,044	\$ 212,650	\$ 220,419
<i>Note: Both fee rates and revenues are shown net of state sales taxes. Revenue totals are rounded to the nearest dollar.</i>				

The majority of the revenues associated with aquatics activities are collected at the Pool. Also, for the convenience of the public, swim lessons can be paid on-line by credit card through the City Treasurer-Clerk's Revenue Office.

Revenue Collection Process Description - Pool

As indicated above, the majority of the Pool's revenues are collected at the Pool. At the Pool, written procedures require the cashiers working at the Pool's entrance to collect fees for Pool activities and record those collections in a cash register. Also, for some activity types, the cashier is to accept applications (e.g., swimming lessons and lifeguard training), and issue and record passes (e.g., 15 and 30-visit passes) in a log book. At the close of a cashier's shift, the cashier is required to print cash register reports [consisting of a financial report (showing the total number of transactions processed, the total amount of sales revenue and sales tax collected) and an activities report (showing for each activity, the number of transactions and total sales)], remove the collections

Written procedures describing the Pool's collection processes have been established.

Supervisors are responsible for all aspects of the revenue collection and recording process.

The REC-1 system has been implemented at the Pool subsequent to the completion of audit fieldwork.

from the register and count them, complete a tally sheet to record the count, and reconcile the cash register reports' totals to the total amount of the money counted. Any difference in the amount collected, as shown by the cash register reports, and the amounts actually counted (and shown on the tally sheet) are to be reported to a supervisor immediately. Following the completion of this closeout process, the cashier is to place the money, the tally sheet, and the cash register reports in a bank bag and then put the bank bag into a drop safe.

A supervisor is then responsible for (1) retrieving the bank bags from the drop safe; (2) verifying for each bag that the amount inside matches the amount shown by cashier tally sheets and cash register reports; (3) preparing a deposit slip for the monies collected; (4) completing a financial worksheet showing the number of transactions by activity and the dollar amount of sales; (5) preparing a daily cash report showing summary totals for revenues, sales tax collected, and total receipts; and (6) recording amounts shown on the daily cash report into the City's online cash reporting program (iPay). On a bi-weekly basis, deposits are taken from the Pool by an armored courier service for delivery and deposit into the City's bank account.

Following the completion of this process by the supervisor, the related cash report packet, consisting of the cashier tally sheets, cash register reports, copies of the deposit slips, the financial worksheet, and the daily cash report, is transferred to PRNA Administration, located at Myers Park. PRNA Administration is then responsible for reviewing and scanning the packets into the City's electronic document management system.

Subsequent to the close of audit fieldwork, the Pool implemented REC-1, a software point-of-sale and record-keeping application. This application (system) will be used in support of recreational swimming and water aerobics activities, including the issuance of passes (15-visit, 30-visit, and annual passes); facility rentals; and instructional classes. The implementation of this system has resulted in changes in the related controls. The impact of those

changes has been considered in our audit recommendations for applicable issues identified through this audit.

Control Assurances

We have concluded that, overall, the internal controls reasonably ensure that Pool fees were appropriately assessed, collected, safeguarded, deposited, and recorded in the City's records.

Our audit of the revenues and associated collection processes for the Pool was focused on identifying and evaluating relevant internal controls in order to determine the extent to which they reasonably ensured revenues were appropriately assessed, collected, safeguarded, deposited, and recorded in the City's records. Based on our audit, we concluded that, overall, the internal controls related to the revenue collection processes at the Pool were adequate to reasonably ensure the revenues due were appropriately assessed, collected, safeguarded, deposited, and recorded in the City's records. The specific control strengths and issues and recommendations identified by our audit are described in succeeding sections of this report.

Control strengths identified by our audit included:

- The operations of the Aquatics Center are customer-focused.
- Written cash collection procedures have been prepared by management and communicated to applicable staff.
- A cash register is used to record revenue collections at the Pool.
- Fee rates are programmed into the cash register to reduce the risk of data entry errors while recording revenue collections.
- The amount of collections, as shown by cash register-produced reports, is reconciled to a closing count of the collections on hand in the register.
- Monies collected at the Pool are transferred from the cash register, on a daily basis, to a safe.
- Bank deposits are prepared by supervisory staff and taken by an armored courier service for delivery and deposit into the City's bank account.
- Credit card payments are received and recorded through the Treasurer-Clerk's Revenue Office.
- The 15 and 30-visit recreational passes and water aerobics passes are pre-numbered and controlled by PRNA, with sales tracked through a log book.

