

CITY AUDITOR'S OFFICE



AUDIT OF PARKS, RECREATION & CULTURAL AFFAIRS

DOOLITTLE COMMUNITY CENTER PAYMENT COLLECTIONS

Report PR016-2223-08

June 22, 2023

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CITY AUDITOR

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**AUDIT OF PARKS, RECREATION & CULTURAL AFFAIRS
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BACKGROUND

The Department of Parks, Recreation & Cultural Affairs (Parks) manages the operation of the City's Doolittle Community Center (Center). This Center is located at 1950 J St. The Center is open Monday - Thursday, 8 a.m. to 9 p.m., Friday, 8 a.m. - 8 p.m., and Saturday, 8 a.m. to 5:30 p.m.

The Center features gymnasium space, basketball programs, the Zone after-school program, martial arts, and other amenities and classes. The center is comprised of two indoor gymnasiums, a cardio/weight room, classrooms, a computer lab, a game room, and a dance studio.

During calendar year 2022, the Center collected payments totaling \$145,708 including \$33,499 in cash, \$84,837 in credit cards, and \$27,372 in checks.

The Center utilizes a recreation management software known as CivicRec. Payments at the Center are recorded into this software.

OBJECTIVES

Our audit objectives were to review the Center's payment collection process and determine whether:

- Customer payments are receipted, recorded, and deposited in accordance with the department's and the city's cash handling policies and procedures.
- Funds are appropriately secured.
- Department management is monitoring compliance with cash handling policies and procedures.
- System access permissions assigned to employees are appropriate for their job responsibilities.

SCOPE AND METHODOLOGY

The scope of our work was limited to the management controls within the context of the audit objectives and the scope of the audit. Our testing covered the following periods:

- Payment and deposit testing during the period from January 2022 to January 2023.
- Safe combination testing was for the twelve-month period ending January 2023.
- Systems access permissions testing was as of January 31, 2023.

The last date of fieldwork was May 25, 2023.

Our audit methodology included:

- Observations of payment collections at the Center.
- Interviews with the Center's management and staff.

- Review of current practices against the following city and department policies and procedures:
 - Cash Handling Policy/Procedure (FN302)
 - Petty Cash and Change Funds Policy/Procedure (FN307)
 - Parks and Recreation Cash Handling Procedures (PR-005)
- Review of a sample of 26 days of payment transactions and deposit documentation during the period from January 2022 through January 2023.
- Discussions with city locksmith personnel and a review of locksmith reports.
- Review of the CivicRec system access permissions.

We conducted this performance audit in accordance with generally accepted government auditing standards except for the requirement for an external peer review every three years. Those standards require that 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

The following findings and conclusions to our audit objectives were noted:

Objective 1: Determine whether customer payments are receipted, recorded, and deposited in accordance with the department's and the city's cash handling policies and procedures.

Customer payments are being receipted, recorded, and deposited in accordance with applicable department and city cash handling procedures.

Objective 2: Determine whether funds are appropriately secured.

The Center's safe combination is not being changed in accordance with policy and the Center is not maintaining a log of all employees with access to the safe as required by policy. We also found that the safe was inappropriately being used for storage of a lost and found item. See Finding #2

Objective 3: Determine whether department management is monitoring compliance with cash handling policies and procedures.

Parks management is not conducting periodic cash handling audits of the Center as required by policy. See Finding #1.

Objective 4: Determine whether system access permissions assigned to employees are appropriate for their job responsibilities.

System access permissions assigned to employees are appropriate for their job responsibilities.

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Further information on these issues is contained in the following sections. While other issues were identified and discussed with management, they were deemed less significant for reporting purposes.

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1. Improved Management Oversight Needed

Criteria

The city's Cash Handling Policy/Procedure (FN302) states the following:

Department procedures must provide for periodic audits of all cash handling locations and field collections. The results of these audits must be reported to the Finance Department, Accounting Operations Manager. Major exceptions must be reported to the Director of Finance and City Auditor.

Parks' Cash Handling Procedures (PR-0005) states the following:

Responsibilities

Recreation Supervisor

- *Conduct and document site reviews to ensure this standard operating procedure is followed and understood by all staff.*

Recreation Manager

- *Review supervisor's process to conduct and document site reviews to ensure staff understand and follow this standard operating procedure.*

Administrative Services Division or Designee

- *Conduct internal cash handling site audits and report findings to management.*

Condition

- Parks management is not conducting periodic cash handling audits of the Center as required by city and department policy.

Cause

- Parks management has not adequately overseen the completion of periodic cash handling audits of the Center.
- Finance's cash handling policy does not contain specific guidance on what is expected by department management when conducting periodic cash handling site audits.

Effect

- Noncompliance with city and department policy.
- Areas of noncompliance may not be identified.

Recommendations

- 1.1 Parks management, in coordination with Finance, should document and implement procedures for the completion of periodic audits of cash handling locations.
- 1.2 Finance management should provide direction to departments on how to appropriately comply with the city's cash handling policy requiring departments to complete periodic audits of cash handling locations.

