



**A Report to the
Audit Committee**

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**Audit of Metro Nashville Parks and
Recreation – Centennial Sportsplex
Public Report**

July 18, 2014

Metropolitan
Nashville
Office of
Internal Audit

EXECUTIVE SUMMARY

July 18, 2014



Why We Did This Audit

This audit was conducted because the Parks and Recreation Department's significant expense (\$55 million) and fees collections (\$9.7 million). The last Parks and Recreation Department audit conducted was for Golf Operations in 2012.

What We Recommend

Centennial Sportsplex should improve control activities over revenue monitoring, various cash handling functions, time keeping, and bank deposits. Maintenance procedures should be examined.

For more information on this or any of our reports, email Mark.Swann@nashville.gov

Audit of Centennial Sportsplex

BACKGROUND

The Metro Parks and Recreation Department Centennial Sportsplex is comprised of an aquatics center, fitness center, tennis center, and two ice arenas. The facility offers a variety of sports programs such as lessons, clinics, tournaments, and leagues. The fitness center was replaced in May 2014 and the two ice rinks are under complete renovation as of this report.

Centennial Sportsplex Revenues/Expenditures

Revenues	FY 2012	FY 2013
Rentals	\$ 694,973	\$ 862,866
Admissions	569,657	570,091
Sports Leagues	299,238	303,824
Tennis Fees	111,846	132,574
Concessions	18,009	21,882
	\$1,693,723	\$1,891,237

Expenditures	FY 2012	FY 2013
Salaries & Benefits	\$1,304,507	\$1,571,830
Non-payroll Operational	120,365	115,022
Utilities and Other	566,852	573,593
	\$1,991,724	\$2,260,445

Source: Metropolitan Nashville Enterprise One and Parks and Recreation Department utility allocation.

OBJECTIVES AND SCOPE

The objectives of the audits were to determine whether:

- Fiscal matters were managed
- Facility and equipment were maintained to meet customer satisfaction
- Controls were in place to ensure safety and security for patrons
- Programs offered met customer satisfaction

The audit scope included the period of January 1, 2012, through February 28, 2014.

WHAT WE FOUND

Centennial Sportsplex generally had required policies and procedures in place. However, weaknesses were found in revenue monitoring, cash handling, deposits, inventory, and timekeeping. Existing maintenance procedures could be enhanced.

GOVERNANCE

The Centennial Sportsplex is a revenue producing facility managed by the Metro Nashville Parks and Recreation Department. Its superintendent reports to the Special Projects Manager, a staff directly reports to the Director of Parks and Recreation. Each of the activity centers (tennis, fitness, aquatics, and ice arenas) has a manager and offers its own programs.

The Parks and Recreation Department provides a consolidated maintenance function, all maintenance costs are charged to the consolidated maintenance business unit.

OBJECTIVES AND CONCLUSIONS

1. *Were fiscal matters managed in accordance to applicable policies and best practices?*

Generally yes. The Centennial Sportsplex had controls in place to protect Metropolitan Nashville's fiscal resources. However, there was room for improvement in revenue monitoring, cash handling, revenue and expenditure recording, and equipment inventory tracking. (See Observations A, B, and C.)

2. *Were facilities and equipment maintained to meet customer satisfaction?*

Generally yes. Centennial Sportsplex management provided substantial effort to keep up the maintenance of the almost 25 year old building with limited resources. To their relief, a new fitness center just opened and the ice arenas are under renovation. Notwithstanding, maintenance records and customer comments indicated that the existing maintenance procedures could be improved so that new facilities are kept in top condition. (See Observation D.)

3. *Did programs offered meet customer satisfaction?*

Generally yes. Customer satisfaction surveys indicated that a majority of the responses were positive. Additional comments and suggestions submitted in the responses could assist management to focus on issues of concern most to patrons. (See Observation E.)

OBSERVATIONS AND RECOMMENDATIONS

The Committee of Sponsoring Organizations of the Treadway Commission, Internal Control – Integrated Framework, Control Environment component recommends management and the board of directors establish mechanisms to communicate and hold individuals accountable for performance of internal control responsibilities and implement corrective action as necessary. The audit observations listed are offered to assist management in fulfilling their internal control responsibilities.

