

**CITY of  
SPRINGFIELD**



## Internal Audit Report

Park Board

June 2012

---

2012-02

Springfield-Greene County Park Board  
Table of Contents

---

	<u>Page</u>
Letter of Transmittal .....	1
Authorization .....	2
Audit Objectives Scope and Rating.....	2
Overall Conclusion .....	3
Background .....	3
Audit Objective Analysis and Opportunity for Improvement .....	4
Management Response .....	10
APPENDIX A – Audit Rating System .....	12



June 7, 2012

Honorable Mayor and Members of the City Council:

I am pleased to present the attached internal audit report on the Springfield-Greene County Park Board (the "Park Board"). The purpose of the audit was to evaluate controls over operations of the Park Board and identify opportunities to enhance and further mitigate risks based on the audit objectives.

A draft for discussion was provided to the Director of Parks, the City-County Administrative Park Board, and the City Manager's Office prior to the release. The Park Board was very responsive to the recommendations.

The accompanying Background and Statistical section of the audit report is presented for informational purposes. This information was obtained from the Park Board's management and was not subjected to the procedures applied in the audit of the division.

I would like to thank the staff at the Park Board for their full cooperation and assistance provided during this audit.

Respectfully submitted,

Kristy Bork, CPA  
Internal Auditor  
City of Springfield

Attachment

cc: Greg Burris, City Manager  
Fred Marty, Deputy City Manager  
Collin Quigley, Assistant City Manager

**Authorization**

The Internal Audit Department has conducted an audit of the operations of the Springfield-Greene County Park Board (the “Park Board”). The audit was conducted under the authority of Chapter 2, Section 15 of the Springfield City Charter and in accordance with the Annual Audit Plan approved by City Council. This audit covers the Park Board’s general operations including the golf enterprise fund. As the Park Board is an administrative board set by City Charter, this audit only covers operations and financial transactions for which City Council has governance.

**Audit Objectives Scope and Rating**

This audit was performed in accordance with *Generally Accepted Government Auditing Standards*, which included tests of the controls and records, and other audit procedures that the Auditor considered necessary in the circumstances. The following discussions and conclusions are based on the existing internal controls as of the date of this report. Opinions and conclusions could change as a result of changes to existing internal controls or changes in the applicable laws and regulations. This audit covered the fiscal year ending June 30, 2011, although the Auditor examined certain events and transactions occurring before and after that period.

The specific audit objectives and ratings of each objective are noted in the following table. The overall results of the audit indicate that the control environment at the Park Board is **yellow**. The rating definitions are included in *Appendix A* of this report. The rating system evaluates control risk, or the risk that internal controls in place will adequately prevent or detect fraud, errors, misuse of City assets, and/or maintain compliance with regulatory standards. The ratings do not necessarily indicate that fraud and/or abuse have occurred, but indicate the need for additional controls. Moreover, the Auditor did not identify any instances of fraud during the Park Board audit.

	Objective Ratings		
Audit Objectives			
<b>OBJECTIVE #1</b> - Evaluate the effectiveness of cash collection procedures, and ensure such controls are in place to adequately segregate duties to minimize the risk of loss due to error or theft.		X	
<b>OBJECTIVE #2</b> - Evaluate the effectiveness of internal controls over the collection, administration, and record keeping of the 2001 and 2006 Park Sales Taxes, and ensure taxes are being used in accordance with ballot language.	X		
<b>OBJECTIVE #3</b> - Evaluate the effectiveness of internal controls over the approval of purchasing card transactions.	X		

<p><b>OBJECTIVE #4</b> - Evaluate controls over park purchases and construction contracts to ensure purchases and construction contracts are entered into in accordance with Park Board policy, City policy, and applicable legal requirements.</p>		X	
<p><b>OBJECTIVE #5</b> - Evaluate the controls over budget and spending to ensure the Park Board is making informed decisions based on the accurate and timely financial information provided by management.</p>		X	
<p><b>OBJECTIVE #6</b> - Evaluate controls and procedures to record time used for payroll.</p>			X

**Overall Conclusion**

With funding from the 2001 and 2006 County-Wide Parks Sales Taxes, the Park Board has developed an award-winning parks system. Since the capital improvement portion of the 2006 County Wide Parks Sales Tax is going away on July 1, 2012, the Park Board should review operations and strive to operate more efficiently and transparently.

