

**Performance Audit 13-03:
Summit Softball Complex
Collections**

May 2013

City Auditor
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OFFICE OF INTERNAL AUDIT

Stan Sewell, City Auditor

June 11, 2013

To: Mayor Andy Berke
City Council Members

Subject: Summit Softball Complex Collections (Report #13-03)

Dear Mayor Berke and City Council Members:

The attached report contains the results of our audit of Parks and Recreation Summit Softball Complex Collections. Our audit found that Summit Softball Complex billing and collection policies were not always adhered to and fees were not collected in accordance with City Code Section 26-29. Collection reports were properly documented but deposits were occasionally not submitted to Treasurer's Office within the required three day period.

In order to address the noted areas for improvement, we recommended actions to increase management oversight, address processing issues and simplify the fee structure.

We thank the management and staff of the Parks and Recreation and Finance departments for their cooperation and assistance during this audit.

Sincerely,

Stan Sewell, CPA, CGFM
City Auditor

Attachment

cc: Audit Committee Members
Lurone Jennings, Administrator Youth & Family Development

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AUDIT PURPOSE

This audit was conducted in accordance with the Office of Internal Audit's 2013 Audit Agenda. The objectives of this audit were to determine if:

- Tournament billing and collections adhere to the department's policies and procedures;
- Fees are collected in accordance with City Code; and,
- Collections are properly documented and deposited within the required three day period.

BACKGROUND

Aimed at returning the city to national prominence, Chattanooga developed an \$11.8 million softball complex in 2009. The same year the city of Chattanooga received the state's "4-Star Award for Best New Park and Recreation Facility" from the Tennessee Recreation and Parks Association.

The Summit of Softball Complex, is an 83 acre park with 8 state of the art playing fields, with lighting, Webcams and awnings to shelter bleachers from the sun. The complex provides local play for adult and senior, church, industrial, and club leagues. The 8 fields accommodate both "fast-pitch" and "slow-pitch" softball, baseball, and kick ball.



Photo: Main Building at Summit of Softball Complex

Personnel

The Summit of Softball Complex employs six full time employees and four to five part-time seasonal employees. Full time employees

consist of one crew supervisor and five crew workers that maintain the facility and grounds.

Currently, the crew supervisor reports to a ballfield operations manager. In addition to managing the operations and programming at Summit, the operations manager oversees 15 custodians at various recreation centers, coordinates tournament schedules at Warner Park Softball Complex, prepares tournament billings for both softball complexes, and assists with initial collection efforts, when necessary.

Financial Information

City Code Section 26-29 authorizes fees for hospitality room rental, field rental, field materials, adult leagues, vendor space, temporary fencing, golf carts, bleacher rental, and service fees. The adult league fees are set in advance (prior to start of season) and require written approval from the Director of Recreation. Hamilton County schools are provided a 25% discount when reserving facilities. Income from these activities as well as expenditures are presented below.

Fiscal Year	2010	2011	2012
Ballfield Income	16,463	42,820	45,460
Concessions Income	11,558	14,600	9,100
Sports Program Fees - Leagues	9,519	9,228	8,675
Miscellaneous Revenue			20,145
Expenditures	166,379	457,225	497,896

Sources: Oracle Financials, CABR

The concessions at the complex are operated under a third party contract. In exchange for exclusive rights to operate the concessions at Summit Complex, Warner Park, Frost Stadium, recreation centers and special events, the current contractor pays a \$30,000 annual fee (contract dated August 2012).