AUDIT OBSERVATIONS – PART I

Observation A – Controls over Revenue Collection and Cash Security

The following aspects relate to the overall fiscal management of revenue collection.

- Revenue deposits – The average deposit of receipts for sampled activity days was 3.9 business days, in contrast to Metro requirements of one business day. This delay facilitates potential fraudulent lapping schemes to go undetected.
- Security of safes – Safe combinations were not periodically changed and had not been changed in recent years. Too many employees have combinations to both safes, as well as numerous past employees.
- Change funds – The \$3,500 change fund was counted and maintained by the same person who makes the deposits, presenting the risk that the fund may not be balanced for unknown periods of time.
- Prevention of cash skimming – Controls to prevent skimming of revenue collections at the point of sale did not exist. Instances of revenue skimming were reported shortly after the audit began.
- Financial information - Deferred revenue was categorized as accounts receivable in the point of sale system (CLASS) making it difficult to reconcile revenue to payments. Revenue adjustments and membership returns resulting in reductions (1,000 plus debit transactions totaling over \$120 thousand for fiscal year 2014) to membership revenue were not monitored for reasonableness. Furthermore, a customer account was observed in the accounts receivable module that management was unable explain its purpose in the system.

Criteria:

- The Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control – Integrated Framework*, Control Environment
- Metropolitan Nashville Government’s Finance Department, Treasury Policy #9 Cash Deposits

Recommendations for the management of the Centennial Sportsplex to:

1. Ensure deposits are made within one business day as required.
2. Limit the number of employees who should have safe combinations and change the combinations on a regular, periodic basis.
3. The daily cash count should be conducted by an employee who does not prepare the daily deposits or conducted with two person integrity. Verifying the remaining change fund after deposits are assembled should be an essential element of this process.
4. Adopt effective methods to prevent cash skimming, such as a posted requirement to provide receipts to customers or their payments would be refunded, limit “no-sale” register operations (drawer opening) on point-of-sale terminals, install monitoring cameras over registers, etc.
5. Reconcile booked events to point of sale terminal transactions on a weekly or monthly basis. Configure the CLASS system so that passed booked events cannot be changed or deleted.
6. Monitor all reductions to revenue (debits) in the CLASS system.
7. Ensure all accounts in the CLASS system are setup in accordance with accounting principles. Reconcile the deferred revenue balance in the CLASS system on a regular basis.

Observation B – Controls over Payroll and Other Expenditures

Payroll process

It was not possible to determine how many worked hours some employees should be reimbursed for since they served in more than one role: employees, Centennial Sportsplex instructors (at a different/higher pay rate), and private instructors - paid directly by customers). No substantiating records were available to support the division of hours. The same issue existed for sport event officials who were also employees. One employee also acts as a vendor representative for a sports equipment maker during regular operational hours. The sports equipment was the same type of equipment as made available for rental to customers.

Expenditures

Some invoices were not split for receiving business units but comingled into only one business unit. One invoice over \$6,000 was charged to the Centennial Sportsplex when only less than \$300 was for the Centennial Sportsplex business units. Other assigned invoices did not belong to the Centennial Sportsplex. Utility costs were allocated to the facility from a central department account but the allocation basis used was not reflective of actual use.

Criteria:

The Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control – Integrated Framework*, Control Environment

Recommendations for the management of the Centennial Sportsplex to:

1. Establish a time keeping system or methodology to track employees' differing work hours in order to effectively distinguish regular pay hours from instructional or event official hours.
2. Ensure accurate expenditures are recorded to applicable business units.

Observation C – Fixed and Tracked Assets

The Centennial Sportsplex did not utilize a tracking system for the equipment and rental items at the facility. Worn rental equipment was declared unusable and discarded rather than be declared surplus and transferred to or evaluated by eBid. One computer was not found during a recent physical inventory.

