

OFFICE OF THE CITY AUDITOR AND CLERK
INTERNAL AUDIT



PARKS & RECREATION CASH RECEIPTS

AUDIT #21-12

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A handwritten signature in blue ink that reads "Shayla Griggs".

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Executive Summary

Audit #21-12 Parks & Recreation Cash Receipts

Audit Purpose, Scope and Time Period

Internal Audit performed an operational/compliance audit of the collection and receipt of Parks & Recreation customer payments.

The purpose of this audit was to provide reasonable assurance that there are adequate controls for the collection, recording and reconciling of Parks and Recreation cash receipts. The scope of this audit included a review of Parks & Recreation's payment and cash receipt procedures, activities, processes, and management review.

The audit period was October 1, 2019 to July 31, 2021.

Audit Objectives

1. Determine if Parks & Recreation's internal controls are operating as intended for safeguarding cash collections.
2. Determine if Parks & Recreation's customer payment receipts are properly recorded, deposited, and reconciled.

Summary Background

The purpose of the City of Sarasota's (City) Parks and Recreation Department (Parks & Recreation) is to provide well-maintained parks and recreational facilities where residents and visitors can enjoy a variety of leisure activities. Currently three facilities accept payments for activities: Arlington Park & Aquatic Center, Payne Park Tennis Center, and Robert L. Taylor Community Complex. Each of these Parks & Recreation facilities prepares daily cash receipts reports for all fees collected at the end of each day. These reports are then entered into the city's accounting system, FMS.

Summary of Conclusions

- Parks & Recreation's controls were generally in compliance with City of Sarasota Cash Receipts Procedures, Administrative Regulation No.037.A002.0817, and operating as intended for safeguarding cash collections.
- Parks & Recreation's customer payment receipts appeared to be properly recorded and deposited, except for certain areas where improvement is needed related to the reconciliation, reporting and monitoring processes noted in the detailed audit report.

At the conclusion of the audit management set a timeline for implementing additional controls and procedures to improve the reconciling, reporting and monitoring of daily cash collections.

This Executive Summary is limited in detail. To obtain the full background on a particular item, please read the Detailed Audit Report or contact Internal Audit prior to drawing conclusions based upon the limited information contained in this summary.

Detailed Audit Report

#21-12 Parks & Recreation Cash Receipts

Background and Introduction

The purpose of the City of Sarasota's (City) Parks and Recreation Department (Parks & Recreation) is to provide well-maintained parks and recreational facilities where residents and visitors can enjoy a variety of leisure activities. Parks & Recreation maintains more than 50 parks within the City. Currently, there are only three facilities accepting payments for activities:

Arlington Park & Aquatic Center
Payne Park Tennis Center
Robert L. Taylor Community Complex

All three Parks & Recreation facilities use ETrack software to capture fees paid to the City. Fees are charged for daily, monthly, or for longer periods of use for Parks & Recreation facilities. Beverages, snacks, and certain equipment (for example, tennis balls) may be purchased at each facility. At the end of the day staff prepare daily cash receipt reports including all payments received for that day. These end of day reports are then entered into the City's accounting system, FMS. Parks & Recreation customers can also submit credit card payments online for various services at each facility.

Audit Purpose, Scope and Time Period

The purpose of this audit was to provide reasonable assurance that there are adequate controls for the collection, recording and reconciling of the Parks & Recreation Department's cash receipts. The scope of this audit included a review of Parks & Recreation payment and cash receipt procedures, activities, processes, and management review.

The audit period was October 1, 2019 to July 31, 2021.

Audit Objectives

The audit focused on the following objectives:

1. Determine if Parks & Recreation's internal controls are operating as intended for safeguarding cash collections.
2. Determine if Parks & Recreation's customer payment receipts are properly recorded, deposited, and reconciled.

Audit Standards

The auditors conducted this audit in conformance 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 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 findings and conclusions based on the audit objectives.

Testing Methodology

- Interviewed appropriate personnel from Parks & Recreation and Financial Administration to gain an understanding of the staff duties at each facility;
- Obtained and reviewed a sample of daily cash receipt reports from each facility;
- Obtained and reviewed a listing of customer payments collected at each facility to determine sample size and select a sample;
- Compared daily cash collection payment software entries to FMS accounting software entries;
- On FMS accounting entries, reviewed cash, checking and credit card entries where available;
- Reviewed documentation for indications of supervisory approval.

To achieve the audit objectives, sampling techniques were utilized to select a random testing sample and auditor selected samples of the Parks & Recreation customer fee payments throughout the 22-month testing period.

Audit Criteria

- City of Sarasota Administrative Regulations and Municipal Codes
- Government Auditing Standards (GAO) “General Standards for Preparing Accounting Records and Financial Standards”

Audit Observations and Testing

For **objective one**, we determined that Parks & Recreation’s controls were generally in compliance with City of Sarasota Cash Receipts Procedures, Administrative Regulation No.037.A002.0817, and operating as intended for safeguarding cash collections.