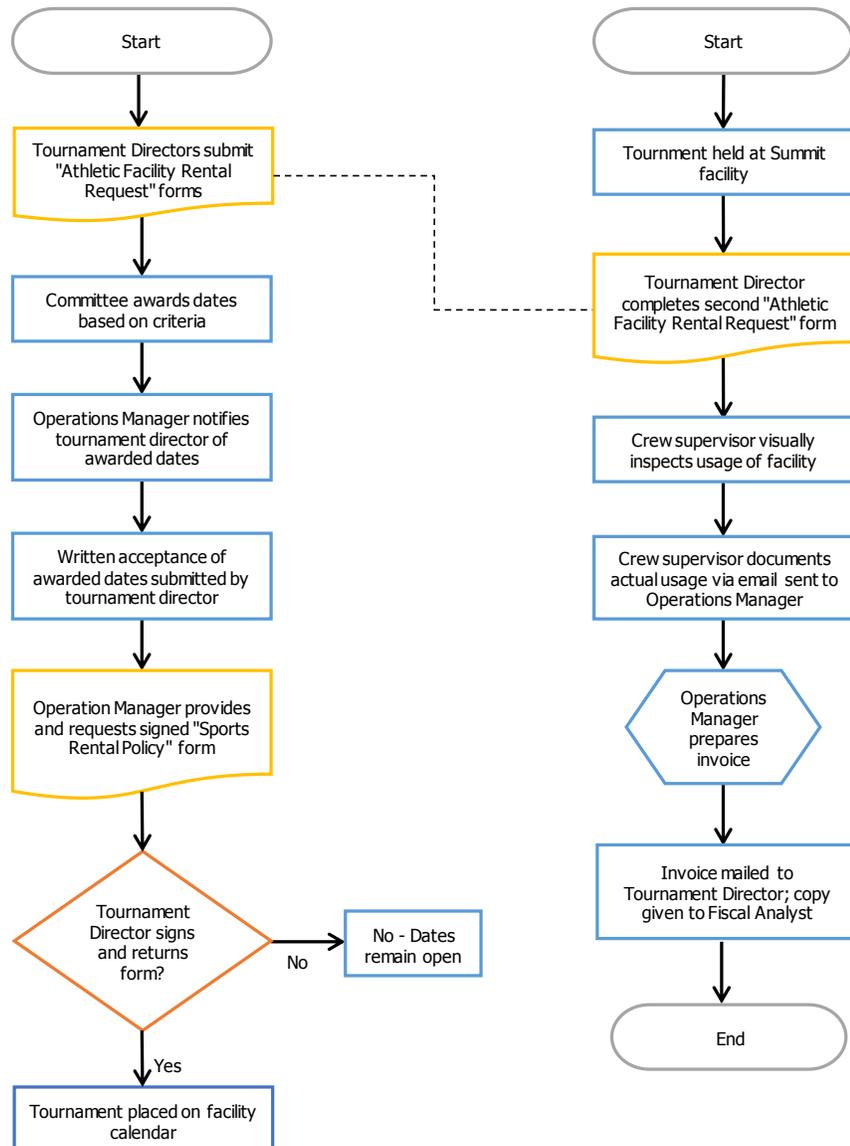
FINDINGS AND RECOMMENDATIONS

Revising the billing process could minimize loss of revenue due to under-billing and errors

Facility rentals for tournaments are planned through a committee consisting of three parks and recreation employees and the president from Greater Chattanooga Sports and Events Committee. When awarding tournament dates, the committee considers several factors, including past tournament performance, cancellation history, delinquent invoices, and economic impact.

As depicted in Exhibit 1, an Athletic Facility Rental Request form is submitted by tournament directors indicating dates requested, number of fields, start and begin times, number of expected teams, and number of expected out of town teams. Once the committee allocates tournament dates, the Operations Manager notifies the applicants and requests written acceptance. If the applicant accepts the awarded dates, a Sports Rental Policy form is provided to the applicant. The applicant is required to complete the form and return to the Operations Manager within two weeks of issuance date. The reservation is placed on the calendar upon receipt of the signed Sports Rental Policy.

Exhibit 1: Tournament Scheduling and Billing Process



Source: Auditor observations and interviews with Parks and Recreation staff

During the tournament, the Tournament Director completes a second Athletic Facility Rental Request form and provides to the crew supervisor. The Crew Supervisor physically verifies and records the activity to be invoiced. Actual usage is documented via email to both the Operations Manager and Tournament Director within one business day. The email must include the details needed to properly invoice the respective tournament (i.e. number of teams, number of fields each day, golf cart usage, and number of vendors). The Operations Manager is responsible for invoicing using the City Code fee schedule and usage verification email.

