



**A Report to the
Audit Committee**

Mayor
David Briley

**Director of Parks and
Recreation**
Monique Odom

Audit Committee Members

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Metropolitan
Nashville
Office of
Internal Audit

Audit of Parks and Recreation Department - Wave Country Operations

December 28, 2018

Audit of Parks and Recreation Wave Country Operations

EXECUTIVE SUMMARY

December 28, 2018



Why We Did This Audit

The audit was initiated due to the importance of ensuring all revenue collections are managed and the safety risks associated with operating a public pool.

What We Recommend

- Protect against cash skimming opportunities by restricting access to voids and refunds and reconciling discount coupons.
- Maintain daily pool inspection documentation for at least two years.

BACKGROUND

Wave Country is a water park operated by the Metropolitan Nashville Parks and Recreation Department. The mission of Wave Country is to provide a safe family friendly waterpark experience in a fiscally responsible manner. Wave Country has been in operation since 1980 and contains a wave pool, baby pool, speed slides, and flume slides. Wave Country is open from Memorial Day weekend to Labor Day weekend each summer.

Wave Country employs over 70 part-time and a limited number of full-time employees that served over 147,000 citizens from 2016 to 2018. Attendance for 2018, 2017, and 2016 seasons is presented in Exhibit A.

Exhibit A – Attendance for 2018, 2017, and 2016

	2018	2017	2016	Total
Attendance	47,604	49,221	50,692	147,517

Source: Recreation Dynamics Point of Sale System

OBJECTIVES AND SCOPE

The objectives of this audit are to determine if:

- Controls are in place to ensure the safety and security of patrons.
- Controls are in place over fiscal resources.
- Patrons are satisfied with the operations of Wave Country.

The scope of this audit included financial transactions from August 1, 2016, to July 31, 2018.

WHAT WE FOUND

Wave Country employs certified lifeguards to conduct daily inspections to ensure that the facility is safe for patrons. The Metro Public Health Department also conducts safety inspections on a monthly basis. However, daily inspection documentation generated by Wave Country employees was not maintained for at least a two year period.

Strong controls around cash receipts are in place, and functioning, but controls to protect against cash skimming opportunities could be implemented. A survey indicated that Wave Country members are satisfied with the staff, the facilities, and their overall experience and believe their safety is a priority while at Wave Country.

GOVERNANCE

Wave Country employs seasonal employees to work as lifeguards, work the concessions stand, staff the front gate, and supervise employees. The seasonal employees are overseen by one full-time employee, the general manager, who reports directly to a superintendent. The superintendent oversees operations at Wave Country, the Centennial Sportsplex, and the Hamilton Creek Marina. The superintendent reports to a Special Projects Manager, who oversees the operations of all revenue-producing facilities within the Metropolitan Nashville Parks and Recreation Department.

GENERAL INFORMATION

Safety is a top priority for Wave Country. The facility is staffed by over 30 American Red Cross certified lifeguards. Lifeguards are trained to perform multiple water quality checks daily. The Metro Public Health Department will do a preseason inspection before the park opens and then conduct subsequent monthly inspections throughout the summer. All coolers and bags are checked upon entry.

Wave Country generates revenues from three primary sources, admission fees, equipment rentals, and concessions. A summary of amounts collected for each source over the past three fiscal years is presented in Exhibit B.

Exhibit B – Revenue Sources for Calendar Years 2018, 2017 and 2016

Revenue	2018	2017	2016
Admissions	\$416,740	\$392,259	\$424,286
Rentals	2,657	2,049	1,515
Concessions	54,645	45,168	62,075
Total	\$474,042	\$439,476	\$487,876

Source: Metropolitan Nashville Government JD Edwards EnterpriseOne Financial System

Primary expenses for Wave Country include salaries/benefits and utilities. A summary of primary expense categories for the past three fiscal years is presented in Exhibit C.

Exhibit C– Major Expense Categories for Calendar Years 2018, 2017 and 2016

Expenses	2018	2017	2016
Salary and Benefits	\$330,478	\$306,696	\$325,542
Electric	85,989	83,467	82,050
Water	173,544	122,434	83,246
Other Expenses	82,441	86,114	103,611
Total	\$672,452	\$598,711	\$594,449

Source: Metropolitan Nashville Government JD Edwards EnterpriseOne Financial System

OBJECTIVES AND CONCLUSIONS

1. *Are controls in place to ensure the safety and security of patrons?*

Yes. Lifeguards are trained and have active certifications. Monthly facility inspections are conducted by the Metropolitan Public Health Department, and Wave Country received an average score of 98 out of 100 on all inspections during the 2018 season. An emergency plan is documented and communicated to employees for both weather emergencies and facility evacuations. A review of work orders issued for Wave Country demonstrated maintenance issues that could possibly pose a safety hazard were completed. Additionally, audit survey results indicated Wave Country members believed their safety is a priority at Wave Country. Daily pool inspection and maintenance documentation was not maintained for at least two years as required by the Metropolitan Nashville Code of Laws § 10.48.100. (See Observation B.)

2. *Are controls in place to ensure proper managements of fiscal resources?*

Generally, yes. Controls are in place to ensure cash receipts were complete and accurate and all reviewed expenditures had a valid public purpose. However, controls to prevent cash skimming could be implemented. (See Observations A.)

