



City of Greensboro

Date: December 15, 2008
To: Mitchell Johnson, City Manager
From: Internal Audit Division
Subject: Leonard Recreation Center Review

The Internal Audit Division has performed a review of The Leonard Recreation Center. Attached you will find our review report; the departmental response; and our replies to their responses. We feel that our recommendations have been sufficiently addressed as we move forward. If you have any questions or need additional information, please let us know. Thanks.

A handwritten signature in black ink, appearing to read "Len Lucas".

Len Lucas
Internal Audit Director

Cc: Bob Morgan, Deputy City Manager
Bonnie Kuester, Director of Parks & Recreation



City of Greensboro

Date: November 19, 2008
To: Bonnie Kuester, Director of Parks & Recreation
From: Internal Audit Division
Subject: Leonard Recreation Center Review

The Internal Audit Division has conducted an unannounced cash count and a cash-handling/operations audit of the Leonard Recreation Center for fiscal year 2008. We reviewed a total of \$37,358.48 of deposits from January 2008 through June 2008. The Center offers a variety of programs and activities to include summer camp, afterschool care, basketball and football camps, karate, judo classes, as well as rental of the facility for special events or parties.

This review was conducted to determine whether funds were being properly safeguarded and whether accounting policies and procedures were being adhered to. The methodology to accomplish this included a review of the recreation center's written policies and procedures and the prior years audit reports. Internal Audit requested and reviewed all of the weekly cash reports for the period under review. The reports were logged and a sample was traced to final recording in the general ledger. Internal Audit performed an evaluation of the internal control structure to ensure strong accountability and stewardship over the funds. We also reviewed the disbursements for refunds debited to the revenue account 101-5007-26.7730. No contracts were considered or reviewed in the scope of this audit.

Below is a summary of our findings and recommendations:

Findings:

- **The Center lacks internal controls sufficient for proper safeguarding of cash. The following are areas needing improvement.**
 - 1) **The Leonard Recreation Center does not have detailed written cash handling policies and procedures specific to their location.** The lack of specific cash handling policies/procedures to address the responsibilities of the Center Supervisor and the Recreation Superintendent is attributable to many of the findings in this report.
 - 2) **Staff did not know how long to retain the cash reports, registration forms, etc. per municipal records retention requirements.**
 - 3) **Some important review procedures are not being performed by the Recreation Superintendent.** The Center makes extensive use of registration forms and retains carbon copies of receipts given to customers capturing daily and monthly activity. However, they are not being used as they should be in the review process to compare

activity to cash receipts. Revenue deposit forms were being submitted to the manager without any supporting documentation (carbon copies of receipts, registration forms) for review of the activity.

- 4) **Cash receipts are not being properly accounted for, verified or reconciled.** Receipt books were being picked up without signature and tracking of the receipt numbers. There were four receipt books being used, one for each activity at the Center. Internal Audit found numerous unused receipts from prior fiscal periods. The fact that the receipt books were not properly accounted for or reconciled left the area open for misappropriation of assets and theft.

Upon Internal Audit's recommendation, the Center has instituted controls over the receipts by recording the serial numbers and requiring a signature when they are issued. The Recreation Superintendent is now reconciling the activity as suggested by Internal Audit and requiring that copies of the receipts be submitted with the deposit form. They are now having the receipts printed in-house and require that one receipt book be used in its entirety before a new book is started.

- 5) **Receipts are not being properly completed by staff as they should be.** Numerous receipts reviewed contained no written amount, or purpose and some dates were not recorded.
 - 6) **Internal Audit also found that the registration forms were not properly completed as they should have been.** Some participants were charged \$45 for basketball registration and some were charged \$40 with no explanation noted. Some forms did not list the amount collected or the receipt number issued to the customer.
 - 7) **In reviewing the disbursements for refunds, we noted that proper supporting documentation was not submitted to substantiate the request for refund.** The practice of not submitting copies of the receipt and registration form for review by the Recreation Superintendent for approval before issuing a refund leaves the area open for fraudulent refund of money.
 - 8) **Internal Audit noted that the recreation center is not changing the locks to the building or to the door where the safe is kept when an employee leaves or is terminated.**
- **There are no month-end or year-end cutoffs being performed for the cash receipts.** General Statute 159-32 requires that "regardless of the amount on hand, a deposit should be made on the last business day of the month." Our review of general ledger transactions also revealed that each month cash receipts are not being recorded in the proper period. This is in violation of proper accounting procedure of recognizing revenue when measurable and available.
 - **The Leonard Recreation Center is not sending its deposits to Collections in a timely manner and on occasion exceeds the General Statute cash limitation amount of \$500.** General Statute 159-32 requires that "deposits in an official depository shall be reported *immediately*...by means of a duplicate deposit ticket. G.S. 159-32 requires daily deposits of cash receipts..... to a maximum of \$250." The City of Greensboro has been granted a local modification to this statute that increases its cash limit to a maximum of \$500.
 - **In our review of the Leonard Recreation Center, Internal Audit noted that the Center has a lot of afterschool daycare and summer camp activity requiring a**

tremendous amount of manual recordkeeping. No technology is currently being used to facilitate this activity. This is very time consuming for the staff and prone to error. Currently, staff is required to maintain manual ledgers and manually create statements to provide to customers upon request for payment tracking and tax purposes.

