



## Recreation and Community Programming Division Revenues Audit - #739 Executive Summary

### *Why CAO Did This Review*

Pursuant to Section 5.10 of the City of Jacksonville Charter and Chapter 102 of the Jacksonville Municipal Code, and based on the Council Auditor's Office internal risk assessment, we conducted an audit of certain revenues collected by the Recreation and Community Programming Division within the Parks and Recreation Department. Revenues totaled approximately \$750,000 in FY 2011-12 from recreational community center rentals, summer camps, tennis facilities admissions, athletics-related fees, pavilion rentals, special use and vendor permits, tennis lessons, after school programs, field trips, and aquatics fees at Cecil Recreation Complex.

### *What CAO Recommends*

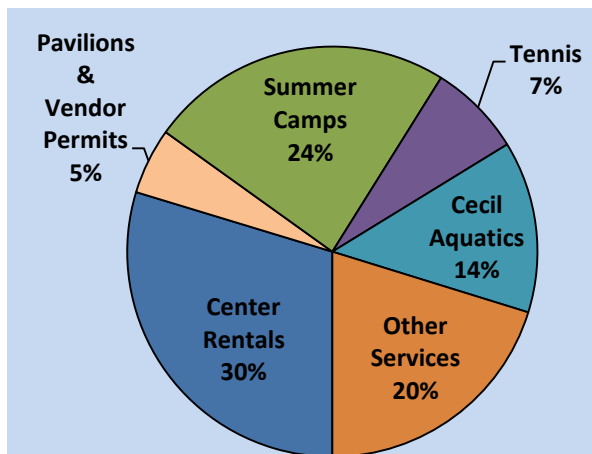
The Parks and Recreation Department needs to establish proper internal controls to safeguard City's assets. Management should review the City's Standard Operating Procedures (SOPs) on cash receipts and provide proper training to employees handling cash. Management should strictly enforce compliance with these standards and periodically ensure that these standards are followed by all employees. The department should also look for and implement more efficient operating procedures to improve the collection, recording, and reconciliation of revenues.

### *What CAO Found*

Although internal controls for revenue collection were in place, we found numerous instances where the controls were not followed and other issues, such as:

- Sales taxes from center rentals were not collected from customers and remitted to the State for more than three years.
- Multiple violations of the City's Standard Operating Procedures on cash receipts were found.
- Employees did not have access to standard operating procedures.
- Various issues regarding cash register operations and the recording, depositing, and safeguarding of revenues were found.
- Monthly revenues reconciliations were not consistently performed.
- The alarm system was not always activated at the community centers.

**FY 2011-12 Revenue Sources**





**Council Auditor's Office**

**Recreation and Community Programming Division Revenues Audit**

**March 29, 2013**

**Report #739**

**Released on : September 27, 2013**

**EXECUTIVE SUMMARY**

**AUDIT REPORT #739**

INTRODUCTION ..... - 1 -  
STATEMENT OF OBJECTIVE ..... - 1 -  
STATEMENT OF SCOPE AND METHODOLOGY ..... - 1 -  
REPORT FORMAT..... - 2 -  
STATEMENT OF AUDITING STANDARDS ..... - 3 -  
AUDITEE RESPONSES ..... - 3 -  
AUDIT CONCLUSION ..... - 3 -  
AUDIT OBJECTIVE..... - 3 -

**OFFICE OF THE COUNCIL AUDITOR**  
Suite 200, St. James Building



March 29, 2013

Report #739

Honorable Members of the City Council  
City of Jacksonville

**INTRODUCTION**

Pursuant to Section 5.10 of the Charter of the City of Jacksonville and Chapter 102 of the Municipal Code, we conducted an audit of revenues collected by the Recreation and Community Programming Division (“the Division”) within the Parks and Recreation Department for various activities and services including:

- rentals at 24 recreational community centers
- summer camp fees
- tennis facilities admissions
- athletics-related fees (lights permit, softball entry fee, kickball/soccer/flag football/table tennis registration fee, and tournament overtime)
- pavilion rentals
- special use and vendor permits
- tennis lessons
- after school programs
- field trips
- pool lane usage, pool admissions, aquatics classes, and summer aquatics programs at Cecil Recreation Complex

Over \$750,000 was collected for these services and activities by the Division in FY2011-12. Pursuant to the City policy, any agency that has activities related to cash receipts, deposits, and record keeping of monies received by the City of Jacksonville must follow the City’s Standard Operating Procedures for cash receipts as issued by the City Comptroller.

**STATEMENT OF OBJECTIVE**

The objective of the audit was to determine if proper controls are in place to ensure revenues are properly collected, safeguarded, recorded and deposited in a timely manner and if personnel are following the City’s Standard Operating Procedures for cash receipts.

**STATEMENT OF SCOPE AND METHODOLOGY**

The scope of our audit was October 1, 2011 through September 30, 2012. To complete the audit, we conducted interviews with applicable personnel and reviewed supporting documentation relating to the collection, deposit and reporting of revenues. More specifically, we:

- Determined the methods of payments and types of revenue collected through interviews, observations, review of internal reports, and use of the FAMIS, the City's financial information system
- Compared the City's Standard Operating Procedures for cash receipts (SOPs) to the revenue collection processes to determine what policies were applicable and examined internal controls surrounding revenue collections
- For all payment methods, traced all transactions reported in the Division's internal reports to the Tax Collector's system and FAMIS by performing cash collection reconciliations and review of any discrepancies
- Selected a sample of manual receipts and performed testing procedures ensuring that proper supporting documentation was on file and amounts collected were accurate
- Verified timeliness of deposits and signature confirmations
- Selected a sample of daily cash register deposits, traced daily sales to the Division's internal reports and agreed amounts reported on the journal tape and on the internal reports.
- Reviewed online payments and compared them with summer camp sign-in sheets to estimate total revenue in comparison with actual revenue collected and verified, on a sample basis, that payment was received for certain attendees. We also verified that total amount collected per online reservation system for pavilion rentals and special permits agreed to the total amount collected per the internal reports.
- Identified all voided manual receipts, selected a random sample and tested the sample to verify whether all copies of voided receipts were in the receipt book, whether voids were approved by a supervisor, and whether reasons for voids were documented
- Reviewed all voided transactions in the sample of daily cash register deposits and tested whether the canceled receipts were documented on the void sheet and were approved by a supervisor as well as verified that no voids were recorded at the end of the day to balance the register
- Randomly selected a sample of refunds and verified that the refund was properly authorized, processed in a timely manner and that a service was not provided. We also confirmed that the refund amount was accurate, original payment was received, and supporting documentation was on file. In addition, we insured that the refund was made to the original payer and that the refund was requested in the time period authorized by the contract.
- Conducted additional testing such as analysis of historical revenue trends and reviewing unusual transactions and community center alarm history

