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INTERNAL AUDIT DEPARTMENT

Report Number 2015-001

***FINAL REPORT – Review of the Controls
over Revenue Processed Through
the CLASS System***

January 6, 2015

***Latona Thomas, CPA, Director
Steven Harper, Staff Auditor I***

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COBB COUNTY INTERNAL AUDIT

Latona Thomas, CPA

100 Cherokee Street, Suite 250
Marietta, Georgia 30090
phone: (770) 528-2559 • fax: (770) 528-2642
latona.thomas@cobbcounty.org

Director

January 6, 2015

MEMORANDUM

TO: David Hankerson, County Manager

FROM: Latona Thomas, CPA, Director 

SUBJECT: **FINAL REPORT** – Review of the Controls over Revenue Processed Through the CLASS System

Attached for your review is the subject audit report. The overall objective of this review was to determine if controls over revenue processed through the CLASS¹ system were adequate to ensure revenue was being safeguarded, complete and accurate, and properly reported into the Advantage Financial system. We also evaluated the current fee structure of the programs offered for reasonableness.

Impact on the Governance of Cobb County

Revenue processed through the CLASS system averaged \$3,042,202 annually for the past five fiscal years 2009 through 2013.² The findings in this report will ensure that revenue processed through CLASS, and any future system, is adequately safeguarded, completely and accurately reported in the financial system, and continually monitored. Citizens and Cobb County (the County) leadership can be assured that revenue collected for programs and facility use are handled appropriately.

Executive Summary

Both P.A.R.K.S. and Senior Services utilize CLASS for revenue generating transactions; however, P.A.R.K.S. accounts for 95% of the revenue generated through CLASS. As such, our testing focused on P.A.R.K.S. transactions. We reviewed the controls over revenue processed through the CLASS system and assessed the current fee structure for P.A.R.K.S.³ We found the system is adequate for scheduling and collecting payments for County offered programs and the rental of facilities.

¹ CLASS is a software solution from The Active Network, LTD. designed to manage recreational activities.

² Five-year average excludes rental deposits and unearned revenue amounts.

³ P.A.R.K.S. Department – Parks, Arts, Recreation, Keep Cobb Beautiful, and Solid Waste

The software is configured with account codes consistent with the County's financial system which aides in the upload of CLASS transactions directly into Advantage Financial. However, there are opportunities for strengthening the controls.

Additional physical safeguards of County assets are necessary; user profiles and access should be streamlined based on job function and removed upon separation from service; balance sheet accounts should be monitored and reconciled to Advantage Financial on a periodic basis; and rental account management practices need to be re-evaluated for consistency between facility locations. In addition, proper contract management practices need to be employed to ensure contract provisions are met. Lastly, the fee structure should be periodically evaluated to ensure P.A.R.K.S. is aligned with the County's strategic plan and cost-sharing objectives.

Recommendations

We made recommendations to address the issues noted, including:

- Assess the number of people with access to safes and remove if not necessary.
- Review cash drawer processes.
- Monitor security systems.
- Ensure all employees receive cash handling training.
- Revise the revenue management manual as needed.
- Implement a process for granting and removing access to Information Services (IS) systems and periodically evaluate users continued business need to the system.
- Analyze job roles and assign user profiles in the system which match the functions needed to perform job duties. Perform a segregation of duties analysis of each user profile and resolve all conflicts found.
- Determine System Administrator job functions and ensure they are being adequately performed.
- Analyze A/R and make adjustments, as needed, and implement a process for the ongoing monitoring of outstanding balances.
- Implement policies for managing tennis professional relationships.
- Develop and implement a process for reconciling unearned revenue between CLASS and Advantage Financial.
- Consider a policy of refunding unused customer credits.
- Review the configuration and fee structure within CLASS for accuracy and completeness.
- Implement ongoing monitoring practices and perform unannounced site visits to perform reviews.
- Evaluate the current fee structure and assess against the County's strategic plan.
- Implement contract management practices.

Response

The P.A.R.K.S. Director provided a response to our draft report and concurred with 16 of our 19 recommendations. He proposed acceptable alternative solutions to the remaining three recommendations. All corrective actions are to be implemented by the September 2015. The complete responses to the draft report are included in Appendix VI. We will perform a follow-up in six months on the implementation of corrective actions.

A copy of this report will be distributed to managers affected by the report recommendations. Please contact me at (770) 528-2559 if you have questions or Steven Harper, Auditor-in-Charge, at (770) 528-2557.

Background

CLASS is a software solution that is designed to manage recreation activities. It was purchased from The Active Network, LTD in 2005 and included a software license agreement for the use of workstation and server based modules, a general software services agreement for installation services, and a software support and maintenance agreement. The license and services agreements were one-time expenditures; whereas, the support and maintenance agreement is renewed annually.

CLASS is used primarily by the P.A.R.K.S., Senior Services, and Elections and Registration departments. P.A.R.K.S. and Senior Services utilize various modules including facility rentals, membership management, program/course/special event registration, client account management, and point-of-sale transactions. Elections and Registration only uses the system for registering poll workers for training classes. Other departments and elected official offices were exploring the use of CLASS during the onset of the audit, but we are not aware of any further developments.

P.A.R.K.S. currently operates 35 revenue generating facilities, of which 31 utilize the CLASS software. As the primary provider of leisure services and facilities within the County, P.A.R.K.S. provides a wide range of athletic, artistic, therapeutic and educational services. Cobb Senior Services provides an array of services, including the operation of six Senior Center facilities. Each Senior Service facility utilizes the CLASS system.

CLASS Structure

CLASS is comprised of various modules for processing the activities listed above, as well as setting up and maintaining the system. The following is a list of modules utilized by the County and a brief description of each:

- Accounting Processing – general administrative setup and monitoring functions
- Facility Bookings – facilitate the rental of County spaces and generate related contracts
- Facility Maintenance – allow changes and updates to available spaces within facilities
- League Maintenance – set up sports leagues⁴
- Membership Pass Maintenance – issue membership passes
- Membership Pass Validation – scan membership cards for multi-use passes
- Payment Processing – credit card batch processing
- Point of Sale (POS) – sale of merchandise at facility locations
- Point of Sale Maintenance – set up of POS terminals based on the location (i.e. tennis centers include court fees and pro shop items; aquatics include pool entry fees; and Senior Services includes concession sales, etc.)
- Program Maintenance – set up programs, classes, special events, etc.
- Program Registration – register participants for programs, classes, special events, etc.
- Report Printing – various canned reports (custom reports are available using a report-writing software)
- System Maintenance – issue and maintain user identifications (ID), terminal locations, etc.

⁴ Sports leagues are monitored by Cobb County Athletic Coordinators.

CLASS is configured based on the needs of respective locations, each site is assigned location identification, and then each computer terminal within the site is assigned to the specific location identification. The chart to the right shows the number of locations and terminals assigned to each department within CLASS.

Department	Locations	Terminals
Parks	33	87
Senior Services	7	24
Elections	1	2
Administration	2	43
Total	43	156

Table 1 - Source: CLASS software system

Department or Elected Official Office	Number of Users
Cobb County Water System	1
Cobb Senior Services	31
Department of Public Safety	5
District Attorney's Office	1
Elections & Registration	1
Finance Department	4
Information Services	3
Internal Audit*	1
P.A.R.K.S.	159
N/A **	346
Grand Total	552

Table 2 – Source: CLASS software and HR Advantage systems

* A view-only user ID was obtained for purposes of this audit.

**343 people are former County employees and three are unassigned user IDs are generic for IS support.

there were 552 user IDs with access to CLASS; however, 346 were not assigned to a department (343 former employees and three used for generic Information Services Department support). The chart on the left presents the number of users by County department or elected official office. The departments are based on the assigned location of the employee in the HR Advantage system as of August 6, 2013. See 'Results of Review' for recommendation regarding excessive user access.

Registration

Customers can register for programs in person, by mail, or via the internet. Registrants via the internet must first establish a log-in ID and personal identification number (PIN), in person, at a P.A.R.K.S. or Senior Services facility. Rental reservations can only be made in person at the facility being reserved or at a district office.

Walk-in registrations may be made by cash, check, money order, or credit card. Mail-in registrations may pay via check, and online registration accepts credit cards only. Full payment for programs is due at the time of registration, and fees are 100% refundable if the participant withdraws at least seven days prior to the start of the course. Refunds for withdrawals within the seven day requirement are only given for verified medical/hardship cases. Facility rentals require a deposit at the time the reservation is made, with full payment due two weeks prior to the event.