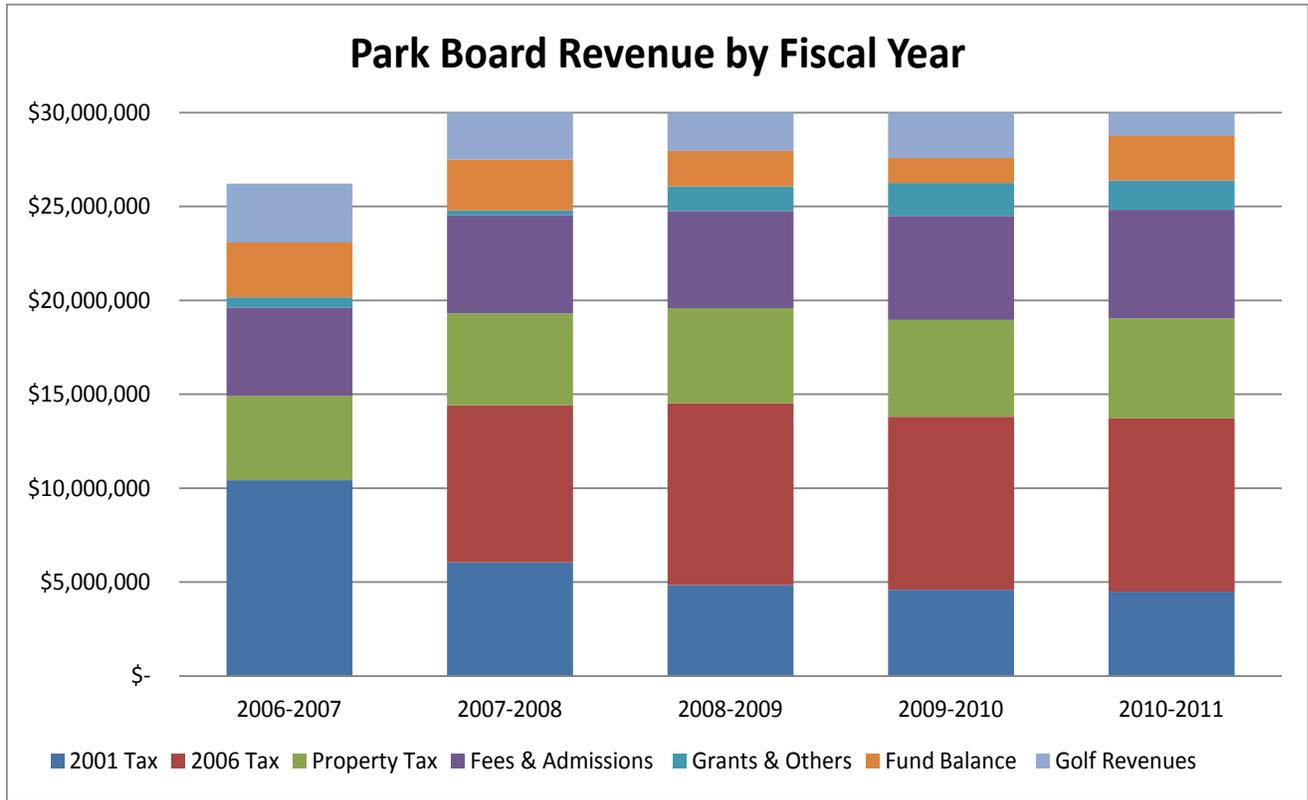
**Background**

The Springfield-Greene County Park Board is a 9-member administrative board, established by City Charter, to operate a county-wide park system in the City of Springfield and the unincorporated areas of Greene County. As an administrative board, the Park Board is given the authority to enter into contracts, make real estate purchases, and oversee the City-County Park System. The Park Board operates over 100 park sites, including specialty sports and recreation facilities, more than 100 miles of trail opportunities, a zoo, and three golf courses.

