



PARKS DEPARTMENT INTERNAL AUDIT

June 2016





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Finance and Administration Committee
City of Springfield
840 Boonville Ave.
Springfield, Missouri 65802

Re: Parks Department Internal Audit

Dear Committee Members:

In conjunction with our overall engagement to provide internal audit services to the City of Springfield, we have completed our internal audit of the Parks department. Our services were performed in accordance with the International Standards for the Professional Practice of Internal Auditing, as promulgated by the Institute of Internal Auditors (IIA).

The accompanying report includes an Executive Summary, Observations & Recommendations, Process Improvement Opportunities, and an Appendix. Because the procedures performed in conjunction with the review are more limited than would be necessary to provide an opinion on the system of internal accounting controls taken as a whole, such an opinion is not expressed. In addition, the engagement did not include a detailed audit of transactions that would be required to discover fraud, defalcations or other irregularities.

This report is intended solely for the information and use of management and the Finance and Administration Committee and is not intended to be, and should not be, used by anyone other than the specified parties. City of Springfield external auditors may be provided with a copy of this report in connection with fulfilling their responsibilities.

We would like to express our gratitude to all employees involved with this project. Each person involved was accessible and responsive to our requests for information.

Sincerely,

RUBINBROWN LLP

A handwritten signature in black ink that reads "Christina Solomon".

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**CITY OF SPRINGFIELD
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**CITY OF SPRINGFIELD
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Executive Summary**

Project Overview and Scope

We completed our internal audit of the City of Springfield's Parks department. The objectives of our audit were to:

- Identify that existing policies and procedures are in place to reasonably ensure that Parks department services provided by the City of Springfield are functioning properly.
- Evaluate and provide recommendations on the efficiency of Parks department processes.

Our audit included transactions from January 1, 2015 through May 31, 2016. We completed the following procedures:

- In-person interviews with Parks department personnel at the Cooper Tennis Complex, Horton-Smith Golf Course, Stewart Golf Course, Rivercut Golf Course, and the Chesterfield Family Center. We also spoke to the City's Risk Manager.
- Development of a narrative of the Parks Department operations based on our interviews and our review of the City of Springfield and Parks policies and procedures.
- Limited testing in the following areas:
 - Cash handling observations for the five park locations listed above;
 - Inspection of cash receipts support for a sample of ten dates;
 - Financial analyses of the golf enterprise fund and the Parks general funds; and
 - Inspection of safety inspection checklists.
- Review of the golf enterprise fund budget and financial statement for evidence of a deferred maintenance fund.
- Benchmarking of liability insurance limits against similarly sized cities.

Background

The Springfield Parks department services the City of Springfield and Greene County. The department provides a wide variety of leisure and recreational opportunities over 102 park sites, ranging from neighborhood playgrounds to multi-use recreational facilities such as sports complexes, family centers, golf courses, and a zoo. The Parks department consists of 225 full-time employees, 31 contract employees, and up to 800 part-time employees on a seasonal basis. In addition, the Parks department receives a sizeable number of annual volunteer hours (73,000 in 2014). The Parks department is financially independent from the City of Springfield and Greene County; it does not receive general funds from the City or the County.

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Best Practices

Based on our review, the Parks department has adequate internal controls, except as provided in our findings below. The following are some of the observations indicative of the Parks department's adherence to best practice internal controls:

- The Parks department has been recommended for accreditation by the Commission for Accreditation of Parks and Recreation (CAPRA). A parks agency must comply with 151 standards in order to obtain accreditation.
- Parks performs unannounced cash handling audits at selected facilities periodically throughout the year.
- The Parks department business office reconciles the cash deposits to sales reports from each point-of-sale location on a daily basis. During this process the business office reviews the reconciliations for overage, shortages, and unusual transactions.
- The Parks department has adequate safety policies and procedures in place.

Observations and Recommendations

We noted the following significant observations during our review:

- We reviewed ten days of cash packets from different locations to ensure they complied with the City's Financial Management Policy. We found errors in four of ten days in the following areas: closing cash counts, general arithmetic, incomplete void/refund documentation, and a segregation of duties conflict.
- Patrons are pre-paying for rounds of golf in amounts ranging from \$500 to \$1,500 without signing a document outlining the terms and conditions of the Plan. Without proper written terms, discrepancies could arise about assignment of patron liability or who is entitled to the patron funds in the event of disagreement between the Parks department and the Patron.
- Per policy, each playground should be inspected once a month. We reviewed five facilities with playgrounds for inspection documentation and found the following:
 - One facility did not have any playground inspections documented for the selected month.
 - Two selected facilities had weekly playground inspections and it was noted that those inspections contained several recurring findings that were previously documented.

