



City of Chattanooga

INTERNAL AUDIT

City Hall

Chattanooga, Tennessee 37402

Stan Sewell
Director

Ron Littlefield
Mayor

November 11, 2011

Mayor and City Council
City of Chattanooga
Chattanooga, TN 37402

RE: Post Audit Review - Parks and Recreation Swimming Pool Collections, Audit 10-06

Dear Mayor Littlefield and Council Members:

On April 4, 2011, the Internal Audit Division released an audit of the collections of swimming pool fees. We performed certain procedures, as enumerated below, with respect to activities of the Aquatics division in order to render a conclusion on the status of the recommendations made as a result of that audit.

This Post Audit Review consisted principally of inquiries of City personnel, as well as examinations of various supporting documentation. It was substantially less in scope than an audit in accordance with generally accepted government auditing standards.

The evidence obtained provided a reasonable basis for our conclusions; however, had an audit been performed, other matters might have come to our attention that would have been reported to you and our conclusions may have been modified.

The conclusions of Audit 10-06 were that:

1. The appropriate Aquatic fees are not being charged for programs and activities.
2. The swimming pool fees are not always handled, documented or collected properly.
3. The Parks and Recreation policies and procedures regarding cash handling and collections need updating and revising.
4. The YMCA contract is not being administered adequately.

The audit contained fourteen (14) recommendations that addressed the audit's findings. Based on the review performed, we concluded that recommendations 1, 2, 3, 5, 7, 8, 10, 11, 12, 13, and 14 were implemented, recommendation 6 was partially implemented and recommendations 4 and 9 were not implemented.

Recommendations Implemented (1, 2, 3, 5, 7, 8, 10, 11, 12, 13, and 14)

We recommended (**Recommendation 1**) Parks and Recreation management enforce current written policies in regards to utilizing separate cash drawers where applicable.

We recommended (**Recommendation 2**) funds be secured at all times. All funds should be stored in a locked safe or locked drawer. Access to valuable assets should be restricted to a limited number of people to minimize risk of theft.

We recommended (**Recommendation 3**) receipts be issued each time a payment is received as required by the Internal Control and Compliance Manual for TN Municipalities. Further, we recommended conspicuous signs be posted stating the following or something similar: "If you do not receive a City of Chattanooga receipt for your purchase, please contact Internal Audit at 423-425-6202".

After interviewing Parks and Recreation staff and reviewing their processes, it was determined they have initiated the above recommendations. Both the Brainerd and South Chattanooga recreation centers require all cashiers to use a unique cashier number. Only one cashier is allowed to operate the register at a time, and at each shift change or lunch break the cashier closes out their session and removes the funds. All funds are stored in a safe with keys being controlled by management staff. It appears all transactions for the Aquatics program, such as rentals, swim team and swim lessons are being entered into the cash register.

We recommended (**Recommendation 5**) Parks and Recreation management charge fees as set by City Code.

It appears the correct fees are being charged for activities of the Aquatic division based upon a review of collection reports submitted since the new fees were instituted in July.

We recommended (**Recommendation 7**) the duties of cash handling be separated from the duties of recording and reconciling the collections for the Aquatics Director.

We recommended (**Recommendation 8**) an electronic calendar be maintained on the City's website and that all facility reservations be booked through 311.

Parks and Recreation management have separated the cash handling duties of the Aquatics Director. The Fitness Center staff receives payments, writes receipts and maintains a calendar for events. Other Aquatic staff also receive payments for swim team and swim lessons and write receipts in the field. All Aquatic fees in the recreation centers are now entered into the cash register. The Director completes the collection reports for payments that are not handled in the recreation centers.

The Aquatic division instituted a manual calendar, not an electronic calendar maintained by 311 as recommended. The calendar is managed by the Fitness Center staff and monitored by the supervisor. The Aquatics Director does not remove any dates from the calendar. This is handled by the Fitness Center staff. For the coming 2012 season, a new staff person has been approved to take reservations, maintain the calendar and respond to questions. This will further strengthen the control for this process.

We recommended (**Recommendation 10**) Parks and Recreation management update the current cash collection and handling policies and procedures with current practices and good controls over processes. We further recommended management post the updated policies to the Intranet to ensure it is easily accessible by all staff. Finally, we recommended management document staff have received the written policy and fully understand it.