During Fiscal Year 2013, 4,691 courses and special events were available for participant registration through the CLASS system, with 45,825 actual registrants. These numbers are inclusive of P.A.R.K.S., Senior Services, and Elections. Youth sports leagues and their participants, which play at County parks and are managed by non-profit professional organizations, are excluded. The chart at right represents the method in which participants registered for the programs.

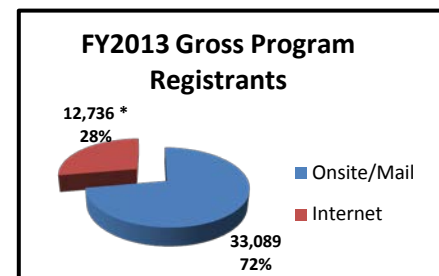


Chart 1- Source: CLASS software report

*2,066 (16%) internet registrants were Elections

Of the gross FY2013 registrants utilizing the CLASS system, 5,162 withdrew leaving a net 40,663 registrants. Senior Services and Elections accounted for 15,218 and 2,063 participants respectively, with the balance to P.A.R.K.S. In addition, there were 6,547 rental reservations⁵ processed.

CLASS Revenue

Revenue processed through the CLASS system represents approximately 64% of P.A.R.K.S. total annual revenue over the past five years, and 60% of Senior Services total annual revenue over the past three⁶ years. Below is a five-year comparison of revenue classification type as reflected in the CLASS system. We were unable to reconcile the individual classification types directly to Advantage Financial because the revenue is posted to various subunit and revenue codes.

P.A.R.K.S. Revenue

Revenue Type	FY2013	FY2012	FY2011	FY2010	FY2009
Course Registrations	\$ (1,381,280)	\$ (1,298,631)	\$ (1,144,149)	\$ (1,061,251)	\$ (1,052,396)
Extra Fee Revenue	\$ (106,977)	\$ (64,337)	\$ (71,597)	\$ (94,217)	\$ (45,587)
Facility Rental	\$ (861,124)	\$ (790,632)	\$ (656,194)	\$ (610,083)	\$ (553,254)
League Revenue *	\$ (185,845)	\$ (186,925)	\$ (193,384)	\$ (261,416)	\$ (280,401)
Membership Revenue	\$ (194,548)	\$ (192,926)	\$ (235,093)	\$ (223,513)	\$ (231,969)
Point of Sale	\$ (495,968)	\$ (572,438)	\$ (453,803)	\$ (528,936)	\$ (569,728)
Total	\$ (3,225,742)	\$ (3,105,889)	\$ (2,754,221)	\$ (2,779,415)	\$ (2,733,335)

Table 3- Source: CLASS software system

* League revenue is for County operated adult leagues only. There is no charge for youth athletic leagues.

Senior Services Revenue

Revenue Type	FY2013	FY2012	FY2011	FY2010	FY2009
Course Registrations	\$ (154,702)	\$ (125,769)	\$ (108,131)	\$ (80,672)	\$ (82,411)
Facility Rental	\$ (4,005)	\$ (4,200)	\$ (5,175)	\$ (6,975)	\$ (7,125)
Point of Sale	\$ (6,833)	\$ (6,060)	\$ (6,780)	\$ (6,879)	\$ (6,690)
Total	\$ (165,540)	\$ (136,029)	\$ (120,086)	\$ (94,526)	\$ (96,226)

Table 4- Source: CLASS software system

⁵ Includes chargeable and non-chargeable rental reservations.

⁶ Changes to the financial reporting structure of the Senior Services department prevented us from reporting a five year average.

Results of Review

Our overall objective was to determine if controls over revenue processed through the CLASS system were adequate to ensure revenue is being safeguarded, complete and accurate, and properly reported into the Advantage Financial system. The current fee structure of CLASS system programs were also evaluated for reasonableness. Adequate controls are necessary to safeguard against loss and prevent the mishandling of funds.

Although both P.A.R.K.S. and Senior Services utilize CLASS for revenue generating transactions, we limited our testing to P.A.R.K.S.' transactions because its collections account for 95% of the revenue generated through the CLASS system. Due to system limitations, Senior Services' transactions were inadvertently included in some testing procedures. Elections' transactions were excluded from testing because no revenue generating transactions exist. Tennis professional revenue from racquet stringing and pro shop inventory was also excluded as the amounts are kept separately and is not deemed County revenue. Recommendations included in this report have system wide applicability and should be reviewed by all user departments for current and future impact.

We determined the CLASS system was adequate for registrations, reservations, scheduling, point of sale transactions and processing payments and refunds. CLASS interfaces with the County's financial system and transactions can be properly tracked. We found controls in place to address revenue management and monitoring, but we identified several opportunities where controls over revenue could be strengthened. Existing controls need to be re-evaluated for consistent application among all facilities, additional physical and system safeguards are needed, monitoring activities need to be increased, and effective contract management practices need to be established. In addition, the current fee structure needs to be periodically evaluated to ensure the results align with the County's strategic plan and cost-sharing objectives.

Improvements to Safeguard Measures are Needed

We reviewed and evaluated the physical and system safeguards over revenue processed through the CLASS system. We surveyed P.A.R.K.S. facility locations, analyzed user access and capabilities within CLASS, and reviewed cash handling related procedures. Effective controls over the physical access to cash, as well as supporting system transactions, are imperative to minimize the risk of loss to the County.

Physical Safeguards over Cash Receipts Need Improvement

Access to facility safes should be limited

There are multiple people at each site, including part-time and seasonal employees, who have access to the safe without adequate segregation of duties. Compensating controls are in place and outlined in the P.A.R.K.S. revenue manual. A safe log sheet is used to record activity of both facility employees and couriers. Additional controls include ensuring the safe remains locked at all times and the combination changed randomly and frequently.

The compensating controls can be further strengthened by periodically assessing each person's business need and eliminating or modifying access accordingly. The combination to the safe should also be limited to authorized personnel only based on business need. Having an excessive number of people with access to the safe increases the risk of loss without the ability to determine the responsible party.

Recommendation

The P.A.R.K.S. Director should:

Recommendation 1: Review the number of people that have access to the safe at each location, assess their business need, and remove access for employees who do not possess a continued business need immediately. This process should be repeated on a periodic basis.

Auditee Response: Concur

The P.A.R.K.S. Department reviewed the number of people that have access to the safe at each location. In order to follow the County's guidelines for proper cash handling procedures, based on our review it is necessary for current full-time and part-time employees to have access to the safe in their assigned location for completion of daily deposits. Scheduled changing of the safe combinations will be made. Combinations will be changed immediately where there has been a high turnover of staff. Estimated completion of review is February 20, 2015, but with ongoing monitoring by Division Directors and Business Manager.

Multiple users with access to the same cash drawer

Multiple users have access to the same cash drawer without compensating controls. Each employee processes transactions using their respective CLASS user identification; however, they all work from the same till. The risk of misappropriation of cash is increased when a higher number of people have access to the cash without proper segregation controls. Also, identifying who is responsible for imbalances would be difficult, if not impossible. Proper procedures dictate each user should have their own cash advance and work from their own drawer so, in the event of an imbalance, the source can be detected. We understand that many facilities are operated by part-time and seasonal employees; therefore, it may not be cost beneficial to implement additional controls. If separate cash drawers or transfer of responsibility controls are not implemented, P.A.R.K.S. must assume the risk of not being able to hold individual staff accountable for any overages or shortages.

Recommendation

The P.A.R.K.S. Director should:

Recommendation 2: Review the cash drawer process, ensure proper controls exist, assess the risk associated with this process, periodically monitor, and make changes as needed.

Auditee Response: Concur

A review will be completed by April 15th and necessary revisions will be made to the Revenue Manual and incorporated into the Cash Handling classes. Staff at facilities will be informed of any mitigating controls to be implemented. Completion Date: April 15, 2015 by Business Manager.

Security systems need to be monitored

We observed weaknesses in the physical security system processes that could increase the potential risk of theft, fraud, waste, and abuse. Physical security systems at facilities need to be periodically monitored to ensure continued operability. A security system is a control feature designed to safeguard County physical and intellectual assets. Inoperative or unmonitored security systems increase the risk of loss to the County.

Recommendation

The P.A.R.K.S. Director should:

Recommendation 3: Coordinate with Property Management to periodically monitor and test the operability of security systems and develop procedures accordingly.

Auditee Response: Concur with Alternate Solution

P.A.R.K.S. staff will periodically monitor and test the operability of security systems at park locations; it is not a function of the Property Management Department. The P.A.R.K.S. Department will prepare a list of locations that currently have security systems installed, determine if they are functioning properly and prepare a list of locations that are in need of security systems. Monies have been allocated in the 2016 SPLOST to address security needs within the P.A.R.K.S. system. Operations Division Director and his staff will oversee this procedure. Ongoing process.