Policy requires copies of all issued invoices be provided to the Parks and Recreation Fiscal Analyst. The Fiscal Analyst is charged with receiving payment, preparing collection reports, reconciling invoices to the facility calendar and collecting delinquent payments.

Although the department has developed comprehensive written policies and procedures, we noted areas of risk that resulted in loss of revenues during the calendar year 2012. We identified the following areas for potential improvements.

Simplify fee structure

Currently, rental fees are based on number of teams, number of fields, and number of days. As shown in Exhibit 2, the field rental fees range from \$75 to \$125 per field, per day. A separate service fee is charged per day based on the number of fields. Vendor space fees are \$100 and \$50 per day, with and without electricity, respectively. Golf carts are \$50 per day.

Exhibit 2: Fee Structure

Field Rental		Rate (\$)
50 or more teams	(per field per day)	75
30 - 49 teams	(per field per day)	100
29 teams or less	(per field per day)	125
Service Fee		Rate (\$)
1 to 2 fields	(per day)	200
3 to 4 fields	(per day)	250
5 to 6 fields	(per day)	300

Sources: City Code Sec. 26-29, effective 2/14/2012

Our review of tournament invoices and support documentation found incorrect field rental fees were charged. For example, a tournament used 4 fields with 17 teams participating in the event. Per City Code,

the field rental fee is \$125 per field per day for 29 teams or less. However, the tournament was invoiced \$50 per field per day.

We found vendor space and golf carts were not charged for each day of the tournament. Usage verification emails did not indicate whether the vendor space included electricity. In addition, we found fees for golf carts were not consistently applied.

The City Code refers to “golf carts” as \$50 per day. As shown in Exhibit 3, golf cart fees were consistently under-billed. We estimate \$3,525 in under-billing due to the usage verification errors and the complicated fee structure.

Exhibit 3: Golf Cart Fees Charged

# of Golf Carts	Tournament Length	Fee Charged \$	Correct Fees \$
1	2 days	50	100
1	3 days	50	150
1	3 days	150	150
2	2 days	100	200
2	3 days	100	300
3	3 days	100	450

Sources: Parks & Recreation Invoices

To decrease billing errors, administration should review the current fee structure and consider alternative methods to calculate field rental fees for tournaments. Possible solutions include:

- Flat per field per day rate (eliminate # of teams)
- Include use of two golf carts in the flat per field per day rate
- Single vendor rate (with or without electricity)
- Eliminate service fee (incorporate with flat field rate)

Recommendation 1:

We recommend administration simplify the fee structure in City Code, in order to reduce billing errors.

Auditee Response:

Our Department concurs with Recommendation 1, and will reasonably implement the recommended changes.

Revise usage verification process

The usage verification process requires the Crew Supervisor to verify the number of teams, number of vendors and number of golf carts, etcetera to support the amount invoiced by the Operations Manager. In order to verify the number of teams, the Crew Supervisor reviews the tournament brackets. However, a copy of the tournament bracket is not retained as support documentation.

We compared the invoice to the usage verification email and the Athletic Facility Rental Request form for the 16 tournaments held at Summit in 2012. We found the usage verification emails did not always include required information (i.e. number of teams, vendor space). In some instances the Athletic Facility Rental Request form and usage verification emails did not agree (i.e. number of teams, number of vendors, and number of golf carts did not match).

All support documentation should agree. Variances should be investigated and corrected. To reduce possible transcribing errors, usage verification should be completed on-site during the tournament. Both the Tournament Director and the Crew Supervisor should sign the form to indicate agreement with usage and charges.

In addition, the Athletic Facility Rental Request form should not be used to record usage. **Duplicate use** of the form is confusing and increases likelihood of mistakes.

Recommendation 2:

We recommend a Usage Verification form be developed and used in lieu of the email and second Athletic Facility Rental Request form. The new form should incorporate the City Code rates and provide preliminary invoice calculations. The Crew Supervisor, or assigned staff, should complete the usage verification form at the conclusion of the tournament. We also recommend both the Tournament Director and the Crew Supervisor, or assigned staff, sign the form to indicate agreement with estimated charges.

Auditee Response:

Our Department concurs with Recommendation 2, and will reasonably implement the recommended changes.