Control Issues and Recommendations - Pool

Our audit also disclosed some opportunities to improve the controls and the level of accountability for the Pool’s facilities and collections. The issues and related recommendations are described below:

Overall Process

Due to staffing limitations incompatible duties were assigned to supervisory staff.

- Due to staffing limitations duties were assigned such that supervisory staff had access to and custody of collections, along with responsibility for the reconciliation and maintenance of the related records. Specifically, supervisory staff had access to the cash register reports and the drop safe and the moneys held therein, prepared the bank deposits, and entered the revenue/deposit information into the City’s iPay system. Further, when needed because of staffing shortages, the supervisor also sometimes collected the revenues from the customer, recorded the collections in the cash register and in other supporting records (e.g., logs of pass sales), and then reconciled the collections on hand to the related cash register reports.

The assignment of all the duties described above to one individual creates conditions under which there is an increased risk that intentional and unintentional errors could be made and concealed from timely detection. For example, under the conditions described above, the diversion of money from the safe could be concealed through the adjustment or alteration of the cash register reports.

To reduce those risks, duties involving physical access to the collections and duties involving the recording of the collections should not be performed by the same person. In situations where the limited number of staff preclude segregating incompatible duties, such as is the case at the Pool, compensating controls should be put in place. In response to similar findings noted in previous audits conducted several years ago, management implemented such a compensating control that

We recommend the process of periodic documented reconciliations be reestablished.

involved periodic and documented preparation of reconciliations of recorded collections to records showing customer participation in aquatics activities by staff independent of the revenue collection process. However, our current audit showed that process (compensating control) had not been completed in recent years. Accordingly, we recommend that process be reestablished. PRNA management should also consider requiring that collections, when taken from the safe, be counted simultaneously by two staff and that both initial the deposit slips.

We noted an issue with the completeness or readability of scanned documents supporting collections.

- In our tests of the records of Pool collections, we found five instances in which the imaged supporting documentation for a cash register report was not readable or complete. In these instances, neither we nor PRNA management or staff were able to verify the sales activity for those days. To help ensure documentation supporting sales is properly retained, we recommend PRNA management remind applicable staff of the importance of properly and completely scanning all documents into the City's electronic document management system. Additionally, we also recommend a quality control process be developed whereby the results of the scanning process are periodically reviewed for accuracy and completeness.

Recreational Swimming and Water Aerobics

- In a preferred control environment, daily reconciliations would be performed of fees collected to a daily count of the number of individuals entering the Pool facility for fee related aquatics activities. As similarly noted in prior audits, we found that such a control is not practicable. Specifically, the Pool does not employ a mechanism to record a count of the individuals entering the Pool facility. Also, such a count, if performed, would not be useful as individuals entering the facility include both participants in fee related activities and observers that do not pay fees (e.g., parents watching swim lessons). Furthermore, the various methods that participants pay fees

(e.g., daily or prepaid passes) would make daily reconciliations difficult and inefficient.

We recommend more detailed and frequent trend analyses of pool usage and revenues be prepared.

In response to those circumstances as described in prior audits, management implemented an alternative control whereby annual trend analyses were performed on revenue collections for the purpose of monitoring and identifying any unusual variations in pool revenues and usage. Management indicated that while those annual trend analyses are done, more detailed and frequent analyses are not done. We recommend the conduct of formal, detailed, and more frequent (e.g., monthly) trend analyses; those completed analyses should be submitted for PRNA management's review.

- Passes for daily recreational swimming and water aerobics are sold in 15-visit, 30-visit, and annual unlimited visit varieties. Each pool's supply of 15 and 30-visit sequentially numbered passes is controlled through PRNA Administration while the annual passes are created at the Pool. To create each annual pass, Pool staff, upon customer payment of an annual pass fee, prepares and issues to the customer a laminated annual pass card containing the photo and name of the customer as well as the expiration date of the pass.

We identified instances where improvements were needed in the controls related to swim pass sales.