Criteria:

Metropolitan Nashville Government's Finance Department, Division of Accounts Policy #14 Capital Assets

Recommendation for the management of the Centennial Sportsplex to:

Establish procedures to effectively track the receipt, location, and disposal of equipment and rental items.

Observation D – Maintenance Priorities and Plans

A review of 473 maintenance work orders for the Centennial Sportsplex between January 2012 and February 2014 showed the following:

- Among the 445 completed work orders, 33 percent were completed within one workday and 46 percent within 30 workdays.
- The longest time elapsed before completion was 825 days to change light bulbs for the main sign of the Centennial Sportsplex, followed by 466 days to replace door hinges.
- As of April 15, 2014, among the orders not yet completed, 1,063 days had passed for the repair of a fire suppression sprinkle system and 929 days had passed for repair of fencing at the tennis court.
- The facility was built in 1990, and most of the maintenance issues were due to the aging process of the building. Top issues submitted were plumbing, electrical, glass, locks, and heat, ventilation, and cooling.
- The cost for maintenance activities was not tracked for the Centennial Sportsplex.

A majority (65 percent) of customer satisfaction survey responses were positive regarding maintenance of the facility. However, other comments provided opportunities for improvements (all comments and surveys were furnished to the Parks and Recreation Department).

Criteria:

Prudent business practices

Recommendation for the management of the Centennial Sportsplex to:

Periodically review outstanding maintenance items based on changing priorities. Document estimates or actual costs to the facility over time to aid in repair or replace decisions and capital projects requests. Create or update existing long-term maintenance plans.

Observation E – Collection of Customer Feedback

Centennial Sportsplex customer satisfaction surveys collected (49 responses) by the Metropolitan Nashville Office of Internal Audit showed 78 percent of customers were positive regarding programs offered at the facility. However, complaints about the cleanliness of the facility (10 responses) and facility maintenance issues (16 responses) were received.

Another issue was the existing credit card process caused long waiting lines during peak periods since they are first completed on separate terminals from the point-of-sale system then must be entered in the point-of-sale register.

Criteria:

Prudent business practices

Recommendations for the management of the Centennial Sportsplex to:

1. Explore more opportunities for interactions with customers in order to obtain direct feedback through existing social network tools for staffing and program improvement considerations.

2. Explore opportunities to offer online booking and payment options so that customers show up with prepaid receipts and pre-booked rink, equipment, and court rentals.

AUDIT OBSERVATION – PART II

CONFIDENTIAL: Not subject to records open to public inspection. Exemption granted by Tennessee Code Annotated §10-7-504 (i) (1) "Information that would allow a person to obtain unauthorized access to confidential information or to government property shall be maintained as confidential."

GOVERNMENT AUDITING STANDARDS COMPLIANCE

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 observations and conclusions based on our audit objectives.

METHODOLOGY

To accomplish our audit objectives, we performed the following steps:

- Reviewed policies and procedures provided by the facility management.
- Interviewed key personnel at the Centennial Sportsplex.
- Reviewed and analyzed financial and operational records provided by the facility management.
- Physically observed the facility in operation.
- Considered risk of fraud, waste, and abuse.
- Considered information technology risks.

AUDIT TEAM

Carlos Holt, CPA, CFF, CIA, CGAP, CFE, Audit Manager

Qian Yuan, CISA, Auditor-in-Charge

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Thomas M. Lynch, Director

July 10, 2014

Mr. Mark Swann, Metropolitan Auditor
Office of Internal Audit
1417 Murfreesboro Pike
Nashville, TN 37217

RE: Audit of Metro Nashville Parks and Recreation Centennial Sportsplex

Dear Mr. Swann:

This letter acknowledges that the Metropolitan Parks and Recreation Department has received the Centennial Sportsplex audit report and has reviewed the audit comments and recommendations. Parks was able to implement some of the recommendations immediately. We will continue to research and determine the appropriate action on the remaining recommendations.

