Fairfax County Internal Audit Office

Department of Community and Recreation Services
Athletic Registration Fees Audit
Final Report

November 2007

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Executive Summary

We performed an audit of the Department of Community and Recreation Services (DCRS) athletic registration fees collection process which is handled by the Athletic Services Division (ASD). ASD is responsible for scheduling Fairfax County's public gymnasiums and the Park Authority and Schools' athletic fields for sports organizations and community use. As part of the FY 2005 budget, application fees began to be charged for the use of these facilities and ASD was assigned to handle all activities in relation to this. Fees are charged to leagues/organizations, teams, tournaments, one-time users, and groups of individuals.

Our audit focused on the billing, cash receipts handling, and accounting functions associated with revenues including the athletic registration fees. During this audit, DCRS was in the process of transitioning from spreadsheet-based recordkeeping to the Athletic Facilities Scheduling System (AFSS). The results of our audit procedures indicated that the internal control structure over the billing and collection of revenues needed to be strengthened and presented several opportunities for needed improvement:

- Access controls and audit trails were incomplete for the Athletic Facilities Scheduling System (AFSS)
- AFSS had inadequate separation of duties regarding customer account updates
- Use of multiple spreadsheets resulted in inaccurate account information
- AFSS reports were not being used to monitor write-offs and adjustments
- Procedures in place for preventing the use of facilities without payment were not completely effective
- Reports were not in place to age receivables and examine past due accounts
- Cash deposits were performed infrequently

Scope and Objectives

This audit was performed as part of our fiscal year 2007 Annual Audit Plan and was conducted in accordance with generally accepted government auditing standards. The audit covered the period of July 1, 2005, through December 31, 2006, and the audit objectives were to determine if:

- Revenue was effectively collected and documented.
- Billing process ensured the timely collection of past due amounts
- Controls were implemented to ensure collection amounts were effectively and adequately deposited, posted and reconciled in a timely manner.
- Effective segregation of duties existed within the collection process.
- Waiver or charge-off of accounts receivable was properly authorized by management.
- Aging reports of accounts receivable were performed routinely and reviewed.
- Adequate revenue collection procedures existed, including control over receipt, processing and posting of funds received.

Methodology

Our audit approach included interviewing appropriate staff, observing employees' work functions, detailed testing of various samples of transactions, and evaluating the processes for compliance with sound internal controls, county policies, and departmental policies and procedures.

Our audit did not examine the system controls over billings, collections, and posting applications. Our transaction testing did rely on those controls; therefore, this was a scope limitation. The potential impact of this circumstance on our findings was that some portion of transaction data from the Athletic Facilities Scheduling System (AFSS) and Excel spreadsheets used by agency may have been erroneous.

The Fairfax County Internal Audit Office is free from organizational impairments to independence in our reporting as defined by Government Auditing Standards. We report directly and are accountable to the county executive. Organizationally, we are outside the staff or line management function of the units that we audit. We report the results of our audits the county executive and the Board of Supervisors, and reports are available to the public.

Findings, Recommendations, and Management Response

1. Access Controls and Audit Trail

We noted the following issues related to the controls and access to the Athletic Facilities Scheduling System (AFSS):

a) The majority of staff had update access to the status field of all requests in the Athletic Facilities Scheduling System. In addition there was no compensating control by way of written authorization to make scheduling changes and there was no audit trail for changes made in this manner. All AFSS system users were automatically granted permission to change the status.

b) The majority of staff had the ability to make adjustments to customer accounts as a default without further management authorization.

Sound internal controls require that users only have update access to those functions which they have a legitimate business need for. Further, proper internal controls require that management have the means to review employees' work to ensure complete and accurate information. Well designed audit trails would enable monitoring of account data changes and ensure that they be traceable to the individual user who initiated them.