Upon the sale of all passes, the amount due is to be collected and the sale is to be entered into the cash register. Also, at the time of sale, the date of sale, the customer's name, and the date of expiration (applicable for annual passes) are to be recorded in a log book. Should a pass be voided or otherwise cancelled, an applicable notation is to be recorded in the log book. Voided annual passes were to be marked as void and destroyed, while the 15 and 30-visit passes associated with voided transactions were to be returned to the Pool's inventory of passes and were to be made available for resale. During our testing of the sales and control processes related to swim passes (15 and 30-visit passes as well as annual passes) we identified instances where improvements in internal controls were needed as follows:

Annual swim passes were not always inspected for validity when used.

- In reviewing the process followed when annual pass holders enter the Pool, we noted that the cashier on duty at the entrance to the Pool did not always verify the continuing validity of the pass by either inspecting the expiration date shown on the pass or, alternatively, the date shown in the log book. In response to our inquiry, management reported cashiers were not expected to verify annual swim pass validity for each visit. Rather, management's expectation was that the cashiers would verify annual pass validity in instances where they could not recall based on memory if the passes were still valid. In those instances, management expected the cashier to inspect the passes and/or check the log book to ensure the annual passes were valid.

While we acknowledge that process, those circumstances increase the risk where annual passes could have been used beyond their expiration dates without detection by Pool staff (i.e., additional risks attributable to reliance on cashier memory and not records verification).

Subsequent to our audit fieldwork, management implemented the new REC-1 system, which has changed the pass issuance process such that all passes (15 and 30-visit as well as annual passes) are now generated and tracked through the REC-1 system. Under the new process, the passes are now scanned (to verify validity) prior to allowing the customer access to the Pool. This new system and process should resolve the issue identified above. We will verify those procedures work as intended as part of our audit follow-up process.

- During our tests of 65 pool pass sales we noted for the majority of the transactions tested, pass sales were recorded and properly reflected in the pool pass log book and cash register reports. We did, however, identify four instances in which the ultimate disposition of the passes was unclear. More specifically, in one of the instances, the log book indicated that a pass sale had been cancelled; however, the pass could not be accounted for as either on hand or

Sales or other dispositions of swim passes were not always properly recorded.

subsequently sold (i.e., the final physical disposition of the pass could not be determined). The three remaining instances related to logbook entries indicating that passes had been sold, but which could not be traced to cash register entries evidencing the collection of the applicable fees. When brought to the attention of management, it was reported the issues were most likely errors in recording the pass sales in the log book. Based on the documentation and information available during the audit, we were unable to ascertain whether the inability to account for those three passes was attributable to a log book or cash register error. To more timely identify and resolve these type errors we recommend management remind staff of the importance of accuracy in recording and accounting for pass sales. [Note: Because the new REC-1 system changed the process whereby all swim pass sales are now recorded and tracked through that system, there is no longer a need for a separate log book. Additionally, as the new REC-1 system also serves the cashiering function (i.e., no longer a need for a cash register), reconciliations of activity as recorded in a separate log book to cashiering reports is no longer applicable. Reconciliations of daily collections to activity recorded in the new REC-1 system will still be appropriate. We will review the adequacy of the new procedures using the REC-1 system as part of our follow-up process.]

- As indicated above, the PRNA Administrative Office maintained the inventory of unissued 15 and 30-visit swim passes for all City pools. When necessary, based on the number of unissued passes on hand at the individual City pools, PRNA provided “blocks” (a group of sequentially numbered passes) of unissued passes to individual City pools. In our review of the process for the sales of passes through the Pool, we noted that periodic reconciliations of the passes available for sale during the period (passes on-hand at the beginning of period plus new supplies provided by the PRNA Administrative Office during the period) to

Swim passes issued to the Pool were not reconciled to issuances by the PRNA Administrative Office.

passes sold (as shown by the applicable pass log book and cash register reports) and on-hand at the end of the period were not conducted. [Note: PRNA has procedures requiring those reconciliations; however, management acknowledged they had not been done during the audit period.] The lack of such a reconciliation increases the risk of errors and unaccounted for fees. While this risk existed for the period audited, the REC-1 system has changed the issuance process for swim passes whereby they are now recorded and tracked through that system, thereby precluding the need for such a reconciliation (i.e., as there is no longer an inventory of passes). Accordingly this issue has been resolved.

The process to be followed when transactions must be voided from the cash register should be included in the written cashiering procedures.