Cash handling training documentation should be maintained

Documentation to validate compliance with the County's cash handling policy was not maintained on a consistent basis. In addition to the County's policy, P.A.R.K.S. requires employees who handle cash to attend a cash handling course every two years. We found there was no documentation to support 111 of the 159 (70%) P.A.R.K.S. employees, who handle cash, taking the course. Because P.A.R.K.S. utilizes a significant number of part-time and seasonal employees to staff its facilities, it is often difficult to register these employees for the County's class. As such, facility managers are tasked with facilitating the training or scheduling a training session with the Business Manager; however, documentation was not maintained on a consistent basis to attest that training had been completed. Educating employees on cash handling is imperative to the safeguarding of County assets and ensuring compliance with all policies of the department and County.

Recommendation

The P.A.R.K.S. Director should:

Recommendation 4: Ensure all employees obtain cash handling education in some manner and retain documentation that each has received it.

Auditee Response: Concur

Orientation classes will be reinstated to introduce new hires to the duties related to their position and cash handling procedures will be included in the orientation. An acknowledgement form will be created and attendees will sign the acknowledgement indicating they have received training and been given a copy of the revenue manual. Copies of the acknowledgement form will be retained in the employees personnel file.

Currently, cash handling classes are held on a bi-annual basis (odd numbered years) and the attendees sign an attendance sheet. Due to the operating hours of our facilities, managers with large part-time staff are allowed to conduct training sessions for their staff. Managers will use the same staff documenting process for attendance as the Business Management staff. The Business Manager is to be notified of the dates and location of the classes conducted by managers. A representative from the Business Management Unit will randomly drop in during the class to insure the correct information is being passed on to staff. Implementation date: February 2, 2015 with ongoing bi-annual training and documentation.

Revise the current revenue management procedures manual

The current P.A.R.K.S.' revenue management procedures manual should be updated to reflect any procedural changes and corrective action agreed to be implemented. Documentation organizes your procedures and helps ensure all employees perform a process in the same manner. It provides a means for employees to look up answers instead of asking co-workers or developing new procedures. In addition, it acts as a protection during audits, helping to pinpoint any actions taken against policy. Modifications would be required based on changes made to processes in response to recommendations made in this report. Also, any further changes in the software system should be incorporated as well.

Recommendation

The P.A.R.K.S. Director should:

Recommendation 5: Ensure the revenue manual is updated, incorporating all current and proposed procedures for cash handling. The updated policy should be given to all cash handling employees and a written record of their receipt and review should be maintained.

Auditee Response: Concur

The Revenue Manual is reviewed and updated as needed before Cash Handling classes are held and/or a new procedure is implemented by the Business Manager. The manual will be issued to employees during orientation and their signed acknowledgement form will be placed in their personnel file. The manual will also be stored on the Department's common drive for easy access.

Bi-annual refresher classes are held on odd numbered years. Acknowledgements and attendance sheets are issued to the attendants to sign and return at the end of the class. Ongoing process.

Safeguards to Systems and Transactions Need Improvement

System access needs to be monitored

The CLASS system is not monitored to ensure only authorized users have access. We cross-referenced 552 authorized users to a list of current employees and found that 343 were no longer employed by the County. Information Services (IS) removes former employees from the County's network, so they would not have access to the system. Eleven additional employees, who transferred to other County departments, still had access to the CLASS system even though there was no longer a business need. Leaving former employees profiles active is a security risk.

Intrusion detection would not alarm because no intrusion will take place since access would be through a valid, authorized profile. As a best practice, anyone who no longer has a business need to access a system should be removed as soon as possible.

We also reviewed the process for granting and removing user access to the CLASS system and found there were no written procedures for validating user access based on business need. The System Administrator adds and deletes users based on email requests from facility managers but acknowledged requests to remove users were seldom received. System access requests and removals should require justification of business need, documentation maintained, and periodically monitored to ensure continued business need. Not limiting access to the system increases the risk of unauthorized or inappropriate transactions being processed.

Recommendations

The P.A.R.K.S. Director should:

Recommendation 6: Validate the current list of authorized users based on business need. Any unnecessary user IDs that are identified should be immediately deleted. This process should apply to all systems in use by the department.

Auditee Response: Concur

P.A.R.K.S. System Administrators have received a list of current employees from their Department Human Resource Representative. A report will be generated using CLASS to list all P.A.R.K.S. staff users. All non-active employees will be deactivated as a “Staff/User” in the CLASS system. The Senior Services Department will need to do the same process for their Department respectively. Beginning immediately, the PARKS’ Human Resource Representative will notify the P.A.R.K.S. System Administrator(s) of staff terminations and the employees will be deactivated in the CLASS system. Ongoing.

Recommendation 7: Develop, document, and implement a process for granting and removing access that requires the business reason for access, as well as what type of access is needed. This process should require management approval and be included in each department’s exit paperwork. Validate the continued business need on a periodic basis.

Auditee Response: Concur

The orientation process being re-instituted (Item #4) will impose the signing of an acknowledgement form from new employees. Once the acknowledgement form is signed, the hiring supervisor will send a request to the System Administrator(s) to grant access to the CLASS system and state what level of access is requested. Once an access level is established for an employee, any changes to that access level must be submitted in writing and approved by management. The System Administrator will be responsible for keeping on file (for a period of 3 years) CLASS system access requests.

Removal procedures addressed in Item #6. Implementation will involve staff, Director, Division Directors, PARKS’ Human Resource Representative and the Business Manager. Initial completion is February 1, 2015 and ongoing reviews.

User profiles need to be streamlined based on business need

User profiles in the CLASS system are not configured based on job responsibilities. Two security levels are currently used to categorize user profiles in the CLASS system. First, users are assigned an ID based on the facility location assigned. This security level enables user access to the CLASS system from a designated facility. It also allows users to register participants for classes at any facility or location, but limits the ability to reserve facility rentals to their designated location. Second, users can be assigned a profile based on available functions within the system. The System Administrator acknowledged users were given a facility manager profile regardless of their job role. A facility manager profile grants them excessive access to process transactions which should be reserved for specific job roles. User profiles should be restricted to functions relevant to their job duties to minimize the potential risk of unauthorized or fraudulent transactions. Also, profiles should maintain proper segregation of duties to ensure a user does not have conflicting processing capabilities (i.e. the ability to take payments and over ride pricing).

Designated System Administrator responsibility must be established

The CLASS System Administrator functions are not being effectively managed to ensure the integrity of the system is maintained. Currently the functions are being handled by a part-time P.A.R.K.S. employee in addition to their primary job responsibility as the tennis Recreation Program Manager. Another part-time employee fulfills the role as a backup when needed.

In addition to the system access and capability concerns noted above, there is no ongoing monitoring of changes occurring in CLASS. Unauthorized changes can be made to the data contained in the system, due to the excessive capabilities, without being detected. Changes could be made which enable fraudulent activity to occur.

Recommendations

The P.A.R.K.S. Director should:

Recommendation 8: Analyze user job roles and the functions needed in CLASS to perform job duties and document the appropriate profile to assign a user ID. Re-assign profiles in accordance to the analysis performed and implement proper segregation of duties practices.

Auditee Response: Concur

Division Directors, Business Manager and Class Administrators will meet to determine the accessibility needs for each position and reassign as necessary. Part timers are usually alone in the facility and must be able to fulfill customer service duties while on duty. Completion Date: February 27, 2015.

Recommendation 9: Determine the job functions required of a Systems Administrator and ensure the person designated the responsibilities has the proper training to perform the duties adequately.

Auditee Response: Concur with Alternate Solution

Currently, CLASS software related problems are handled by two part-time Administrators and the Business Manager. They also assist the Information Services Department with their questions related to the software. If the creation of an additional position were approved this would help free up time for each of the above positions.

The creation of a dedicated full time Systems Administrator for the P.A.R.K.S. Department who could serve as a go to person for all computer and software related issues of the Department would be the ideal solution.

Additional Controls are Required to Ensure Transactions are Complete, Accurate, and Properly Reported

We reviewed and assessed the controls utilized to monitor facilities and the transactions they process. We analyzed accounts receivable (A/R) balances, surveyed tennis facility personnel, reviewed refunds processed, and assessed ongoing monitoring practices. Effective monitoring controls over P.A.R.K.S. facilities and their activities are essential to ensure each is operating as intended and in a consistent manner.

