



Lexington-Fayette Urban County Government
OFFICE OF INTERNAL AUDIT

MANAGEMENT ACTION PLAN PROGRESS REPORT

DATE: October 20, 2014

TO: Jim Gray, Mayor

CC: Sally Hamilton, Chief Administrative Officer
Glenn Brown, Deputy Chief Administrative Officer
Aldona Valicenti, Chief Information Officer
Geoffrey Reed, Commissioner of General Services
William O'Mara, Commissioner of Finance & Administration
Brad Chambers, Director of Parks and Recreation
Phyllis Cooper, Director of Accounting
Susan Straub, Communications Director
Urban County Council Members
Internal Audit Board Members

FROM: Bruce Sahli, CIA, CFE, Director of Internal Audit
Teresa Gipson, CFE, Internal Auditor

RE: Swimming Pools Collection Management Action Plan Progress Report

EXECUTIVE SUMMARY

On January 9, 2013 the Office of Internal Audit issued the Swimming Pool Collections Process Audit Report. The 2013 audit report contained several findings related to daily income reporting exceptions, cash handling and deposit anomalies, void/refund approvals not documented, paddle boat sales activity not tracked at Jacobson Marina, variance in RecTrac and PeopleSoft reconciliation, on-site security improvement needed, improved controls over pool pass inventory, improved portion control at concessions, and cash registers recommended at all locations.

This review is provided for management information only. It is not an audit and no opinion is given regarding controls or procedures. The period of review included collection activity occurring during June 1, 2014 through July 31, 2014.

A summary of the findings and risk observation from the original audit report and a summary of the results of our follow-up are provided in the table below. The original findings, management's original responses, and details of the results of this follow-up are contained in the **ORIGINAL AUDIT RESULTS AND FOLLOW-UP DETAILS** section of this report.

Finding	Summary of Original Finding	Follow-Up Results
Finding 1 High Priority	Daily Income Reporting Exceptions Noted	New cash registers were provided to all pools. Significant improvement was noted during testing with all register Z-tapes being accounted for. The "no sale" activity was greatly reduced. However, there were a few instances noted where "no sale" activity was too high.
Finding 2 High Priority	Cash Handling and Deposit Anomalies Noted	Aquatics management held new cashier training, regarding timely deposits and the handling of overages, prior to the pools opening for 2014. Based on testing of daily reports from July 2014, it appears that funds were deposited timely. However, we noted several daily cash overages and shortages that exceeded \$20.
Finding 3 High Priority	Void/Refund Approvals Not Documented	Management stated that Master Void sheets were completed at each site and reviewed weekly, and voids were no longer used as a training tool. Our testing determined refunds/voids were approved at the pools. However, some concession refunds were not approved.
Finding 4 High Priority	Paddle Boat Sales Activity Not Tracked at Jacobson Marina	Management has purchased cash registers for the Marina, and staff training was conducted to introduce the new ticketing system prior to the 2013 season. We

		visited Jacobson Marina and determined that a cash register was being used for all sales. In addition, tickets were given for paddle boat rentals and the numbers were written on the daily register sheets. This finding has been resolved.
Finding 5 High Priority	Variances in RecTrac and PeopleSoft Reconciliation	We traced revenues included in RecTrac reports to PeopleSoft for June 2014. We noted one variance where a pool's daily transactions were transferred from July to June after the interface with PeopleSoft had occurred. An appropriate journal entry was posted in PeopleSoft to reflect the change. This finding has been resolved.
Finding 6 High Priority	Improved On-Site Security of Collections Needed	Management stated that every aquatic facility is now equipped with a safe that has been secured to the floor, and each manager was given the combination. We visited the two pools, in question during the prior audit, and verified that the offices contained a safe bolted to the floor. We noted that each pool manager knew the safe combination and was able to open the safe. This finding has been resolved.
Finding 7 High Priority	Improved Controls Needed for Pool Pass Inventory	Management indicated pool passes were issued out of the central office to each Aquatics Coordinator in sequential order, who then issued them to each pool. Management stated a master sales log was generated and reviewed weekly and reconciled post season to identify variances. It did not appear that reconciliations between sales and ending inventory were occurring. We recommend that reconciliations be performed as stated.