## **REPORT FORMAT**

Our report is structured to identify Internal Control Weaknesses, Audit Findings, and Opportunities for Improvement as they relate to our audit objectives. Internal control is a process implemented by management to provide reasonable assurance that they achieve their objectives in relation to the effectiveness and efficiency of operations and compliance with applicable laws and regulations. An Internal Control Weakness is therefore defined as either a defect in the design or operation of the internal controls or is an area in which there are currently no internal controls in place to ensure that objectives are met. An Audit Finding is an instance where management has established internal controls and procedures, but responsible parties are not

operating in compliance with the established controls and procedures. An Opportunity for Improvement is a suggestion that we believe could enhance operations.

### **STATEMENT OF AUDITING STANDARDS**

We conducted this performance audit in accordance with generally accepted government auditing standards. 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.

### **AUDITEE RESPONSES**

Responses from the auditee have been inserted after the respective finding and recommendation. We received these responses from the Recreation and Community Programming Division, via Kelley Boree, Director of Parks and Recreation Department, in a memorandum dated September 11, 2013, from the Accounting Division, via C. Ronald Belton, Assistant to the Mayor - CFO, in a memorandum dated September 19, 2013, and from the Tax Collector's Office, via Michael Corrigan, the Tax Collector, in a memorandum dated September 18, 2013.

### **AUDIT CONCLUSION**

Based on the testing performed, it appears that except for a few internal control weaknesses, proper controls are in place to ensure revenues are properly collected, safeguarded, recorded and deposited in a timely manner; however, we did note that employees are not always following the City's Standard Operating Procedures for cash receipts nor are they consistently adhering to the internal controls in place, which resulted in the findings that we discovered during the course of our audit.

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### **AUDIT OBJECTIVE**

**To determine if proper controls are in place to ensure revenues are properly collected, safeguarded, recorded and deposited in a timely manner and if personnel are following the City's Standard Operating Procedures for cash receipts.**

### **INTERNAL CONTROL WEAKNESSES**

#### **Internal Control Weakness – 1 \*Sales Data Removed/Deleted from Cash Registers\***

The current process of keeping supporting documentation for cash register sales is not adequate. The internal journal tape is being removed and the register's memory is being cleared every day in the cash registers for the City facilities that have them. These two issues, when combined,

constitute an internal control weakness over the accountability of cash collected through cash registers. For example, on September 22, 2012 money was stolen at Cecil Aquatics Center along with the internal journal tape, and management could not accurately determine the amount stolen.

By cutting the tape and erasing the register's memory, the audit trail usually kept inside the register is completely eliminated. For example, if an employee steals cash from several sale transactions, disposes of the internal tape, and erases the register's memory, the only red flag that could arise and bring management's attention to this incident is that there is a gap in the transaction numbers. If a gap is noticed, management most likely will not be able to investigate the gap if the internal journal tape is missing or was intentionally misplaced. In addition, if cash is stolen under this scenario, management will be unable to determine the exact amount stolen.

**Recommendation to Internal Control Weakness – 1**

The Division should keep the internal journal tape inside the cash register and should not erase the register's memory ever. The register would contain a running grand total keeping the audit trail intact in case misappropriation happens. This procedure should be documented in the departmental standard operating procedures.

**Auditee Response to Internal Control Weakness – 1**

Agree                       Disagree                       Partially Agree

*The Division will update its procedure, train staff and implement the recommended process regarding cash register functions.*

**Internal Control Weakness – 2 \*Safe Visible to Customers\***

At six out of 20 (or 30%) community centers visited, safes were located in an area visible to customers. From a risk management perspective, safes with cash on site should be located in an area not visible to the public.

**Recommendation to Internal Control Weakness – 2**

Safes should not be located in an area visible to the public. In addition, this requirement should be documented in the departmental standard operating procedures.

**Auditee Response to Internal Control Weakness – 2**

Agree                       Disagree                       Partially Agree

*The Division will update its procedure and review the placement of safes at all facilities to avoid visibility to the public.*

**Internal Control Weakness – 3 \*Cash Register Issues\***

We found several issues while visiting three City facilities (two tennis facilities and one aquatics center) that use cash registers:

1. Employees regularly use a button underneath the register to open it, which does not leave an audit trail. However, the registers do have a “no-sale” button which, when used, records the operation in the internal journal tape.
2. Register buttons are not programmed to automatically enter specific fees; therefore, employees have to manually enter the amounts to be charged. This increases the risk of input errors and price manipulation.
3. At two out of the three City facilities, registers are not password protected; therefore, access to the register is not limited to the employee in charge of the register at that time.

**Recommendation to Internal Control Weakness – 3**

The Division should strictly prohibit the usage of the button underneath the register and instead, direct the employees to use the “no-sale” button only if necessary. In addition, the registers should be programmed so that each fee has a corresponding button and that passwords are required for each employee to operate a register. All of these should be documented in the departmental standard operating procedures.

**Auditee Response to Internal Control Weakness – 3**

Agree                       Disagree                       Partially Agree

*The Division will update its procedure to include the prohibition of the use of button under the cash register to open it, and include the requirement of the use of the "no sale" button as well as documenting the reason for each "no sale" opening.*

*The Parks and Recreation Department is in the process of developing an RFP through ITD for purchase of a Department wide revenue system to include POS devices which will include password protection.*

**FINDINGS**

**Finding – 1 \*No Sales Taxes Collected for Three Years\***

The Division did not keep proper documentation regarding the taxability of services provided by the Division and did not collect sales taxes on community center rentals for over three years.