Accounts Receivable Balances Need to be Analyzed on a Consistent Basis

Accounts receivable balances need to be consistently monitored to ensure the amounts due are accurate and paid in a timely manner. We reviewed the aged A/R balances as of April 30, 2014, and found a significant balance of \$242,921. See chart at right for the summary of A/R aging report obtained from CLASS.

Accounts Receivable	
Less than 30 days	\$ 77,938.03
31 - 59 days	\$ 31,414.49
60 - 89 days	\$ 1,280.06
90 - 119 days	\$ 8,293.02
<u>Over 120 days</u>	<u>\$ 123,995.17</u>
Total A/R	\$ 242,920.77

Table 5- Source: CLASS software system

We analyzed a detailed report of account balances over 120 days and found the aging report incorrectly included amounts due for future events. Facility rentals require full payment at least two weeks prior to the scheduled date of the event; however, the CLASS system was incorrectly reporting the amount due as of the day the reservation is secured. For example, several swim teams booked pool rentals for the entire FY2014 year, in October 2013. Even though these rental agreements required payments to be made monthly, the system incorrectly reported the full year balance due as of the reservation date instead of monthly.

This error caused the A/R aged balance to be overstated. In addition, we noted account balances where an A/R balance was not cleared after an event occurred. Some events require manual reconciliation and intervention to close out A/R balances due to third-party payment processing (i.e. Ticketmaster). When third-party payment processing and reconciliation is not performed, the A/R balances are overstated as well. We judgmentally sampled a few of these scenarios for A/R balances over 120 days and found the balance was overstated by at least \$65,554.⁷

Our review of the over 120-day aged A/R balance also identified 1,825 accounts with credit balances totaling \$77,370. The credit balances are the result of properly canceled facility rentals and program registrations that were not refunded. Many of the balances are small dollar amounts; 1,406 are less than \$50. Even though participants are allowed to use the credit balances for future programs, the A/R balances remain understated to the extent of the credit balances. Monitoring the A/R balances on a periodic basis will allow management to identify and resolve discrepancies in a timely manner.

⁷ Based on sample testing of larger balances only and does not reflect a final 120 day A/R balance.

We also randomly sampled account statements from the remaining aged balances and found the less than 30-day aged balances were the result of summer camp registrations made in advance. Summer camps operate on a weekly basis and participants were allowed to register for multiple weeks and/or multiple children without receiving full payment. Park's current policy requires full payment at time of registration with no exceptions for summer programs. P.A.R.K.S. management needs to review its current payment policy for applicability and consistency and modify accordingly, if necessary.

Since data, including the discrepancies described above, flows from CLASS to the Advantage Financial system, corresponding A/R and revenue balances are incorrectly stated. Management acknowledged there is no ongoing monitoring of A/R and it needs to be researched to determine final disposition and reconciled to Advantage Financial. Analysis of each account would have to be made in order to determine the true amount of outstanding A/R and the actual age of it.

Recommendations

The P.A.R.K.S. Director should:

Recommendation 10: Review the current policies and practices regarding when payment is required for each type of rental, event, or program registration. Written policies should be revised and the corresponding system and/or monitoring controls incorporated to ensure consistent compliance.

Auditee Response: Concur

A meeting was held on November 18, 2014 with the Director, Division Director, Business Manager and System Administrators to review current policies and establish corrective actions to be implemented.

It was determined that additional meetings with front-line staff are necessary to re-visit current procedures and develop and implement corrective procedures (if necessary) that appropriately address payments received for rentals, events, and program registrations. Meetings with staff will occur no later than February 1, 2015. Policy changes to be made will be determined by Director, Division Directors and Business Manager.

Recommendation 11: Analyze the current accounts receivable balances, reconcile to the Advantage Financial System, and make the necessary adjustments, if appropriate. Management review and approval should also be included. This process should be periodically performed and included in monthly and year-end close-out and reporting practices.

Auditee Response: Concur

This analysis is in process. The Business Manager will monitor Accounts Receivables balances on a monthly basis. Facility supervisors/ managers will run a CLASS report showing account receivable balances for their specific facility and will work in conjunction with the Division Director(s) and Business Manager to reconcile balances. Effective immediately.

Recommendation 12: Consider implementing a policy where refunds are issued for unused credits after a designated number of days (i.e. 90 days). Also, consider establishing a minimum clip level and automatically issue refunds for all accounts with credit balances lower than the established minimum.

Auditee Response: Concur

We will review and use the capabilities of the Class Software to aid in this endeavor, Checks will be requested for current aging credit balances that have been paid by cash or check, more than \$10.00 and are more than 120 days. Credit card customers will be contacted to inform them of their credit balance. Completion Date: February 9, 2015, processing of 120 days aging refunds will be monitored by the Business Manager.

Future refunds will be issued annually at fiscal year -end for balances older than 120 days old.

Policies for Handling Tennis Professionals Need to be Revised for Consistency

P.A.R.K.S. operates six full service tennis centers and thirteen additional satellite tennis facilities. The tennis centers are administered by a facility manager and charge a nominal fee to play, while the satellite tennis courts are available free of charge on a first-come, first-serve basis, except when scheduled for P.A.R.K.S. programming. According to the 'Tennis Instructor Contract,' tennis professionals (tennis pros) are hired at the tennis centers to teach tennis classes sponsored by the County. These tennis pros also enter into a 'Staff Professional Tennis Contract' which allows them to reserve tennis courts at the tennis centers for private instruction up to two months in advance, but does not require payment at the time of reservation. With this agreement, tennis pros are required to pay customary court rental fees on a weekly basis. We found the current practices were non-compliant with established contracts and inconsistent between tennis centers. The tennis centers are currently reserving courts for pros using three different methodologies: administrative booking, tentative rental agreements, and firm rental agreements.

Administrative bookings allow tennis centers to block off tennis courts and times on the calendar so they are not available for rental. These holds are not linked to a specific account and revenue transactions are not generated. This methodology does not require additional transactions in CLASS, such as recognizing earned revenue on the dates held, because the transactions are considered offline. This function is best used in cases of a facility undergoing maintenance or repairs, to prevent tennis courts from being rented out. One tennis center uses this function to reserve space for their tennis pros. The facility manager blocks out times the tennis pro typically uses, and no adjustments are made for cancellations, weather, or changes in the tennis pro's schedule. At the end of each month, the facility manager meets with the tennis pro on their actual usage and then generates a rental contract with the agreed amount of hours used. CLASS system accounts receivable and revenue transactions are then generated with the creation of the rental contract. All activity prior to the creation of the rental contract occur offline and no documentation is maintained to justify the actual usage. Without such information, the County cannot be assured it is receiving the revenue amount due based on actual usage by tennis pros. This methodology is also inconsistent with the current contracts as described above. In one instance, the facility manager implemented a payment plan for a tennis pro that is \$1,351⁸ behind in payments. We reviewed the account statement for this tennis pro and noted an additional \$480 credit was processed in July 2014 on this account against rental contracts from 2012. There were no new rental contracts for this tennis pro in 2014, but discussions with the facility manager indicated he is still an active pro at the center.

⁸ Tennis pro balance as of January 1, 2014.

In another instance, a different tennis pro was given a \$67.50 credit in July 2014 for 2013 rentals. No documentation was available to substantiate these credits. The ability for facility managers to revise rental agreement methodologies with tennis pros without adequate monitoring could result in loss of revenue.

The use of tentative rental agreements is another methodology that allows a tennis center to reserve tennis courts and times on the calendar for a specific account; however, only a tentative rental contract agreement is generated that reflects the tentative revenue amount due. Adjustments to the tentative rental agreement can be made at any time, but the system does not keep a record of the changes because of the tentative status. Additionally, amounts due for the tennis pros time used are not reflected in the accounts receivable balances. As such, these agreements are often not properly monitored. We found three tennis centers using this methodology to make reservations for their tennis pros. At the end of each month, the facility manager changes the initial tentative rental agreement to a firm status, invoices the tennis pros, and collects payment. Even this process is not consistent among the three tennis centers. At one center, we found instances of rental contracts that remained in a tentative status for up to 10 months which delayed the collection of revenue amounts due. This center was also not tracking or billing one of its tennis pros for actual time used. In this instance, the facility manager has a verbal agreement to bill the tennis pro an average of \$2,500 per month regardless of time used. It is our understanding that the amount was determined based on an internal analysis by the facility manager and tennis pro; however, there was no documentation to support the amount or that the agreement was communicated to and approved by the P.A.R.K.S. Director. At another tennis center, a tennis pro is not being charged for court time used. The facility manager indicated he allows free use of the facility because the tennis pro works with disadvantaged children. Again, there was no documentation to support this arrangement or that the agreement was approved by the P.A.R.K.S. Director. There were no additional concerns noted at the third tennis center other than those detailed with the use of 'tentative' contracts. The use of the tentative rental agreement methodology in the above instances, without adequate monitoring controls, enables the facility manager to make decisions that negatively impact the County's revenue amounts and will not be included in daily reconciliation reports.