2. Noncompliance with Safe Policy

Criteria

The city's safe policy within the Cash Handling Policy/Procedure (FN302) states the following:

Combinations for department safes shall be changed annually or when an employee with safe access separates from employment.

- i. The combination shall be restricted to the department director or designee.*
- ii. A log shall be kept of all people with access to the safe and when the safe combination was last changed.*

Parks' Cash Handling Procedures (PR-0005) states the following:

The safe should only contain tender received for City services, City-purchased or donated gift cards or coupons of value, or to store a change fund. Do not use for lost and found, personal money or property, City property or equipment (i.e., cameras), or tender that will not be deposited to the City bank account.

Condition

The Center is not complying with the city's safe policy as follows:

- The safe combination is not being changed annually. As of March 1, 2023, the last time the Center's safe combination was changed was on August 11, 2021.
- The Center is not maintaining a log of all employees with access to the safe.

In addition, during our observation of the contents of the Center's safe, we noted that a lost and found item (cell phone) was being stored therein which is not permitted under the department's policy.

Cause

- Management is not adequately overseeing compliance with the safe policy.

Effect

- Noncompliance with city and department policy.
- Risk of unauthorized access to the safe.

Recommendations

- 2.1 Parks management should implement procedures to ensure the Center staff have the safe combination changed annually or when an employee with safe access separates from employment with the department or city.
- 2.2 Parks management should implement procedures to ensure the Center staff maintain a log of all employees with access to the safe.
- 2.3 Parks management should establish a location at the Center that is accessible to authorized employees during business hours where lost and found items of value can be securely kept.

MANAGEMENT RESPONSE

1. Improved Management Oversight Needed

- 1.1 Parks management, in coordination with Finance, should document and implement procedures for the completion of periodic audits of cash handling locations.

Management Action Plan:

Parks, Recreation and Cultural Affairs has developed and implemented a monthly Cash Handling Site Audit and Review checklist for Recreation Supervisors and Cultural Affairs Managers to complete when they do their monthly site visits. The department has developed and implemented a Cash Handling Site Audit and Review checklist for the Budget Analyst and Administrative Officer to complete during annual scheduled audits and spot audits throughout the year.

Estimated Date of Completion:

Implemented on April 6, 2023

- 1.2 Finance management should provide direction to departments on how to appropriately comply with the city's cash handling policy requiring departments to complete periodic audits of cash handling locations.

Management Action Plan:

Management agrees with the recommendation and will update the Cash Handling Policy and Procedures to provide direction to departments on how and when to perform periodic audits of cash.

Estimated Date of Completion:

January 31, 2024

2. Noncompliance with Safe Policy

- 2.1 Parks management should implement procedures to ensure the Center staff have the safe combination changed annually or when an employee with safe access separates from employment with the department or city.

Management Action Plan:

Verbiage has been updated in the Department's Cash Handling Procedures No. PR-005 and PR-005.1 to include to change the safe combination when an employee with safe access separates from employment.

Recreation Supervisors, Cultural Affairs Managers, Budget Analyst and Administrative Officer review the Cash Handling Site Audit and Review checklists monthly which notates the date the safe combination was last changed.

Cash handling procedures will be reviewed on September 21, 2023 during our annual department training.

Estimated Date of Completion:

All coordinators received an email reminder on May 30, 2023 to ensure they have changed their safe combination at least once this year and to change it when employees with the safe access separates from employment, moves to a different facility and/or if the combination becomes compromised. The Department's Cash Handling Procedures will be updated by September 1, 2023.

- 2.2 Parks management should implement procedures to ensure the Center staff maintain a log of all employees with access to the safe.

Management Action Plan:

Verbiage has been updated in the Department's Cash Handling Procedures No. PR-005 and PR-005.1 to include coordinators must maintain a current list of all employees with access to the safe.

Recreation Supervisors, Cultural Affairs Managers, Budget Analyst and Administrative Officer review the Cash Handling Site Audit and Review checklists monthly which notates if the Employees with Safe Access Log is current.

Cash handling procedures will be reviewed on September 21, 2023 during our annual department training.

Estimated Date of Completion:

All coordinators received an email on May 30, 2023 to use the Employees with Safe Access Log starting immediately. The Department's Cash Handling Procedures will be updated by September 1, 2023.

- 2.3 Parks management should establish a location at the Center that is accessible to authorized employees during business hours where lost and found items of value can be securely kept.

Management Action Plan:

Verbiage has been updated in the Department's Cash Handling Procedures No. PR-005 and PR-005.1 to include, exceptions of lost and found items and/or high ticket items will be approved at the discretion of the Director.

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The Budget Analyst and Administrative Officer conduct annual scheduled audits and spot audits throughout the year. They notate on the Cash Handling Site Audit checklist if there are any items in the safe and a description of the items.

Cash handling procedures will be reviewed on September 21, 2023 during our annual department training.

Estimated Date of Completion:

All coordinators received an email reminder on May 30, 2023 to ensure they do not keep lost and found items and/or high value items in their safe unless they have an approved exception from the Director. The Department's Cash Handling Procedures will be updated by September 1, 2023.