In 2001, the Division researched the taxability of community center rentals and came to the conclusion that no sales tax on center rentals should be collected. We asked the Division to provide written documentation which supports this conclusion. The Division was only able to provide the documentation related to the taxability of center rentals a few months after we



requested the records. Our audit inquiries prompted the Division to contact the Department of Revenue of the State of Florida in relation to this issue. Per the Letter of Technical Advice 12A-1460, issued on December 21, 2012, the City was supposed to begin collecting sales taxes for community center rentals starting July 1, 2009 when changes to the State laws on this subject were made. Since the Division was not aware of those changes, it resulted in the City not charging sales taxes on center rentals from July 1, 2009 until the beginning of 2013. Just during FY2011-12 alone, up to \$15,820 should have been collected from customers and remitted to the State. It should be noted that the Division has addressed this issue during the course of our audit, and sales taxes for community center rentals appear to be collected again starting on January 9, 2013.

**Recommendation to Finding – 1**

The Division should periodically verify if the services provided are taxable per the Florida Statutes. The Division should also inquire of the City’s Accounting Division to determine if there are any possible State implications of the failure to pay the sales taxes since 2009.

**Auditee Response to Finding – 1**

Agree                       Disagree                       Partially Agree

*The Division will implement a process whereby each year, on or about October 1, an inquiry will be made to the Accounting Division regarding any changes to State Statutes which may affect the taxability of any fees collected by the Division. An inquiry will be made immediately to the Accounting Division regarding any State implications of the failure to pay the sales tax from 2009 when the change occurred until January, 2013 when the Division began collecting sales tax on community center rentals.*

**Finding – 2 \*Non-Compliance with the City’s Cash Receipts Policies (Manual Receipts)\***

Employees at City facilities where manual receipts are used do not always follow the City’s SOPs regarding cash receipts. Prior to our actual testing of revenue collections, we found various issues while interviewing personnel who handle manual receipts at 18 community centers and 2 tennis facilities:

1. Employees at six out of 20 (or 30%) City facilities visited did not store cash in a safe. At three locations some employees did not have access to the safe and at another two locations none of the employees had access because they either did not know the safe combination or did not have a key. Due to this, employees were either hiding revenues collected in a garbage can overnight or were locking collected revenues in a cabinet drawer. We also observed, at a sixth location, cash being kept overnight inside a receipt book in an unlocked drawer of a desk instead of placing the money in the safe. The City’s SOPs state that money should be locked in a safe or a cash box with adequate security.
2. Employees at four out of 20 (or 20%) City facilities visited turned in collections within 2 or 3 days instead of the same business day. The City’s SOPs state that monies shall be deposited same day as received. If same day deposit is not possible, then monies should be locked in the safe or cash box for the next day deposit. Any exception to this standard

must be requested in writing and approved by the Director of Administration and Finance.

3. One out of 20 (or 5%) City facilities did not have a stamp to restrictively endorse checks. Moreover, the employee at that center was not aware of the fact that checks have to be restrictively endorsed. The City's SOPs state to use a restrictive endorsement ("FOR DEPOSIT ONLY") stamp on the back of the check.
4. Employees at five out of 20 (or 25%) City facilities visited either did not have a list of people that provided bad checks to the City in the past, or they were aware of such listing being distributed to them, but they could not locate it. The City's SOPs prohibits accepting checks from an individual or business that has previously written a worthless check. Therefore, employees must have access to a City-wide list of names of such individuals and businesses to be in compliance with this standard.
5. At four out of 20 (or 20%) City facilities visited, safe's combination/key was not changed after employees left or were reassigned. The City's SOPs state that safe combination must be changed whenever an individual with access to the safe leaves the organization or is reassigned.
6. Employees at four out of 20 (or 20%) City facilities visited do not use a locking deposit bag. The City's SOPs state that daily cash must be sealed in an envelope or appropriate locking deposit bag and stored in the safe while awaiting deposit.
7. At one out of 20 (or 5%) City facilities visited, the employee who prepares deposits also collects cash. The City's SOPs on cash receipts state that a segregation of duties has to be established to avoid the same employee receiving, receipting, maintaining custody, and reconciling the cash receipts.

**Finding – 3 \* Non-Compliance with the City's Cash Receipts Policies (Cash Registers)\***

Employees at City facilities where cash registers are used did not always follow City's SOPs on cash receipts. Prior to our actual testing of revenue collections, we found various issues while interviewing personnel who work with cash registers at two tennis facilities and one aquatics center:

1. Employees at one out of three City facilities stated that they do not offer a receipt to customers. The City's SOPs state that a receipt should be given to the customer.
2. Employees operating the registers at three out of three City facilities were not aware of the fact that the registers are programmed to calculate the change that has to be returned to customers. When a customer pays, the fee amount is entered in the register, not the amount collected. The City's SOPs on cash receipts state that dollar amount collected from customer should be entered in the cash register.
3. At one out of three City facilities, during a shift change, the cash balance was not verified. If money is missing at the end of the day, it is difficult to identify the person responsible for the loss. The City's SOPs state that all register totals must be balanced at the change of a shift and/or end of the day.
4. At two out of three City facilities, employees did not use a void sheet that is used to track voided transactions. The City's SOPs state that copies of all receipts, including voids, which should have the reason voided, must be kept and approved by the supervisor. The supervisor must investigate any unusual voided receipts.

5. At two out of three City facilities, the supervisors did not review or approve all corrections made to the internal journal tape. The City's SOPs on cash receipts state that all corrections must be made through the cash register and the journal tape must be marked to indicate the action taken. Management must review and approve all corrections to journal tapes.

**Recommendation to Findings – 2 and 3**

Management should review the City's SOPs on cash receipts, ensure that all employees receive a copy of the SOPs and provide proper training to employees handling cash. Management should strictly enforce compliance with these standards and periodically ensure that these standards are followed by all employees.