- During our testing of daily recreational swimming activity sales we noted one instance where a transaction entered in the cash register in error had not been voided. Further review disclosed that PRNA's written cashiering procedures do not specifically address the steps to be taken should an error be made in entering a transaction in the cash register. Although the cashier tally sheet (used by cashiers to summarize sales activities during their shift) does contain a line labelled "VOIDS," the written cashiering procedures do not clearly describe who has the authority to void cash register entries, the associated documented explanations required, or supervisor responsibility for reviewing and approving the voided transaction. In response to this issue, PRNA management indicated the proper process for voiding of transactions was verbally communicated during employee training, but acknowledged it was not, but should be, also addressed in the written cashiering procedures. Accordingly, we recommend the written cashiering procedures be updated to clearly describe the process to be followed should it become necessary to void a transaction.

Instructional Programs

Records retained for lifeguard classes could be enhanced to provide a more efficient method for verification that all applicable fees were collected.

- During our testing of the lifeguard classes and associated revenue collections, we determined the records retained for those classes could be enhanced to provide a more efficient method to allow management or us to verify all participants in the training classes had paid the requisite fees. Specifically, we noted the registration forms did not indicate the date the registration form was received or the date the applicable fee was paid. Without such dates, a detailed review of several months of daily sales activity is necessary to make a determination as to whether all revenues due the City for lifeguard training classes were received. We recommend changes be made to the registration forms whereby the date of fee collection is recorded. The addition of this information should allow for more efficient verification that all fees due the City were appropriately collected. We noted that the new REC-1 system provides a clear audit trail from lifeguard training registration to fee collection. Accordingly, this issue has now been resolved.
- Procedures allow fee waivers for certain aquatics activities (i.e., swim lessons) based on economic need. To prove fee waiver eligibility, participants are required to show, during the registration process, proof of enrollment in applicable government assistance programs (e.g., State of Florida Medicaid Program). Pool staff are to document verification of the fee waivers eligibility on the participant’s registration form by indicating they observed/reviewed the eligibility documentation provided by the participant. Our review of procedural requirements relating to waiver determinations and documentation showed PRNA procedures did not specifically address fee waiver eligibility or documentation requirements (PRNA management asserts such procedures exist but could not be located). The absence of such procedures increases the risk that waiver eligibility determinations and documentation is not handled appropriately and consistently. Therefore, we

Written procedures relating to documentation requirements for waivers of fees for swim lessons were not in place.

recommend that PRNA promulgate formal written fee waiver eligibility and documentation requirements.

Facility Rentals

Fees for locker rentals were not always billed or collected timely.

- At the Pool a total of 196 lockers, with Pool-issued locks, are available for rent on a daily (\$2 per day), monthly (\$7.50 per month), quarterly (\$21 per quarter), or annual (\$80.75 annually) basis. Rental agreements are to be executed for the monthly, quarterly, and annual rental terms. Our audit tests showed that the Pool was not following its process for ensuring that rental fees were collected for all locker usage. Specifically, our audit included a test to determine the extent to which rental fees had been paid for the lockers that were in use by customers. Our test of ten judgmentally selected lockers disclosed that for five of the lockers, customers were continuing to use the lockers beyond the end of their rental agreement periods. Specifically, we noted the five rental agreements had expired from four to 17 months prior to the date of our observations, resulting in uncollected revenues of approximately \$430.

Management reported that they were aware of the existence of issues with the timely tracking of locker rentals and the collection of associated fees and had taken actions to bring all locker rentals and rental agreements up to date. Management also reported they were in the process of researching alternative methods of managing locker rentals to help ensure lapses in locker rental agreements do not occur in the future. We recommend locker usage be reviewed on a regular basis to ensure that fees due for locker rentals are timely received. That review should include a reconciliation of locker usage to rental agreements.

Payment details for lifeguard fees associated with facility rentals were not always recorded.

- Rental of the Pool for private activities, such as birthday parties, provides for usage of the facility on an hourly basis, with a minimum of two hours and a maximum of three hours. The Pool rental fee includes a charge for lifeguards who are to be on duty during the event. During our test of Pool rentals, we noted the fee for the rental was due at the time the event was

scheduled, and if elected by the customer, the payment of the fee for the lifeguards could be deferred until ten days prior to the event. Payment details (i.e., the amount due and the amount paid) are to be recorded on the contract form used to memorialize the rental agreement. Our audit disclosed that for two of the 13 rentals tested, the payment of the fees for lifeguards was deferred without an indication on the respective contracts as to whether the fee for lifeguards was collected. Without such information, verification that those fees were collected could not efficiently be completed. When brought to the attention of Pool management, they acknowledged that without additional information (i.e., date of collection for the additional lifeguard fee), it was difficult to determine if the additional fee was collected. The REC-1 system provides for a clear audit trail to allow for a determination that all appropriate fees associated with a rental of the Pool have been collected. Accordingly, this issue has subsequently been resolved.

