

# **Internal Audit Service Center**

## **Community Centers Revenue Collection Process Follow-up Performance Audit Memphis Parks Division December 30, 2024**



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December 30, 2024

Mr. Nick Walker, Director  
Memphis Parks Division  
City of Memphis  
2599 Avery Avenue  
Memphis, Tennessee 38112

Dear Director Walker:

We have completed our performance audit of the community centers revenue collection process. This audit is a follow-up to the findings noted in the audit report for Community Centers Revenue Collection Process Performance Audit dated February 7, 2020. The follow-up audit was initiated in FY24, with an expected completion of approximately six to eight months. However, our audit procedures were impacted due to numerous challenges, including office renovations and other higher priority projects, resulting in audit delays. We appreciate your understanding and patience during this time. Nonetheless, the findings and recommendations contained in this report should assist management in conducting a more effective and efficient operation.

The primary objective was to evaluate internal controls over the revenue collection process with respect to accuracy and propriety of revenue receipts. Our secondary objective was to determine if safeguards over the revenue collection process were adequate. Lastly, our objective was to evaluate the adequacy and effectiveness of corrective actions taken to address findings outlined in the previous audit report. To accomplish our objectives, we interviewed management and staff, reviewed documentation, and conducted transaction testing specifically relating to the corrective actions. The scope of the audit was limited to the findings and recommendations outlined in the previous audit report, management's corrective actions, and transactions occurring from July 1, 2022 to June 30, 2023.

Based on our follow-up audit, we concluded that internal controls over the revenue collection process need improvement. We based this opinion on the following findings:

- The current revenue collection process lacks comprehensive written guidance encompassing all phases of the revenue collection process from inception to completion. The absence of written guidance has resulted in inconsistencies, as determined by exceptions found in 100% of the rental documentation reviewed.

- There is a lack of documented monitoring activity by management to ensure the completion and accuracy of the revenue collection process and to identify any negative trends and patterns, unusual, questionable, or suspicious activities conducted at the community centers.
- We found weaknesses identified in the previous audit report and noted in the Corrective Action Plan that have not been resolved.

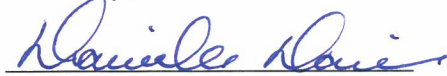
We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our audit may not necessarily disclose all weaknesses related to the revenue collection process. The following pages provide the details of our findings and recommendations.

Our audit process provides management with the option to submit a written response to the draft report for inclusion in the final report; or to submit a written response within 30 days after issuance of the final report. We presented you with the draft report dated December 20, 2024. You elected to submit your written response after issuance of the final report.

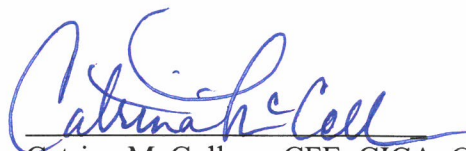
Along with the final report, we will provide you with a populated corrective action plan that includes control deficiencies and recommendations from our follow-up audit. The document will contain relevant sections for documenting your planned corrective action, responsible party, and timeline for implementation. Please provide your written response and corrective action plan by January 30, 2025. We will evaluate the adequacy of corrective actions during a follow-up review.

We appreciate the cooperation of Memphis Parks management and staff during our follow-up audit. If we can be of further assistance, please advise.

Sincerely,

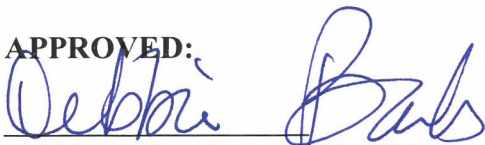


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## BACKGROUND

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*The background information provides relevant and pertinent information to assist the reader with gaining a reasonable understanding of the activity under review. Additionally, the information helps to provide the reader with the best possible context for which to understand the nature of audit findings, observations, and recommendations.*

In 2022, the Parks division underwent organizational restructuring from Parks and Neighborhoods to Memphis Parks. Memphis Parks Division promotes community pride through its many attractions, including public parks, trails, programs, community and senior centers, museums, entertainment venues, and sport facilities.