The Parks and Recreation Cash Handling procedures were updated and appear to reflect current practices. Staff at Brainerd and South Chattanooga recreation centers have received updated copies of the revised procedures and understand them. Both recreation center managers stated they had provided training to their staff on the procedures.

Parks and Recreation management stated they were working on trying to post all policies and procedures to the Parks and Recreation network shared drive. Once this is accomplished, they will make sure all applicable personnel have access.

We recommended (**Recommendation 11**) Parks and Recreation management take appropriate disciplinary action when employees knowingly violate City policies. Further, we recommended management enforce compliance with the newly adopted policies once staff have been trained.

Since the audit, Parks and Recreation management have trained recreation staff on collection report procedures. They have addressed specific issues in the recreation centers as the need has arisen. They have started logging their visits and tracking the training provided to staff.

We recommended (**Recommendation 12**) receipts be issued each time a payment is received as required by the Internal Control and Compliance Manual for TN Municipalities. Additionally, we recommended that adequate documentation be retained and organized to support all revenue collected and expenses related to the administration of the YMCA contract.

After interviewing Parks and Recreation staff and reviewing records, it appears receipts are being issued when payments are received or all transactions are being entered into a cash register.

The Aquatic Director provided an updated contract for the 2011-2012 swim team season with the YMCA. The new contract is a rental agreement with the YMCA for usage of their pool for the swim team. The City has agreed to pay a fee for this usage. Parks and Recreation staff will handle all the registrations and fee collections for this program.

We recommended (**Recommendation 13**) the Aquatics Director develop comprehensive policies for the Aquatics division to be issued by the Administrator of the Parks and Recreation department. Applicable staff should be trained on the policies, and their distribution to staff should be documented.

We recommended (**Recommendation 14**) Parks and Recreation management enforce compliance with these policies.

The Aquatics Director provided written policies and procedures regarding the programs and fees for the division to management. Both the Brainerd and South Chattanooga recreation center employees stated they understood the Aquatics policies.

The South Chattanooga recreation center had documented receipt by staff members. Staff at both locations stated management had visited their center and distributed the policies.

Recommendations Partially Implemented (6)

We recommended (**Recommendation 6**) management obtain approval from City Council before waiving or altering fees. If management wants to allow City employees free classes, such recommendation should be presented to Council, and if approved, promoted to all City employees.

City Council approved the Parks and Recreation new fee structure in April 2011 which included a provision for City employees to use the indoor pools for free. However, Parks and Recreation management has not taken active steps to promote this benefit to all City employees. They are planning to contact the Wellness Center to post this information.

Recommendations Not Implemented (4 and 9)

We recommended (**Recommendation 4**) Parks and Recreation management update their written policy to establish a policy/process that complies with the Internal Control and Compliance Manual for TN Municipalities Title 5, Chapter 13, Section 2 in regards to transferring funds. To accomplish this while remaining consistent with current practices, management may choose to update their policy with the recommendation stated below:

“The Courier signs the log upon receipt of funds at an outside location and transports the funds in a locked bag to the Administrative offices. Upon delivery, the Courier must have someone receiving the locked bag sign a log signifying the transfer. This relieves the Courier from the custody of the money. The person receiving the bag checks it for tampering and then the money is counted in front of the Courier noting any differences in the amount listed. If the money is not counted in front of the courier then the funds should not be received by a staff member with a key. At a later time, two staff members should count the funds together, noting any differences with the amount listed.”

Parks and Recreation management have implemented new procedures regarding transferring of funds. The Courier no longer goes to all the recreation centers to pick up funds. The Recreation Center managers prepare the collection reports and deliver them to the Treasurer's office. The Courier is transporting completed collection reports from Watkins Street to the Treasurer's office. These procedures have been instituted in the past few months and have not been formalized as written procedures.

We recommended (**Recommendation 9**) Parks and Recreation management perform an independent review of supporting documentation for funds collected. This would include periodic comparisons of rentals posted on the calendar to amounts collected and deposited.

Periodic reviews of collections have not been completed by management in regards to events posted on the Aquatics calendar. This procedure, along with other reviews suggested, will be implemented by management in the future.

We thank the personnel in Parks and Recreation Department for their assistance in conducting this review. We will consider this report to be final unless directed to continue our review.

Sincerely,



Stan Sewell, CPA, CGFM
Director of Internal Audit

cc: Dan Johnson, Chief of Staff
Larry Zehnder, Administrator Parks and Recreation
Audit Committee