Sincerely,

Tommy Lynch, Director

Enclosure

"It is the mission of the Metropolitan Board of Parks and Recreation to provide every citizen of Nashville and Davidson County with an equal opportunity for safe recreational and cultural activities within a network of parks and greenways that preserves and protects the regional natural resources"



FOR ADA ACCOMMODATIONS, PLEASE CONTACT 862-8400
WE ARE AN EQUAL OPPORTUNITY EMPLOYER

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

We believe that operational management is in a unique position to best understand their operations and may be able to identify more innovative and effective approaches and we encourage them to do so when providing their response to our recommendations.

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
A.1 Ensure deposits are made within one business day as required.	Agree.	Aug. 1, 2014
A.2 Limit the number of employees who should have safe combinations and change the combinations on a regular, ongoing basis.	Agree.	Sept. 1, 2014
A.3 The daily cash count should be conducted by an employee who does not prepare the daily deposit or conducted with two person integrity. Verifying the remaining change fund after deposits are assembled should be an essential element of this process.	Agree.	Aug. 1, 2014
A.4 Adopt effective methods to prevent cash skimming, such as a posted requirement to provide receipts to customers or their payments would be refunded, limit “no-sale” register operations (drawer opening) on point of sale terminals, install monitoring cameras over registers, etc.	Agree. We will post the requirement to provide receipts to customers, and investigate and pursue cost effective options to enhance revenue collection controls and cash security.	Nov. 1, 2014
A.5 Reconcile booked events to point of sale terminal transactions on a weekly or monthly basis. Configure the CLASS system so that passed booked events cannot be changed or deleted.	Partially Agree. We are working with the Active Network to determine the best way to perform regular reconciliations between booked events and terminal transactions. Configuring the CLASS system so that past booked events cannot be changed or deleted – this cannot be done, according to the Active Network.	Sept. 1, 2014
A.6 Monitor all reductions to revenue (debits) in the CLASS system.	Agree. We are working with the Active Network to determine the most effective way of monitoring all reductions to revenue.	Sept. 1, 2014
A.7 Ensure all general ledger accounts in the CLASS system are setup in accordance with accounting principles. Reconcile the deferred revenue balance in the CLASS system on a regular basis.	Agree. We are working with the Active Network to restructure how the Accounts Receivable and Deferred Revenue accounts are setup. This will require consulting time from an Active Network technician.	Jan. 1, 2015
B.1 Establish a time keeping system or methodology to track employees’ differing work hours in order to effectively distinguish regular pay hours from	Agree. Supervisors will continue to track time sheets and work hours. The department is working with ITS to implement the Kronos electronic time and attendance system. The system should improve the accuracy of time	Ongoing

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

instructional pay hours.	and attendance tracking. The projected Go Live date is October 2014.	
B.2 Ensure accurate expenditures are recorded to applicable business units.	Agree. Efforts will be made to ensure that expenditures are recorded to applicable business units, while also evaluating department needs and budget availability.	Aug. 1, 2014
C.1 Establish procedures to effectively track the receipt, location, and disposal of equipment and rental items.	Agree. Metro’s surplus property procedure will be implemented	Nov. 1, 2014
D.1 Periodically review outstanding maintenance items based on changing priorities. Document estimates or actual costs to the facility over time to aid in repair/replace decisions and capital project requests. Create or update existing long-term maintenance plans.	Agree. For the short term we’ll review the outstanding work orders monthly and as priorities will allow target a three month limit to close all of the outstanding work orders. For the longer term we intend to implement a Computerized Maintenance Management System that will allow us to better manage preventative maintenance, document actual repair costs, and project replacement capital costs.	Nov. 1, 2015
E.1 Explore more opportunities for interactions with customers in order to obtain direct feedback through existing social network tools for staffing and program improvement considerations.	Disagree. The Sportsplex is actively involved with social media as evident by the Facebook and Twitter accounts. There are links to both on the websites as well.	
E.2 Explore opportunities to offer online booking and payment options so that customers show up with prepaid receipts and pre-booked rink, equipment, and court rentals.	Agree. Online bookings through CLASS do not meet Metro Government’s financial requirements so we cannot use that feature; however, it is our intention to have the new POS system (we currently have an RFP out to replace CLASS) work within Metro’s guidelines so that we can offer online bookings and payments in the future.	April 1, 2015