Memphis Parks Division operates 24 Community Centers (CC) citywide. Facility rentals are the primary source of revenue for CCs. Each facility offers multiple rental spaces for events like birthday parties, reunions, and business meetings. Rental fees are based on the CC's tier level: Tier 1 - \$125/hr.; Tier 2 - \$100/hr.; and Tier 3 - \$75/hr. Renters must complete a form and pay a \$100 security deposit via money order or cashier's check made payable to **Memphis Parks**.

The Senior Operations Administrator (SOA) is responsible for assisting with the development of policies and procedures, managing CC programs, and authorizing facility rental packets. Four Recreation Program Managers (RPM) report to the SOA and are responsible for ensuring all rental documentation is complete and accurate. The RPM signs the rental documentation and submits it to the Area Office. The Community Center Director (CCD) manages daily operations of the CC. The division is currently implementing RecDesk, an online system, so that renters can exclusively reserve CCs electronically with credit or debit card payments. It is anticipated that the software will assist in mitigating risk and discrepancies in revenue collection.

In the previous audit report dated February 7, 2020, we identified the need for improvement in internal controls over the CC revenue collection process and the safeguarding of assets. We provided recommendations to strengthen controls over the revenue collection process and requested management's corrective action plan to address noted deficiencies.

During the audit period (July 1, 2022 to June 30, 2023), revenue from the various revenue streams was as follows:

**TABLE I – Community Centers Revenue Streams**

Revenue Source	FY23		FY24	
	Budget	Actual	Budget	Actual
Class Fees	\$ 2,000.94	\$0.00	\$0.00	\$0.00
Rental Fees	\$ 85,772.04	\$ 50,644.00	\$ 52,699.96	\$ 71,928.50
Local Shared Revenue	\$ 12,221.96	\$ 841.22	\$ 30,000.00	\$ 30,582.11
Miscellaneous Income	\$ 12,222.00	\$ 15,559.33	\$0.00	\$ 509.98
Miscellaneous Revenue	\$0.00	\$ 583.00	\$0.00	\$ 181.35
<b>TOTAL</b>	<b>\$ 112,216.94</b>	<b>\$ 67,627.55</b>	<b>\$ 82,699.96</b>	<b>\$ 103,201.94</b>

Source: Oracle EBS Appropriation Statement

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## EXECUTIVE SUMMARY

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*The purpose of the executive summary is to provide readers with a clear and concise listing of the significant findings identified in this report. The “Objectives, Findings & Recommendations” section provides the details associated with each finding and recommendation. The significant findings are:*

- The Corrective Action Plan (CAP) recommendations have not been fully implemented, leading to the reoccurrence of findings that were identified in the previous audit report. The CAP, submitted to auditors on April 22, 2020, included management’s planned corrective actions. However, the actions were paused due to the restructuring of the Parks Division and the anticipated implementation of RecDesk. We noted six recommendations were outstanding and two were in progress.
- The current transitional procedures (i.e., *Facility Rental Agreement*, etc.) lack comprehensive guidance for all employees involved in the revenue collection process from inception to completion. This included insufficient guidance on safeguarding revenue. Although CC policies were being revised for the forthcoming RecDesk process, there should be policies developed and implemented for the current process that provide clear, comprehensive guidance to mitigate risks and ensure consistency and accuracy in revenue collection.
- Five out of 12 (42%) transactions selected from various revenue stream accounts in Oracle EBS (i.e., misc. income, local shared revenue, misc. revenue) had exceptions. The exceptions included a lack of adequate support documentation, incorrect revenue account placement, vague descriptions (i.e., event type, location, customer’s name), and discrepancies with receipt methods compared to those noted in the Oracle EBS comments.
- All 60 facility rental packets reviewed (100%) contained exceptions related to community center rental fee transactions. Exceptions included but were not limited to:
  - Missing complete rental packets.
  - Missing documentation from the rental packets (i.e., CC receipt book records, bank receipt records, etc.).
  - Payment amounts listed on customer’s receipt did not match money order/cashier’s check.
  - Customers were overcharged/undercharged based on the community center’s tier level fee per hour and the event’s scheduled timeframe.
  - Money orders/cashier’s checks were not made payable to **Memphis Parks**.
  - Bank deposits were not made in a timely manner.
- There was no documented evidence of management’s monitoring activities to ensure revenue transactions were complete, accurate, and properly recorded. Additionally, there was no documented monitoring for trends, patterns, unusual, questionable, and suspicious activity at the community centers. During the audit period, customer activity reports were not reviewed by management due to alarm phone line issues. Although, Memphis Parks management stated that monitoring was conducted through unannounced visits by the RPMs and external camera footage reviews, there was no evidence to substantiate these activities.



