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FOLLOW-UP REVIEW

CITY AUDITOR

Report Date:	February 24, 2016
Department:	Parks, Recreation and Community Facilities (PRCF)
Subject:	Aquatics Revenue and Administration Follow-Up Review
Lead Auditor:	Dawn von Epp, Sr. Internal Auditor

OBJECTIVE

The objective of this review was to determine whether the Parks, Recreation and Community Facilities (PRCF) Department has effectively implemented the action plans presented in their responses to our March 2015 audit of Aquatics Program Revenue and Administration.

SCOPE & METHODOLOGY

To accomplish our objectives, we reviewed applicable citywide and departmental policies and procedures; interviewed staff; conducted unscheduled site visits; observed administrative activities; reviewed reconciliations, logs, and other documents; and analyzed Aquatics Program revenue and sales data from the 2015 Aquatics season.

BACKGROUND

On March 10, 2015, we issued a report on our audit of Aquatics Program Revenue and Administration. The objectives of that audit were to determine whether internal controls were 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.

The audit report included three recommendations, which can be summarized as follows:



1. The reconciliation process should be modified to include a comparison of ending inventories, tracking logs, and recorded sales transactions.
2. Written procedures should be created or updated to provide clear guidance at a level of detail necessary to ensure critical tasks are completed correctly, consistently, and in accordance with management's expectations.
3. Management should take steps to ensure that program oversight is adequate to identify and correct non-compliance with departmental or City policies and procedures.

The department agreed and responded with corrective action plans for each recommendation.

CONCLUSION

Over the past year, PRCF has made some improvements to reduce the risks associated with Aquatics Program revenue and related administrative activities. Several departmental policies and procedures have been expanded and improved to provide better guidance to staff members, and there has also been notable improvement in management oversight. However, there are still some areas in which written procedures do not provide sufficient guidance. In addition, a reconciliation process for season passes and punch tickets was not effectively implemented; therefore, a better process will be needed if these passes/tickets are to be used in the future. A complete list of the original corrective action plans, along with our findings regarding their implementation status, is presented in the attached Appendix.

APPENDIX / CAP IMPLEMENTATION STATUS REPORT


 = Implemented  = In Progress  = Not Implemented

2015 Recommendations & Responses Implementation Status




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



<p>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.</p> <p>Management Response: 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.</p>	<p>Not Implemented</p> <p>During the 2015 Aquatics season, inventories at some pools were periodically reconciled to manual logs, but not to recorded sales (as recommended). An attempt was made to reconcile to recorded sales after the season ended, but the method used to do so was not effective. Additionally, the reconciliation process was not added to the written procedures as indicated in the response.</p> <p>It is our understanding that, starting with the 2016 Aquatics season, the traditional paper punch tickets and season passes will be replaced with electronic media. If these devices can only be activated through a corresponding sales transaction, the risks associated with cash equivalents, and thus the need for this particular reconciliation, would be eliminated. However, if this change does not occur, we would strongly recommend that the original recommendation be implemented.</p>	<p>X</p>
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CAP#2: Written procedures for key activities need to be updated or created.

<p>Recommendation 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.</p> <p>Management Response: 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</p>	<p>In Progress</p> <p>PRCF procedures have been updated to be more consistent with many of the current processes and systems. However, the revised procedures do not address a few key processes, such as voiding erroneous transactions and appropriately handling cash overages/shortages. As a result, these situations were not always handled consistently and appropriately. Some of these processes were adequately addressed in the previous version of the document, but were omitted in the revision. This is not uncommon</p>	<p></p>
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2015 Recommendations & Responses	Implementation Status	
with current processes and the new software system.	when new systems drive changes to operational procedures and internal controls.	
<p>Recommendation 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.</p> <p>Management Response: 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.</p>	<p>In Progress PRCF has created new procedures for some previously undocumented processes and systems. However, there are still some key processes, including those associated with financial oversight, which are not adequately documented. As a result there is an increased risk that errors or fraud could occur and not be detected in a timely manner.</p>	
CAP#3: Additional management oversight is needed to identify non-compliance.		
<p>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.</p>	Implemented	

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2015 Recommendations & Responses	Implementation Status	
<p>Management Response: 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.</p>		