Finding 8 Moderate Priority	Improved Portion Control Needed for Concessions	Management indicated a standard measure dispensing tool was purchased and used at both locations, and BBQ was taken off the menu. We visited both concessions and noted that the measuring tools being used were a spoon and an ice cream dipper. We performed an inventory count and noted only minor variances which appeared proper for this type of product. This finding has been resolved.
Finding 9 Moderate Priority	Cash Registers Recommended for all Locations	Management stated that each aquatic location now has operational thermal registers and cashier training was provided prior to season opening. We visited Picadome and Douglass pools and Jacobson Marina and verified that cash registers were being used at these locations. This finding has been resolved.

ORIGINAL AUDIT RESULTS AND FOLLOW-UP DETAILS

Finding #1: Daily Income Reporting Exceptions Noted **Priority Rating: High (Repeat Finding from 2005 Audit)**

Condition:

Daily pool and concession income reports detail all sales transactions for the day including total revenue received, shortage or overage, and the resulting collections deposit. Daily pool and concession income reports along with supporting documents are completed and submitted on a weekly basis to the Parks Pool Manager. Attached to the daily reporting forms should be register Z-Tapes and deposit slips. Z-Tapes are cash register generated records that summarize daily sales and collection activity.

In a cash register environment, Z-Tapes provide significant information, including No Sale activity, and can be used by management to verify the accuracy of reported sales activity. Z-Tapes are considered a key document that should be attached to daily reports on a consistent basis. The No Sale key on the cash register is used to open the register without recording

funds in or out. When this occurs, the register Z-Tape will indicate the till has been opened; however, collection totals should be unaffected.

We tested a total of 186 pool transactions and 76 concession transactions. It was noted that 30% of pool transactions and 32% of concession transactions did not have a Z-Tape attached to the daily report. We also noted significant No Sale activity averaging 102 per day for concession locations and 31 per day for pool locations, including extreme ranges of No Sale activity from 0 to 881 at concession locations and from 0 to 233 at pool locations. The reason(s) for the high incidence of No Sale activity and the extreme ranges noted could not be determined during testing or through discussions with Parks and Recreation management.

We also noted one incident at Woodland Pool where the attached Z-Tape differed from the corresponding daily income report total. After inquiring with management, it was determined that the register Z-Tape was not cleared from the previous day and represented two days of register activity. It was also noted that several errors on that daily income report had gone undetected. Although the deposit for both days were received by the bank, the deposit for one day should have been \$13 short instead of \$22 over as noted on the daily report. There was also a \$35 charge included on the Z-Tape that had not been included on the daily report. Management had not previously noted or corrected these discrepancies until our inquiry.

Effect:

Incomplete collection transaction documentation increases the risk of unreported or incorrectly reported sales transactions being undetected. Without the related Z-Tapes, management cannot be certain that all sales and collections are accurately reported on the daily reports. Although excessive No Sales may be a training issue, they may also be a potential indicator of cash theft concealed through unrecorded sales. Failure to close out Z-Tapes on a daily basis may increase reporting errors and prevent management from taking timely action in correcting variances.

Recommendation:

The swimming pools and concession areas utilizing cash registers should be required to consistently submit Z-Tapes with their daily reports as evidence of sales and collection activity, and Z-Tapes should be examined by management to identify reporting errors and address excessive No Sale activity in a timely manner.

Director of Parks & Recreation Response:

The Aquatics section has been purchasing updated cash registers for the last three years. The old registers were unable to produce multiple copies of the Z tape. Several have had mechanical problems. No sale activity was high in 2011, but greatly reduced in 2012 with improved equipment and replacement of employees who did not comply with procedures.

For the 2013 season, all facilities will have updated cash registers. New registers produce a more manageable X and Z report with multiple copies.