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## FINDINGS AND RECOMMENDATIONS

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### OBJECTIVE 1:

*To determine accuracy and propriety of revenue receipts.*

### FINDING 1:

*Overall, we concluded that current internal controls over the revenue collection process are not satisfactory to ensure accuracy and propriety of revenue receipts.*

We reviewed the deposit listing (obtained from Finance) and the Oracle EBS *Transaction Listing Reports (TLR)* for each revenue stream (class fees, rental fees, local shared revenue, miscellaneous revenue, and miscellaneous income). We also selected a judgmental sample of revenue transactions from each report to vouch to supporting documentation. Additionally, we performed on-site visits to select community centers (CC) to confirm the existence of and review available supporting documentation, which we attempted to trace to Oracle EBS. Based on our testing we noted the following:

#### *Facility Rental Online Process - RecDesk*

Memphis Parks management is currently in the process of transitioning rental payments to RecDesk, a solely online rental reservation system that will only accept credit or debit cards. The system is expected to help minimize several risks associated with the revenue collection process, including support documentation discrepancies. While transitioning to the new system, effective internal controls are significantly important to help mitigate risk and prevent potentially fraudulent activity.

#### *Policies and Procedures*

Until the online rental process is fully implemented, Memphis Parks management has consolidated procedures into a single document, the *Facility Rental Agreement*. The *Rental Attendant Policy* is only required if an event will be held after normal business hours. According to the SOA, the documents are temporary and serve as transitional procedures. However, the forms do not offer comprehensive guidance for all employees involved in the revenue collection process from inception to completion. This finding was identified in the previous audit report and was included in the Corrective Action Plan (CAP).

***NOTE: Memphis Parks management provided a draft copy of Facility Rental Procedures; however, the procedures have not been approved or adopted by the Director.***

#### *Revenue Streams*

We reviewed the CC *Appropriation Statement* (151010) for the audit review period (July 1, 2022 to June 30, 2023). We identified five revenue accounts and determined their criteria based on the descriptions in the *Finance Revenue/Expense Manual* and interviews with the Business Affairs Supervisor (BAS). We also obtained and reviewed the *TLR* for each revenue account to identify

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## FINDINGS AND RECOMMENDATIONS

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trends, patterns, unusual, questionable, and suspicious activity. We selected a judgmental sample of transactions and obtained the miscellaneous (misc.) receipt from Oracle EBS.

We noted the following during our testing:

- *Class Fees* (43522) – this account did not have a description listed. However, according to the BAS, this account was used for revenue from classes facilitated at the Raymond Skinner Senior Center. Funds from the account totaled \$0.00. There were two CC rental transactions listed that were placed in the account in error but were reversed and corrected prior to our audit review.
- *Local Shared Revenue* (48100) – the account description indicated it was designated for payments collected from contractual agreements between the City of Memphis (COM) and other local municipalities. The two transactions listed totaled \$841.22.
  - One transaction was vending machine revenue for Ed Rice CC and based on the revenue account description, this revenue should have been recorded in *Miscellaneous Income*.
  - One transaction for a rental at Raleigh Springs Civic Center should have been recorded in *Parks Admin* service center (151101) and was not considered a CC rental.
  - Both transactions listed the misc. receipt method as a cash payment. The comments section in Oracle EBS notated a check. Cash being inputted into Oracle EBS was noted as a finding in the previous audit report.
- *Miscellaneous Revenue* (49623) – the account description indicated it was designated for revenue from various sources. The two transactions listed totaled \$583.00.
  - One transaction was recorded correctly (reimbursement for an ID badge).
  - One transaction was a payment from Brinks Home Security. The misc. receipt payment method was listed as cash. The comment section in Oracle EBS notated a check.
- *Miscellaneous Income* (49100) – the account description indicated it was designated for minor revenue other than rentals. Funds from the account totaled \$15,559.33. We reviewed a sample of six out of 20 transactions.
  - Four transactions were recorded correctly as revenue from vending machines.
    - ❖ One transaction listed the receipt method as a money order instead of a check.

