



20 E Main St Suite 820
PO Box 1466
Mesa, Arizona 85211-1466

Date: March 10, 2015

To: Audit, Finance and Enterprise Committee

From: Jennifer Ruttman, City Auditor

Subject: Audit of Aquatics Program Revenue & Administration

cc: Mayor and Council
Kari Kent, Deputy City Manager
Marc Heirshberg, PRCF Department Director

Pursuant to the Council-approved Audit Plan, the City Auditor's office has completed an audit of the PRCF Aquatics Program Revenue & Administration. The audit report is attached and will be presented at the next scheduled meeting of the Audit, Finance & Enterprise Committee. We wish to extend our appreciation to the PRCF staff members for their professionalism and cooperation throughout the audit process.

Please feel free to contact me with any questions or concerns.



20 E Main St Suite 820
PO Box 1466
Mesa, Arizona 85211-1466

AUDIT REPORT

CITY AUDITOR

Report Date:	March 10, 2015
Department:	Parks, Recreation and Commercial Facilities (PRCF)
Subject:	Aquatics Program Revenue and Administration
Lead Auditor:	Dawn von Epp

OBJECTIVE

This audit was conducted to determine whether internal controls are in place and operating effectively to ensure Aquatics Program revenues are safeguarded from loss and to evaluate administrative processes associated with the program to ensure adequate controls are in place.

SCOPE & METHODOLOGY

To accomplish our objectives, we interviewed PRCF and Accounting Services staff members, conducted unscheduled site visits, observed procedures, reviewed Active and Advantage data, and performed other tests and procedures as necessary.

BACKGROUND

PRCF operates 9 aquatics complexes, each of which is located at a Mesa Public School. Pools, special amenities such as the FlowRider, swimming lessons, and competitive team sports are available during the summer season. Lap swimming is available year round at 2 pools. Customers can also rent pools for private parties or special events.

In April 2014, PRCF implemented the Active Network system, which is used to complete point of sale transactions, process program registrations and pool rentals, and track program participation. However, only 3 of the 9 aquatic complexes are able to utilize this new system, while the remaining 6 use stand-alone cash registers. Transactions from these registers must be re-keyed later into the Active Network system by PRCF Registration staff. The new "Mesa High" pool, which will replace the Taylor pool in 2015, will also use the new system. The remaining pools will remain off-line until connectivity obstacles and budget constraints are resolved.

CONCLUSION

In our opinion, internal controls are in place and operating effectively to provide reasonable assurance that Aquatics revenues are safeguarded from loss; however, we identified a few opportunities for improvement in administrative processes and management oversight. A summary of our findings and recommendations is included below. For more detailed explanations, along with responses from management, please see the attached Corrective Action Plans (CAPs).

FINDINGS & RECOMMENDATIONS

CAP #1

The process used by management to reconcile season pass and punch ticket inventories was ineffective. While there is no evidence that any significant losses occurred, the current process did not identify several minor discrepancies and it is likely that more serious discrepancies would also have remained undetected. Therefore, we are recommending that the reconciliation process be modified to include a comparison of ending inventories, tracking logs, and recorded sales transactions.

CAP #2

Written procedures for some key activities are outdated or have not been created. Several minor issues that were discovered during the audit might have prevented or detected sooner if written procedures had been in place. We are recommending that PRCF create or update written procedures that provide clear guidance at a level of detail necessary to ensure critical tasks are completed correctly, consistently, and in accordance with management's expectations.

CAP #3

Management did not have processes in place to identify and correct non-compliance in some key areas, such as voided and discounted transactions, refunds, chain of custody of cash and cash equivalents, cash and credit card training, and other requirements of MP 210-Cash Handling and MP 212-Credit Card Handling. We are recommending that management take steps to ensure sufficient oversight activities are being conducted to identify and correct non-compliance with departmental or City policies and procedures.

CAP #1: Season pass/punch ticket reconciliation process needs improvement.

Observation: The process used by management to reconcile season pass and punch ticket inventories was ineffective.

Comments: Season passes and punch tickets are sold in numerical order and tracked using a manual logging system. These logs are used by management as part of the end-of-season reconciliation process.

PRCF administrative staff compares unsold inventories of season passes and punch tickets to the logs. However, they do not reconcile this information to recorded sales. This process failed to detect some discrepancies, such as sales that were not logged, sales that occurred out of sequence, a Flowrider 30-Punch ticket that could not be accounted for, and punch ticket sales that were recorded incorrectly. While these issues were minor, under the current process, it is likely that more serious discrepancies would also have remained undetected.

Recommendation: **1-1.** When performing the end of season reconciliation of season pass and punch ticket inventories, PRCF should include a comparison to recorded sales transactions.