The importance of attaching the Z tape securely to the daily sales report will be emphasized in Management training, as we always do, as well as weekly management meetings and failure to do so will result in disciplinary action. These reports get handled several times before they get stored in permanent files where the auditors review them, sometimes a few years later.

Excessive “no sale” activity is due to several factors. Register malfunctions requiring the staff to hit “no sale” for every transaction in order to open the register, particular in the 2011 season. Our reliance on teenagers, who are likely to be experiencing their very first job, complicates the problem. Cashier training will address the need to address register malfunction and detail the acceptable scenarios where a “no sale” key may be used. Excessive “no sale” activity will be noted weekly in the future during deposit verification process and investigated as needed. Proper disciplinary action will be taken on a case by case basis.

Some “no sale” activity is unavoidable and is sometimes intentional. That key is used to make change for customers, and also to make mid-shift cash removal to a safe, to reduce the amount of cash held in the registers. Public pay phones are available to the public for regular and emergency usage requiring change to operate as well. Our young customers are often required by their parents to call to arrange for transportation home. Change from our concession stands are often needed by our customers for vending machine purchases, which is a customer convenience. Reports showing more than 10 “no sale” transactions in a day will be investigated and Z tapes annotated.

The incident noted above was investigated at the time and found to be an error by a seasonal employee. The register was not closed out properly and 2 days were compiled into one Z tape. Management was notified at the time but did not note the reconciliation on the daily paperwork.

Continued efforts to insure our young seasonal work force is following our procedures will be stressed in our training and review sessions.

Commissioner of General Services Response:

I concur.

Follow-Up Detail Results:

Management stated they have purchased new registers for all locations, making Z-tapes possible at every location. We selected a sample of daily transactions at all pools and concessions and Jacobson Marina and tested refunds and/or voids for

appropriate approval. We also reviewed Z-tapes for "no sale" activity. We noted three instances where a pool or Jacobson Marina rang up from 8 to 16 "no sale", but overall "no sale" activity was greatly reduced. Aquatic management needs to continue monitoring Z-tapes for significant "no sale" activity and provide additional training or oversight when needed.

We also noted there were nine instances where pools did not complete a daily report. According to aquatic management, the pools were not open those days and/or the concession/pool manager obtained permission to combine sales with another day's activity since total sales were so low (i.e. \$20 for day). Management should establish a procedure to clearly document there are no sales on such days by running an X-tape prior to closing. Management approval to close operations and/or combine daily activity for the day should also be documented.

Director of Parks & Recreation Response:

As noted, "No Sale" activity has decreased tremendously. The continued use of this function was due to a lack of training for employees who came on in the middle of the season and was specific to just a few pools. It is the intention of the Division to hold mid season training for cashiers that need it based on their start date. Employees starting as cashier after the orientation training shall get individualized training on site from the pool manager stressing the importance of avoiding "no sale" activity. Aquatics Management shall continue to monitor this situation with a close eye on the facilities specifically guilty of committing the errors in 2014.

Commissioner of General Services Response:

Management will establish a procedure to document when there are no sales by running an X tape for that day. Management will also complete a daily sales report for such days, clearly stating there was no sales activity and signing off on it.

Finding #2: Cash Handling and Deposit Anomalies Noted

Priority Rating: High

Condition:

Chief Administrative Office (CAO) Policy #40, Policy and Procedure for Cash & Check Handling does not specifically require timely deposits for Divisions that make direct deposits to the bank, nor does it contain specific requirements for handling cash overages and shortages. (These requirements are also missing in the Parks & Recreation policies). In addition, CAO Policy #40 does not require the use of deposit slips when making a deposit. The Policy does require that funds be placed in a plastic tamper proof bag for direct deposit to the bank, but does not specifically require accompanying deposit slips.

We tested 186 pool deposits and 76 concession deposits. Assuming a deposit made directly with the bank is considered timely when it occurs on the next business day, our testing noted 8% of pool deposits were one to three days late, and 12% of concession deposits were one to ten days late. (Parks & Recreation management indicated that this could be impacted somewhat by some bank branches failing to work dropped deposits on the next business day). We also noted 12% of daily sales reports for pools reported cash overages (the highest being \$19 over) and 12% reported cash shortages (the highest being \$23 short). Our concessions testing noted 13% of daily sales reports reported cash overages (the highest being \$16 over) and 22% reported cash shortages (the highest being \$44 short).