***NOTE: We observed vending machine activity during our on-site testing. For additional details regarding vending machine activity, refer to Finding #2.***

- We could not confirm the validity of the two remaining transactions. The misc. receipts were missing pertinent information (i.e., originating location). We obtained the supporting documentation for both transactions at the Area Office, but there was a lack of sufficient evidence (i.e., bank deposit receipt, etc.) to verify their validity.

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## FINDINGS AND RECOMMENDATIONS

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***NOTE: These two transactions were included in the sample of rental deposits that did not contain any identifiable facility rental information. Refer to Facility Transaction Testing for additional details.***

- *Rental Fees (43524)* – this account description indicated it was used for City property rental fees. Funds from the account totaled \$50,644.00. Refer to *Facility Transaction Testing* below for additional details.

### Facility Transaction Testing

Due to the *TLR* lacking sufficient details to select a sample for testing, we used the deposit listing provided by Finance. The deposit listing contained 226 transactions (i.e., facility rental revenue, vending machines, and other sources) totaling approximately \$72,719.33 that detailed the receipt number (from bank deposit slip), receipt date, payment amount, activity description, and relevant comments.

We selected a judgmental sample of transactions from 11 CCs to vouch supporting rental documentation obtained from the CC/Area Office. While on-site at CCs, we randomly selected supporting documentation and traced them to the deposit listing to ensure those funds were deposited. We also selected a sample of deposits from the deposit listing that did not contain pertinent information (i.e., comment section left blank, etc.) to review for unusual, questionable, or suspicious activity.

- We traced and vouched 60 revenue transactions totaling approximately \$31,884.21 (44%) to determine accuracy and propriety of revenue receipts. We found exceptions with 100% of the transactions. Many of the transactions had more than one discrepancy that were repetitive throughout the testing. Therefore, quantifying the number of exceptions would have been unnecessary. In addition, several of the exceptions were repeat findings noted in the previous audit report and were included in the CAP. Exceptions include the following:
  - Rental packets were missing at the CC or Area Office and/or required documentation was missing from the rental packets (i.e., no copy of CC receipt, copy of facility rental payment, bank deposit records, etc.).
  - Payment types listed in Oracle EBS did not match those listed on the rental packet and the transaction description in Oracle EBS was either too vague or left blank (could not identify renter's name or event location).
  - Payment amount listed on customer's receipt did not match money order/cashier's check.
  - Acceptance of personal checks.
  - Money orders/cashier's checks were not made payable to **Memphis Parks**. Several of the payments were made payable to the various CCs, the City of Memphis or left blank.

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## FINDINGS AND RECOMMENDATIONS