The impact of not limiting access to the AFSS on a business need basis includes the increased risk of unauthorized or inappropriate changes in the system as well as the increased likelihood of potential abuse. A lack of proper separation of duties may

lead to decreased accountability among staff and increase the likelihood of erroneous or improper transactions taking place. Not maintaining a proper audit trail for scheduling significantly impairs accountability within the agency and raises concerns for data integrity.

Recommendation: We recommend that DCRS management carefully review responsibilities among staff and delegate customer account update access levels only to those users who have a legitimate business need for such access. In addition it is important to restrict levels of access to AFSS screens/reports to staff on the basis of business needs.

The system should be setup to ensure that all entries and/or changes in the system are recording a full audit trail with the unique user ID of the employee who initiated them.

Management Response: CRS has updated staff access levels to the business process aspects of AFSS as follows:

- Request Module (enter request data and participation statistics); schedulers and scheduling assistants have access
- System Scheduler (schedule use and update permit status); schedulers and cancellation assistant have access
- Finance Manager (enter and adjust payments); schedulers and scheduling assistants have access

The ASD Division Supervisor, ASD branch manager, and Planning and Project Management Division Manager have full access to all aspects of AFSS.

In regard to the audit trail, CRS has presented a change request (CR) to Xybernaut Systems, Inc. (XSI), the vendor that developed and maintains AFSS, to develop an audit trail. XSI will present CRS a cost estimate for developing the audit trail and CRS will review the cost proposal and work to fund the CR within existing resources. XSI will develop and implement the audit trail once authorized by CRS. The anticipated completion date is February 1, 2008.

2. AFSS Group Status Update

We found that controls to ensure proper updates to the status field for applicants were weak as several minor groups were discovered to have incorrect permit status. There were instances where some groups had withdrawn but were still listed as “temporary” and instances where some groups had paid (and used facilities) but were still listed as “temporary.”
The status field in AFSS had to be manually updated by staff. Also after a group was scheduled, the scheduler, in many instances, handed the request back to recreation assistants so that they could update the status field instead of doing so themselves.

Effective controls over critical data such as the status field require clear

responsibility, monitoring of data accuracy, and limitations on who may alter the data.

Failure to properly update status fields could lead to confusion about the current standings of applicants and lead to failure of issuing electronic final permit to minor groups. Managerial decision making reports could also be affected as an accurate reporting of facilities being used would be unavailable.

Recommendation: Applicants' individual request numbers should properly reflect the updated status of the group. DCRS should place the responsibility of updating the status field with the schedulers so as to lessen the occurrence of miscommunication and updating. Temporary permit status of minor groups should be periodically reviewed and those groups who do not pay or do not use facilities should be updated to "withdrawn" status.

Management Response: CRS has updated staff access levels to restrict access of the System Scheduler (schedule use and update permit status) to the schedulers and the cancellation assistant. The ASD Division Supervisor, ASD Branch Manager, and Planning and Project Management Division Manager have full access to all aspects of AFSS.

ASD will standardize the review of temporary permit status requests so that, after a standard period of time and communication process, the requests are updated as withdrawn. The anticipated completion date is November 1, 2007.

3. Tracking Credits and other Adjustments

A proper audit trail was not being maintained for credits and other adjustments made to customer accounts. Excel spreadsheets used for tracking fees did not have the capability to track changes. AFSS was not currently setup to capture changes made to fields and record information relating to who made the change and when it was made. There was a capability to make notations to customer accounts but they were not done on a consistent basis.

A proper audit trail increases the likelihood of unauthorized or inappropriate transactions being detected. It also improves accountability over staff and the handling of write-offs and waiving of accounts receivable, as well as improves the decision making process of management (i.e. locating and addressing re-occurring errors).

Due to the time lag in the setup of the AFSS system for posting cash receipts, the agency kept a multiple entry system whereby each applicant entry was recorded in three separate data repositories (AFSS, Excel Daily Log, and Excel Fee Tracking Spreadsheet). The department is working towards preparing AFSS as a sole point of information processing for the athletic registration fees.