Recommendations:

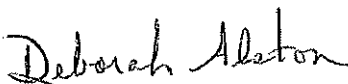
- The Parks and Recreation Department should have the section managers to establish written guidelines to outline responsibilities of the cash handling operation and to address internal control issues specific to their sections. They should include the retention policy, review procedures, etc. The procedures should be approved by Finance. Managers should be trained to institute procedures to enhance internal controls to ensure that the City's funds are being properly safeguarded and to make sure that they can be properly reflected on the bank statement and in the general ledger.
- Due to limited staff, the implementation of dual control procedures and proper segregation of duties is difficult. In order to mitigate the risk associated with the cash handling activity, staff need to employ the use of more review procedures and monitoring of activities. This can be accomplished via review of the receipts given to customers and the registration forms that are required for the various activities. The necessary supporting documents should be submitted to the Recreation Superintendent for review along with the deposit form for reconciliation.
- Staff should be trained and given a copy of the written procedures to ensure that they have proper knowledge and understanding of the requirements. Emphasis should be placed on safeguarding the assets by putting into practice the suggested internal controls, review procedures, and monitoring of activities. Spot checks should be implemented to ensure proper monitoring of compliance with the written guidelines.
- Internal Audit recommends that the registration forms be pre-numbered. This will facilitate the reviewer in properly tracking activity for each location. The Recreation Superintendent should review and reconcile the registration forms on a monthly basis. The supporting documentation should be used to determine the amount of monthly revenue that should have been reported. Early detection requires timely review of transactions and proper reconciliation of activity by the manager.
- The Recreation Superintendent should devise new deposit forms that will serve as a summary sheet and reconciliation tool for each separate center. This will also prevent revenue from being recorded in the wrong recreation center's general ledger (revenue) account. Currently, all centers use forms that list all of the locations and their individual general ledger account numbers on the same sheet.

Management has distributed receipts to the centers that have been printed in-house. Upon Internal Audit's recommendation, they have required that the Center Supervisor submit copies of the receipts with the deposit form for their review. A record is being maintained of this activity. All receipts should be reconciled by the Recreation Superintendent of the Center on a weekly basis.

- Staff should be trained and required to complete all requested information on all forms. It is necessary that all written and numerical amounts be documented on the receipts given to customers.

- The Parks and Recreation Department should ensure that proper supporting documentation is submitted to substantiate refunds to customers before they are approved.
- The Parks and Recreation Department should ensure security of the building and assets are considered when an employee leaves or is terminated. If a security system is in place, the code to the alarm should be changed as soon as the employee leaves.
- The staff should be instructed to comply with G.S. 159-32 which states that "regardless of the amount on hand, a deposit should be made on the last business day of the month." All money collected as of the last business day of the month should be reported on a daily cash report and dated as of the last working day of the month. The money should be deposited and the reports should be sent to Collections the same day. Accounting personnel should be instructed to ensure that all receipts of revenue are recorded in the proper period as required.
- Staff should adhere to the G.S. 159-32 modified cash limit for the City of Greensboro of \$500.
- The Parks and Recreation Department should look into the feasibility of using some form of technology to ease the recordkeeping at the Centers for the various activities. One goal should be to provide the Recreation Superintendent a means to review on-line and reconcile the activity at each of the recreation centers.

Internal Audit would like to thank the staff at the Leonard Recreation Center for the courtesy and cooperation shown to us during this review. The Center Supervisor was very cooperative during the course of our visit. Internal Audit requests a written response to the findings and recommendations by December 1, 2008. If there are any questions or comments regarding the details of this review, please contact us at 373-2203.



Deborah Alston
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Bob Morgan, Deputy City Manager



City of
Greensboro



Date: December 8, 2008
To: Len Lucas
From: Bonnie Kuester *Bonnie Kuester*
Subject: Leonard Center Audit Response from Parks and Recreation

Thank you for sharing your recent findings and recommendations at Leonard Recreation Center. I, along with John Hughes, met with Deborah Alston and discussed the various findings and recommendations including the receipt books, numbered registrations, and the end-of-the-month deposits. At this time all recommendations have been implemented.

Thanks again for your assistance.

Cc: Bob Morgan, Deputy City Manager
Rick Lusk, Director of Financial and Administrative Services
John Hughes, Youth and Community Programs Manager



City of Greensboro

Date: December 10, 2008
To: Bonnie Kuester, Director of Parks & Recreation
From: Internal Audit Division
Subject: Leonard Recreation Center Review

The Internal Audit Division has reviewed your responses regarding the Leonard Recreation Center Review. We agree with your responses and corrective measures being implemented. If you have any questions or need additional information, please let us know. Thanks.

Len Lucas
Internal Audit Director

Cc: Bob Morgan, Deputy City Manager
Rick Lusk, Financial & Administrative Services Director
John Hughes, Youth and Community Programs Manager