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- Approval signatures missing on the *Facility Rental Agreement* and *Rental Attendant Policy* from the RPM and/or SOA/Deputy Director of Recreation Services.
- Updated and revised format of rental applications was not used.
- We reviewed rental packets to reconcile the rental tier fee charged based on the event's scheduled timeframe and CC's tier level fee. Inaccurate facility rental payments were noted in the previous audit report. We found that four of the 60 (7%) facility rental payments were incorrectly calculated.
  - Two customers from Charles Powell CC (tier 3 - \$75/hr.) were each charged for a two hour event. One customer paid \$312.50, and the other customer paid \$212.50. The correct payment for both rentals should have been \$250.00 for the rental fee and security deposit.
  - One customer from Orange Mound CC (tier 3 - \$75/hr.) was charged for a six hour event. The customer paid \$570.00. The correct total payment should have been \$550.00 for the rental fee and security deposit.
  - One customer from Hickory Hill CC (tier 1 – \$125/hr.) was charged for a six hour event. The customer paid \$825.00. The correct total payment should have been \$850.00 for the rental fee and security deposit.
- We found five instances out of 60 (8%) where the bank deposits were not made in a timely manner. *TCA 6-56-111. Deposit of funds-Petty cash-Disbursement-Penalty for violations* states funds must be deposited within three business days of receipt. The delay of the deposits ranged from 4 to 42 business days. This finding was also noted in the previous audit report.
- Two CCs were missing rental support documentation for a significant portion of the audit review period. According to Memphis Parks management, it was due to the numerous staffing changes.
  - Lester CC was missing all on-site rental support documentation prior to 2023.
  - Orange Mound CC was missing rental support documentation for the 2022 calendar year.

### Monitoring

Although Memphis Parks management stated monitoring of revenue collection was conducted, we found no documented evidence of management's monitoring activity to ensure transactions were complete, accurate, and recorded in the proper account. This finding was identified in the previous audit report and was included in the CAP. Tracking monitoring activities can highlight areas needing improvement, allowing for targeted training opportunities.

***NOTE: The following recommendations were made in the 2020 audit report and have not been fully implemented.***

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## FINDINGS AND RECOMMENDATIONS

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### RECOMMENDATION(S):

- Until RecDesk is fully implemented, Memphis Parks management should develop and implement written policies and procedures for the current process that provide comprehensive guidance for all staff involved in the revenue collection process from inception to completion. The guidance should be reviewed and updated regularly to address any emerging changes in the process. The policies and procedures should include, but not be limited to:
  - Detailing specific requirements for Community Center Directors (CCD) and Recreation Program Managers (RPM) for the facility rental process from facility initiation to revenue being recorded in Oracle EBS.
  - Ensuring staff training for consistent practices to understand the procedures and their specific roles and responsibilities.
  - Ensuring all facility rental packets are complete and accurate with all required documentation prior to approval.
  - Requiring that all support documentation (i.e., *Facility Rental Agreement*, receipts, etc.) is maintained in a proper location for storage (CC and/or Area Office).
  - Performing routine reviews of revenue receipts to ensure financial information inputted in Oracle EBS is accurate.
  - A documented reconciliation process to ensure all revenue is being deposited into the City's bank account within three business days (*TCA 6-56-111. Deposit of funds-Petty cash-Disbursement-Penalty for violations*).
  - Routine site visits by RPM to ensure compliance with established policies and procedures, and to identify unusual, questionable, or suspicious activity.
- Memphis Parks management should conduct periodic reviews of revenue activity to ensure accuracy and propriety of revenue receipts. Management's reviews should be documented in sufficient detail to show dates, activity reviewed, and resolution for unusual, questionable, or suspicious items.
- Memphis Parks management should implement the following monitoring activities:
  - Ensuring transactions are accurately recorded to the appropriate Oracle EBS account and that they match the expected revenue.
  - Verifying that facility rental packets are complete and accurate, including all required documentation and signatures.
  - Confirming that the correct fee is charged based on the rental timeframe and the location's tier pricing fee.
  - Ensuring all cashier's checks and money orders are made payable to ***Memphis Parks***.



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## FINDINGS AND RECOMMENDATIONS

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### OBJECTIVE 2:

*To determine if safeguards over revenue collection process are adequate.*

### FINDING 2:

*We concluded that internal controls related to revenue collection safeguards need improvement.*

We utilized the same sample from *Finding #1* (11 CCs) to conduct our on-site observations to evaluate safeguards. We obtained customer activity reports (security reports) to identify whether any unusual, questionable, or suspicious activity occurred outside normal business hours, such as unauthorized facility openings. However, we were unable to complete our testing of the customer activity reports due to reporting issues caused by alarm phone line disruptions.