Additionally, we provided four process improvement opportunities in the areas of cash handling, enterprise fund management, and insurance. All observations, recommendations, and process improvement opportunities were discussed with management. Details are noted in the tables attached immediately hereafter.

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OBSERVATIONS & RECOMMENDATIONS



	Process/Procedure	Observation and Risk	Recommendation	Management Response
Cash Handling				
1	<p>Per the City of Springfield Financial Management Policy, cash drawers should be reconciled by an employee that was not involved in receiving the funds. Cash drawers should be reconciled accurately.</p>	<p>Observation: Of the ten daily closing cash packets examined, we noted the following exceptions:</p> <ul style="list-style-type: none"> • The opening and closing cash counts are performed by the same employee at one location. • A \$102 cash shortage attributed to the failure of the cashier to include one dollar bills in the closing cash count. The bills were included in the opening count for the next day. • A \$29 overage likely due to a sale not recorded in the point-of-sale system. • A footing error in the opening cash count, causing a \$50 variance. <p>Risk: Misappropriation of assets.</p>	<p>Ensure that employees are adequately trained in the cash handling procedures.</p> <p>Mandate different employees perform the opening and closing cash count at each point-of-sale location.</p>	<p>Superintendent of Business Operations</p> <p>We will continue to provide periodic training sessions to employees to ensure they are aware of the City's Financial Control Policy and Procedures, as well as those specific to Parks. Re-training of Supervisory staff and other employees will be performed as deemed necessary. While the great majority of our point-of-sale locations already have separate employees performing the opening and closing cash counts, we will review to determine if there are additional facilities that can implement this process, where applicable. Target Date: October 31, 2016.</p>

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	Process/Procedure	Observation and Risk	Recommendation	Management Response
Golf				
2	The Golf Patron Plan is being executed without a written financial agreement.	<p>Observation: Patrons are pre-paying for rounds of golf in amounts ranging from \$500 to \$1,500 without signing a document outlining the terms and conditions of the Plan.</p> <p>Risk: Conflict about who is entitled to the patron funds in the event of disagreement between the Parks department and the Patron.</p>	<p>Create written terms and conditions that must be signed by the Patron whenever he or she creates a new account or adds money to the account. The document should include information about, but not limited to, the following:</p> <ul style="list-style-type: none"> • Patron Misconduct • Refunds • Other restrictions of use 	<p>Director/Assistant Director The Golf Patron Discount Plan was implemented in June, 2016 and modifies the previous discount plan. Participants receive printed information regarding plan discounts. We will consult legal counsel for appropriate verbiage to include in the plan documents and work towards making those revisions, including a signature block. Target Date: January 31, 2017.</p>

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	Process/Procedure	Observation and Risk	Recommendation	Management Response
3	<p>The Golf Enterprise Fund budget lacked a deferred maintenance account until fiscal year (FY) 2017. For FY 2017, they allocated \$50,000 for a parking lot improvement.</p>	<p>Observation: Until recently, the Golf Enterprise Fund did not have funds set aside for capital improvements. Except for a parking lot, future capital improvements do not have a funding source.</p> <p>In addition, in four of the last five years, the expenditures of the Golf Enterprise Fund exceeded its revenues. The excess expenditures were primarily due to depreciation expense. In order to be properly classified as an enterprise fund the fund must be able to support its own expenditures, including depreciation.</p> <p>Risk: Nonconformance with financial statement standards.</p>	<p>Contribute a predetermined dollar amount to the enterprise fund budget on an annual basis designated solely for a deferred maintenance reserve for golf.</p> <p>Periodically evaluate the Golf Enterprise Fund for conformance with GASB standards.</p>	<p>Director/Assistant Director</p> <p>In effort to improve the overall financial health of the Golf Enterprise Fund over the past five years, Parks has prioritized retirement of debt service obligations, which should be realized by August, 2017. We have also adjusted golf fees and charges where appropriate, provided additional programming opportunities and have utilized the City's lease/finance program for golf equipment.</p> <p>It is important to note that golf fund revenues have covered golf fund cash disbursements, plus a significant portion of depreciation expense, each of the last five years. Moving forward, we project being able to include maintenance reserve funding in each fiscal year's budget appropriation.</p> <p>Target Date: July 1, 2017.</p>