Supporting Objectives and Conclusions

a) *Are cash receipts complete, accurate, properly secured, deposited in one business day and recorded within two business days of deposit in the bank?*

Generally, yes. Wave Country has controls in place to ensure cash receipts are complete and accurate which include segregating duties for accepting cash, preparing the deposit, and recording the deposits, ensuring that two-person integrity is in place during deposit preparation, and conducting surprise cash counts. Cash deposits were generally made within one business day. However, controls could be strengthened to protect against cash skimming opportunities. (See Observation A.)

b) *Do Wave Country expenditures support a valid public purpose?*

Yes. Invoices from each of the 15 vendors used by Wave Country during the audit period were reviewed and demonstrated a valid public purpose for the expenditure.

3. *Are patrons satisfied with the operations of Wave Country?*

Yes. A survey was conducted of Wave Country members and results indicated that members were satisfied with service received by staff members, the facility, and their overall experience at Wave Country. Wave Country maintains a social media presence to communicate with patrons and receive feedback from the community.

AUDIT OBSERVATIONS

Internal control helps entities achieve important objectives and sustain and improve performance. The Committee of Sponsoring Organizations of the Treadway Commission (*COSO*), *Internal Control – Integrated Framework*, enables organizations to effectively and efficiently develop systems of internal control that adapt to changing business and operating environment, mitigate risks to acceptable levels, and support sound decision making and governance of the organization. The audit observations listed are offered to assist management in fulfilling their internal control responsibilities.

Observation A – Cash Skimming Opportunities

Controls to prevent against cash skimming by Wave Country employees could be strengthened. Employees have the capability within the Recreation Dynamics Point-of-Sale system to perform voids and refunds which would allow a sale to be voided or refunded and the cash to be misappropriated. Wave Country policies and procedures prohibit employees from performing voids and refunds.

Additionally, a \$2.00 off coupon is available on the Wave Country website for the general public. The coupon must be presented at the front gate window to be applied. However, the coupons are not maintained and reconciled at the end of the day with the total in the point of sale system. This presents another opportunity for cash to be misappropriated.

Criteria:

COSO, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

Recommendations for management of the Parks and Recreation Department to:

1. Restrict the ability to perform voids and refunds to supervisors in the Recreation Dynamics Point of Sale system. Management should monitor voids and refunds daily to ensure no unauthorized instances occur.
2. Collect coupons for admission prices and reconcile the coupons with the total in Recreation Dynamics Point of Sale system each day.

Observation B – Daily Pool Inspection Documentation

Wave Country is not maintaining daily inspection documentation for two years as required by the Metropolitan Nashville Code of Laws § 10.48.100. The Code requires a daily record regarding operation including disinfectant residuals, pH, maintenance, procedures, recirculation, together with other data as may be required of forms furnished by the Metro Public Health Department. Wave Country must maintain this information for the wave pool, baby pool, speed slides, and flume slides. Documentation was not available for 10 to 12 days at the end of the 2018 summer season for the pools and slides. No documentation was maintained for the 2017 summer season.

Criteria:

- *COSO*, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.
- Metropolitan Nashville Code of Laws § 10.48.100

Recommendations for management of the Parks and Recreation Department to:

1. Maintain daily pool inspection documentation for a minimum of two years.

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:

- Interviewed key personnel within the Parks and Recreation Department.
- Reviewed and analyzed documentation for compliance with the Tennessee Code Annotated, Metropolitan Nashville Code of Laws, and other applicable laws, regulations, and policies.
- Evaluated internal controls currently in place.
- Reviewed sample selections to determine the effectiveness of internal controls.
- Considered risk of fraud, waste, and abuse.

AUDIT TEAM

Seth Hatfield, CPA, CIA, CFE, In-Charge Auditor

Bill Walker, CPA, CIA, Quality Assurance

Mark Swann, CPA, CISA, CIA, ACDA, CMFO, Metropolitan Auditor

DAVID BRILEY, MAYOR

METROPOLITAN BOARD OF PARKS AND RECREATION

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Monique N. Odom, Director

December 27, 2018

Mr. Mark Swann
Metropolitan Auditor
Office of Internal Audit
222 3rd Ave North, Suite 401
Nashville, TN 37201

Dear Mr. Swann:

The appropriate personnel of the Metro Parks Department have reviewed your department's audit of Wave Country and have accepted all of your recommendations. We have provided a response to your findings and have established a timeline for corrective action.

We look forward to working with you further regarding this matter.

Sincerely,

Monique N. Odom
Director

"It is the mission of Metro Parks and Recreation to sustainably and equitably provide everyone in Nashville with an inviting network of parks and greenways that offer health, wellness and quality of life through recreation, conservation and community"



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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
<i>Recommendation for management of the Parks and Recreation Department to:</i>		
<p>A.1 - Restrict the ability to perform voids and refunds to supervisors in the Recreation Dynamics Point of Sale system. Management should monitor voids and refunds daily to ensure no unauthorized instances occur.</p>	<p>Accept. The POS system already allows for restricting staff from performing voids. Future versions of the POS system will allow us to restrict staff from performing refunds. Also, we are having a customized report created to allow managers of all facilities to monitor all voids and refunds on a daily basis. This report will also be monitored and reviewed by our Finance and Administration staff.</p>	07/01/19
<p>A.2 - Collect coupons for admission prices and reconcile the coupons with the total in Recreation Dynamics each day.</p>	<p>Accept. Staff will collect coupons for admission prices and reconcile the coupons with the total in Recreation Dynamics each day.</p>	01/01/19
<p>B.1 - Maintain daily pool inspection documentation for a minimum of two years.</p>	<p>Accept. Staff will maintain daily pool inspection documentation for a minimum of two years.</p>	01/01/19