Increase management review of invoices and support documentation

The department uses a template to prepare invoices for Summit tournaments. The current template requires manual calculations for extended price and totals. As stated previously, the Operations Manager is tasked with invoicing the tournaments. Copies of the invoices are provided to the Fiscal Analyst for collection and reconciliation purposes.

Along with the errors identified above, we found calculation errors with extended prices. The calculation errors resulted in over-billings of \$400. We also found a delinquent tournament was awarded dates on the 2013 season calendar, in violation of the department's policy. Factors contributing to these issues include:

- Calendar not updated for changes throughout the season
- Invoices not provided to Fiscal Analyst
- Noncompliance with departmental policies and procedures

Improvements to the review process would decrease calculation errors and violations of policy.

Recommendation 3:

We recommend the facility calendar be maintained in Outlook (as per the department policy) and updated on a perpetual basis.

Auditee Response:

Our Department concurs with Recommendation 3, and will reasonably implement the recommended changes.

Recommendation 4:

We recommend the Fiscal Analyst review the invoice and support documentation for accuracy (calculations and compliance with City Code) prior to release.

Auditee Response:

Our Department concurs with Recommendation 4, and will reasonably implement the recommended changes.

Recommendation 5:

We recommend the fiscal analyst perform a monthly reconciliation comparing the invoices billed to the tournaments held at the facility.

Auditee Response:

Our Department concurs with Recommendation 5, and will reasonably implement the recommended changes.

Opportunities exist to increase revenues and optimize facility usage

Based on the assumption that most tournaments are held on weekends, we evaluated, using a simplified method, the facility usage.¹ We compared the percentage of scheduled tournaments to availability as well as percentage of actual tournaments held. During 2012, the department scheduled 31 weekend tournaments (86% of available weekends) but only 16 tournaments were actually held at the facility (44% of available weekends).

Based on our finding of a 44% weekend usage rate, management should consider the following areas to optimize the use of the facility. Greater usage of the facility will result in increased rental revenues, as well as an increased economic impact for the city.

Maintain up-to-date public calendar

The department maintains a public calendar on the City's website in PDF form. The approved facility calendar (dated 3/6/12) indicates 32 tournaments² were awarded for the 2012 season. We reviewed the calendar and pertinent information to determine the actual number of tournaments held at Summit of Softball Complex.

Of the 32 originally listed on the calendar, 16 tournaments occurred, 3 tournaments relocated to Warner Park, 8 tournaments were cancelled by the tournament director, 4 were cancelled by Parks and Recreation due to weather related issues and 1 was cancelled due to policy violations (nonpayment of prior event). The public calendar did not reflect these changes. As recommended above, maintaining a current calendar accessible to the public could increase awareness and possible usage of the facility.

¹ Based on the 2012 and 2013 event calendars, the facility has scheduled tournaments between March 1 and November 4 each year, which equates to 36 available weekends.

² The calendar included a City-sponsored event held during the week.

Strengthen cancellation policy

For the 2012 event calendar, 8 tournaments were cancelled with no cancellation fees assessed. Only 3 of the 8 provided written notice (all within the approved cancellation period). The remaining 5 Tournament Directors provided a verbal notification per the Operations Manager. However, the Operations Manager did not maintain any notes or documentation to support the lack of cancellation fees.

The department's policy requires a \$500 cancellation fee if the tournament director cancels within **7 days prior to the event**. The policy does not require a written notification. Cancellations occurring within one week of a scheduled event gives insufficient time to re-book the facility.

Recommendation 6:

We recommend the cancellation policy include a 30 day cancellation notice.

Auditee Response:

Our Department partially concurs with Recommendation 6 as to the recommended nonrefundable deposit and the focus on cancellation deterrence, and will diligently implement the recommended changes to the extent that it will not adversely impact the potential economic impact to the City of Chattanooga.

In review of the common compliant cancellation policies at like softball complexes, the recommended thirty (30) day cancellation notice does not appear to be conducive to a successfully functioning facility.

Recommendation 7:

We recommend the cancellation policy require written notification. The written notification should be maintained with the original request forms.