The use of firm rental agreements allows tennis centers to reserve court time on the calendar for a specific account and each transaction is properly recognized as revenue as recorded. Because the contract is in a firm status, CLASS appropriately tracks the associated accounts receivable balances as of the date of the first reservation. In addition, adjustments made to the rental agreements generate a written amendment which documents both the adjustments made and reason for each. At the end of each month, a final rental contract is generated, with all adjustments reflected, and invoiced to the tennis pros. Two tennis centers use this methodology for booking tennis pro reservations. One center does not process adjustments or amendments in CLASS. The account adjustments are tracked offline; rental agreements are annotated manually and then submitted to the PBO for review and processing, instead of processing directly through CLASS. The other center processes amendments through CLASS as cancellations and changes occur. Processing initial rental agreements as firm, and processing adjustments in CLASS, allows each transaction to be recorded for ease of monitoring by both the facility manager and PBO. We also found another instance where the latter tennis center developed a payment plan for a tennis pro who is behind in payments.

We reviewed the tennis pro's account statement and found the outstanding account balance is increasing despite the payment plan. We found that 2014 rental charges are greater than the amount being paid each month. As such, the tennis pro is reserving and using a greater amount of rental facilities than required to pay each month. In addition, there was a \$120 credit given in July 2014 against 2013 rentals. Again, there was no documentation to support this arrangement or that the agreement was approved by the P.A.R.K.S. Director. The use of firm rental agreements is the appropriate methodology; however, the invoicing and payment collection should be consistent with the 'Staff Professional Tennis Contract.'

We also reviewed the Cobb Tennis Employee Handbook and noted there are no written policies or guidelines regarding the handling of tennis pros. In the absence of policies and guidelines, each tennis center implemented practices autonomously. Facility managers are entering into financial agreements, including extending payment terms, and modifying the terms of contracts; missing billings and the associated collection of money is going unnoticed with the use of administration bookings and tentative contracts; and firm rental contracts are not properly monitored for timely resolution. In addition, County staff is handling financial transactions (i.e. racket restringing, pro shop sales, and private lesson fees) on behalf of tennis pros with no evidence of monitoring. Established policies are critical to ensure each tennis center's operations are run in a consistent manner and in accordance with management's expectations. Policies should detail authority levels required to approve any activity, such as a pricing change, that falls outside of normal practice.

The activities outlined above were happening without PBO knowledge, as there are no controls in place for monitoring each center's transactions. Monitoring controls are key to ensuring facilities are operating as intended and within the guidelines of the organization. See 'P.A.R.K.S. Business Office Monitoring of Facilities Needs Improvement' and Recommendation #17 to address this concern.

Recommendation

The P.A.R.K.S. Director should:

Recommendation 13: Develop and implement policies for handling tennis professional relationships using firm rental agreements. The policy should include requiring tennis pros to pay for court time prior to usage. Credits for cancellations and rain outs should be processed and applied as they occur.

Auditee Response: Concur

Effective immediately, the tennis pros will be required to have a firm rental agreement with P.A.R.K.S. and pay in advance for tennis courts reserved. Refunds will be issued for inclement weather or the tennis pro may leave the credit on the account for up to 120 days. Contracts must be firm in CLASS software at the time of reservation and booking. Division Director and Business Manager will monitor to ensure the policy is being followed.

Monitoring Practices Need to be Implemented

Monitoring of daily close-out and reconciliation procedures needs to be increased

Daily close-out and reconciliation procedures were not completed properly for instances of non-cash transactions. We traced the revenue transactions for five locations for the month of April 2014 from the source to Advantage Financial. Initial discrepancies involving cash transactions were identified in each location but subsequently resolved as timing issues. However, two non-cash transactions had not been properly closed-out and reported in Advantage Financial. These entries in the amount of \$160 and \$360, respectively, should have moved from unearned revenue (liability) and reflected as earned revenue. The daily closeout process failed in two instances: the facility location did not create the export file to send the entry to Advantage Financial and the PBO's monitoring control did not occur. Subsequent to our discussion, these individual errors were corrected; however, when we expanded our scope, we found the weaknesses to be systemic.

We found that unearned revenue in Advantage Financial was \$129,475 greater than what was reflected in CLASS, as of June 19, 2014. The P.A.R.K.S. Business Manager had not determined the cause of the difference as of the date of this report. However, had there been continued monitoring and reconciliation of the account between the two systems, this error and those listed above would have been detected when they occurred.

Not reconciling the two unearned revenue accounts could allow errors or missing entries to go undetected and cause revenue to be understated and liabilities overstated on the financial statements.

Recommendation

The P.A.R.K.S. Director should:

Recommendation 14: Analyze the current unearned revenue balances, reconcile to the Advantage Financial System, and make the necessary adjustments, as deemed necessary. Management review and approval should also be included. This process should be periodically performed and included in monthly and year-end close-out and reporting practices.

Auditee Response: Concur

This process is underway by the Business Manager; the process has been delayed due to time constraints and the inability to focus solely on this project. The account is being reviewed starting with the opening of the account and its usage. Ongoing procedure. See #17.

Refund methodology needs to be evaluated and periodically monitored thereafter

The refund process needs to be evaluated for effectiveness and consistency between facility locations. All refunds, whether paid via check or credit card, are processed through CLASS. Controls built into the system only allow refunds when there is an original payment on record in the account of the requesting individual. Refunds via credit cards can only be made to the card used for the original purchase. Also, cash refunds at the sites are not allowed. While these are appropriate controls, we found instances where refunds or credits were issued for cancellations beyond the allowed timeframe. We also found inconsistencies between facility locations as to the applicability of department guidelines regarding refunds.

The PBO should have a process to periodically validate that refunds processed are following the department's guidelines. The policy states that cancellation must occur at least seven days prior to the start of the program in order to receive a refund, with the exception of documented medical/hardship cases. Facility rental cancellations must occur at least two weeks prior to the event date in order for the deposit to be refunded.

Recommendation

The P.A.R.K.S. Director should:

Recommendation 15: Evaluate the current refund practices employed by the sites and determine if the policy should be amended based on the outcome of the analysis. Educate employees on the Park's refund policy once the determination to alter it or not is made.

Auditee Response: Concur

The current refund policy allows staff at the facilities to issue credit card refunds on site and refunds for cash and check payments are processed through the CLASS software with the exception of those payments processed outside of the software.

Management staff will evaluate refund practices in facilities to determine consistency within the P.A.R.K.S. Department. If inconsistencies are found, management will evaluate for best business practice. If new business practices are required, the new procedures will be added to the revenue/cash handling manual for the Department. Education of staff will occur either through new employee orientation, bi-annual training, or through direct communication to CLASS users. Director, staff, Division Directors and the Business Manager will be involved in this process. February 1, 2015 estimated completion date.

CLASS configuration and fee structure needs to be monitored

The CLASS system account code and fee structure is not periodically monitored. CLASS is configured to interface with the County's financial system for ease of recording and reporting of financial transactions. Account codes are assigned to programs and facilities as they are input into the system by the respective facility managers; however, there is no consistent review and approval by the P.A.R.K.S. Business Office.

The P.A.R.K.S. Business Manager indicated the chart of accounts may be reviewed with the addition of new revenue sources or facilities, but there is no periodic review for completeness and accuracy to ensure registrations and rentals are mapping to the correct codes. In addition, the fee structure in CLASS should always reflect the fees approved by the Board of Commissioners (BOC). We found no periodic agreement of the CLASS fee structure to the most recent BOC-approved pricing.

Review of the accounting structure and configuration is necessary to ensure the fee structure agrees to BOC-approved amounts and financial transactions are properly recorded and accurately accounted for in the County's financial system.

Recommendation

The P.A.R.K.S. Director should:

Recommendation 16: Perform an initial reconciliation of the CLASS chart of accounts and fee structure to the County's financial system and most recent fee pricing as approved by the Board of Commissioners, respectively. Any discrepancies identified should be corrected and communicated to all facility management. This process should be periodically performed on a sample basis or in its entirety, at the discretion of P.A.R.K.S. leadership.

Auditee Response: Concur

The System Administrators contact the Business Manager with questions related to the Chart of Accounts and the accounting line to be charged. The Department is currently using the accounts established by the County. New accounts can only be entered into the Class Software by the Administrators. Fees were adjusted in CLASS software with the last increase approved by the Board of Commissioners. Completion Date: February 13, 2015.