Splash Shop

Due to staffing limitations, incompatible duties related to the Splash Shop are assigned to supervisors.

- Due to staffing limitations, incompatible duties relating to the purchase, custody, record-keeping, and sales of inventory from the Splash Shop had been assigned to a supervisor. Specifically, one of the supervisory staff is responsible for physical custodianship of the inventory, the purchasing of inventory, maintaining the inventory records, and, occasionally, for the sale of Splash Shop items. An individual performing those incompatible duties is in a position to make errors or divert inventory items without timely detection. As such, we recommend those incompatible duties be separated and performed by other staff to the greatest extent possible.

Inventory records related to the Splash Shop were not timely updated.

- Inventory records for items sold through the Splash Shop were not always timely updated for purchases. For example, during our tests of the inventory purchase and sales activity of the Splash Shop, we noted the inventory records had not been updated for approximately five months. Pool management indicated the inventory records had not been updated due to an

A physical count of Splash Shop inventory items showed 85 fewer items than in the related inventory records.

- oversight and are normally updated on a much more frequent basis. Upon notice of the need to update the records, the records were updated. We recommend Splash Shop inventory records be updated when new inventory purchases occur and on a periodic regular basis (once a week at a minimum) for sales.
- Following staff update of the inventory records, we conducted a physical count of the inventory items and compared that count to the quantities shown by the inventory records. Our count of the inventory identified 85 fewer items on hand than were shown by the inventory records. The retail value of those 85 items was approximately \$400 (management indicated the acquisition cost of those items was approximately \$170). We were advised that physical counts of the inventory were primarily used by the Pool to determine when purchases of inventory items were needed and that a reconciliation of a physical count of the inventory to the inventory records had not been conducted in the past year. We recommend that on a periodic and regular basis a physical count of the items held for sale through the Splash Shop be conducted and reconciled to the inventory records. The count, reconciliation, and investigation of any differences should be performed by staff who does not have conflicting duties, such as those having access or custody of the inventory or involving maintenance of related records. The results of the reconciliation and the investigation of differences, together with any recommended inventory adjustments, should be submitted for the review and approval of PRNA Administration.

Gymnastics Center Revenues, Control Assurances, and Issues and Recommendations

Gymnastics Center Revenues

The Trousdell Gymnastics Center (Gym) offers gymnastics programs, classes, and training to the citizens of the City and Leon County. Participants in these activities pay fees, which for purposes of the audit have been categorized as follows:

The Gym offers gymnastics programs, classes, and training activities to the citizens of the City; those activities were organized into four categories.

Recreational Classes

- Individuals pay registration fees so that they may participate in recreational gymnastics classes. For recreational classes, the rate assessed is based on:
 - The age of the participant.
 - The number of classes (hours) scheduled per week.
 - The length of the class session (i.e., 8, 12, or 14 weeks).

Competitive Program

- Participants pay registration fees on a monthly basis to take part in competitive gymnastics programs. For competitive programs, the rate charged is based on:
 - Hours of participation per week.
 - Skill level of participant.
 - Income level of participant.

Private Lessons

- Participants pay registration fees for private instruction. For private lessons, the rate is based on the number of participants in the private lesson.

Facility Rentals

- Participants pay fees to rent the Gym for events such as birthday parties. Parties are charged at a set rate for up to 12 participants with additional charges for each additional participant above the initial 12 participant limit.

Collections for FY 2015 totaled \$513,912.

Included in Table 2 is a summary of the revenues collected by the Gym for the revenue categories.

Table 2
Summary of Gym Revenues

Activity	Fiscal Year 2013 Revenues	Fiscal Year 2014 Revenues	Fiscal Year 2015 Revenues
Recreational Classes	\$320,819	\$308,044	\$323,676
Competitive Programs	136,403	131,242	145,060
Private Lessons and Facility Rentals	40,101	46,570	43,905
Total Gymnastics Revenues	\$ 497,323	\$ 485,856	\$ 512,641

Revenue Collection Process Description - Gym

The majority of revenues collected at the Gym are collected in the form of checks.