In 2001, Springfield and Greene County voters approved a 1/4-cent County-Wide Parks Sales Tax (“2001 Tax”), which was designated to expand the parks system, including capital and operational outlays. The 2001 sales tax was reduced to a 1/8-cent sales tax after 5 years, to continue to operate and develop the parks system.

In 2006, with 1/8-cent of the 2001 Tax expiring, the voters approved an additional 1/4-cent County-Wide Parks Sales Tax (“2006 Tax”), with 1/8-cent designated for stormwater improvements and 1/8-cent designated for capital park improvements. At the end of 5 years, 1/8-cent will expire and the remaining 1/8-cent is to be used for parks operations and maintenance.

This audit covers only the portions of 2001 Tax and 2006 Tax that Greene County has allocated to the Park Board to manage in accordance with an inter-governmental agreement between the City, Park Board, and Greene County. In addition to the sales taxes noted above, the Park Board also operates using proceeds received from sources shown in the following chart:



**Audit Objective Analysis and Opportunity for Improvement**

**Objective 1:** Evaluate the effectiveness over cash collection procedures, and ensure such controls are in place to adequately segregate duties to minimize the risk of loss due to error or theft.

In planning and performing the audit, the Auditor considered the Park Board’s internal control over the cash collection/revenue accounting cycle as a basis for designing auditing procedures. The Park Board is responsible for collecting program and facility fees. The Park Board should have adequate controls to ensure risks associated with the collection of program and facility fees, recording of transactions and proper financial reporting are properly mitigated.

To test the above-stated objective, the Auditor performed the following tests: interviewed management and staff, observed collection procedures, and traced and compared a sample of recorded transactions from the general ledger to supporting documentation. Based on these tests, the Auditor identified the following opportunities for improvement of the above-stated objective; items are considered deficiencies in controls, but are not considered to be material weaknesses.

**Opportunities for Improvement (OFI):**

- a. The Park Board's Business Operations office reviews each daily remittance and deposit receipts received from each site and the bank respectively. During this review, the receipt sequence is reviewed for propriety to ensure that all transactions, including voids, are supported and complete. During audit testing the Auditor noted one site that does not issue sequential receipts and noted another site in which the sequential numbering of receipts is not reviewed by Business Operations staff. The Business Operations staff should be reviewing sequential numbering of receipts for all sites. Management should also try to implement sequential numbering of receipts at all sites, if possible.
- b. As noted above, Business Operations staff reviews all daily remittance/deposits. During this review, all deposits and cash register activities are manually reviewed, manually recapped in electronic spreadsheets, and transactions manually recorded in the general ledger. Management should work with Information Systems to see if cash collection transactions can be electronically uploaded into the general ledger system. During the summer months, there are over 72 collection sites. By uploading data, the Business Operations staff would have the ability to review daily activity in a timelier manner and reduce manual procedures that can cause errors.
- c. The Park Board has 15 credit card machines to accept payments within the parks system. A sample of credit card credits was reviewed, it was noted that park staff was not able to match up the credit card number originally charged, to the credit card number receiving the credit. Management should develop policies on how credits should be issued back onto credit cards, ensuring that the card charged is the card receiving the credit. Additionally, management may want to issue a check refund in certain circumstances.
- d. The golf courses run a "Fairways and Greens Program" where individuals can set up a prepaid account to get discounts on golf rounds and pro shop merchandise. When an account is opened, the individual's future purchases are charged against their account balance. During testing noted there was approximately \$30,000 in prepaid accounts that had not been used in over a year, half of which had not been used in over 2 years.

The Park Board should develop procedures for Golf and Business Operations staff to periodically review outstanding prepaid accounts. Procedures should include how often the outstanding balance report is reviewed and by whom, when accounts should be written off, how to address refunds/pay backs, and frequency of notifying customers of account balances.

**Objective 2:** Evaluate the effectiveness of internal controls over the collection, administration, and record keeping of the 2001 and 2006 Parks Sales Taxes, and ensure taxes are being used in accordance with ballot language.