#### Policies and Procedures

Although we were provided transitional written procedures in the *Facility Rental Agreement*, as denoted in *Finding #1*, the document does not include any written guidance that specifically addresses the safeguarding of assets. Written guidance should be developed and implemented for the current safeguarding process until online rental capabilities are finalized.

#### Customer Activity Reports (CARs)/Monitoring Activity

We requested monitoring documentation (CARs) from the SOA via the third-party vendor, U.S. Security, Inc. We selected a judgmental sample of CARs from the 11 CCs involved in the facility transaction testing to detect unusual or suspicious activity (refer to *Finding #1*). For the remaining 13 CCs, we judgmentally sampled CARs for selected dates within the audit period.

- We obtained U. S. Security, Inc., CARs for several of the CCs. However, they lacked essential information such as daily opening and closing timestamps, and access usernames. In addition, most of the reports noted a “did not test” error for each day the issue occurred. Therefore, we could not complete our testing of the monitoring documentation. Email correspondence from October 2022 between Memphis Parks, COM IT Division, and Bellsouth personnel revealed that reports were impacted by alarm phone line issues, which may have been occurring for over a year. We found no documented evidence that there were any additional monitoring efforts done during that time. The lack of documented monitoring enhances the opportunity for fraud, abuse, and misuse to occur. This finding was identified in the previous audit report and was included in the CAP.
- Currently, there are eight CCs operating under the Johnson Controls, Inc. (JCI) monitoring system. JCI generates a report that includes details such as facility opening and closing times and the user account numbers for employees that engage the alarm system. However, employee names cannot be traced to the user account number. Memphis Parks staff must complete JCI training to

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## FINDINGS AND RECOMMENDATIONS

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be assigned a user account number. According to the SOA, efforts are ongoing to develop a report that specifically identifies each user.

- According to the RPMs, unannounced on-site visits were conducted regularly for their assigned locations. Additionally, RPMs and the SOA stated that they periodically review external camera footage, when needed. However, we found no documented evidence of the unannounced visits or camera footage monitoring. This finding was identified in the previous audit report and was included in the CAP. Proper documentation of on-site monitoring activity is crucial to help identify, investigate, and promote decision making for any unusual, questionable, or suspicious activity.

### On-Site Visits

We conducted on-site visits for the same judgmental sample of 11 CCs that were evaluated during our facility transaction testing (refer to *Finding #1*) to conduct observation testing.

We developed eight key attributes included on our *On-site Observation Checklist*. We also interviewed pertinent personnel, obtained supporting documentation (i.e. customer complaint forms, vending machine activity, etc.), and took photos of rental spaces within the CC.

We noted the following:

- Memphis Parks management has addressed the control deficiency noted in the previous audit report regarding proper storage and security of revenue. All 11 (100%) CCs had adequate storage locations for revenue. CCDs maintained a lockbox located in either a lockable file cabinet or desk drawer inside the CCD's office. According to the CCDs, the lockboxes and keys were only accessible to authorized personnel designated to accept funds.
  - In the previous audit report, it was noted that security deposits were maintained on-site. We found no revenue maintained in the lockboxes.
- Nine of 11 (82%) CCs had visible signage stating that the CC does not accept cash.
  - North Frayser and Orange Mound did not have signage posted. The lack of signage was identified in the previous audit report and was included in the CAP.
- In the previous audit report, we noted that CC employees were involved with revenue handling for CC booster club/activity boards. According to the SOA and CCDs, most booster clubs have been removed from the CCs and fundraising events (80/20 for-profit) were no longer a practice. We found no questionable or suspicious activity regarding fundraising activities.
  - Orange Mound CCD confirmed that an advisory board fundraises and supports activities at the senior center but stated that CC employees were not involved with the booster club's activities.