**Auditee Response to Findings – 2 and 3**

Agree                       Disagree                       Partially Agree

*The Division has begun retraining of all staff that handles cash. During the training, each attendee receives a copy of the City's SOP's on cash receipts. Each attendee signs a copy of the City's Cash Receipts Security Agreement. Although the current City policy requires training every two years, the Division's procedure will be to hold training annually to reinforce rules and to ensure no lapse in training.*

**Finding – 4 \* SOPs Not Available to All Employees\***

The standard operating procedures (SOPs) were not available to all employees:

1. Employees at 16 out of 20 (or 80%) community centers visited either did not have the City's SOPs, or had some outdated procedures (dated as early as 2000). Employees were either not aware that SOPs are available on the portal, or they were unable to find them. We were also informed that the Division does not have any procedures on security alarms, and that written procedures for tennis facilities operations were created while we were conducting the audit.
2. Eight out of 20 (or 40%) community centers visited did not have the former Administrative Services Department standard operating procedures for cash that covered specific cash handling functions performed at the centers.

**Recommendation to Finding – 4**

Employees should have access to all the SOPs that apply to their respective job functions. Management should also update their written procedures periodically to reflect changes in the operating procedures.

**Auditee Response to Finding – 4**

Agree                       Disagree                       Partially Agree

*All written procedures are being updated and will be placed on a team site on the employee portal for easy access for employees. Additionally, each work site where employees handle cash will have a notebook containing the written policies and procedures on cash handling.*

**Finding – 5 \*Inconsistency and Lack of Transparency on Depositing Field Trip Revenue\***

Revenues from field trips collected during our audit scope were not consistently deposited into one single revenue account. Field trip revenues were deposited into four different accounts within the City’s accounting system, as follows:

- \$18,296 was deposited into a City-wide revenue account
- \$5,544 was deposited into a departmental expenditure account
- \$1,969 was deposited into an incorrect departmental revenue account but later was moved into the proper account.
- \$3,970 was deposited into a proper departmental revenue account

When revenues from the same activity are not deposited into the same revenue account, it creates inconsistencies and lack of transparency which makes it more difficult to review and use the accounting records to determine actual collections.

**Recommendation to Finding – 5**

The Division should consistently deposit field trip revenues into one single departmental revenue account, while the corresponding field trip expenditures should be recorded in an appropriate departmental expenditure account.

**Auditee Response to Finding – 5**

Agree                       Disagree                       Partially Agree

*While we agree with the finding, it should be noted that during FY12 (the audit period), revenues were deposited through the Administrative Services Division (ASD). Upon implementation of the collection of field trip revenue in FY12, ASD did check with Accounting who gave direction on where to deposit funds. During FY13 all deposits for field trips were deposited into the Division Misc. Revenue Account. As discussed with the auditors, management is contemplating requiring all field trips be paid for during program registration.*

**Finding – 6 \*Theft Not Reported to Council Auditor’s Office\***

Thefts were not reported or were not reported in a timely manner to the Council Auditor’s Office (CAO) as required by Section 102.104 of the Municipal Code. On April 13, 2012 and September 29, 2012 deposits of approximately \$30 and \$25 were missing from the Southside Tennis Facility. In November 2011, it appears an employee was stealing cash from the register at the

Legends Facility. On September 22, 2012, a deposit of approximately \$183 was stolen from the Cecil Aquatics Center.

The Division properly filed police reports for two out of four incidents noted above (Cecil and one at Southside). However, in three cases (Legends and the two Southside cases) the theft was not reported to the CAO. In a fourth case (Cecil), the theft was officially reported to the CAO a week after we inquired about this missing deposit, or approximately a month after the incident took place.

Section 102.104 of the Municipal Code states that “whenever a custodian, property officer or accountable officer responsible for public funds or public property discovers a loss, unexplained disappearance or theft of the funds or property for which he is responsible or accountable, he shall report the apparent loss, unexplained disappearance or theft to the Council Auditor's Office at the same time as it is reported to the Office of the Sheriff as required by Section 122.810.”

**Recommendation to Finding – 6**

The Division should follow Section 102.104 of the Municipal Code and report all incidents of loss, unexplained disappearance or theft to the Office of the Sheriff and the Council Auditor’s Office in a timely manner.

**Auditee Response to Finding – 6**

Agree                       Disagree                       Partially Agree

*While the Division acknowledges failure to report the incident on April 13, 2012 and September 29, 2012, the division did report the September 22, 2012 loss to the CAO. The timing of the report was a result of the completion of the disciplinary investigation. The Legends situation referred to in the audit was a case of the supervisor being suspicious of the use of the "no sale" button on the register and although behavior was suspect, there was no proof of theft/loss to report. The Division will update its procedures to include required notifications to the CAO.*

**Finding – 7 \*No Monthly Cash Reconciliation\***

The Division is not in compliance with the City’s SOPs regarding cash reconciliations. No monthly cash reconciliation was performed in FY2011-12 for various activities including, but not limited to, summer camps, summer aquatics, field trips, athletics, homeschool programs, and after school programs. For some activities such as community center rentals and pavilions, the reconciliations were only performed through July 2012 and June 2012, respectively.

The City’s SOPs on cash receipts state that “a monthly report of receipts must be prepared and reconciled with the accounting system. This report will be a summarization of the daily and/or weekly reports on receipts, and will specify the accounts credited as well as the amount of deposits. Any differences must be reported immediately to the proper supervisor for investigation. Reconciliation should not be made by those handling cash or keeping records. It must be done by a third party.”

Since the Division is not periodically performing the appropriate cash reconciliation, the Division may not be able to ensure completeness of revenues collected and to detect cash discrepancies due to errors or fraud.

**Recommendation to Finding – 7**

The Division should perform monthly cash reconciliations as required by the City’s SOPs on cash receipts.