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	Process/Procedure	Observation and Risk	Recommendation	Management Response
Safety				
4	<p>According to the Park Board Safety Manual, inspections of playground equipment are to be performed on at least a monthly basis.</p>	<p>Observation: Of the five facilities with playgrounds sampled, one facility did not have any playground inspections documented for the selected month. Two selected facilities had weekly playground inspections and it was noted that those inspections contained several recurring findings that were previously documented but not yet addressed in a timely manner.</p> <p>Risk: Liability from unsafe facilities.</p>	<p>Document playground inspections on a monthly basis.</p> <p>Ensure that safety findings are addressed as soon as possible after they are noted on an inspection document.</p>	<p>Director/Assistant Director</p> <p>The Safety Policy & Procedures Manual was approved by the Park Board in December, 2015 and requires additional staff to achieve Certified Playground Safety Inspector certification in effort to conduct full inspections on a monthly basis. Additional training and any associated revision of inspection procedures should be completed by Spring, 2017.</p> <p>It is extremely important to note that the playground inspection process identifies and differentiates conditions as "hazards" or "deficiencies". Hazards represent user safety concerns and are addressed immediately. Deficiencies are not immediate safety-related concerns and are addressed as time and resources permit, which may encompass two or more inspection cycles. Target Date: April 1, 2017.</p>

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	Process/Procedure	Observation and Risk	Recommendation	Management Response
5	Effective 9/1/2015, "court cleaning checklists" are completed daily by a Parks staff member for the tennis courts. The purpose of this check list is to assist with daily upkeep of the facility, and to identify possible safety hazards.	<p>Observation: We were unable to obtain three of the four court cleaning checklists chosen for inspection.</p> <p>Risk: Liability from unsafe facilities.</p>	<p>Perform and document the daily court inspections.</p> <p>Alternatively, re-evaluate the inspection process and determine if less frequent inspections would be more efficient and effective.</p>	<p>Superintendent of Recreation</p> <p>Fitness equipment checklists will be completed in their entirety and regularly reviewed by Fitness and/or Facility Coordinator.</p> <p>We will ensure that all checklists have the month, date & year clearly marked and staff initials each line item. Additional periodic review and signature will be done by a Fitness and/or Facility Supervisor. Target Date: October 31, 2016.</p>

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	Process/Procedure	Observation and Risk	Recommendation	Management Response
6	<p>Safety checklists are filled out as part of the daily activities at each Parks Recreation facility.</p> <p>For aquatics safety, checklists and shift information sheets are completed for each shift.</p> <p>Fitness equipment is cleaned on the same rotating weekly schedule. Any maintenance issues noted while cleaning are reported on the maintenance report log.</p> <p>For rock climbing walls, daily inspections of the cables, carabineers, and harnesses are performed via a checklist.</p>	<p>Observations: Four of five fitness equipment checklists were incomplete. There was no indication of initials or sign off on the forms.</p> <p>Each of the 5 aquatics and rock climbing wall safety checklists examined were completed without exception.</p> <p>Risk: Liability from unsafe or unclean equipment.</p>	<p>Ensure that recreational center equipment cleaning inspections are performed and documented.</p>	<p>Superintendent of Recreation</p> <p>Procedures and processes will be revised whereby the Facility Coordinator will review existing checklists to determine the need of frequency with the possibility of developing two checklists to distinguish tasks for daily and periodic checks.</p> <p>In addition, all checklists will be revised to include the month, date and year clearly marked and that staff initials each applicable line item. Finally, we will develop a process whereby there is a periodic review and signature by a Facility Coordinator and/or Supervisor. Target Date: August 31, 2016.</p>

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PROCESS IMPROVEMENT OPPORTUNITIES



We noted the following process improvements during our review. These items are not considered internal control deficiencies; however, we do recommend management consider each observation and take action where appropriate.