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## FINDINGS AND RECOMMENDATIONS

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- Two CCs (Lester and Orange Mound) were missing rental support documentation for a significant portion of the audit review period due to numerous staff changes. Refer to *Finding #1* for further details on the missing rental documentation.
- There was no documented process to resolve customer complaints. This finding was also identified in the previous audit report and was included in the CAP. Three CCDs (Douglass, Hickory Hill, and Orange Mound) reported that they designate a box for written complaints, which are regularly reviewed. However, it did not appear to be a consistent practice amongst the other CCDs. According to the SOA, unresolved complaints will be escalated to management. Providing guidance to employees ensures complaints are communicated and handled appropriately.

### Vending Machines

- Revenue obtained from vending machines totaled approximately \$685.12. According to CCDs, third-party vendors were responsible for replenishing the vending machines (snack and beverage) and the removal of funds. A check is mailed to the facility from the third-party and the CCD is responsible for depositing funds into the bank. We found no policies and procedures that provide guidance for revenue generated from the vending machines. This finding was identified in the previous audit report and was included in the CAP. The following is based on our on-site observations of vending machine activity:
  - Nine of 11 CCs had vending machines on-site.
    - ❖ Six CCs had operable vending machines (Charles Powell, Dave Wells, Douglass, Hickory Hill, Hollywood and North Frayser).
      - Hollywood CC was the only location to maintain supporting documentation for their vending machine activity.
    - ❖ Three CCs (Bert Ferguson, Lester, and Marion Hale) had inoperable vending machines.
  - The remaining two CCs (McFarland and Orange Mound) did not have vending machines.
- We queried the COM Contract Listing database to search for vending machine vendors and found no evidence of a contract or agreement between Memphis Parks and a third-party vendor. *TCA 71-4-501. Legislative Intent-Construction* states blind individuals should be given priority to operate vending machine services on public property. According to the SOA, a representative from the Tennessee Blind Association was contacted to assess next steps regarding the removal of the vending machines or their acquisition. Moreover, the SOA stated until further guidance was obtained, vending machine revenue will continue to be deposited in the City's bank account.

### Opportunities for Improvement

According to the SOA, CCDs can waive fees for rentals on a case-by case basis (i.e., families in need, financial hardships, etc.) provided they obtain prior approval from management. A *Facility Fee Waiver Form* was utilized for documenting these rentals. However, we found no reliable method for tracking these events or any written criteria used for approval. If this practice continues, management should ensure events with waived fees are well documented, consistent, and regularly reviewed. This

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## FINDINGS AND RECOMMENDATIONS

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is necessary to identify any unusual, questionable, or suspicious activity and maintain transparency within the fee waiver process.

### RECOMMENDATION(S):

- Memphis Parks management should develop and implement written detailed policies and procedures that outline all aspects of safeguarding assets. The guidance should be reviewed and updated regularly to address any emerging changes in the process. The policies and procedures should include but not be limited to:
  - Procedures for tracking and documenting rentals, including rentals with waived fees, to reduce opportunities for fraud, waste, abuse, and misuse.
  - Clear roles and responsibilities for staff to ensure accountability.
  - Procedures to ensure that all revenue received is properly secured in a locked safe, cabinet, or drawer that is only accessible to authorized personnel.
  - Language regarding the visible signage of the non-acceptance of cash posted at all CCs.
  - A formal process for handling customer complaints. The process should also ensure unusual, questionable, or suspicious activity denoted from complaints is communicated to the Director and/or Internal Audit for formal investigation.
  - Procedures for handling vending machine activity. The policy should ensure all proceeds from vending machine sales are accurate and deposited timely into the COM bank account. In addition, the policy should ensure all procedures comply with *TCA 71-4-501. Legislative Intent-Construction*.
- Memphis Parks management should conduct and thoroughly document the following monitoring activities:
  - Periodic reviews of JCI reports and/or camera footage to track the opening and closing hours and other on-site activity. All unusual openings and closings should be investigated.
  - Results of unannounced visits conducted by the RPMs.
  - Regular training/cross-training sessions with staff, including training for JCI, to ensure standardized procedures are being followed, even during absences or staff changes.

