

# **Audit**

## **Follow-Up**

*As of March 31, 2017*



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City Auditor

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

(Report #1606, Issued January 14, 2016)

**Report #1708**

**May 10, 2017**

### **Summary**

*This is the third follow-up on the Audit of Parks, Recreation and Neighborhood Affairs (PRNA) Trousdel Aquatics Center and Gymnastics Center Revenues (report #1606, issued January 14, 2016). Sixteen action plan steps were established to address issues identified in that audit. One of those 16 action plan steps was due and completed this follow-up period. Twelve of those 16 steps were reported as resolved in previous follow-up engagements with eight successfully completed, three resolved through alternative actions with management accepting the remaining risks, and one turned over to management to ensure future appropriate actions are taken to address the identified risk. Management previously revised the completion dates for the three remaining action plan steps which are currently in progress. PRNA's finalization of those three steps will be addressed in our subsequent follow-up audit engagement.*

In audit report #1606, Audit of Parks, Recreation and Neighborhood Affairs Trousdel Aquatics and Gymnastics Center Revenues, issued January 14, 2016, we concluded that, overall, the internal controls in place at the Trousdel 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. One of those 16 steps was due and completed as part of this follow-up audit. As part of previous follow-up engagements (audit reports #1615 and #1704), eight steps were completed, three steps were resolved through alternative actions, and one step was turned over to management to ensure future appropriate actions are taken to address the risk. Additionally, as part of those previous follow-up engagements, management revised the completion date of the three remaining steps. Those three action plan steps are currently in progress and will be addressed in our subsequent follow-up audit.

The action plan step completed during the period covered by this follow-up engagement consisted of the following:

- Records scanned into the City's electronic document management system were reviewed, on a periodic basis, for completeness and accuracy.

The three action plan steps that are in progress and will be addressed in a subsequent follow-up audit included the following:

- Preparing, on a periodic basis, formal trend analyses of aquatic activities and related revenue collections.
- Researching, analyzing, and explaining unusual variations in activities or revenues identified through the aquatic trend analyses.
- Submitting the aquatic trend analyses and related explanations of unusual variations to PRNA management for review and approval.

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 #1708**

This is our third 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 the action plan steps due for completion as of March 31, 2017. To determine the status, we interviewed staff and reviewed relevant documentation.

**Background**

The 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 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 gymnastics 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
<b>Totals</b>	<b>\$ 650,113</b>	<b>\$ 1,495,820</b>

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.

Table 2 that follows shows the status of the 16 action plan steps developed to address issues in audit report #1606. As indicated in that table, one of the 16 steps was due and completed this follow-up period. In periods covered by previous follow-up audits (reports #1615 and #1704), eight steps were completed, three were resolved with management accepting the remaining risks, and one was turned over to management to ensure future appropriate actions are taken to address the identified risk. Actions to satisfy the three remaining steps are in progress. We will follow up on efforts to complete those steps in a subsequent follow-up audit.

**Table 2**  
**Current Status of Action Plan Steps from Audit Report #1606**  
**Due as of March 31, 2017**

Action Plan Steps Due	Current Status as of March 31, 2017
<b>Trousdell Aquatics Center</b>	
<i>Reduce the risks associated with the performance of incompatible duties by supervisory staff.</i>	
<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li><u>Resolved</u>: Risk accepted in a prior period. (Audit Report #1704)</li> </ul>
<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li><u>Resolved</u>: Risk accepted in a prior period. (Audit Report #1704)</li> </ul>

<b><i>Improve the completeness and accuracy of the record retention process.</i></b>	
<ul style="list-style-type: none"> <li>• Applicable staff will be reminded of the importance of properly and completely scanning documents into the City’s electronic document management system.</li> </ul>	<ul style="list-style-type: none"> <li>✓ <u>Completed</u> in a prior period. (Audit Report #1615)</li> </ul>
<ul style="list-style-type: none"> <li>• On a periodic basis, a sample of records scanned into the electronic document management system will be reviewed for accuracy and completeness.</li> </ul>	<ul style="list-style-type: none"> <li>✓ <u>Completed</u>: PRNA management has begun a process of periodically (i.e., monthly) reviewing a sample of cash reports scanned into the electronic document management system (OnBase) for completeness and accuracy. Accordingly, this action plan step has been completed.</li> </ul>
<b><i>Improve management’s oversight of revenue collections.</i></b>	
<ul style="list-style-type: none"> <li>• Periodic formal documented trend analyses of activities at the Pool (Trousdell Aquatics center) and of related revenue collections will be prepared.</li> </ul>	<ul style="list-style-type: none"> <li>➤ <u>In Progress</u>: In 2015, PRNA implemented the REC-1 point-of-sale and record keeping application to enhance collection and recordkeeping processes. PRNA management indicated that once sufficient historical data has been recorded in that system (e.g., two full years), assigned staff will commence conducting the recommended trend analyses. Our review showed PRNA is currently capturing appropriate data through the REC-1 application. We will address PRNA’s use of that data to conduct meaningful trend analyses in our subsequent follow-up audit.</li> </ul>
<ul style="list-style-type: none"> <li>• Unusual variations in activities at the Pool or revenue collections identified in the trend analyses will be researched, analyzed, and explained.</li> </ul>	<ul style="list-style-type: none"> <li>➤ <u>In Progress</u>: The completion of this action plan step is dependent on the completion of the trend analyses provided by the previous action plan step. As noted above, appropriate data is being captured but the trend analyses have not yet been prepared. Accordingly, this action plan step is considered in progress. We will address PRNA’s finalization (completion) of this action plan step in our subsequent follow-up audit.</li> </ul>