The majority of the revenues collected at the Gym are collected in the form of checks. In instances where customers pay applicable fees by cash, a handwritten pre-numbered receipt is to be issued at the time of collection; otherwise pre-numbered receipts are not issued.

A cash register is not utilized at the Gym.

No cash register is utilized at the Gym, so alternate means of recording the receipt of revenues are used. Specifically, for fees associated with recreational classes, private lessons, or facility rentals, the registration form for the activity is used as the record of collection. For the competitive program, an Excel spreadsheet is used to document participation and collection of applicable fees.

Revenues collected at the Gym are retained in secure locations.

When fees for recreational classes, private lessons, or facility rentals are received they are accepted by staff located at the front desk (located near the entrance to the Gym) and placed in a secure cash drawer. Fees for competitive programs are deposited by the customers directly into a secure drop box near the front desk of the Gym. On a daily basis, the revenues are retrieved from both the cash drawer and the drop box by supervisory staff. After retrieval, a supervisory staff counts the amounts on hand, prepares the bank deposit, and places the funds in a safe where they remain until taken to the Pool for pick up by an armored courier for delivery to the bank. At the same time the deposit is prepared, a cash report is prepared which groups collections by activity (i.e., revenue accounting code). The amounts shown by the cash report are then

entered in the City’s iPay system by the supervisor, and then the completed cash reports are transferred to the PRNA Administrative Division for review and record retention purposes.

Control Assurances - Gym

We concluded that, generally, internal controls are adequate to help ensure revenues due the City for activities at the Gym were appropriately assessed, collected, safeguarded, deposited and recorded.

As is the case with respect to Pool revenues, our audit of collection processes for the Gym was focused on identifying and evaluating relevant internal controls in order to determine the extent to which they reasonably ensured revenues were properly assessed, collected, safeguarded, deposited, and recorded in the City’s records. Based on our audit, we have concluded that, overall, the relevant internal controls at the Gym were adequate to ensure revenues were properly assessed, collected, safeguarded, deposited, and recorded in the City’s records. Control assurances (strengths) and control issues and recommendations are described below.

Control strengths disclosed by our audit included:

- Operations of the Gym are customer-focused.
- Written cash collection procedures have been prepared by management and communicated to applicable Gym staff.
- Collections are removed from collection points and stored in a secure location until bank deposits are prepared.
- Bank deposits are prepared by supervisory staff and taken by an armored courier service for delivery and deposit into the City’s bank account.

Control Issues and Recommendations - Gym

Opportunities for improvements in the controls related to the revenue process were identified.

Our audit also disclosed some opportunities to improve the controls and resulting accountability for the Gym’s facilities and collections. The identified issues and related recommendations have been categorized into two broad areas: (1) Overall Process Issues and (2) Competitive Programs.

Overall Process Issues

Due to staffing limitations incompatible duties in the revenue process were assigned to supervisory staff.

- As similarly noted with respect to Pool revenue procedures, due to staffing limitations, duties at the Gym were assigned such that supervising staff had access to and custody of collections, along with responsibility for the maintenance of related records. Specifically, we noted supervisory staff at the Gym sometimes collected gymnastics fees, counted the day's collections, recorded those collections into the City's records, and then prepared the associated bank deposits. An individual performing these incompatible duties is in a position to make errors or divert monies and conceal those errors or diversions from timely detection. It is our understanding that staffing limitations reduce management's options in assigning duties. In response to these circumstances management implemented a compensating control whereby periodic and documented reconciliations of recorded collections to records showing customer participation in Gym activities are prepared by staff independent of the collection process. However, such reconciliations were not prepared during the period covered by this audit. We recommend such reconciliations be resumed. Also, PRNA management should consider requiring that the amounts collected be counted simultaneously at the end of each day by two staff and that both staff initial the deposit slip.
- Checks were not restrictively endorsed until the time of the bank deposit preparation process. To help prevent the unauthorized diversion of revenues received in the form of checks, we recommend the collection process be amended such that checks are restrictively endorsed immediately upon receipt.
- As indicated above, moneys were stored in a secured cash drawer, drop box, or safe until deposit. Our audit disclosed that written procedures were not in place which required periodic changes to the locks, combinations, or access codes. Such changes help restrict access to authorized employees only, and Gym management agreed that access controls should be changed periodically. We recommend written procedures be amended to

Checks were not restrictively endorsed immediately upon receipt.