Auditee Response:

Our Department concurs with Recommendation 7, and will reasonably implement the recommended changes.

Require deposit to reserve facility

Deposits are not required to reserve Summit ball fields, with management citing an inefficient process of issuing refunds as the primary reason. However, requiring a deposit would deter cancellations and reduce last minute cancellations.

City Ordinance #12569 requires deposits for reservations of several parks and recreation facilities. Deposits are refunded if the facility is left without damage. In addition, Parks and Recreation's rental policy for recreation centers and indoor pools require full rental payment prior to confirming the reservation. Full refunds are issued if cancellation is made 30 days prior to the reserved dates.

We found several variations in deposit policies for similar type facilities including: a \$250 non-refundable deposit; a \$250 refundable deposit if cancelled 30 days prior to event; a percentage of estimated usage refundable if cancelled 30 days prior to event.

Recommendation 8:

We recommend implementing deposits of a significant amount to deter cancellations. Management should include the deposit amount (or methodology to be used) in the City Code fee structure.

Auditee Response:

Our Department concurs with Recommendation 8, and will reasonably implement the recommended changes.

**A standard method
is needed to
compute reduced
rental fees**

The department executed a field rental agreement with City of Collegedale in April 2012. The agreement provides use of the Summit of Softball Complex for Collegedale's softball leagues at an all-inclusive rental fee of \$10,000 for the period April through October 2012. The City of Collegedale presented payment in full on October 29, 2012.

We obtained league schedules from the City of Collegedale to determine the actual usage of the facility during the calendar year 2012. We determined the number of fields used and number of teams per day to calculate the actual rental fees owed per City Code. The field rental fees, based on actual usage³, would have resulted in revenues of \$30,550. Therefore, the contracted rental fee resulted in a reduced rental rate. The department did not receive City Council approval to deviate from City Code mandated fees.

During the course of the audit, the department executed (with Council approval) a second field rental agreement in March 2013. The current contract expires September 2013. The current contract included a stipulation for negotiating 2014 fees but provides no requirement for City of Collegedale to provide support documentation. It states “a detailed analysis of the actual facility usage cost will be completed” at the conclusion of the 2013 agreement.

Recommendation 9:

We recommend management develop a standard method for calculating reduced rental fees. The method should include documenting actual historical usage, evaluating future usage needs, evaluating the cost of any City resources, and the method by which the reduced rate will be calculated.

Auditee Response:

Our Department concurs with Recommendation 9, and will reasonably implement the recommended changes.

Recommendation 10:

We recommend the terms of such contract require periodic payments rather than a lump sum at the end of the contract terms.

Auditee Response:

Our Department concurs with Recommendation 10, and will reasonably implement the recommended changes.

³ Youth and adult league schedules were obtained from the City of Collegedale website. The calculations assume no changes to the calendars.

Recommendation 11:

We recommend management consider charging a specific percentage of actual usage fees (i.e. the 25% reduced rate provided to Hamilton County Schools) for defined entities (or entity types) to streamline the process.

Auditee Response:

Our Department concurs with Recommendation 11, and will reasonably implement the recommended changes.

APPENDIX A: SCOPE, METHODOLOGY AND STANDARDS

Based on the work performed during the preliminary survey and the assessment of risk, the audit covers Summit of Softball Complex operations from January 1, 2012 to December 31, 2012. When appropriate, the scope was expanded to meet the audit objectives. Source documentation was obtained from Parks and Recreation and Finance departments. Original records as well as copies were used as evidence and verified through physical examination.

To determine whether internal controls were in place for collections, we reviewed Sports Field Rental policies/procedures and interviewed staff to gain an understanding of the collection process. In addition, we reviewed the *Internal Control and Compliance Manual for Tennessee Municipalities*, the Chattanooga City Code, Parks and Recreation collection policies and procedures, and Finance and Administration Department accounting policies and procedures.

We reviewed a sample of cash collections and supporting documentation to determine whether collections were properly documented and timely submitted to Treasury. 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.

In addition, we compared the Summit Complex event calendar to collection reports during the audit period to verify all scheduled tournaments were properly invoiced and collected.

We conducted this performance audit from January 2013 to May 2013 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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