<ul style="list-style-type: none"> <li>The trend analyses and explanation of unusual variations in Pool activity or revenue will be submitted to PRNA management for review and approval.</li> </ul>	<ul style="list-style-type: none"> <li>➤ <u>In Progress</u>: Similar to that reported in the previous action plan step, completion of this action plan step is dependent on PRNA's completion of the trend analyses described above. Accordingly, we will address the status of providing PRNA management with results of trend analyses and related explanation of any unusual variations identified through those trend analyses in our subsequent follow-up audit.</li> </ul>
<p><b><i>Update procedures to improve and/or clarify revenue collection related procedures.</i></b></p>	
<ul style="list-style-type: none"> <li>Cashiering procedures will be updated to delineate the process cashiers should follow when errors occur while processing sales in the REC-1 system.</li> </ul>	<ul style="list-style-type: none"> <li>✓ <u>Completed</u> in a prior period. (Audit Report #1615)</li> </ul>
<ul style="list-style-type: none"> <li>Procedures providing for swim lesson fee waivers will be updated to include eligibility and documentation requirements.</li> </ul>	<ul style="list-style-type: none"> <li>✓ <u>Completed</u> in a prior period. (Audit Report #1615)</li> </ul>
<p><b><i>Develop a process whereby locker rentals are appropriately reviewed and managed.</i></b></p>	
<ul style="list-style-type: none"> <li>Locker usage will periodically be reviewed and reconciled to locker rental agreements.</li> </ul>	<ul style="list-style-type: none"> <li>✓ <u>Completed</u> in a prior period. (Audit Report #1704)</li> </ul>
<p><b><i>Improve the recordkeeping and controls related to inventory in the Splash Shop.</i></b></p>	
<ul style="list-style-type: none"> <li>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).</li> </ul>	<ul style="list-style-type: none"> <li>✓ <u>Completed</u> in a prior period. (Audit Report #1704)</li> </ul>
<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>○ <u>Resolved</u>: Risk accepted in a prior period. (Audit Report #1704)</li> </ul>

<ul style="list-style-type: none"> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>✓ <u>Completed</u> in a prior period. (Audit Report #1704)</li> </ul>
<p><b>Trousdell Gymnastics Center</b></p>	
<p><i>Improve safeguarding of collections at the Gym.</i></p>	
<ul style="list-style-type: none"> <li>• Checks received at the Gym will be restrictively endorsed upon receipt.</li> </ul>	<ul style="list-style-type: none"> <li>✓ <u>Completed</u> in a prior period. (Audit Report #1615)</li> </ul>
<p><i>Reduce the risk of unauthorized access to locations where monies may be stored.</i></p>	
<ul style="list-style-type: none"> <li>• Procedures will be amended to require locks, combinations, and access codes to locations where monies are stored be changed on a periodic basis.</li> </ul>	<ul style="list-style-type: none"> <li>✓ <u>Completed</u> in a prior period. (Audit Report #1615)</li> </ul>
<p><i>Reduce the risks associated with the performance of incompatible duties by supervisory staff.</i></p>	
<ul style="list-style-type: none"> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>❖ <u>Turned Over to Management</u> in a prior period. (Audit Report #1704)</li> </ul>
<p><b>Table legend</b></p> <ul style="list-style-type: none"> <li>• Issue to be addressed from original audit.</li> <li>○ Issue resolved through alternative action; remaining risks accepted by management.</li> <li>✓ Issue addressed and resolved.</li> <li>➤ Actions to address action plan step are in progress.</li> <li>❖ Responsibility to complete future appropriate action to address risks turned over to management.</li> </ul>	

***Conclusion***

Table 2 above shows the one action plan step due for completion this follow-up period was completed and progress is being made in completion of the three remaining action plan steps. The three steps currently in progress include:

- Preparation of periodic formal trend analyses of Pool (aquatic) activities and related revenue collections.
- Research, analysis, and explanation of unusual variations in the trend analyses of Pool activities.
- Submitting the Pool trend analyses and explanations of unusual activities to PRNA management for review and approval.

We will follow up and report on management’s efforts to complete these three action plan steps

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

***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 have 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.

Copies of this audit follow-up #1708 or audit reports #1606, #1615, or #1704 may be obtained from the City Auditor's website (<http://www.talgov.com/transparency/auditing-auditreports.aspx>) or via request by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail or in person (Office of the City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail ([auditors@talgov.com](mailto:auditors@talgov.com)).

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