Management Response:

1-1. Agree.

Implementation Plan:

Ongoing throughout the season and as part of the end-of-season reconciliation process, PRCF Staff will reconcile season passes and punch ticket inventories to manual inventory logs and to recorded sales transactions in the ActiveNet reservation and registration system. This process will be included in the written procedures documentation.

Individual or Position Responsible:

Tammy Davenport and PRCF Finance Staff, Full-time Aquatics Programming Staff

Estimated Completion Date: 8/7/2015

CAP #2: Written procedures for key activities need to be updated or created.

Observations: The following procedure documents require updates to be consistent with current processes and systems:

- PRCF Guidelines 2.4 – Refund Policy
- Aquatics Cash Handling Procedures
- PRCF Deposit Procedures

Procedure documents do not exist for the following areas:

- Pool Runner procedures for transporting and safeguarding pool deposits.
- Aquatics administrative procedures for transferring start-up funds, season passes, and punch tickets to pool managers, and for performing end of season reconciliations.
- Internal control activities conducted by PRCF Finance personnel, such as validating the chain of custody of deposits and reconciling deposits to Advantage records.

Comments: Written procedures provide the guidance necessary for consistently and correctly performing necessary tasks. In addition, these documents aid in setting clear expectations and minimizing disruptions of essential operations during employee absences and turnover.

Recommendations:

2-1. PRCF should update the PRCF Refund Policy, Aquatics Cash Handling Procedures, and PRCF Deposit Procedures to be consistent with current processes and systems.

2-2. PRCF should create written procedures for transporting pool deposits, transferring aquatics start-up funds/season passes/punch tickets to pool managers, performing end of season reconciliations, and for internal control activities conducted by PRCF Finance personnel, such as validating the chain of custody of deposits and reconciling deposits to Advantage records.

Management Response: **2-1. Agree.**

Implementation Plan:
With the implementation of the new ActiveNet reservation and registration system PRCF is currently updating PRCF Guideline 2.4 - Refund Policy, Aquatics Cash Handling Procedures, and the PRCF Deposit Procedures to be consistent with current processes and the new software system.

Individual or Position Responsible:
Tammy Davenport, Leslie Clark, Darla Armfield

Estimated Completion Date: 4/9/2015

2-2. Agree.

Implementation Plan:

With the completion of a full season of Aquatics utilizing the ActiveNet registration and reservation software. PRCF Staff is currently creating written procedures for transferring, transporting, reconciling, and safeguarding of all pool funds, passes, logs and tickets. The processes and procedures will include the validation and reconciliation of all such items by PRCF Finance personnel including the chain of custody and reconciliation of deposits to Advantage records.

Individual or Position Responsible:

Tammy Davenport and PRCF Finance Staff, Leslie Clark, Darla Armfield

Estimated Completion Date: 4/9/2015

CAP #3: Additional management oversight is needed to identify non-compliance.

Observation: Management did not have processes in place to identify and correct non-compliance in some key areas, such as:

- Voided and discounted transactions.
- Refunds.
- Chain of custody of cash and cash equivalents.
- Cash and credit card training, and other requirements of MP 210-Cash Handling and MP 212-Credit Card Handling.

Comments: Management oversight activities should be effective in identifying and correcting non-compliance with policies/procedures. Some minor non-compliance issues identified during the audit should have been identified through routine management oversight activities.

- Start-up funds transfer documents were not completed.
- Training records were not maintained to ensure staff attended cash and credit card handling training as required by MP 210 and MP 212.
- No exception was obtained from Accounting for MP 210 cash movement requirements.
- Refund miscalculations were not discovered.
- Reviews of voided and discounted transactions were not documented.

Recommendation: **3-1.** Management should ensure sufficient oversight activities are being conducted to identify and correct non-compliance with departmental or City policies and procedures. Additional oversight is needed in the areas of voided/discounted transactions, chain of custody of cash/cash equivalents, and training requirements for cash handling/credit card handling.

Management Response: **3-1. Agree.**

Implementation Plan:
PRCF Management will ensure oversight activities are regularly conducted to identify and correct non-compliance issues. Written procedures and documentation of the oversight activities will be kept. Logs, documentation and signed rosters will be kept and regularly checked by PRCF Finance to ensure compliance with City and PRCF policies and procedures; especially MP210-Cash Handling and MP 212-Credit Card Handling. PRCF Staff will continue to work with City Accounting to ensure that cash handling and credit card training is available. This will be an ongoing and continuous procedure.

Individual or Position Responsible:
PRCF Finance and Management Staff

Estimated Completion Date: Ongoing