In addition, deposit slips were missing for 13% of pool daily reports tested and 12% of concession daily reports tested. We also noted two instances in pool transaction testing and two instances in concession transaction testing where the amounts actually deposited differed from \$0.50 to \$7.00 with collections reported on the daily income reports.

Effect:

The delayed deposits demonstrate the need for clarification and enforcement of timely deposit activity and for the use of deposit slips. Cash overages and shortages may be the result of the need for additional training, or could be an indicator of theft.

Recommendation:

CAO Policy #40 should be revised to include timely deposit requirements for Divisions that make deposits directly to the bank. In addition, the Policy should include requirements for handling cash overages and shortages and their respective recording in PeopleSoft. The CAO Policy should also require deposit slips accompany direct deposits to the bank. Pool managers should reconcile income reports with deposit slips as required by CAO Policy #40, and Parks & Recreation management should address the delayed deposits, missing deposit slips, and cash variances noted at the pool and concession locations in order to ensure funds are deposited timely and any training or possible theft issues are properly addressed.

Commissioner of Finance & Administration Response:

Timely deposits are critical to the cash management process of LFUCG. The recommendation above should be accepted and revisions made to the CAO Policy #40. Finance and Administration will participate in the drafting of the revisions.

Chief Administrative Officer Response:

I concur with the Commissioner of Finance & Administration's response.

Director of Parks & Recreation Response:

The Division concurs with this finding. Aquatics policy states that deposits are to be made nightly in a tamper proof bag accompanied with a deposit slip. Deposit amounts are to be verified weekly by the Aquatics management staff. As registers have been replaced over the last 2 years, and cashier and manager training improved, the frequency of this issue has declined. Additionally, we have consciously tried to employ higher quality cashiers, which is not always easy for 10 week low pay positions. We fully expect regular improvement in this area to continue.

The Division is aware of several instances where this policy was not followed and in some cases, permission to do so was granted. On poor weather days, individual pools may have a very small deposit for the day. With management's prior approval, deposits under \$50 may be combined with the next day to reduce unnecessary employee expense for two employees to travel to the bank. Deposits are never held over two business days. Deposit management will be prioritized during management training for the 2013 season and beyond. Disciplinary action will be taken to ensure the proper procedure is followed.

That being said, deposits made to the banks on a Friday night are not worked by the bank branch until Monday and bank policy states that if the bank employee does not work the deposit before 3pm, the activity will be credited the next business day. This could well move the bank record of deposit to a Tuesday. It is the opinion of Aquatics Management that bank policy affects this finding as well. We will continue to review deposit activity at each pool, every day.

Commissioner of General Services Response:

I concur.

Follow-Up Detail Results:

Aquatics Management stated that they had developed and held a new cashier training program that occurred during the manager's training prior to the start of the pool season. Management considered this a good opportunity to deliver a consistent message to both the cashiers and managers concerning timely deposits and the handling of discrepancies.

Based on testing of daily reports from July 2014, it appears that funds were deposited timely. There were several instances when two days of pool or concession activity were combined on the daily sheets and there was no written approval to indicate management was aware of the carryover of collected funds. Aquatic management allows the carryover of deposits under \$50, but we could not determine the amount of sales that were held over each day because the register Z-tape was a combination of the two days activity.

We also noted several instances of daily cash overages and shortages ranging from \$20 to \$29. Four of these instances occurred at Southland, one of the busiest pool and concession locations. We recommend that processes be evaluated at this location and determine if there is a need for additional training and/or monitoring of cash handling procedures.

We recommend that an X-tape be run for each day's activity, reconciled with any collections, and deposited in the safe for the carryover of any funds. We also recommend that management establish a process where the pool and/or concession managers must document on the daily reports that approval was given to carryover monies to the next day.