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## FINDINGS AND RECOMMENDATIONS

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### OBJECTIVE 3:

*To evaluate revenue collection process weaknesses related to control effectiveness and efficiency.*

### FINDING 3:

*The revenue collection process needs improvement to ensure operational effectiveness and efficiency.*

During the course of our follow-up audit, we reviewed findings from the previous audit report (Community Centers Revenue Collection Process Performance Audit 2020) to ensure control weaknesses were addressed in current audit testing. We also reviewed the risk assessment, flowcharts, and process matrix to identify gaps that may not have been adequately addressed in current fieldwork testing. Additionally, we reviewed management's Corrective Action Plan (CAP) to determine if deficiencies from the previous audit were addressed.

Weaknesses in the revenue and safeguarding process that require management attention are detailed below:

#### Accuracy and Propriety of Revenue Receipts

There was no comprehensive written guidance for the revenue collection process from inception to completion. Despite the ongoing implementation of RecDesk, there is a need for written guidance detailing the current process so that employees understand their responsibilities. In addition, there was no documented monitoring process for the revenue collection process to ensure facility rental packets are complete and accurate, deposited in the City's bank account timely, and properly recorded in Oracle EBS. Refer to *Finding #1* for further details.

#### Safeguarding Assets

There was no written guidance in place specifically addressing monitoring on-site community center activity, vending machine operations, and handling customer's complaints. In addition, there was a lack of documented monitoring activities (i.e., unannounced visits, camera footage viewing, etc.) to ensure unusual or suspicious activity was identified and addressed promptly. Refer to *Finding #2* for further details.

#### CAP

Our assessment of management's planned corrective actions is noted below. For details of the audit activity noted in this section, refer to the corresponding Findings.



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## FINDINGS AND RECOMMENDATIONS

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### Previous Audit Report - Finding 1

We provided three recommendations to Memphis Parks management regarding the accuracy and propriety of revenue receipts. Based on our assessment of the CAP, we determined:

- One recommendation was in progress.
  - Management is currently developing written guidance for the revenue collection process, including procedures for RecDesk.
- Two recommendations remains outstanding.
  - We found no documented evidence that management was ensuring cashier's checks and money orders were made payable to *Memphis Parks* and revenue was recorded to the proper account.
  - We found no documented evidence in sufficient detail of monitoring activity related to the periodic reviews.

### Previous Audit Report - Finding 2

We provided four recommendations to Memphis Parks management regarding the safeguarding of revenue. Based on our assessment of the CAP we determined:

- One recommendation was in progress.
  - Management is currently developing policies and procedures that include all aspects of safeguarding assets (i.e. handling complaints, vending machines, etc.).
    - ❖ No rental deposits were held on-site.
- Three recommendations remains outstanding.
  - We found no documented evidence of monitoring activity of the monthly *CARs*.
  - We found no documented evidence that management was ensuring cashier's checks and money orders were made payable to *Memphis Parks*.
  - We found no documented evidence of consideration of applying the rental deposit to the rental balance.

### Previous Audit Report - Finding 3

We provided one recommendation to Memphis Parks management regarding evaluating process weaknesses related to control effectiveness and efficiency. Based on our assessment of the CAP, we determined:

Although the RPMs stated that routine site visits were conducted, we found no documented evidence that management implemented routine site visits to monitor operational tasks and to identify unusual, questionable, or suspicious activity.

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## FINDINGS AND RECOMMENDATIONS

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*NOTE: The previous audit also included Bert Ferguson Community Center Investigation Results. During the follow-up audit period, we did not notate any community center employees involved in booster club/activity boards, so we excluded it from our follow-up audit testing.*

### RECOMMENDATION(S):

- Memphis Parks management should develop and implement written policies and procedures for the current process that provide comprehensive guidance for all staff involved in the revenue collection process from inception to completion.
- Memphis Parks management should establish standardized monitoring procedures, including routine site visits to monitor significant operational tasks to ensure employees are following prescribed routines, and to identify unusual, questionable, or suspicious activity. Monitoring activity should be documented in sufficient detail to show dates, activity reviewed, and monitoring results, to provide evidence of the monitoring.
- Memphis Parks management should continue to implement all outstanding recommendations from the previous audit report and ensure they are effectively addressed and resolved.