P.A.R.K.S. Business Office monitoring of facilities needs improvement

Based on the numerous recommendations presented on previous pages, additional monitoring of facility locations and transactions is needed. Due to the varying functions managed at the individual facility locations (i.e. refunds, fee and account adjustments, cash handling training, physical and system safeguards, and segregation of duties, etc.), periodic and unannounced site visits by the P.A.R.K.S. Business Office staff should be included to ensure the internal control system is effective, complies with existing policies and procedures, and properly executed on a consistent basis.

Management reviews and monitoring at a functional level is a basic internal control activity which compares actual performance to planned or expected results. This activity must be ongoing to ensure expected management objectives and goals are met. These activities include approvals, authorizations, verifications, reconciliations, and the creation and maintenance of related records which provide evidence of execution of these activities as well as appropriate documentation. Without such, P.A.R.K.S. cannot be assured objectives and goals are being met.

Recommendation

The P.A.R.K.S. Director should:

Recommendation 17: Implement a process for ongoing monitoring of facility locations and transactions. This should include performing periodic unannounced visits to the various sites. The visit should include random checks of backup documentation to support refunds, adjustments, course withdrawals, and other transactions. In addition, the time can be used to provide education on department policies and cash handling procedures to the employees at the site.

Auditee Response: Concur with Alternate Solution

The Department would like to add an Accountant position in the Business Management Office to supplement the work currently performed and assist the Business Manager. The position of an Accountant was eliminated with the Budget cuts in 2010 and we would like to restore that position. The person could relieve some of the duties of the Business Manager freeing up her time to accommodate other responsibilities. If approved we would like to post the position and hire a person to fill this position as soon as possible. Date of Completion: TBD

Current Fee Structure Should be Evaluated

The current program and facility fee structure should be evaluated for consistency and compliance with the County's strategic plan and other organizational goals and objectives. We found that the most recent fee structure and analysis occurred in 2011. The 2011 analysis referenced an operating philosophy that "seeks to keep the fees affordable while increasing them sufficiently to cover the cost of operating the program or facility." Based on our review, we found that the revenue to expenditure amount averaged 42% over the last five years.⁹

In addition, the Citizens Oversight Committee suggested, in its final report dated February 28, 2012, there were opportunities to reduce or share costs/efficiencies with the P.A.R.K.S. programs and "there appeared to be room for increased fees." The report also referenced P.A.R.K.S. with the following priority rating: Level 2 – very important but may be limited based on resources available (Cost-sharing strategies are appropriate); Level 3 – services that are or can be primarily provided/funded by others-public/private (County may provide support).

A detailed analysis of each program is necessary to determine if the targeted cost recovery is achieved and if the best practice or methodology is employed. For example, is the cost-benefit of referring citizens to an independent contractor for private tennis lessons greater than offering those services through P.A.R.K.S. programs? Also, as noted in the 'Contract Management Practices Need to be Improved' section, youth sports leagues are not charged for the use of facilities. The County relies on the non-profits managing these leagues to fund improvements to P.A.R.K.S. facilities in lieu of direct compensation. This arrangement might be inequitable between leagues as each may not have the same level of participation or resources required to fund improvement projects.

Periodic analysis of the fee structure is necessary to ensure an effective cost-sharing methodology is adequate and applied in accordance to the County's goals and objectives.

Recommendation

The P.A.R.K.S. Director should:

Recommendation 18: Review the County's strategic plan and determine how the current cost-sharing model employed by P.A.R.K.S. aligns with the plan. Conduct a revenue and cost analysis of programs and facilities for discussion with the Recreation Board as to the level of cost recovery they should attain. Present the outcome of the analysis and discussions to the Board of Commissioners to obtain approval for any fee structure changes that are identified.

⁹ FY2009 through FY2013. Source: Advantage Financial system.

These actions should be re-performed every three to five years or as designated by Board of Commissioners and/or County Manager.

Auditee Response: Concur

This study is currently being performed. Division Director and Staff is comparing fees from surrounding counties to the Cobb County fee structure in addition to considering the overall cost recovery on the anticipated increase in processing and transaction fees with the Registration Software. Completion Date: March 17, 2015.

Contract Management Practices Need to be Improved

Established contract management practices were not being followed on a consistent basis. We reviewed the Software License Agreement with The Active Network, LTD. for the purchase of the rights to install and utilize their CLASS software program. We found discrepancies in the number of workstation licensed modules¹⁰ purchased in the agreement and the number of installed copies throughout the County. See separate ‘Supplemental Letter Report – CLASS Software License¹¹’ for details and resolution of this finding. We also noted contracts and/or amendments were not readily available for review; documentation was incomplete or missing critical information; and a contract administrator was not designated to monitor contract provisions. In addition, we also noted there was no delineation of responsibilities between P.A.R.K.S. and IS regarding compliance to licensing requirements.

As previously discussed, tennis pros are deemed County contractors. They operate on annual contracts which outline their responsibilities for teaching P.A.R.K.S.-operated courses and the privileges granted in using the P.A.R.K.S. facilities for private lessons. We were provided two different contract templates utilized for tennis pros. The ‘Staff Professional Tennis Contract’ was designed to highlight the duties and privileges of tennis pros who use County facilities to provide private tennis lessons. The ‘Staff Instructor Contract’ was designed to be used when securing the services of a tennis pro as a contractor to teach County programs.

We reviewed 28 tennis pro contracts initiated in 2014 and noted that some were outdated, incomplete, and/or altered without P.A.R.K.S. management or legal approval. Specifically, the contract templates currently in use had not been updated since September 1998. Each contract required notarization, but we found that the contracts were either not notarized or in eight instances, the notary section had been deleted. Several contracts had been manually altered without approval. One contract included handwritten changes by the tennis pro to the payment and liability clauses. Another contract included changes to the contract title. We found no evidence of approval by P.A.R.K.S. management or County Attorney Office staff. In addition, all contracts were signed by the respective tennis Recreation Program Managers on behalf of the County. The County’s Policy on Procurement and Contract Management section 6.6.3 states, “A department manager or his or her designee may sign facility use contracts that do not extend beyond one year, (e.g., park use contracts).” We also found that the tennis centers currently use the ‘Staff Professional Tennis Contract’ for both relationships.

¹⁰ Server and online (internet) based modules were included in the software agreement. There were no discrepancies noted in the number of licenses for these.

¹¹ Report Number 2015-002.

We also noted there are contracts in place with the non-profit organizations operating youth sports leagues. The Park User Agreement and Park Use Handbook constitute the entire agreement between the County and organizations. Together they stipulate the schedule and terms of use of the facilities. The Handbook outlines structural and financial requirements and operational procedures of the volunteer organizations. They are required to furnish proof of liability insurance, certification of non-profit status, financial statements, organization by-laws, and fees charged to participants. We did not test compliance to these youth sports league contracts as revenue is not generated by them. However, these contracts require ongoing management to ensure the organizations are operating accordingly.

Every department in the County is responsible for establishing effective contract management practices and designating staff responsible for overseeing contract compliance. Contract management is critical to ensuring both parties adhere to all terms and conditions detailed within contracts.

Recommendation 19: Develop written contract management procedures and ensure designated contract administrators follow best practices in contract administration to include:

- Understanding the mutual obligations of the contract.
- Ensuring the proper implementation of all contract specifications.
- Amending the contract as required or deemed necessary.
- Extending or cancelling the contract in a timely manner.
- Maintaining contract documentation including:
 - Copies of contracts;
 - Copies of all amendments;
 - Copies of correspondence (i.e. notes from meetings and phone conversations);
 - A log of problems, proposed solutions and results.

Auditee Response: Concur

The Recreation Services, Cultural Affairs and Solid Waste Division Directors will compile all contracts currently utilized by their staff. A review of these contracts will be made by management staff, with input from the Director, Business Manager, and County Legal Staff. Upon completion of the review and approval by County Legal staff, contracts will be distributed to the appropriate staff during a trainings session on the proper usage of contracts.

The P.A.R.K.S. Director will determine the best business practice for file retention/location of contracts for the Department. Staff will be required to follow the determined procedure. Contract review is to be completed no later than April 1, 2015. (See Appendix VI for the complete response.)

Detailed Objectives, Scope, and Methodology

We conducted our review as part of our annual audit plan. Our review period originally covered transactions that occurred in FY2013, as of June 30, 2013. However, due to the temporary suspension of this audit from October 2013 through April 2014, data used for testing account adjustments, reconciliations, and accounts receivable was updated through April 2014.