Director of Parks & Recreation Response:

Aquatics management will perform random spot checks at all pools with a specific eye for the facility where these anomalies were noted. That particular facility does generate the most revenue in the system and therefore should warrant extra attention to make sure the deposits are made in a timely manner and are free of error.

Commissioner of General Services Response:

We will require that an X-tape be run for each day's activity when there is a carryover, reconciled with any collections, and deposited in the safe for the carryover of any funds. We will also require that management establish a process where the pool and/or concession managers must document on the daily reports that approval was given to carryover monies to the next day.

Finding #3: Void/Refund Approvals Not Documented

Priority Rating: High

Condition:

The Parks and Recreation Pool Manager stated that it is the policy of pools that refunds are not given, and patrons are told this at time of entry, although occasionally managers may give a refund and/or void a sale in extenuating circumstances. Therefore, Parks & Recreation Cash Register Procedures state that "If a mistake is made and a void or refund is necessary, contact supervisor and note and initial on a master void sheet." The Deputy Director of Parks and Recreation indicated that the master void sheet is not being used.

We examined 186 pool daily income reports and related register Z-Tapes, and noted 19% contained refunds and 2% contained voids. We examined 76 concessions daily income reports and related Z-Tapes, and noted 22% contained refunds and 7% contained voids.

There was no information available to explain the nature of the refunds and voids, and there were no indications of approval for refunds or voids on the daily reports or register receipts. This is a violation of CAO Policy #40.

Effect:

The risk of cash and/or inventory theft is increased when refunds and voids are not documented, approved, and monitored by management.

Recommendation:

CAO Policy #40 states, “Voids, over-rings, refunds, etc. are to be reviewed and authorized by a supervisor and the register tape (Z-Tape) or receipt are to be initialed by the person completing the transaction, as well as the supervisor reviewing the transaction.” CAO Policy #40 also requires void and refund review and authorization by the supervisor and person completing such transactions when they occur in a cash drawer or cash box environment. CAO Policy #40 void, over-ring, and refund control requirements should be complied with on a consistent basis. The circumstances surrounding voids and/or refunds should be reviewed as part of closing procedures to evaluate problems and determine the need for additional training.

Director of Parks & Recreation Response:

When dealing with the public, especially our very young pool and concession customers – who sometimes order food, and then look to see if they have enough money, or they are indecisive and change their order several times, a certain number of voids and refunds are to be expected. It is also necessary to use the void key to train new employees that did not attend initial training. Turnover in our 15-20 year old employee base is a regular problem in the summer, especially as the season wears on and our student employees leave for band/sport requirements at school.

A master void sheet will be produced to document all voids and refunds with both the cashier and manager’s signature where that is possible. It is important to understand the very thin staffing regime at pools which can often result in only one person at the pool cashier station while the manager attends to injury or other emergency situations. The reason for the reversal will be noted as well. The master void sheet will be reviewed weekly by management to ensure consistency in policy compliance. Proper training will be conducted prior to the 2013 season to ensure compliance. Failure to comply will result in the proper disciplinary action.

Commissioner of General Services Response:

I concur. This is a good process, but CAO Policy #40 also clearly indicates there must be evidence of review and authorization on the register Z-Tape or receipt.

Follow-Up Detail Results:

Management indicated that master void sheets were completed at each site and reviewed weekly, and voids were no longer used as a training tool. Our testing found virtually no refunds or voids at the pools, and those noted were approved. Concessions had reasonable refund/void activity but approvals were not consistently documented. We also noted that void sheets were not always submitted to Picadome management for review. We recommend approvals be consistently provided for all refunds and/or voids.

Director of Parks & Recreation Response:

The concession refunds noted occurred at one facility and were the result of management oversight. The particular manager has been made aware of the error and the issue will garner much attention in the preseason training of managers as it was prior to 2014.

Commissioner of General Services Response:

Approvals will be consistently obtained for all refunds and/or voids.