According to the ballot language, the 2001 sales tax is to be used for the “purpose of providing funding for parks”. This language allows the Park Board to use the 2001 sales tax for almost all parks purposes, capital and/or operational. The 2006 ballot requires the 2006 tax to be used “for the purpose of providing funding for parks acquisition and development” and has specifically gone to support capital improvement and land acquisitions.

To test the above-stated objective, the Auditor performed the following tests: interviewed management and staff, reviewed ballot language, confirmed projects listed in election materials to completed projects, and reviewed a sample of monthly tax receipts from the County to ensure that tax monies were properly allocated to capital, operations, and stormwater. There were no noted issues or concerns with this objective; controls and procedures in place appear appropriate. The Park Board has completed, started, or plans to start all projects stated in election materials for both the 2001 and 2006 tax issues. Moreover, the Park Board has appropriate controls to ensure tax money is allocated accordingly.

**Objective 3:** Evaluate the effectiveness of internal controls of approval of purchasing card transactions.

The Park Board has over 150 purchase cards issued to employees, and charged approximately \$2 million in transactions during the 2011 fiscal year. To test the above-stated objective, the Auditor performed the following tests: interviewed management and staff, reviewed a sample of purchasing card transactions, and compared purchase card limits with purchase card activity. The following recommendation does not represent a weakness in internal control, but an area for management to improve efficiencies.

**Opportunities for Improvement (OFI):**

- a. Purchasing card transactions are summarized and reported in expense reports completed electronically in the City’s practice management system. In the Parks System the purchase card holder is to prepare the expense report electronically and send a paper copy of the report to be reviewed by the employee’s direct supervisor. Next the Supervisor sends the hard copy expense report to the Parks Accounting Services Representative to approve the expense report electronically. Once approved electronically, the Parks Accounting Technician reviews and signs off on the hard copy expense report. Next, the expense report is sent to Finance to review and process. Each review is in place to ensure that transactions are properly approved and have an appropriate business purpose, and backup is adequate.

As described above, the Park Board has four layers of approvals and reviews, and the process to get expense reports over to Finance becomes very inefficient and time consuming. Additionally, the employee's supervisor would have the best knowledge if the charge by the employee was for an appropriate business purpose. Requiring expense reports to be reviewed by other staff members could give supervisors the impression that they do not need to take the time and responsibility of reviewing transactions fully. Management should review current policies to ensure that processes are appropriate and risks properly mitigated in an efficient manner.

**Objective 4:** Evaluate controls over park purchases and construction contracts to ensure purchases and construction contracts are entered into in accordance with Park Board, City policy, and applicable legal requirements.

To test the above-stated objective, the Auditor performed the following tests: interviewed management and staff, reviewed bid documents and contracts for a sample of construction projects and large purchases, and reviewed a sample of other professional services expense. Based on these tests, the Auditor identified the following opportunity for improvement of the above-stated objective; item is considered a deficiency but is not considered to be a material weakness.

**Opportunities for Improvement (OFI):**

- a. The Auditor reviewed a sample of professional services expenses, and noted one instance in which it took over a year for a contract to be drafted, and the services to be paid. Additionally, the Auditor noted the Park Board paid Greene County 50% of the salary expense for the use of a county employee's time. However, a contract between the Park Board and Greene County was never drafted. Management should ensure that all professional service expenses have appropriate contracts and that these contracts are entered into in a timely manner.

**Objective 5:** Evaluate the controls over budget and spending to ensure the Park Board is making informed decisions based on the accurate and timely financial information provided by management.

To test the above-stated objective, the Auditor performed the following tests: interviewed management and staff, reviewed budget documents, including revenue assumptions and fee study, reviewed board and committee meeting minutes, and reviewed City Charter requirements. Based on these tests, the Auditor identified the following opportunities for improvement of the above-stated objective; items are considered deficiencies in controls, but are not considered to be material weaknesses.