Internal Audit's objective was to determine if the controls over the revenue being processed through the CLASS system were adequate to ensure revenue was being safeguarded, complete and accurate, and properly reported into the Advantage Financial system. We also evaluated the current fee structure of the programs offered for reasonableness.

In order to accomplish our objectives, we performed the following steps:

- I. Ensured revenue was safeguarded.
 - A. Reviewed and evaluated departmental cash handling procedures and guidelines.
 - B. Determined if employees had taken the required County cash handling course.
 - C. Evaluated each site for physical, security, and system safeguards.
- II. Ensured revenue was complete, accurate, and properly reported.
 - A. Evaluated controls over collection practices for registrations, programs, and rentals.
 - B. Evaluated controls over refund transactions processed.
 - C. Evaluated controls over participant account adjustments.
 - D. Evaluated monitoring controls over accounts receivable balances.
 - E. Evaluated monitoring controls over unearned revenue balances.
 - F. Evaluated daily close-out and reconciliation procedures.
- III. Evaluated the current fee structure for reasonableness.
 - A. Analyzed the most recent program and facility fee structure.
 - B. Calculated the cost-sharing percentages for the last five years (FY2009 through FY2013).
- IV. Confirmed the maximum number of licenses allowed per the software license agreement.

Abbreviations

A/R	Accounts Receivable
IA	Internal Audit
ID	Identification
IT	Information Technology
IS	Information Services
P.A.R.K.S.	Parks, Arts, Recreation, Keep Cobb Beautiful, Solid Waste
PBO	P.A.R.K.S. Business Office
PIN	Personal Identification Number
POS	Point of Sale

Major Contributors to This Report

Latona Thomas, CPA, Internal Audit Director
Steven Harper, Auditor-in-Charge

FINAL Report Distribution List

Dr. Jackie McMorris, Public Services Agency Director
Eddie Canon, P.A.R.K.S. Director
Jessica Gill, Senior Services Director
Mary Ann David, CPA, P.A.R.K.S. Business Manager
Jim Pehrson, CPA, Finance Director/Comptroller
Internal Audit Department File

Outcome Measures¹²

This appendix presents detailed information on the measurable impact that our recommended corrective action(s) will have on County governance. These benefits will be incorporated into our annual report to the Board of Commissioners, Audit Committee, and County Manager.

Type and Value of Outcome Measure:

- Increased Safeguard of County Assets – Actual; Recommendations, when implemented, will limit access to cash transactions and the CLASS system. (See Pages 4-9).

Methodology Used to Measure the Reported Benefit:

There are an excessive number of employees with access to safes at the respective facility locations. We identified 343 people with user IDs in CLASS that are no longer employed by the County.

Type and Value of Outcome Measure:

- Reliability of Information – Actual; Recommendations, when implemented, will provide assurance of the completeness and accuracy of financial data. (See Pages 10-17).

Methodology Used to Measure the Reported Benefit:

We found instances where transactions that occurred in CLASS were not input to the Advantage Financial System. Also, A/R balances and associated aging is not reflected accurately in either system.

Type and Value of Outcome Measure:

- Increased Revenue – Potential; Based on the evaluation of the current fee structure and guidance and approval by the Board of Commissioners. (See Page 18).

Methodology Used to Measure the Reported Benefit:

P.A.R.K.S. fees were last assessed in 2011. Periodic evaluations would determine if increases are needed to keep aligned with County strategic plans.

¹² Additional quantitative outcome measures are included in the 'Supplemental Letter Report-CLASS Software License' (Report Number 2015-002).

P.A.R.K.S. Director's Response



**COBB COUNTY
PARKS, RECREATION & CULTURAL AFFAIRS**

1792 County Services Parkway
Marietta, Georgia 30008-4026
(770) 528-8800 • fax: (770) 528-8813
www.prca.cobbcountyga.gov

Eddie Canon
Director

DATE: December 11, 2014

TO: Latona Thomas, CPA, Manager, Internal Audit

FROM: Eddie Canon, P.A.R.K.S. Director *EC*

SUBJECT: Response to the Internal Audit Division's Draft Report – Review of the Revenue Processed through the CLASS System

This memo is in response to the subject report dated November 13, 2014. The review determined additional physical safeguards of assets are needed, user profiles should be updated based on job function and removed upon separation, balance sheet accounts should be monitored and reconciled to Advantage Financial, and rental account management practices need to be consistent. In addition, contract management practices should be implemented and the fee structure should be evaluated. You made several recommendations and our response to those recommendations are provided below.

The P.A.R.K.S. Director should:

Recommendation 1: Review the number of people that have access to the safe at each location, assess their business need, and remove access for employees who do not possess a continued business need immediately. This process should be repeated on a periodic basis.

Response: Concur

The P.A.R.K.S. Department reviewed the number of people that have access to the safe at each location. In order to follow the County's guidelines for proper cash handling procedures, based on our review it is necessary for current full-time and part-time employees to have access to the safe in their assigned location for completion of daily deposits. Scheduled changing of the safe combinations will be made. Combinations will be changed immediately where there has been a high turnover of staff. Estimated completion of review is February 20, 2015, but with ongoing monitoring by Division Directors and Business Manager.

Recommendation 2: Review the cash drawer process, ensure proper controls exist, assess the risk associated with this process, periodically monitor, and make changes as needed.

Response: Concur

A review will be completed by April 15th and necessary revisions will be made to the Revenue Manual and incorporated into the Cash Handling classes. Staff at facilities will be informed of

any mitigating controls to be implemented. Completion Date: April 15, 2015 by Business Manager.

Recommendation 3: Coordinate with Property Management to periodically monitor and test the operability of security systems and develop procedures accordingly.

Response: Concur – Alternate Solution

P.A.R.K.S. staff will periodically monitor and test the operability of security systems at park locations; it is not a function of the Property Management Department. The P.A.R.K.S. Department will prepare a list of locations that currently have security systems installed, determine if they are functioning properly and prepare a list of locations that are in need of security systems. Monies have been allocated in the 2016 SPLOST to address security needs within the P.A.R.K.S. system. Operations Division Director and his staff will oversee this procedure. Ongoing process.

Recommendation 4: Ensure all employees obtain cash handling education in some manner and retain documentation that each has received it.

Response: Concur

Orientation classes will be reinstated to introduce new hires to the duties related to their position and cash handling procedures will be included in the orientation. An acknowledgement form will be created and attendees will sign the acknowledgement indicating they have received training and been given a copy of the revenue manual. Copies of the acknowledgement form will be retained in the employees personnel file.

Currently, cash handling classes are held on a bi-annual basis (odd numbered years) and the attendees sign an attendance sheet. Due to the operating hours of our facilities, managers with large part-time staff are allowed to conduct training sessions for their staff. Managers will use the same staff documenting process for attendance as the Business Management staff. The Business Manager is to be notified of the dates and location of the classes conducted by managers. A representative from the Business Management Unit will randomly drop in during the class to insure the correct information is being passed on to staff. Implementation date: February 2, 2015. *Ongoing Bi-annual training and documentation.*

Recommendation 5: Ensure the revenue manual is updated, incorporating all current and proposed procedures for cash handling. The updated policy should be given to all cash handling employees and a written record of their receipt and review should be maintained.

Response: Concur

The Revenue Manual is reviewed and updated as needed before Cash Handling classes are held and/or a new procedure is implemented by the Business Manager. The manual will be issued to employees during orientation and their signed acknowledgement form will be placed in their personnel file. The manual will also be stored on the Department's common drive for easy access.

Bi-annual refresher classes are held on odd numbered years. Acknowledgements and attendance sheets are issued to the attendants to sign and return at the end of the class. Ongoing process.

Recommendation 6: Validate the current list of authorized users based on business need. Any unnecessary user IDs that are identified should be immediately deleted. This process should apply to all systems in use by the department.

Response: Concur

P.A.R.K.S. System Administrators have received a list of current employees from their Department Human Resource Representative. A report will be generated using CLASS to list all P.A.R.K.S. staff users. All non-active employees will be deactivated as a "Staff/User" in the CLASS system. The Senior Services Department will need to do the same process for their Department respectively. Beginning immediately, the PARKS' Human Resource Representative will notify the P.A.R.K.S. System Administrator(s) of staff terminations and the employees will be deactivated in the CLASS system. Ongoing.

Recommendation 7: Develop, document, and implement a process for granting and removing access that requires the business reason for access, as well as what type of access is needed. This process should require management approval and be included in each department's exit paperwork. Validate the continued business need on a periodic basis.

Response: Concur

The Orientation process being re-instituted (Item #4) will impose the signing of an acknowledgement form from new employees. Once the acknowledgement form is signed, the hiring supervisor will send a request to the System Administrator(s) to grant access to the CLASS system and state what level of access is requested. Once an access level is established for an employee, any changes to that access level must be submitted in writing and approved by management. The System Administrator will be responsible for keeping on file (for a period of 3 years) CLASS system access requests.