Finding #4: Paddle Boat Sales Activity Not Tracked at Jacobson Marina
Priority Rating: High

Condition:

During our cash count at Jacobson Marina we noted that sales were not recorded for paddle boats rentals at the time of transaction. Tickets for the rentals are sold to customers, but there is no tracking of beginning or ending ticket inventory. This sales activity is simply plugged into the sales report at the end of the day in order to balance the till. The cash register at this location is not functional.

Effect:

The combination of plugging sales and the failure to track beginning and ending ticket numbers creates a situation where paddle boat rental activity can be misreported and collections stolen.

Recommendation:

Ticket beginning and ending numbers should be recorded on the daily report and used to determine paddle boat sales for the day. Once the register is repaired, paddle boat sales should be rang into the register at the time of sale.

Director of Parks & Recreation Response:

The Division concurs with this finding. Beginning and ending numbers of tickets will be recorded in order to compare to a Z tape from the register to better track sales for the day. Better training of the Boat Dock staff will be conducted prior to the 2013 season and daily transaction paperwork will be reviewed by management weekly.

Commissioner of General Services Response:

I concur.

Follow-Up Detail Results:

Management stated that a cash register was purchased for Jacobson Marina and staff training was conducted to introduce the new ticketing system prior to the 2013 season. We visited Jacobson Marina and determined that a cash register was being used for all sales. In addition, tickets were given for paddle boat rentals and the numbers were written on the daily register sheets.

No management response required.

Finding #5: Variances in RecTrac and PeopleSoft Reconciliation

Priority Rating: High

Condition:

Parks and Recreation has a customized in-house accounting system (RecTrac) to record all pool and concession sales and revenue. Pool and concession daily income reports are sent to the Parks & Recreation Administrative Office, where they are then manually entered into RecTrac. Using the reconciliation process provided by Accounting, we noted variances between the pool revenues entered in RecTrac and the pool revenues uploaded to PeopleSoft of \$2,839 and \$677 for July 2010 and July 2011, respectively. Division of Accounting Management indicated that during the 2010 fiscal year, revenues were reconciled in total but not by cost center, which may account for the variance during that time.

It was also noted during reconciliation testing that RecTrac totals for Pools by General Ledger Code had increased \$25 and Rentals had decreased by \$25 since the initial June 2012 interface with PeopleSoft. It appears an adjustment was made to RecTrac in both of these accounts; however, the interface was apparently not run again. Although total revenues were not affected, we were informed by Division of Accounting Management that there are no procedures in place to ensure material adjustments posted in RecTrac subsequent to its interface with PeopleSoft are subsequently adjusted in the PeopleSoft General Ledger.

Effect:

If revenues recorded in RecTrac are not completely uploaded into PeopleSoft or are uploaded in the wrong General Ledger codes and not subsequently adjusted, Parks and Recreation revenues will be misstated by ledger codes.

Recommendation:

Accounting should determine the cause for the variances noted above and, if necessary, post adjusting entries in PeopleSoft for Parks and Recreation. Additionally, Accounting should implement procedures to periodically determine if material adjustments have been made in RecTrac that would create the need for subsequent adjustments in PeopleSoft.

Director of Accounting Response:

Currently, the Interface from RecTrac to PeopleSoft isn't being done until the 8th of the month (or if the 8th falls on a weekend), the following Monday. This allows Parks more time than they have had in the past to get everything entered into RecTrac for the prior month before the interface is done.

After the interface is complete, a comparison of the totals in PeopleSoft to RecTrac is done using a report that is run from RecTrac for the month to ensure that everything was picked up in G/L. Once it is determined that the two systems agree, the detailed RecTrac reports can be used to verify that cash deposited at the bank reconciles with the cash reported in RecTrac.

There are in-transit deposits every month from deposits made in the last couple of days of the month. These in-transit deposits are listed on the reconciliation and are checked subsequently to make sure that they were received in the bank the following month. If there is an instance where any of the in-transit deposits do not show up at the bank in the subsequent month, someone from Parks would be contacted to research.