	Observation	Process Improvement	Management Response
1	<p>In our tour of five Parks department facilities, it was noted that while all five facilities had a safe for cash collections, four of the five had only a one-tier safe.</p> <p>A two-tier safe is designed to allow a deposit to be placed in the top half and only be taken out by a designee (Park Ranger). The bottom half of the safe can be used for change funds and can only be accessed by management at the facility.</p>	<p>Implement a two-tiered safe system at all facilities where more than \$500 in cash is collected on a daily basis.</p>	<p>Superintendent of Business Operations</p> <p>In addition to having safes at each of our appropriate park facility locations, we also have compensating security controls in place that include video monitoring and alarm systems, as well as daily pick-up procedures and security oversight by our Park Ranger Division's commissioned law enforcement officers. However, we will review our facilities to determine, where feasible and applicable, two-tiered safes might be implemented. Target Date: December 31, 2016.</p>
2	<p>During testing of the daily cash closing packets, we noted four packets with voids or refunds during that particular day. Of those four packets, all four contained void/refund slips which were not signed by the customer.</p>	<p>Require the customer to sign refund slips or credit card refund receipts in order to reduce the risk of unauthorized returns to customers. If the customer isn't present, require e-mail evidence or a written explanation by the Supervisor.</p>	<p>Superintendent of Business Operations</p> <p>We will review our current procedures and take into consideration your suggested process improvement. Target Date: December 31, 2016</p>

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	Observation	Process Improvement	Management Response
3	The existing revenue structure for the Golf Enterprise Fund may be modified to allow for larger and more consistent revenues.	Re-evaluate the revenue streams within the Golf Enterprise Fund. Consider changing the structure of fees, or adding products or services to increase revenue.	<p>Director/Assistant Director</p> <p>The Park Board continues to fully explore opportunities to enhance its' golf revenue streams. As Parks staff work through a master plan process for its' Golf Division over the coming year, the potential for diversification of our golf revenue streams will be thoroughly analyzed, including hospitality options, food and beverage sales, and facility rental opportunities. Phase I is slated for implementation in July, 2017.</p>
4	In our analysis of insurance limits of similar municipalities around the country, we noted the City of Springfield is consistent with or more conservative than other municipalities. In addition, we noted some municipalities are a member of an intergovernmental risk pool (IGRP).	Consider joining an IGRP such as the Missouri Intergovernmental Risk Management Association (MIRMA) which may lower insurance premiums and/or provide additional protections against the City's assets.	<p>Director of Risk Management</p> <p>The City currently participates in two (2) government risk pools: MOPERM (auto liability) and STATES Risk Retention Group (general liability and public entity management liability). Coverage provided by these groups is much broader and premiums are considerably less than standard insurance markets.</p>

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APPENDIX A



The chart below is a summary of financial analyses performed during the audit and is provided for management's use. The financial analyses chosen were part of a "10-point test" created by Kenneth Brown (Ph.D, and professor at Missouri State University) and updated by two members of the Government Financial Officer's Association in 2009 (Maher and Nollenberger). We chose 5 of the tests related to revenues and debt to measure the financial health of the Parks department. Our results were compared to a study of several United States municipalities with a population greater than 100,000 included in the 2009 article. The 4th quartile is considered most favorable; while the 1st quartile is considered least favorable.

	Calculation	Purpose	Result	Quartile
1	$\frac{\text{Property Tax or Own Source Tax Revenues}}{\text{Total Revenues}}$	To show how dependent the department is on tax revenues for its general fund operations.	66.2%	1 st
2	$\frac{\text{Operating Surplus or Deficit}}{\text{Operating Revenues}}$	To gauge the overall financial health of the Parks department general fund.	27.6%	4 th
3	$\frac{\text{Long-Term General Obligation Debt}}{\text{Assessed Value}^*}$	To measure the amount of debt in the department relative to the value of its assets.	3.55%	1 st
4	$\frac{\text{General Obligation Debt Service}}{\text{Operating Revenues}}$	To show the current debt service payments relative to the department's operating revenues.	7.96%	4 th
5	For the golf enterprise fund: $\frac{\text{Current Fund Assets}}{\text{Current Fund Liabilities}}$	To determine the enterprise fund's ability to meet its ongoing debt service needs and its ability to withstand financial emergencies.	.71	1 st

*Note that for this test we used the net book value rather than the assessed value. Credit agencies generally find a ratio of under 10% to be "favorable/acceptable," however, for purposes of quartiling the authors placed any result above 1.6% in the least favorable quartile.