Removal procedures addressed in Item #6. Implementation will involve staff, Director, Division Directors, PARKS' Human Resource Representative and the Business Manager. Initial completion is February 1, 2015 and ongoing reviews.

Recommendation 8: Analyze user job roles and the functions needed in CLASS to perform job duties and document the appropriate profile to assign a user ID. Re-assign profiles in accordance to the analysis performed and implement proper segregation of duties practices.

Response: Concur

Division Directors, Business Manager and Class Administrators will meet to determine the accessibility needs for each position and reassign as necessary. Part timers are usually alone in the facility and must be able to fulfill customer service duties while on duty. Completion Date: February 27, 2015.

Recommendation 9: Determine the job functions required of a Systems Administrator and ensure the person designated the responsibilities has the proper training to perform the duties adequately.

Response: *Concur, with Alternate Solution*

Currently, CLASS software related problems are handled by two part-time Administrators and the Business Manager. They also assist the Information Services Department with their questions related to the software. If the creation of an additional position were approved this would help free up time for each of the above positions.

The creation of a dedicated full time Systems Administrator for the P.A.R.K.S. Department who could serve as a go to person for all computer and software related issues of the Department would be the ideal solution

Recommendation 10: Review the current policies and practices regarding when payment is required for each type of rental, event, or program registration. Written policies should be revised and the corresponding system and/or monitoring controls incorporated to ensure consistent compliance.

Response: *Concur*

A meeting was held on November 18, 2014 with the Director, Division Director, Business Manager and System Administrators to review current policies and establish corrective actions to be implemented.

It was determined that additional meetings with front-line staff are necessary to re-visit current procedures and develop and implement corrective procedures (if necessary) that appropriately address payments received for rentals, events, and program registrations. Meetings with staff will occur no later than February 1, 2015. Policy changes to be made will be determined by Director, Division Directors and Business Manager.

Recommendation 11: Analyze the current accounts receivable balances, reconcile to the Advantage Financial System, and make the necessary adjustments, if appropriate. Management review and approval should also be included. This process should be periodically performed and included in monthly and year-end close-out and reporting practices.

Response: *Concur*

This analysis is in process. The Business Manager will monitor Accounts Receivables balances on a monthly basis. Facility supervisors/ managers will run a CLASS report showing account receivable balances for their specific facility and will work in conjunction with the Division Director(s) and Business Manager to reconcile balances. . Effective Immediately.

Recommendation 12: Consider implementing a policy where refunds are issued for unused credits after a designated number of days (i.e. 90 days). Also, consider establishing a minimum clip level and automatically issue refunds for all accounts with credit balances lower than the established minimum.

Response: *Concur*

We will review and use the capabilities of the Class Software to aid in this endeavor, Checks will be requested for current aging credit balances that have been paid by cash or check, more than \$10.00 and are more than 120 days. Credit card customers will be contacted to inform them of their credit balance. Completion Date: February 9, 2015, processing of 120 days aging refunds will be monitored by the Business Manager.

Future refunds will be issued annually at fiscal year -end for balances older than 120 days old.

Recommendation 13: Develop and implement policies for handling tennis professional relationships using firm rental agreements. The policy should include requiring tennis pros to pay for court time prior to usage. Credits for cancellations and rain outs should be processed and applied as they occur.

Response: *Concur*

Effective immediately, the tennis pros will be required to have a firm rental agreement with P.A.R.K.S. and pay in advance for tennis courts reserved. Refunds will be issued for inclement weather or the tennis pro may leave the credit on the account for up to 120 days. Contracts must be firm in CLASS software at the time of reservation and booking. Division Director and Business Manager will monitor to ensure the policy is being followed.

Recommendation 14: Analyze the current unearned revenue balances, reconcile to the Advantage Financial System, and make the necessary adjustments, as deemed necessary. Management review and approval should also be included. This process should be periodically performed and included in monthly and year-end close-out and reporting practices.

Response: *Concur*

This process is underway by the Business Manager; the process has been delayed due to time constraints and the inability to focus solely on this project. The account is being reviewed starting with the opening of the account and its usage. Ongoing procedure. See #17.

Recommendation 15: Evaluate the current refund practices employed by the sites and determine if the policy should be amended based on the outcome of the analysis. Educate employees on the Park's refund policy once the determination to alter it or not is made.

Response: *Concur*

The current refund policy allows staff at the facilities to issue credit card refunds on site and refunds for cash and check payments are processed through the CLASS software with the exception of those payments processed outside of the software.

Management staff will evaluate refund practices in facilities to determine consistency within the P.A.R.K.S. Department. If inconsistencies are found, management will evaluate for best business practice. If new business practices are required, the new procedures will be added to the revenue/cash handling manual for the Department. Education of staff will occur either through new employee orientation, bi-annual training, or through direct communication to CLASS users. Director, staff, Division Directors and the Business Manager will be involved in this process. February. 1, 2015 estimated completion date.

Recommendation 16: Perform an initial reconciliation of the CLASS chart of accounts and fee structure to the County's financial system and most recent fee pricing as approved by the Board of Commissioners, respectively. Any discrepancies identified should be corrected and communicated to all facility management. This process should be periodically performed on a sample basis or in its entirety, at the discretion of P.A.R.K.S. leadership.

Response: *Concur*

The System Administrators contact the Business Manager with questions related to the Chart of Accounts and the accounting line to be charged. The Department is currently using the accounts established by the County. New accounts can only be entered into the Class Software by the Administrators. Fees were adjusted in CLASS software with the last increase approved by the Board of Commissioners. Completion Date: February 13, 2015.

Recommendation 17: Implement a process for ongoing monitoring of facility locations and transactions. This should include performing periodic unannounced visits to the various sites. The visit should include random checks of backup documentation to support refunds, adjustments, course withdrawals, and other transactions. In addition, the time can be used to provide education on department policies and cash handling procedures to the employees at the site.

Response: *Alternate Solution*

The Department would like to add an Accountant position in the Business Management Office to supplement the work currently performed and assist the Business Manager. The position of an Accountant was eliminated with the Budget cuts in 2010 and we would like to restore that position. The person could relieve some of the duties of the Business Manager freeing up her time to accommodate other responsibilities. If approved we would like to post the position and hire a person to fill this position as soon as possible. Date of Completion: TBD

Recommendation 18: Review the County's strategic plan and determine how the current cost-sharing model employed by P.A.R.K.S. aligns with the plan. Conduct a revenue and cost analysis of programs and facilities for discussion with the Recreation Board as to the level of cost recovery they should attain. Present the outcome of the analysis and discussions to the Board of Commissioners to obtain approval for any fee structure changes that are identified.

These actions should be re-performed every three to five years or as designated by Board of Commissioners and/or County Manager.

Response: *Concur*

This study is currently being performed. Division Director and Staff is comparing fees from surrounding counties to the Cobb County fee structure in addition to considering the overall cost recovery on the anticipated increase in processing and transaction fees with the Registration Software. Completion Date: March 17, 2015.

Recommendation 19: Develop written contract management procedures and ensure designated contract administrators follow best practices in contract administration to include:

- Understanding the mutual obligations of the contract.
- Ensuring the proper implementation of all contract specifications.
- Amending the contract as required or deemed necessary.
- Extending or cancelling the contract in a timely manner.
- Maintaining contract documentation including:
 - Copies of contracts;
 - Copies of all amendments;
 - Copies of correspondence (i.e. notes from meetings and phone conversations);
 - A log of problems, proposed solutions and results.

Response: *Concur*

The Recreation Services, Cultural Affairs and Solid Waste Division Directors will compile all contracts currently utilized by their staff. A review of these contracts will be made by management staff, with input from the Director, Business Manager, and County Legal Staff. Upon completion of the review and approval by County Legal staff, contracts will be distributed to the appropriate staff during a trainings session on the proper usage of contracts. The training will include:

- Understanding the mutual obligations of the contract.
- Ensuring the proper implementation of all contracts specifications.
- Amending the contract as required or deemed necessary.
- Extending or cancelling the contract in a timely manner.
- Maintaining contract documentation including:
 - Copies of Contracts;
 - Copies of all documentation;
 - Copies of correspondence (i.e. notes from meetings and phone conversations);
 - A log of problems, proposed solutions and results.

The P.A.R.K.S. Director will determine the best business practice for file retention/location of contracts for the Department. Staff will be required to follow the determined procedure. Contract review to be completed no later than April 1, 2015.