In the event that an adjustment is made in RecTrac AFTER the interface is done, this would not be reflected in the G/L unless we were notified of the late entry and requested that another interface was done. However, through the cash reconciliation process, if there is something either deposited at the bank that wasn't recorded in RecTrac or something in RecTrac that wasn't deposited at the bank, it would be noted on the reconciliation and would be sent to Parks for research and follow-up. Typically, if that happens, Accounting would do a journal entry to record the discrepancy to ensure that the correction makes it to the G/L. This detailed process should be effective in identifying material discrepancies.

In addition to all of this, Accounting will begin (effective immediately) to re-run the RecTrac reports from prior months to ensure that the reports have not changed since reconciliation

was done. If any changes are identified, Parks will be notified before any adjusting journal entry is made by Accounting.

Commissioner of Finance and Administration Response:

I concur with the plan outlined by the Director of Accounting above.

Follow-Up Detail Results:

We traced revenue included in RecTrac reports to PeopleSoft for June 2014. We noted one variance where a pool's daily transactions were transferred from July 2014 to June 2014 after the interface with PeopleSoft had occurred. We verified that the appropriate journal entry was performed in PeopleSoft to reflect the change.

No management response required.

Finding #6: Improved On-Site Security of Collections Needed
Priority Rating: High

Condition:

We were informed during our on-site visits that the safe at one pool was not adequate to secure collections. It was also noted that the safe at another pool was not bolted to the floor, while at a third pool the pool staff did not know the combination for the safe and so collections were kept in an unlocked desk drawer accessible to all the on-site employees (in violation of CAO Policy #40).

Effect:

Inadequately secured collections make them susceptible to loss or theft.

Recommendation:

An adequate safe should be provided for these pools and securely bolted to the floor. Funds should also be secured at all times in a cash register, a locking cash box, or a locking drawer as required by CAO Policy #40.

Director of Parks & Recreation Response:

Work Orders have been generated to have all safes properly secured to the structure or floor at all Aquatic locations prior to the 2013 season.

Safe combinations were given to all pool managers during pre-season training and are available upon request, every year. All managers have combinations to the safe under their control. The employee referenced above provided an incorrect response and should have said his manager was moved to another pool for that day for staffing reasons, or that he/she

was filling in as manager or whatever the case might have been. He/she must not have been the regular manager at that particular site. Employees, including managers, are sometimes moved to another pool for proper staffing needs. Proper training of replacement staff will be a priority during management training and will be reiterated during weekly staff meetings.

Commissioner of General Services Response:

I concur.

Follow-Up Detail Results:

Management indicated that every aquatic facility is now equipped with a safe that has been secured to the floor, and each manager was given the combination in person. We visited the two pools in question and verified that offices contained a safe bolted to the floor. We noted that each pool manager knew the safe combination and was able to open the safe.

No management response required.

Finding #7: Improved Controls Needed for Pool Pass Inventory

Priority Rating: High

Condition:

During our on-site visit to the Picadome Pool, we observed 44 pre-numbered pool passes. There was no log to account for unsold pool passes, and the pool passes on hand were not in sequential order, indicating they are not dispensed to customers in sequential order. The Picadome Pool manager stated they do not track the unsold pool passes, but they do complete a form when one is purchased by a customer.

Effect:

The absence of a pool pass tracking process could result in unrecorded pool pass sales and cash theft that may not be discovered by management.

Recommendation:

Pool passes should be issued to the various pools in sequential order block number ranges that are then entered into a pool pass sales tracking log. Pool passes should be sold to customers in sequential order and recorded in the log. This log should be kept up-to-date and available for management review to assure proper control and accountability for unsold pool passes.

Director of Parks & Recreation Response:

The Division concurs with the recommendation. Passes will be distributed to the individual pools in bundles of 50 in sequential order with a log sheet signed by the coordinator and the manager signing to verify receipt. Pass sales will be logged in a master pass sales log documenting the numbered passes for each purchase. Pass numbers are also recorded on the Pool Pass sales form. The master pass sales log will be available for periodic review by management to determine the proper number of passes sold and still in stock.