**Opportunities for Improvement (OFI):**

- a. The Park Board is responsible for reviewing and approving the Parks System budget before the budget is sent to City Council. As such, management should periodically provide the Park Board with updated actual financial activity to ensure management's budget assumptions were and are appropriate. The City's Finance Department provides City Council monthly budget-to-actual activity graphs on general fund revenue and expenditures. The summarized actual activity to budget data provides City Council a quick and concise view of actual financial results.
- b. The Park Board, through a board finance committee and as part of their budget approval process, approves user fees and admissions. However, when the Auditor requested backup documentation for certain fees, no documentation was maintained. City Council, as an overall theme, believes all aspects of City Government should be conducted in a transparent manner.

It appears the Park Board spends significant time reviewing charges each year; however, additional documentation should be maintained for citizens to understand how fees were determined. Additionally, the Park Board should develop policies on how fees are set, including how the fee study is presented in the budget document and how expenses are used to determine fees.

- c. Section 15 Chapter 10 of the City Charter regulates the budget process for all administrative boards. The City Charter specifically spells out how expenditures are to be charged against receipts by administrative boards. The Park Board and management should ensure that expenditures are being charged in accordance with the City Charter.
- d. At the end of fiscal year June 30, 2011, the Golf Fund owed the City's general fund approximately \$700,000, which was down over \$250,000 from the June 30, 2010 fiscal year-end balance. The \$700,000 consisted of \$480,000 remaining on a \$650,000 loan used for sod replacement at Rivercut Golf Course, and \$220,000 of cash support.

The Park Board should continue their efforts to pay down amounts owed to the general fund and continue to evaluate fees and charges to ensure the golf enterprise fund is self-sufficient. Additionally, as the Park Board looks for funding sources for paying the aforementioned amounts, the Park Board should ensure that designated taxes, including level property taxes, are not used to cover expenses for the Golf Fund.

**Objective 6:** Evaluate controls and procedures to record time used for payroll.

To test the above-stated objective, the Auditor performed the following tests: interviewed management and staff, reviewed controls over processing payroll time sheets, and reviewed a sample of time sheets. Based on these tests, the Auditor identified the following opportunity for improvement of the above-stated objective; item is considered a material weakness in control.

**Opportunities for Improvement (OFI):**

- a. During the summer months, the Park Board employs over 700 full-time, part-time, and seasonal workers, who are paid every two weeks. Currently, all Park Board employees fill out paper time sheets which are reviewed and signed off by a supervisor. These paper timesheets are manually keyed into the City's payroll system by the Parks Business Operations staff.

The Auditor reviewed a sample of time sheets, based on location, for four pay periods covering late May, June, and the beginning of July 2011. The Auditor noted several instances in which hours worked the prior pay period were corrected in the next pay period. This was due to timesheets being completed prior to the end of the pay period. The Auditor also noted instances in which it appears staff are pre-signing timesheets and supervisors and/or other employees were filling in hours for employees. Such practices appear to be contradictory to City policy and Department of Labor requirements.

Management should consider implementing an automated time system. Having automated systems in place to manage wage and hour policies enhances compliance significantly. This leads to reduced exposure, reduced risk of violations, and overall cost savings. Another advantage of an automated system is that it lets management see, in real time, whether the time being captured is realistic and accurate.

Additionally, the Auditor has discussed timesheet issues with the City Manager's office as there are other City Departments using paper timesheets. The City Manager's office is currently working with Information Systems to develop a time line in which all City Departments will migrate to electronic time keeping.

**Management's Response to Findings**

*The following response was provided by Bob Belote, Interim Director of Parks.*

**Objective 1:**

- a. Currently, all Park sites issue sequential receipts including utilization of pre-numbered City of Springfield receipt books at locations that do not use a point of sale/cash register system. Parks has now purchased the necessary software and is in the process of implementing a process whereby sequential numbering of receipts shall be periodically reviewed and verified at all sites by Business Operations Staff.
- b. Parks is currently exploring the feasibility of uploading daily receipts/deposits into the Oracle general ledger system.
- c. Parks has adopted procedures whereby refunds will be issued by check for those credit card transactions that cannot be fully verified back to the same credit card originally utilized for the transaction.
- d. The "Fairways and Greens" Program is a very popular program within the Park Board's Golf Division, typically handling revenues in excess of \$270,000 on an annual basis. Participant benefits associated with the program include access to each of the Park Board's four courses at discounted rates, and being able to establish and maintain a program line of credit that extends from year to year. However, it is agreed that golf staff should be reaching out from a customer service perspective to those plan participants that have not been active in the program for an extended period of time (12 months or more), as well as looking to take more formal action to prospectively close the accounts that have been inactive for a more extended period (3 years or more).