Written procedures were not in place to periodically change locks, combinations or access codes to locations where monies are located.

require, to the greatest extent possible, periodic changes to locks, combinations, and access codes.

Conclusion

We concluded that, overall, the internal controls in place provide reasonable assurance revenues at the Pool and Gym were properly assessed, collected, safeguarded, deposited, and recorded in the City's records.

Our review of the revenue function at the Pool identified areas where improvements to the internal controls related to the revenue process should be made.

Frequent and detailed trend analyses were not prepared.

The objective of this audit was to evaluate the processes and internal controls related to the collection of revenues at the Trousdell Aquatics and Gymnastics Centers to determine if those processes and controls were adequate to ensure the revenues were properly assessed, collected, safeguarded, deposited, and recorded in the City's records.

Based on the results of our evaluation and testing, we have concluded that, overall, the internal controls in place provide reasonable assurance revenues at the Pool and Gym 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.

Trousdell Aquatics Center

Overall, we concluded the controls and processes related to the collection of revenue at the Pool are adequate to help ensure revenues due the City for aquatics activities at the Pool were appropriately collected, safeguarded, deposited, and recorded in the City's records. Our review and testing of the revenue function at the Pool showed several areas where improvements in the internal controls relating to the revenue process should be improved. Specifically, we noted and made recommendations relating to the following issues:

- Due to staffing limitations, incompatible duties relating to the collection, recording, reconciliation, and deposit of revenues were assigned to supervisors.
- Instances were identified where records supporting revenue collections were not readable or complete.
- Frequent and detailed (e.g., monthly) trend analyses of aquatics activities were not prepared.

Records for pool passes were not always sufficient to account for the disposition of all passes.

Swim pass dispositions were not reconciled to issuances by PRNA Administration.

A process to ensure timely collection of locker rentals was not followed.

A physical count of the inventory in the Splash Shop showed 85 fewer items than indicated by inventory records.

- The validity of annual swim passes was not always checked prior to allowing access to the Pool.
- Records relating to the sales of pool passes were not always sufficient to demonstrate the disposition of swim passes.
- The procedure for reconciling the supply (inventory) of swim passes at the Pool to those issued by PRNA had not been followed.
- Written cashing procedures do not address the handling of errors in the entry of sales into the cash register.
- Records generated for life guard training could be enhanced to provide a more efficient method to demonstrate participants paid the applicable fees.
- Written procedures relating to granting fee waivers for swim lessons did not include instructions as to the documentation requirements when providing those fee waivers.
- A process to ensure fees for the rentals of lockers are properly and correctly collected was not followed.
- Records related to Pool rentals were not sufficient to efficiently verify lifeguard fees were properly collected.
- Due to staffing limitations, incompatible duties relating to the purchase, custody, record keeping, and sales of inventory from the Splash Shop were assigned to supervisors.
- Inventory records for items sold through the Swim Shop were not always timely updated for purchases or sales.
- A physical count of inventory items in the Splash Shop inventory showed 85 fewer items than reflected in the inventory records.

Trousdell Gymnastics Center

We concluded the internal controls relating to the revenue process at the Gym are adequate to help ensure revenues due the City were appropriately assessed, collected, safeguarded, deposited, and recorded in the City's records.

Checks were not restrictively endorsed immediately upon receipt.

Overall, we concluded the internal controls relating to the revenue process at the Gym are adequate to help ensure revenues due the City for gymnastic activities were appropriately assessed, collected, safeguarded, deposited and recorded in the City's records. Our review and testing of the revenue function at the Gym showed areas where improvements in the internal controls relating to the revenue process should be improved. Specifically, we noted and made recommendations relating to the following issues:

- Due to staffing limitations, supervisors were responsible for incompatible duties related to the collection, recording, reconciliation, and depositing of revenues at the Gym.
- Checks received were not restrictively endorsed immediately upon receipt.
- Written procedures did not address periodic changing of locks, combinations, and access codes.

We would like to acknowledge and thank the PRNA administrative staff, the supervisory staff of the Pool, and the supervisory staff of the Gym for the cooperation, patience, and assistance during this audit.