**Auditee Response to Finding – 7**

Agree                       Disagree                       Partially Agree

*Prior to October, 2012 ASD completed such duties on behalf of the Division. Since these duties were reassigned in house, the Division has reconciled cash receipts in order to properly report sales tax to the Accounting Division. Daily, staff verifies deposits in FAMIS and researches and resolves any anomalies. The Division will now formalize the reconciliation process on a monthly spreadsheet that balances revenues deposited by staff to the total amount in each index/sub object.*

*The Parks and Recreation Department is in the process of developing an RFP through ITD for purchase of a Department wide revenue system to include electronic reports to eliminate the need for such manual processes.*

**Finding – 8 \*Gaps in Receipt Numbers Not Researched\***

The Division did not research all the gaps in the receipt number sequence found in the internal reports. A gap in receipt number sequence could be an indication of cash misappropriation. While reviewing manual receipt books, we found instances of gaps that were voids and were not recorded in the internal reports. We also found other instances of gaps where a portion or the whole cash register internal journal tape was missing.

More specifically, the whole internal journal tape was missing for four out of 14 instances of gaps. Money was also stolen or missing on each of those four days the whole journal tape was missing. Money was confirmed stolen during two days (September 21 and 22, 2012) at Cecil Recreation Complex. The gap was noticed by the Division, and this incident was addressed by management in a timely manner. Money was missing two days (April 13, 2012 and September 29, 2012) at Southside Tennis Court. While both gaps were noticed by management, only one of them was addressed promptly. In one of the cases, it appears that employees at this facility only deposited cash collected during the first shift. Money from the second shift was not deposited, and the internal journal tape from the cash register was missing for the whole day. Management failed to investigate this incident.

In addition, we found that the first or last receipt numbers of seven out of 1,095 (or 0.64%) revenue transactions tested were incorrectly entered in the internal report. These input errors could indicate that gap analysis is not performed on a regular basis.

**Recommendation to Finding – 8**

The Division should promptly investigate and document any gaps found in the receipt numbers sequence. If misappropriation of cash happens, management should investigate the incident and identify the internal control deficiencies that allowed for the misappropriation and then take appropriate corrective action.

**Auditee Response to Finding – 8**

Agree                       Disagree                       Partially Agree

*The Division will update its procedures to include notification to the applicable Supervisor, District Manager and Division Chief of any and all gaps in receipt numbers. The Division Chief will take or assign appropriate investigative action.*

**Finding – 9 \*Alarm System Not Activated\***

Community center security alarms were not always turned back on at the end of the day after an event. We found that the alarm was not turned on 8 out of 43 days tested (or 18.6%). If the security alarm system is not properly activated then, it cannot detect the presence of intruders, which could lead to the loss or destruction of City assets.

**Recommendation to Finding – 9**

The Division should implement proper standard operating procedures regarding the safeguarding and security of community centers. Employees should be required to turn the security alarm system on at the end of each day. Management should also review the security alarm history log in a periodic basis to verify if personnel are properly utilizing the security system.

**Auditee Response to Finding – 9**

Agree                       Disagree                       Partially Agree

*Division staff is required to arm security systems when closing facilities. The Division will update its procedures to include the written requirement that closing staff turn on the security system when closing the center.*

*The Division has implemented a process to review weekly the dates/times of opening and closing of centers.*

**Finding – 10 \*No Timely Deposits\***

The City’s SOPs on cash receipts require deposits to be made the same day as received. When we interviewed supervisors at the Parks and Recreation Department, they stated that the departmental internal procedure is to deposit monies within three business days. As expected, 115 out of 118 (or 97.5%) manual receipts and 93 out of 93 (or 100%) cash register receipts tested were not deposited with the Tax Collector the same business day as required per City’s cash receipts SOPs. In addition, we found that 10 out of 118 (or 8.5%) manual receipts and 43

out of 93 (or 46%) cash register receipts tested were not deposited with the Tax Collector within three business days as required per the department's SOPs.

Since the City's SOPs require same day deposit, any exception to a standard daily deposit must be requested in writing and approved by the Director of Administration and Finance. The Division was not aware of this policy and therefore did not request the necessary waiver.

### **Recommendation to Finding – 10**

The Division reviewed its cash deposit procedures and determined that the current goal of depositing revenues within three business days is the best business practice. During the course of our audit, the Division has requested a written waiver approved by the Director of Administration and Finance, as required by the City's SOPs on cash receipts. The Division should now ensure that revenues are deposited within three business days.

### **Auditee Response to Finding – 10**

Agree                       Disagree                       Partially Agree

*Prior to October 2012, ASD completed such duties on behalf of the Division. The last quarter of FY12 was not reconciled by ASD. Since these duties were reassigned in house, the Division has reconciled cash receipts to verify that deposits were made within the three day allowance. The process will now be further documented with the requirement that when non-compliance is discovered, inquiry will be made to the staff person/supervisor/district manager/division chief in order to resolve why the deposit was not compliant and what will be done to ensure compliance for future deposits.*

*The Parks and Recreation Department is in the process of developing an RFP through ITD for purchase of a Department wide revenue system to include electronic reports to eliminate the manual processes used currently.*

### **Finding – 11 \*Voids Not Always Properly Processed\***

Voids were not always properly processed per the City's Cash SOPs. Out of 123 voided manual receipts tested, 121 (98.4%) were not approved by a supervisor, 114 (92.7%) did not have a reason as to why the void occurred written on the face of the receipt, and 10 (8.1%) did not have all copies of the voided receipts in the receipt book,

For cash registers, no void sheets were attached to the CR documentation for all 12 (or 100%) days with voids tested; therefore, we were unable to determine the reason for the void and if the transactions were approved by a supervisor. It appears that it is not a Division's standard operating procedure to document voids.

The City's SOPs state that "copies of all receipts, including voids, which will have the reason voided, must be kept and approved by the supervisor. The supervisor must investigate any unusual voided receipts."



**Recommendation to Finding – 11**

The Division should process voids as required by the City’s Cash SOPs.

**Auditee Response to Finding – 11**

Agree                       Disagree                       Partially Agree

*The Division has implemented a requirement that all voids be documented on a "void sheet".  
The Division will update internal written procedures to reflect same.*

**Finding – 12 \*Online Reservation System Limitations \***

Software limitations prevent the Division from processing and recording some pavilion rentals, special uses and vendor permits in the Online Reservation System. When reconciling cash collected per the online reservation system to the internal reports, we identified a large variance. The Division explained that the internal reports contained a greater number of transactions compared to the online reservation system due to various system limitations as listed below:

- Certain pavilions cannot be reserved online.
- The online system does not let customers make a reservation that will take place in 15 days or less.
- An additional payment for already existing reservations cannot be processed online.
- Payment for vendor permits from customers who already have a contract with the City to use City space cannot be processed online.