**Objective 3:**

- a. Parks is currently evaluating its internal process for reviewing and approving purchasing card transactions to better determine if a more efficient and streamlined review process can be achieved that still provides the requisite oversight desired by Business Operations Staff.

**Objective 4:**

- a. While considering that Parks annually administers and executes over 600 contracts for professional trades, construction and other services throughout the fiscal year, we would agree timely execution of all agreements is of great importance. As for the

employee jointly providing services to both the County and Park Board, this cost-sharing arrangement was discussed and approved on an annual basis through the budget adoption process for both entities. As a result of these audit recommendations, a formal Memorandum of Understanding for those joint services has been drafted and is now under discussion with Greene County.

Objective 5:

- a. In addition to the comprehensive financial update provided to the Springfield-Greene County Park Board during the annual budgeting process, Parks staff will work towards preparing and providing periodic updates of key financial data to the Park Board as requested. Staff also recently polled the Park Board to assess which types of financial data as well as reporting format they would find most helpful in their role as Board members.
- b. In addition to the comprehensive financial update provided to the Springfield-Greene County Park Board during the annual budgeting process, Parks staff will work towards preparing and providing periodic updates of key financial data to the Park Board as requested. Staff also recently polled the Park Board to assess which types of financial data as well as reporting format they would find most helpful in their role as Board members.
- c. Parks concurs with these comments and will continue working diligently to ensure that all expenditures fully comply with City Charter provisions.
- d. The Park Board's Golf Fund has made significant strides from a cash flow perspective over the past two fiscal years. During this period, staff implemented a number of aggressive cost-saving measures to help improve this situation, including keeping vacant Golf Division positions open, postponing capital projects and maintaining tight inventory levels, offering new programs and incentives for those slower periods on the golf courses, and actively working to recruit new golf tournament groups and lesson participants. As we approach the end of the current fiscal year (June 30, 2012), we conservatively estimate that the Golf Fund will have positive cash in the range of \$100,000-150,000. Moving forward into the new fiscal year, the Park Board recognizes the need to reimburse the City of Springfield for the outstanding Rivercut loan, and intends to do so in full over the next 2-3 fiscal year period with installment payments through Golf Fund proceeds.

Objective 6:

- a. Parks processes in excess of 15,000 timesheet/payroll transactions on an annual basis and has incorporated various internal checks and balances through its Business Operations Division to ensure accurate time reporting. In addition to the standard

supervisory review within each division, Business Operations Staff check all time sheet submittals that are either incomplete or require additional information.

Due to the tight schedule for submitting timesheets and Parks' inherent 24/7 type operation, at times it will be necessary for an employee to correct their hours originally scheduled and reported during the next payroll period to ensure that all time reported was indeed worked as scheduled. Parks has implemented procedures and protocol whereby no timesheets are pre-signed by employees.

Parks agrees that automated self-service time entry would ultimately be advantageous to the department given the vast scope of its operation and employee locations and will research the feasibility of moving towards this practice for future budget cycles.

**APPENDIX A – AUDIT RATING SYSTEM**

**Red** – An overall unsatisfactory or unacceptable state of control. The Red level of control denotes significant business risk or exposure to the City that requires immediate attention and remediation efforts. The overall control environment does not provide reasonable assurance regarding the safeguarding of assets, reliability of financial records, and compliance with City policies and/or government laws and regulations.

**Yellow** – A state in which the controls in place need improvement. If these controls are not improved, this could lead to an overall unsatisfactory or unacceptable state of control.

**Green** – An overall satisfactory or acceptable state of control, where risk is minimized and managed. The overall environment provides a high degree of assurance regarding the safeguarding of assets, reliability of financial records, and compliance with City policies and government laws and regulations. Control weaknesses noted, if any, are relatively minor.