***Appointed
Official's
Response***

City Manager:

We appreciate the thorough job the City Auditor's staff did in examining the Trousdell Aquatics and Gymnastics revenue process and operations, 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 additional controls implemented as a result of this audit will continue to improve operations and performance within these areas.

Appendix A Management Action Plan

Action Steps		Responsible Employee	Target Date
Trousdell Aquatics Center			
A. Objective:	Reduce the risks associated with the performance of incompatible duties by supervisory staff.		
	1) On a regular and periodic basis documented reconciliations of recorded revenue collections to records showing customer participation in aquatics 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.	Cindy Mead	7/1/16
	2) The assignment of duties related to the purchasing, custody, recordkeeping, and sales of inventory at the Splash Shop will be reviewed and separated between staff.	Leslie Adams	4/1/16
B. Objective:	Improve the completeness and accuracy of the record retention process.		
	1) Applicable staff will be reminded of the importance of properly and completely scanning documents into the City's electronic document management system.	Cindy Mead	2/1/16
	2) On a periodic basis, a sample of records scanned into the electronic document management system will be reviewed for accuracy and completeness.	Cindy Mead	7/1/16
C. Objective:	Improve management's oversight of revenue collections.		
	1) Periodic formal documented trend analyses of activities at the Pool and of related revenue collections will be prepared.	Leslie Adams	4/30/16

<p>2) Unusual variations in activities at the Pool or revenue collections identified in the trend analyses will be researched, analyzed, and explained.</p>	<p>Leslie Adams</p>	<p>4/30/16</p>
<p>3) The trend analyses and explanation of unusual variations in Pool activity or revenue will be submitted to PRNA management for review and approval.</p>	<p>Leslie Adams</p>	<p>4/30/16</p>
<p>D. Objective:</p>	<p>Update procedures to improve and/or clarify revenue collection related procedures.</p>	
<p>1) Cashiering procedures will be updated to delineate the process cashiers should follow when errors occur while processing sales in the REC-1 system.</p>	<p>Leslie Adams</p>	<p>2/16/16</p>
<p>2) Procedures providing for swim lesson fee waivers will be updated to include eligibility and documentation requirements.</p>	<p>Cindy Mead</p>	<p>2/1/16</p>
<p>E. Objective:</p>	<p>Develop a process whereby locker rentals are appropriately reviewed and managed.</p>	
<p>1) Locker usage will periodically be reviewed and reconciled to locker rental agreements.</p>	<p>Cindy Mead</p>	<p>7/1/16</p>
<p>F. Objective:</p>	<p>Improve the recordkeeping and controls related to inventory in the Splash Shop.</p>	
<p>1) Splash Shop inventory records will be updated for purchase of new inventory when those purchases occur. Additionally, those inventory records will be updated for sales on a periodic regular basis (weekly at a minimum).</p>	<p>Leslie Adams</p>	<p>7/1/16</p>
<p>2) Physical counts of the inventory held for sale through the Splash Shop will be conducted on a periodic regular basis and reconciled to the inventory records by staff who does not have conflicting duties, such as access or custody of the inventory or responsibility for maintenance of related records. Any differences between the physical counts and related inventory records will be researched and explained.</p>	<p>Cindy Mead</p>	<p>7/1/16</p>

<p>3) The results of the reconciliation of Splash Shop inventory and the investigation of differences, with any adjustments, will be submitted to PRNA management for review and approval.</p>	<p>Cindy Mead</p>	<p>7/1/16</p>
<p>Trousdell Gymnastics Center</p>		
<p>A. Objective:</p>	<p>Improve the safeguarding of collections at the Gym.</p>	
<p>1) Checks received at the Gym will be restrictively endorsed upon receipt.</p>	<p>Cindy Mead</p>	<p>Complete * 9/30/2015</p>
<p>B. Objective:</p>	<p>Reduce the risk of unauthorized access to locations where monies may be stored.</p>	
<p>1) Procedures will be amended to require locks, combinations, and access codes to locations where monies are stored be changed on a periodic basis.</p>	<p>Cindy Mead</p>	<p>2/1/16</p>
<p>C. Objective:</p>	<p>Reduce the risks associated with the performance of incompatible duties by supervisory staff.</p>	
<p>1) 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.</p>	<p>Cindy Mead</p>	<p>2/1/16</p>

* As per department, action plan step has been completed as of indicated date. Completion will be verified during the audit follow-up process.