Commissioner of General Services Response:

I concur.

Follow-Up Detail Results:

Management indicated that pool passes were issued from the central office to each Aquatics Coordinator in sequential order, who then issued them to each pool location. They stated that a master sales log was generated and reviewed weekly and reconciled post season to identify variances.

We reviewed pool passes at each pool location we visited and noted the pool pass inventory on hand. We also obtained the master sales log from the administration offices. After reviewing the logs, it was evident that the sign out sheets only detailed each sale of pool passes, but not the total population of pool passes assigned. Based on our testing and observation, it did not appear that reconciliations between sales and ending inventory were occurring. We recommend that aquatic administration maintain a master log of all pool passes assigned to each pool, and periodically reconcile the sales log and ending inventory to assure proper control and accountability.

Director of Parks & Recreation Response:

Reconciliations will be performed as stated. Additionally, it is possible that Parks can move forward with the “Pool Technology” project which would bring internet access to the pools allowing for the detailed tracking of family pool passes by household and number creating greater controls for the tracking of pool passes. Until such time, passes will continue to be checked out to the management team and then signed out to the individual pools; additionally, research will occur to determine if passes may be pre-printed and numbered to identify each pool, assisting with reconciliation efforts. Sales will be reconciled back to the master list to avoid fraudulent sales.

Commissioner of General Services Response:

We will create a process to reconcile sales and physical inventory to the sales log. This process will be developed so that a true reconciliation of physical inventories to book inventories can occur.

Finding #8: Improved Portion Control Needed for Concessions
Priority Rating: Moderate

Condition:

Parks & Recreation procedures currently require a beginning and ending daily inventory of LFUCG operated concession locations. We performed inventories at all LFUCG concession locations in order to verify the accuracy of reported inventories. We noted that physical inventory of BBQ was short 17 servings and physical inventory of French Fries was short 38 servings at the Woodland Concession. Both items are dispensed based on portions.

Effect:

Inaccurate measurements of food portions may decrease profits or short portion customers.

Recommendation:

A standard measurement tool should be used for items served by portion to reduce inventory variances and improve profit margin and provide consistent customer portions. Significant inventory variances should be reviewed and resolved by qualified management personnel on a timely basis.

Director of Parks & Recreation Response:

A standard measure dispensing utensil will be purchased for both concession locations in an effort to make servings a more consistent size.

Commissioner of General Services Response:

I concur.

Follow-Up Detail Results:

Management indicated that a standard measure dispensing tool was purchased and used at both locations and BBQ was taken off the menu. Our visits to concessions noted that the measuring tools being used were a spoon and an ice cream dipper. We performed an inventory count and noted only minor variances, which appeared proper for this type of product.

No management response required.

Finding #9: Cash Registers Recommended for all Locations
Priority Rating: Moderate (Repeat Finding from 2005 Audit)

Condition:

Parks and Recreation Cash Register Procedures state that, “The cash register is one of the methods of control used to account for each day’s business”. It was noted during our site visits that the cash register at Douglass Pool was out for repair and there was no cash register at Picadome Pool. Although collection activity at these locations is low compared to the other pools, the use of a tally sheet to account for daily sales at those locations does not provide the same level of control as a cash register and provides no automated record of transactions.

Effect:

Manual collection processes are inherently difficult to control and monitor, and may not provide an accurate record of services rendered and/or collections received.

Recommendation:

Cash registers represent the best transaction recording and collection control for operations of this nature. We recommend cash registers be installed at all pools and concessions to the extent it is practicable. When cash registers are not in use or are out for repair, a manual procedure including a receipt book should be implemented to provide an accurate record of sales activity and the corresponding funds received.

Director of Parks & Recreation Response:

All locations will have updated cash registers before the start of the 2013 season.

Commissioner of General Services Response:

I concur.

Follow-Up Detail Results:

Management stated that each aquatic location now has operational thermal registers, and cashier training was provided prior to the season opening. We visited Picadome and Douglass pools and Jacobson Marina and verified that cash registers were being used at these locations.

No management response required.