For **objective two**, we determined that Parks & Recreation’s customer payment receipts appeared to be properly recorded and deposited, except for certain areas where improvement is needed related to the reconciliation, reporting and monitoring processes detailed below.

Observations and Recommendations – Reconciling, Reporting and Monitoring

- Observations of cash drawer daily closeouts indicated that cash handling policies and procedures were generally in accordance with City of Sarasota Administrative Regulation No.037.A002.0817.
- Deposits reviewed by the auditors appear to have been made in a timely manner.
- Daily cash receipt reports:
 - Adjustments frequently noted overages, shortages, credit memos or refunds. However, detailed explanations were not provided to outline why these adjustments were necessary. Additionally, supporting documentation did not indicate who processed the adjustment or who approved the adjustments.
 - On-site management review and approval documentation of daily cash receipt reports and their corresponding FMS accounting system entries was not identified from any of the facilities.
 - A total of 62 daily cash receipt reports were reviewed from one facility and the auditor identified three instances where the cash receipts were not posted until five to six months later.

- Sales tax issues were noted on cash receipts from each of the three facilities including:
 - Sales tax amounts from daily cash reports did not always match FMS accounting sales tax liability entries for the same day.
 - Recalculation of the 7% sales tax did not always agree to sales tax charged. This can be caused by several factors, such as, software errors, purchases from a not-for-profit, or a sales tax holiday. These factors were not documented on the individual daily cash receipt reports.
 - A total of 186 daily cash receipt reports were reviewed and it was identified that eight sales tax liability postings were not found in the FMS accounting system for all three locations.
- ETrack software is used at all facilities for the recording of their sales transactions. Staff has identified limitations with this software including sales tax calculation errors. Separate corresponding entries must be made in the City's FMS accounting system leading to transcription errors between the two entries. Staff noted that various Parks & Recreation locations can also update or change ETrack records for another location without that facility being notified. The current ETrack software version works only with a browser no longer supported by the IT Department and must soon be upgraded or replaced.

Internal Audit recommends more complete documentation on daily sales reports:

- Overages, shortages, credit memos and refunds should be documented and the employee identified that provided them.
- On-site management should review and approve all such adjustments over a manager approved dollar threshold for all adjustments.
- Variations from the standard 7% sales tax rate, or any sales tax exemptions, should be noted, detailed, and any sales tax exemptions should be included in the daily reports.
- Management at each facility should verify that the daily cash receipt report and FMS accounting software entries agree and document their review and approval of the daily cash receipt reports. Daily cash receipts reports should include a cash receipt reconciliation cover page, such as the R. L. Taylor Complex is currently using.
- Create a comprehensive training program that covers all aspects for proper cash management and review. Regular training will help prevent errors from occurring. After the initial training, additional training should be added to include system changes and capabilities.
- Software upgrades or an integrated ERP system would help to reduce or eliminate ETrack's limitations. The implementation of an integrated ERP system where financial sales data need only be entered once would be a significant improvement in both data reliability and management oversight.

Management Response

A standard form has been created to document any overages, shortages, credits, or refunds. This explanation will be a part of the backup packet attached in FMS. **Implemented February 4, 2022.**

Front Desk staff will not be allowed to make adjustments for rain checks or credit memos over \$10. Only Supervisors and Managers will be allowed to create a credit memo or amount due customer over the \$10 threshold. **Implemented February 4, 2022.**

Each time a tax-exempt transaction is performed, a copy of the tax-exempt certificate for that entity will be attached as part of the backup packet in FMS. A notes section will also be created on the cover page to identify a tax exemption or a variation. **Implemented January 21, 2022.**

A cash receipt cover page has been created for each location specific to their accounting codes. A line will be added for Management review to sign off. The completed cover page will be the first page of the daily cash receipt back-up material attached in FMS. **Implemented January 21, 2022.**

The Administrative Supervisor has met with all Staff that conduct point of sales transactions within the Parks and Recreation Department for an annual front desk cash handling procedures training. Staff will sign off that they have received training annually. More in depth training with the administrative personnel that enter the daily cash receipts at each location will be implemented. Follow-up training sessions will be scheduled quarterly (or more frequently if necessary) to review proper cash handling and reporting procedures. **Implemented February 11, 2022.**

The current version of the recreation software (E-Trak) only works with a browser that is no longer supported by the Information Technology Department. The Parks and Recreation Department is working with the Information Technology Department and E-Trak to implement E-Trak version 2.0 which should address some of the issues with the current version such as incorrect sales tax calculations. This is to be **implemented by September 30, 2022.**

Audit Conclusions

The observations noted above could generally be resolved with additional management review, training and implementation of an improved cash management or software system. Although, Parks and Recreation does have apparent adequate controls in place for safeguarding cash collections, recommendations noted above would improve the effectiveness over recording, monitoring and reconciling at each facility. While none of the observations identified or indicated potentially fraudulent activity, Parks & Recreation management should determine if the noted recommendations provide the opportunity to strengthen controls and mitigate risk over the cash receipting process.

We would like to thank Parks & Recreation and Financial Administration staff for providing their time and assistance during this audit.