Recommendation: We recommend that DCRS setup the AFSS application system to capture changes made to data fields if possible (noting the change made, who

made the change, when the change was made, the reason for the change, as well as who authorized the change). At minimum, it is important to capture the electronic identification of staff members, as well as time stamp information, for every change made to critical fields. A more consistent approach should be implemented with regard to documenting the explanation of changes as well as ensuring management approval (via electronic authorization) on each transaction deemed necessary (such as write-offs).

Management Response: CRS has presented a CR to XSI to develop an audit trail and XSI will present a cost estimate for developing it. CRS will review the cost proposal and work to fund the CR within existing resources. XSI will develop and implement audit trail once authorized by CRS. The anticipated completion date is February 1, 2008.

4. Monitoring Write-Offs and Adjustments

DCRS did not run control reports to review accounts receivable for write-offs and other adjustments to customer accounts. Excel spreadsheets used for tracking fees are not an optimal solution to restricting adjustments to accounts as fields can be modified and the changes are hard to track. AFSS has the capability to generate such reports, but in order to do so effectively, management needs to flag such transactions for ease of review.

Good internal controls require that departments have a process in place to monitor write-offs or adjustments to customer accounts. Not properly monitoring or reviewing (or restricting) write-off or adjustments to customer accounts increases the likelihood of unauthorized or improper waiving of customer fees due to the agency.

Recommendation: We recommend that DCRS setup AFSS to run weekly or monthly control reports for write-offs and adjustments. These figures can be included as part of the daily trial balance report which should then be reviewed to ensure that all adjustments to customer accounts were valid and made with management approval.

Management Response: CRS has presented a CR to XSI to develop a report that will capture write-offs and adjustments. XSI will present CRS a cost estimate for developing the report. CRS will review the cost proposal and work to fund the CR within existing resources and XSI will develop and implement report once authorized by CRS. ASD will implement a standard procedure for approving and reviewing adjustments and write-offs. The anticipated completion date is December 1, 2007.

5. Matching Daily Transactions and Deposits

DCRS did not run a report that matched daily transaction totals posted to daily deposits made. While they did have an Excel Daily Log Spreadsheet, this only included cash received and ready to be deposited. It did not include a listing of all posting/adjustment entries made (in Excel or AFSS). No daily trial balance was performed to agree postings to net deposits.
A lack of daily activity balancing could lead to increased occurrence of lost or

misplaced funds, unauthorized transactions, inappropriate adjustments to customer accounts, and various entry errors made by staff. Prior to this audit, DCRS was aware of and working toward an improved business process regarding in the process of reconciling all activity.

Recommendation: We recommend that DCRS setup the AFSS system to generate a report that matches daily transaction totals posted to daily deposits made. Implementation should include setting up a process, including the policy and procedure documentation, to ensure this function is carried out and approved by management on a daily basis.

Management Response: CRS has presented a CR to XSI to refine a report that tracks daily transactions and deposits and XSI will present CRS a cost estimate for developing the report. CRS will review the cost proposal and work to fund the CR within existing resources. XSI will develop and implement report once authorized by CRS. ASD will implement a standard procedure for reviewing and posting daily deposits. The anticipated completion date is December 1, 2007.

6. Accounts Receivable Reports

DCRS did not maintain an accurate accounts receivables balance, and thus had no means to measure and monitor actual amounts collected against those due. While AFSS did have the capability to run such reports, a process to run and review them had not been implemented.
Department of Finance Accounting Technical Bulletin (ATB) 036 requires that, all agencies prepare, at a minimum, a quarterly outstanding receivables report that groups data in the following order:

- Current
- More than 30, but less than 61 days past due
- More than 60, but less than 91 days past due
- More than 90 days past due

Not having an accurate accounts receivables balance leads to the department having no reliable means to measure actual amounts collected against those due. It will also lead to the increased likelihood that fees will not be collected in a timely fashion as it is more difficult to measure actual amounts owed and who owes them. The aging of receivables serves as an important management control function to determine the true value of the receivables and the effectiveness of the collection effort. AFSS was only recently setup to accept cash postings and thereby have an accurate way of determining outstanding receivables.