Since the Division does not consistently enter all cash payments received into the Online Reservation System, the electronic report generated by this system does not include all revenues related to the pavilion rentals, special uses and vendor permits. Therefore, the Division is unable to efficiently use this report for reconciliation and sales tax reporting purposes.

**Recommendation to Finding – 12**

The Division should request ITD to create a generic option (e.g. other activities) that allows employees to enter a service fee amount, a sales tax amount, and a description of the transaction into the Online Reservation System for situations when a transaction cannot be processed online in a regular manner.

**Auditee Response to Finding – 12**

Agree                       Disagree                       Partially Agree

*The Parks and Recreation Department is in the process of developing an RFP through ITD for purchase of a Department wide revenue system to include electronic reporting of all transactions as well as reports.*

**Finding – 13 \*Not Following Internal Recommendations\***

We reviewed four on-site review reports conducted by the former Administrative Services Division to the Parks and Recreation Department on certain City facilities and picked five recommendations to verify if management addressed the issues reported. Management was unable to confirm if any of these recommendations had been implemented.

**Recommendation to Finding – 13**

The Division should ensure that necessary steps are taken and documented to address issues and recommendations provided when a review of their operations takes place.

**Auditee Response to Finding – 13**

Agree                       Disagree                       Partially Agree

*The Division will adopt a written policy which requires response and follow up of all operational reviews.*

**Finding – 14 \*No Signed Security Agreements\***

The Division is not in compliance with the City’s SOPs requirement to maintain current signed biennial security agreements by all employees that handle cash. Eleven out of 24 employees interviewed who handle cash did not sign security agreements during FY2010-11 or FY2011-12. The City’s SOPs on cash receipts state that persons responsible for cash shall be instructed to complete a security agreement biennially. When agreements are not signed, employees handling cash might not be aware of proper procedures for safeguarding City’s assets.

**Recommendation to Finding – 14**

The Division should maintain current signed biennial security agreements for all current employees. All new employees should receive the required training on cash handling and sign an agreement before they are allowed to handle cash. The Division should set a consistent date (e.g. October 1st of every year or every other year) for all employees to be trained on the standard operating procedure for cash receipts and to sign the biennial security agreements. This will ensure that all employees are reminded, at a minimum of every two years, of their responsibility to safeguard City’s assets.

**Auditee Response to Finding – 14**

Agree                       Disagree                       Partially Agree

*The Division is in the process of training/retraining all staff that handles cash. During the training, each attendee receives a copy of the City's SOP's on cash receipts. Each attendee signs a copy of the City's Cash Receipts Security Agreement. Although the current City policy requires training every two years, the Division's procedure will be to hold training annually to reinforce rules and to ensure no lapse in training. Additionally, a new internal orientation will include such training to new hires that will handle cash.*

**Finding – 15 \*Programming of Cash Registers\***

We found a few issues related to the programming of cash registers:

1. Registers do not have keys programmed to charge pre-set dollar amounts. Employees have to manually key in the dollar amount to be charged. Since the dollar amounts for admission fees have to be entered manually, this can lead to accidentally charging the wrong amount to customers or to intentionally altering such amounts.
2. X2 grand total reports which do not reset the register’s memory and could be used to reconcile cash are not available. It appears that this function was disabled, or employees do not know the register code to print this report. Employees are unable to see the grand total of cash collected for the whole day unless they use the Z2 report which resets the register’s memory and starts the next business day.
3. The total amount charged to customers might be a few cents off when adding sales taxes due to rounding issues. This only occurs if the multiplication function is used to run a transaction that includes sales taxes. Employees are unable to use the multiplication key on the register because this would cause them to charge the wrong amount to customers (a few cents under). This issue would not arise if fees were programmed.

**Recommendation to Finding – 15**

Cash registers should be programmed to automatically enter accurate pre-set dollar amounts and to print out grand total reports (X2 report) which could be used to reconcile cash without resetting the registers’ memory and grand total.

**Auditee Response to Finding – 15**

Agree                       Disagree                       Partially Agree

*The Division will update procedures to include requirement of daily printing of the X2 report to be provided with daily deposit reconciliation reports. The grand total report and journal tape will remain with the register.*

**Finding – 16 \* No Receipt Is Offered to Customers \***

Receipts were not always offered to customers as required by the City’s SOPs. We visited three special City facilities that use cash registers and asked a Council Auditor’s Office (CAO) employee who was unknown to the Division’s personnel to visit each location, pay the entrance fee, and see if a receipt is given. In all three instances, employees working at the cash registers did not offer or give a receipt to the CAO’s staff member. Also, at one location where a discount is given to Duval County residents, the CAO’s staff member was not asked to provide her driver license to demonstrate that she was a Duval County resident.

**Recommendation to Finding – 16**

Employees should provide a receipt to each customer as required per the City’s SOPs on cash receipts. This issue should be emphasized during cash handling training to prevent employees from pocketing money without ringing up the transaction.

**Auditee Response to Finding – 16**

Agree                       Disagree                       Partially Agree

*The Division will update procedures to include the requirement that all patrons be provided a receipt.*

**Finding – 17 \*Two Missing Manual Receipt Books\***

During our audit, we discovered that two manual receipt books issued by the Division to the various City facilities were missing. One book was issued to keep track of athletics-related activities, and the other book was issued for field trips.

**Recommendation to Finding – 17**

While management should emphasize the importance of keeping records in a secure location, its ultimate goal should be to move away from manual receipts by implementing online and credit card payments for all types of activities.

**Auditee Response to Finding – 17**

Agree                       Disagree                       Partially Agree

*The Parks and Recreation Department is in the process of developing an RFP through ITD for purchase of a Department wide revenue system to include electronic/on line debit and credit card payments as well as reports to eliminate the manual processes used currently.*

**Finding – 18 \*Unauthorized Usage of Extended Care in Summer Camps\***

We reviewed sign in sheets for 18 children and found that five of them (or 28%) were dropped off or picked up during extended care hours while no payment for extended care was made by the parents. Also, sign-in sheets are not consistent, and sign in and sign out times were not recorded at one of the sites.

