

**Performance Audit 16-07:
Park Reservation and Cash
Collections**

April 2017

City Auditor

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OFFICE OF INTERNAL AUDIT

Stan Sewell, City Auditor

April 21, 2017

To: Mayor Andy Berke
City Council Members

Subject: Park Reservation & Cash Collections (Report #16-07)

Dear Mayor Berke and City Council Members:

The attached report contains the results of our audit of the park reservation and cash collection process. Our audit found that the Park's Division collected the proper user fees and typically submitted collections to the Treasurer's office in accordance with stated policies. However, we found the process lacked adequate segregation of duties and written policies and procedures. We also noted permit application fees were not collected. In order to address the noted areas for improvement, we recommended actions to develop policies and procedures and implement additional internal controls.

We thank the management and staff of the Information Services, Public Works, and Finance departments for their cooperation and assistance during this audit.

Sincerely,

Stan Sewell, CPA, CGFM, CFE
City Auditor

Attachment

cc: Audit Committee Members
Stacy Richardson, Chief of Staff
Maura Sullivan, Chief Operating Officer
Justin Holland, Public Works Administrator
Daisy Madison, Chief Financial Officer

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AUDIT PURPOSE

This audit was conducted in accordance with the Office of Internal Audit's 2016 Audit Agenda. The objectives of this audit were to determine if:

- Parks Division collected park rental fees in accordance with City Code;
- Parks Division submitted collections in accordance with collection policies and procedures; and,
- Parks Division issued refunds in accordance with policies.

BACKGROUND

The Parks Division of Public Works is charged with overseeing and processing park reservation requests for riverfront parks and other City parks, including Heritage Park and Greenway Farms. Typically, reservations are requested through the City's 311 Office.

The service request initiates the rental process. Parks Division has one employee, an Event Coordinator, who contacts prospective users. The Event Coordinator will collect fees, complete collection reports, maintain the public reservation calendar and process refunds related to Park reservations. Reservations are posted on the Park's calendar located on the City's website (<http://www.chattanooga.gov/public-works/parks/parks-reservations>).

Large public events held at Riverfront Parks, such as Riverbend, Pops on the River and Ironman Triathlon, are coordinated and planned by Friends of the Festival under a management contract. The management contract was previously audited by our department and therefore not included in this audit.

Financial Information

City Code Section 26-23 defines the user fee and security deposit requirements for Municipal Parks. User fees range from \$25 to \$1,000 per usage. All security deposits are refundable unless the event is cancelled within 30 days of the proposed date. Application procedures and grounds for denial are found in City Code Section 26-14.

During fiscal year 2016, the City collected seventy-thousand dollars in park user fees. Coolidge Park, Walker Pavilion, and the Carousel

Room located at Coolidge generate the majority of park user fees. These facilities are popular venues for weddings and birthday parties.

Exhibit 1: User Fees Collected by Fiscal Year

Revenues	FY14	FY15	FY16	*FY17
Carousel Room Rental	9,660	11,370	13,550	7,530
Coolidge Park Rental	9,500	14,525	12,980	6,725
Coolidge Park Table Rental	2,640	3,933	0	0
Greenway Farms	25	8,459	11,058	5,319
Other Municipal Parks	271	380	900	0
Renaissance Park Rent	2,000	5,725	3,620	325
Ross' Landing Rent	3,250	12,250	7,750	2,500
Walker Pavilion Rent	13,410	18,750	19,873	11,300
Walnut Street Bridge Rental	1,825	2,925	2,300	1,200
Total Revenues	42,581	78,316	72,031	34,899

*Reported through January 31, 2017

Source: Oracle Financial

FINDINGS AND RECOMMENDATIONS

Procedures are needed to address the lack of segregation of duties.

The current process for park reservations and collections lacks adequate segregation of duties. We observed the Event Coordinator controls the process with minimal supervisory review. We found the employee receives reservation fees, prepares collection reports, issues cancellation refunds and maintains the public reservation calendar (both additions and removals).

Internal Control Manual for Local Governmental Entities and Other Audited Entities in Tennessee, Component 3 (1) states management should design control activities to adequately divide (i.e. segregate) duties among employees. No one employee should have control over a complete transaction from beginning to end. Segregation of duties is vital in high risk areas such as the revenue collection process.

When adequate segregation of duties is not possible, management should design compensating controls to mitigate risks. We suggest management consider the following controls:

- **Implement a daily mail log.** Typically, payments are received in the mail. Although the Event Coordinator receives the mail from another staff member, a daily mail log is not prepared. A mail log

coupled with a supervisor's review of the collection report would enhance the internal controls.

- **Limit calendar access rights.** Currently, the Event Coordinator has full access to the public reservation calendars. The Event Coordinator can add and delete reservations. To improve internal controls, only the supervisor should be permitted to delete reservations on the calendar.