Recommendation: DCRS should setup AFSS to run routine (monthly) accounts receivables reports to measure against actual collections in order to obtain a true assessment of collections effectiveness and to ensure the collection of past due amounts is completed in a timely manner.

Management Response: CRS has presented a CR to XSI to develop a report that tracks accounts receivables and XSI will present CRS a cost estimate for developing the report. CRS will review the cost proposal and work to fund the CR within existing resources. XSI will develop and implement report once authorized by CRS. ASD will implement a standard procedure for reviewing and dealing with past due accounts. The anticipated completion date is December 1, 2007.

7. AFSS Invoicing

There was no formalized billing process in place which involved a structured methodology for sending out invoices to applicants and tracing them after the fact. DCRS maintained an unstructured system for the issuing and tracking of invoices.

Not properly maintaining controls over the billing process increases the likelihood of applicants not being invoiced in a timely fashion or at all. This would thereby increase difficulty in collections.

Recommendation: DCRS should implement procedures within the AFSS system for invoicing. DCRS should track these billings for reference and establish a unique identifier for each bill sent out. Invoice numbers should be cross referenced to applicant accounts in AFSS.

Management Response: CRS has presented a CR to XSI to refine a report used as an invoice, to include unique invoice numbers and XSI will present CRS a cost estimate for developing the report. CRS will review the cost proposal and work to fund the CR within existing resources. XSI will develop and implement report once authorized by CRS. ASD will implement a standard procedure for issuing and tracking invoices. The anticipated completion date is December 1, 2007.

8. Locked Deposit Bags

The Athletic Services Division did not employ the use of tamper evident deposit bags.

Department of Finance ATB 40070 notes that the use of tamper evident and/or locked deposit bags should be employed. The ATB advises that departments are responsible for internal controls over monetary receipts. It states that separation of duties is one of the most important aspects of internal control. Departments are required to develop a system of checks and balances so that no individual person is responsible for the completion of all steps in processing monetary receipts.

Without the use of secured bags it will be difficult to ensure that no one other than the cash handler and bank personnel had access to contents. The chain of custody could be disrupted and accountability could be impaired.

During the course of our audit, the Athletic Division Services of DCRS employed the use of tamper evident and/or locked deposit bags as a standard practice.

Recommendation: No further response needed. Management has addressed this issue.

9. Regular Cash Deposits

DCRS did not consistently deposit cash receipts on a timely basis as prescribed by Department of Finance ATB 40070. The ATB requires that deposits be made by the next business day.

Department staff noted that this occurred due to staffing limitations as well as there being periods where minimal receipts were incoming. It was deemed more efficient to wait until a material accumulation of funds were on hand prior to making a deposit run. In addition, research had been done to inquire about having money collecting companies perform deposits but that was found to not be feasible.

Failure to deposit funds on a timely basis could lead to a greater occurrence of lost or misplaced funds in addition to not having an accurate bank balance to compare to book balance for reconciliation purposes. During the course of this audit, DCRS revised its process to deposit funds received no later than the next business day.

Recommendation: No further response is necessary. Management has addressed the issue.

10. Lack of Written Procedures

There was a general lack of written procedures across all agency functions in regards to the Athletic Services Division.

A lack of documented policies and procedures could lead to confusion/inefficient operations in instances where there maybe periods of high turnover and/or key personnel take extended/unexpected leave.

Recommendation: We recommend that policies and procedures be developed for all key functions that the Athletic Services Division performs, with primary emphasis on billing and collection. Policies should reference employees by title rather than name and should be periodically reviewed to be kept up to date.

Management Response: ASD will develop standard policies and procedures for all key business functions. The anticipated completion date is December 1, 2007.