**Recommendation to Finding – 18**

Management should create a policy stating specific time period cutoffs for extended care hours and train personnel to ensure that usage of extended care services is monitored and used properly. Also, management should implement uniformed sign in sheets that will include all fields (including but not limited to name, usage of extended care, sign in time, sign out time) that are necessary to monitor attendance and extended care usage.

**Auditee Response to Finding – 18**

Agree                       Disagree                       Partially Agree

*The Division will create a written policy regarding extended hours which includes a check in and out system. All staff will receive training on the policy upon implementation.*

**OPPORTUNITIES FOR IMPROVEMENT**

**Opportunity For Improvement – 1 \*Accepting Credit Card Payments\***

The Division uses cash registers to collect payments at Cecil Aquatics Center and two tennis facilities. Payments can only be made in cash or check. These registers have not been set up to accept credit cards. The online reservation is currently available for several activities: most summer camps, pavilion rentals, and vendor permits. However, cash or check is the only payment option available for other activities such as community center rentals, summer camps for aquatics and tennis, field trips, aquatics classes, and M3Zone programs (after school programs that place a special emphasis on combating childhood obesity). The Division could move away from or at least minimize the practice of accepting payments in cash by switching to credit card payments through cash registers and by adding an online reservation option for various activities.

**Recommendation to Opportunity for Improvement – 1**

The Division should consider halting the use of receipt books at the City facilities where cash registers are installed and should reduce the amount collected in cash to a minimum. We recommend that cash registers be set up to accept credit card payments. While the Division will incur a credit card processing fee, there will be reductions in cost (e.g. data input, reconciliations, mileage reimbursement for deposit pickups) and a decrease of the risk associated with handling cash (misappropriation).

We also recommend that summer camps for aquatics and tennis be included in the current Online Reservation System. The Division should also explore the feasibility of adding services such as community center rentals, field trips, M3Zone programs, and other similar activities into the current Online Reservation system. For customers who prefer paying with cash, the Division should continue to provide an option of paying in person at the Division’s downtown office.

**Auditee Response to Opportunity for Improvement – 1**

Agree                       Disagree                       Partially Agree

*The Parks and Recreation Department is in the process of developing an RFP through ITD for purchase of a Department wide revenue system to include electronic/on line debit and credit card payments as well as reports to eliminate the manual processes used currently.*

*The Division will take the recommendation of providing the option of cash payment under consideration.*

**Opportunity For Improvement – 2 \*Simplifying Field Trip Payment Process\***

Currently, the Division collects most of the payments for summer camps online before the programs start. For field trips, which are an integral part of each summer camp, payments are processed separately and through manual receipts only. In addition, employees have to manually process a high volume of field trip transactions since they usually have three field trips per summer camp, and they usually receive separate payments for each field trip per child per camp session.

**Recommendation to Opportunity for Improvement – 2**

The Division should include cost of the field trips within the fee for summer camp to reduce number of transactions and improve operations efficiency. If the Division collects payment for summer camps and the related field trips together, this will allow the Division to reduce the cost associated with handling cash since the number of transactions would be considerably reduced and would be processed mostly online.

**Auditee Response to Opportunity for Improvement – 2**

Agree                       Disagree                       Partially Agree

*Management is currently contemplating the change to payment for field trips at program registration.*

**Opportunity For Improvement – 3 \*Changing Deposit Pickups Location\***

Money collected at the Cecil Recreation Complex is delivered to the gym where an armored car picks up deposits. Adding the Cecil Recreation Complex location as an additional stop for the armored car is not a viable option since it would create additional costs. The gym also collects significantly less in revenues than the Cecil Recreation Complex, which has more oversight since superintendent’s office is located at this site. The armored car could pick up deposits at Cecil Recreation Complex’s office instead of Cecil Gym.

**Recommendation to Opportunity for Improvement – 3**

The Division reviewed its current armored car service and made necessary changes to minimize risk of theft and misappropriation by changing the location of deposit pick up during the course of our audit. The Division should ensure that armored car service is always set up in a manner that minimizes risk of theft and misappropriation.

**Auditee Response to Opportunity for Improvement – 3**

Agree                       Disagree                       Partially Agree

*The Division will implement an annual review of the armored car service to ensure minimum risk of theft and misappropriation.*

**Opportunity For Improvement – 4 \*No Change Fund Provided\***

Currently, the cash register at the Southside Tennis Facility does not have a change fund. Therefore, at the beginning of the business day or immediately after the shift change, customers could not be provided with change if needed. The cash registers at the Boone Park Tennis Facility and the Cecil Aquatics Center do have change funds. Having a change fund may avoid the inconvenience of turning away customers, having an employee use their own money or having to get change from another business in the area in order to give change to a customer.

**Recommendation to Opportunity for Improvement – 4**

The Division should provide a change fund for the register located at the Southside Tennis Facility.

**Auditee Response to Opportunity for Improvement – 4**

Agree                       Disagree                       Partially Agree

*The Division will implement a change fund for the Southside Tennis Facility. Currently the facility requires exact change which is acknowledged as not being customer friendly.*

**Opportunity For Improvement – 5 \*Automating Cash Registers Reporting Process\***

Currently, a manual deposit is prepared daily, and the only cash register report (hard copy internal journal tape) is attached to it. No copy of the report is kept on site, and the cash register memory is erased at the end of the day. When deposits are made, all documentation is submitted to the business office, where an employee manually enters the deposit data into the internal reports that are used for reconciliation and sales tax reporting purposes.

If registers with electronic capabilities are used, sales data would be readily available on demand and in electronic format which would provide management with the ability to better analyze sales reports. If a deposit is stolen, the Division would be able to instantly determine the amount of cash missing. Also, the process of creating the sales tax report will become less labor intensive.

**Recommendation to Opportunity for Improvement – 5**

In the future, when current cash registers are replaced, the Division should consider purchasing cash registers with electronic reporting capability and invest in software that would connect cash registers to PCs to create electronic sales reports.