Recommendation 1:

We recommend management implement internal controls to mitigate the risks associated with the Division's collection process.

***Auditee Response:** We concur with the audit finding and recommendation. A mail log procedure will be implemented and reviewed by Parks management. This process change will be implemented within 1 month. Additionally the deletion of cancelled events on the calendar will be completed by Parks Assistant Director or Director after being notified of reservation cancellations by Parks Administrative Support Specialist (Event Coordinator). This process change will be effective immediately.*

Proper support and supervisor approval for the refund process

The reservation process includes the refund of security deposits at the conclusion of an event. In order to process the refund, Park Rangers perform pre- and post- inspections of the facility. The inspections are documented on the "Refund Approval Form". The inspection form notates damage, if any, and indicates the Ranger's recommendation to refund (or not refund) the security deposit.

The Refund Approval Form is used as support documentation to receive approval from the Parks Director to issue the refund. Overall, the security deposit refund process is an effective approval process. We noted, however, refund approval forms were not always completed and cancellation refunds had no support documentation.

Finance Policies & Procedures – Collections (Revised April 2012) states "the original collection report document number must be provided" when issuing refunds. Refunds must be approved by an individual with signature authority. We reviewed a sample of refunds issued through warrant vouchers (by check) and by credit card. Our sample found 18% of refunds were issued without proper approval and 33% of refunds issued by credit card failed to document the original collection report number.

Recommendation 2:

We recommend Parks Division implement supervisory review of collections and refunds.

***Auditee Response:** We concur with the audit finding and recommendation. All credit card refunds will be referenced with original collection report numbers. Also, all refunds will include documentation after approval by Parks management if no Refund Approval Form is applicable due to cancellation of event. This process change will be effective immediately.*

Recommendation 3:

We recommend management develop written policies and procedures for its reservation, collection and refund process.

***Auditee Response:** We concur with the audit finding and recommendation. The Park Reservation process policy and procedure will be reviewed and updated. The updates will include any process changes as recommended in this audit. Additionally, the collection and refund processes will be included in the updated policies and procedures. This policy and procedure update will be completed in 6 weeks.*

**Timely submission
of collection
reports to the City
Treasurer.**

State law¹ requires public funds be deposited as soon as practical, but no later than three working days after the receipt by a municipal official. To determine if the Division complied with collection policies and procedures, we reviewed a sample of collection reports. We found the Division usually submitted collection reports in a timely manner and with the required support documentation. Our review found 5% did not comply with the 3 day requirement.

Recommendation 4:

We recommend management counsel staff to ensure collection reports are timely submitted to the Treasurer's Office.

***Auditee Response:** We concur with the audit finding and recommendation. This finding had already been identified and*

¹ T.C.A. 6-56-111. Deposit of funds – Petty cash – Disbursements – Penalty for violations.

discussed prior to audit. This collection report procedure will be included in the updated SOP.

**Permit application
fee not collected.**

City Code Sec. 26-13 states it is unlawful to hold any planned and organized public assembly involving more than fifteen (15) individuals in any park in the city without a permit issued by the Administrator of Public Works. City Code further states “no permit application shall be considered unless the applicant shall have paid at the time for filing a permit application the required application fee of twenty-five dollars (\$25.00). The Division has not been collecting the \$25.00 permit fee.

Recommendation 5:

We recommend management collect the permit application fee.

***Auditee Response:** The City Code has been changed multiple times in recent years and some inconsistencies have developed because of these changes. The Code has been misinterpreted by Parks and the Park Event Rate Per Day from City Code Sec. 26-23 had been collected in lieu of the \$25.00 permit application fee as mentioned in Sec 26-13. This means Parks should be collecting a \$25 permit application fee plus the use rate per day which double the minimum cost associated with event permits. Parks proposes to eliminate the permit application fee identified in Sec. 26-13.*

APPENDIX A: SCOPE, METHODOLOGY AND STANDARDS

Based on the work performed during the preliminary survey and the assessment of risk, the audit covers Park Reservation and Cash Collections from February 1, 2016 to January 31, 2017. When appropriate, the scope was expanded to meet the audit objectives. Source documentation was obtained from Finance, Public Works and Information Services departments. Original records as well as copies were used as evidence and verified through physical examination.

The sample size and selection were statistically generated using a desired confidence level of 90 percent, expected error rate of 5 percent, and a desired precision of 5 percent. Statistical sampling was used in order to infer the conclusions of test work performed on a sample to the population from which it was drawn and to obtain estimates of sampling error involved. When appropriate, judgmental sampling was used to improve the overall efficiency of the audit.

We conducted this performance audit from November 2016 to March 30, 2017 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.

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