**Auditee Response to Opportunity for Improvement – 5**

Agree                       Disagree                       Partially Agree

*The Parks and Recreation Department is in the process of developing an RFP through ITD for purchase of a Department wide revenue system to include electronic/on line debit and credit card payments as well as reports to eliminate the manual processes used currently. New Point of Sale devices are contemplated to be a part of the new system.*

**Opportunity For Improvement – 6 \*No City-Wide Worthless Check List\***

The City’s SOPs on cash receipts state that the City is not permitted to “accept checks from an individual or business that has previously written a worthless check.” However, there is no city-wide database that tracks the names of individuals or businesses that have previously written a worthless check. The Tax Collector provides the Parks and Recreation Department only with the list of returned checks that were accepted by the Parks and Recreation Department. Therefore, the Parks and Recreation Department does not have a list of names of people who provided bad checks to other departments within the City.

**Recommendation to Opportunity for Improvement – 6**

The City should research the costs and benefits of creating and maintaining a city-wide database to track the names of individuals and businesses that have previously written a worthless check. This database would be used by departments to ensure compliance with the City’s SOPs. If it is found that the costs outweigh benefits, then the current City’s SOPs on cash receipts should be modified accordingly.

**Auditee Response to Opportunity for Improvement – 6**

Agree                       Disagree                       Partially Agree

*The Division agrees with this finding, but acknowledges that any change to the citywide SOP must be contemplated and put into place by the Accounting Division. Currently the "bad check" list maintained by the Parks Department is sent out to all staff that handle cash bi-weekly.*

**Tax Collector Response to Opportunity for Improvement – 6**

Agree                       Disagree                       Partially Agree

*The Tax Collector agrees with this finding. If the Administration determines that the benefits outweigh the costs, then the Tax Collector will assist the Administration as appropriate in its development of such a system. The Tax Collector’s office will rely on the Administration to take the lead on this project as the Tax Collector does not have authority over the city’s departments.*



**Accounting Division Response to Opportunity for Improvement – 6**

Agree                       Disagree                       Partially Agree

*Finance agrees with the Council Auditors recommendation to research the cost and benefit of creating and maintaining a city-wide database to track the names of individuals and businesses that have presented worthless checks in payment for City services. The Administration will work with the Tax Collector to obtain the current cost of worthless checks to determine if a change to the City's SOPs or the creation of a new electronic system would be in the Taxpayers best interest.*

**Opportunity For Improvement – 7 \*No Ask for Receipt Sign\***

Nineteen out of 20 (or 95%) City facilities visited did not have a sign stating “Ask for a receipt” on the premises. If customers are reminded to ask for a receipt, the risk of employees misappropriating cash collected will decrease since transactions will have to be recorded.

**Recommendation to Opportunity for Improvement – 7**

Each City facility that handles cash should have a sign that says “Ask for a receipt.”

**Auditee Response to Opportunity for Improvement – 7**

Agree                       Disagree                       Partially Agree

*"Ask for a receipt" signs will be placed at all locations accepting payments.*

**Opportunity For Improvement – 8 \*No Security Cameras\***

Nineteen out of 20 (or 95%) City facilities visited did not have security cameras recording sales transactions. Installing security cameras is a preventive control that may deter theft.

**Recommendation to Opportunity for Improvement – 8**

The Division should evaluate the possibility of cash being misappropriated at each community center. If the benefits outweigh the cost of the cameras, then the Division should consider installing security cameras at those centers at risk.

**Auditee Response to Opportunity for Improvement – 8**

Agree                       Disagree                       Partially Agree

*The Division will collaborate with the Parks JSO Officer, Risk Management and ITD to explore the recommendation of security cameras at all sites.*

**Opportunity For Improvement – 9 \*Review Alarm System\***

We found that some Division’s buildings do not have an alarm system. City facilities that do not have an alarm system could be vandalized or burglarized without the possibility of police stopping the crime.

**Recommendation to Opportunity for Improvement – 9**

The Division and Public Buildings should assess the possibility of these City facilities being vandalized or burglarized. If this event is probable to happen, then the Division should consider installing an alarm system.

**Auditee Response to Opportunity for Improvement – 9**

Agree                       Disagree                       Partially Agree

*We agree that while many Parks and Recreation facilities do have security systems currently, some do not. The Division will collaborate with the Parks JSO Officer, Risk Management and the Public Buildings Division to explore the recommendation of alarm system installation at all sites.*

**Opportunity For Improvement – 10 \*Reducing the Number of Receipt Books Used\***

Currently, a receipt book is issued for each applicable revenue activity for each City facility. For example, at Cecil Recreation Complex, we observed multiple receipt books being used at the same time (one book for each activity) instead of one book being used to record all cash payments. Also, some receipt books used by the Division are standard receipt books that are easily available for purchase in any office supply store.

By reducing the number of receipt books used, the Division will decrease the risk of having missing receipt books, and it will also reduce the costs associated with receipt book purchases. In addition, it will be easier for the Division to keep track of receipt books and to perform cash reconciliations. By using custom-made receipt books, the Division will significantly decrease the risk of employees misappropriating cash by using their own set of receipt books.

**Recommendation to Opportunity for Improvement – 10**

The Division should decrease the number of receipt books used by using one receipt book per location to record all revenues from different services provided. On each receipt written, the activity type should be documented. The Division should also switch to custom-made receipt books.

**Auditee Response to Opportunity for Improvement – 10**

Agree                       Disagree                       Partially Agree

*The Department has several index codes as well as revenue sub-objects that are utilized. The current method of different receipt books for different revenues was utilized so that deposit*

*instructions (account codes) could be easily documented on the outside of the receipt book to ensure proper depositing of funds. At the recommendation of the Auditors, Management will reassess the process on separate receipt books, however, it is the goal of Management that the aforementioned RFP yield results that will eliminate or substantially reduce the need for receipt books.*

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We appreciate the assistance and cooperation we received from the Parks and Recreation Department through the course of this audit.

Respectfully submitted,

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Council Auditor

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