



**FULTON COUNTY, GEORGIA
OFFICE OF INTERNAL AUDIT**

**DEPARTMENT OF PARKS AND RECREATION
SOUTH FULTON TENNIS CENTER
AUDIT REPORT**

July 26, 2012

TABLE OF CONTENTS

	PAGE
INTRODUCTION	1
BACKGROUND	1-2
OBJECTIVE	2
SCOPE	2
METHODOLOGY	2-3
FINDINGS AND RECOMMENDATIONS	3-6
CONCLUSION	6
APPENDIX	7-8

Introduction

The Office of Internal Audit performed an audit of the South Fulton Tennis Center's (Center) financial records at the request of the Department of Parks and Recreation. During the year, the Center offers a variety of tennis related activities, ranging from tennis lessons to after school care and summer camp. The Center generally serves the residents of Fulton County (County) but its use is available to everyone. Currently, the Center utilizes QuickBooks as its financial reporting system and accepts all forms of payment: cash, debit cards, credit cards, and checks.

Background

The Center is a twenty-six (26) acre site located at 5645 Mason Road in College Park, Georgia, in Fulton County's Commission District 7. The Center consists of the following:

- Twenty (20) lighted hard surface courts
- Four (4) clay lighted surface courts
- Clubhouse
- Locker rooms
- Pro Shop
- Lounge
- Maintenance storage building
- Parking facilities

There is also an adjoining baseball/softball field and a dog walking park. The Center is presently leased by the Donald Young Tennis Plex, LLC (DYTP). Mr. Young started operating the Center in 2007 after it had been closed for six months and entered into a Facility Use Agreement (Agreement) with the County on April 7, 2008. In accordance with the terms of the Agreement, the Center is open at least twelve (12) hours a day, seven (7) days a week, except when in observance of County holidays, and it currently offers the following:

- After School Program (ASP) for elementary and middle school age children which consists of pick-up, Criterion-Referenced Competency Test (CRCT) preparation, homework assistance, computer sessions, and outdoor time. ASP fees are on a per child basis at either a daily or weekly rate.
- Concessions, consisting of snacks and nonalcoholic beverages, are priced per item.
- Group lessons for all ages and levels of play. The group lessons are individually priced on a per hour basis.
- Private lessons for all ages and levels of play. The private lessons are priced per hour and the base rate depends upon if lessons are given from a head pro, assistant head pro, or staff pro.
- Tennis Academies for all ages and levels of play which consists of performance fitness training, ball drills, and match play. The Academies' fees are either a daily or weekly rate which varies based on the type of Academy.
- Tennis court rentals for individuals and teams. The tennis court rental fees are on a per hour basis.
- Tennis related apparel and accessories through the Center's Pro Shop.

- Spring Break Camp and Summer Camp (SC) for elementary and middle school age children which consists of tennis instruction, lunch, field trips, and computer sessions. SC fees are on a per child basis at either a daily or weekly rate.
- Miscellaneous includes tennis tournaments, racket stringing services, tennis leagues, etc.

All of the employees at the Center are part time, with the exception of the Director. Currently, the staff consists of: a Director, a Receptionist, Counselors (3-5), Drivers (3-5), Coaches (6-15), and Maintenance Service (3-6). Typically, there is one counselor on-site for every fifteen children. The number of counselors and coaches increases during the summer months. The operation is seasonal and the number of employee changes based on the time of year.

During the scope period, the Center made three significant financial changes. It merged two bank accounts, closed a bank account, and changed credit card vendors. Presently, the Center has three Bank of America business economy checking accounts. The revenue generating activities at the Center consist of after school programs and spring break/summer camps, tennis lessons, Pro Shop sales, and other miscellaneous items.

Appendix 1 The details of the primary revenue generating activities, during the period July 1, 2010 through April 30, 2011, are listed below:

South Fulton Tennis Center's Primary Revenue Generating Activities		
Activity	Total Revenue	% Revenue
After school programs and the spring break/summer camps for elementary and middle school children	\$ 369,439	93%
Tennis lessons	\$ 14,111	4%
Miscellaneous charges: ball machine rentals, racket stringing, and team fees.	\$ 7,870	2%
Other	\$ 5,175	1%
Total	\$ 396,595	100%

Objective

The objective of our audit was to evaluate the Center's financial records to determine its total gross revenues and to compute the amount due to the County in accordance with the Facility Use Agreement entered into on April 7, 2008.

Scope

The period covered by this review is July 1, 2010 through April 30, 2012.

Methodology

During our audit of the Center, we interviewed key personnel, examined financial records, and performed audit testing, on a sample basis. The records that included the:

- Daily deposit logs
- Sales receipts
- Monthly sales summary
- Credit card daily close-out tape
- Bank statements

Findings and Recommendations

Finding 1 – Noncompliance with the Facility Use Agreement

Best business practices recommend that the terms and conditions of all legally binding contracts and/or agreements should be adhered to. At the time of the audit, the Center appeared to be noncompliant with the terms of the Agreement. Specifically, the Center had not remitted any monies to the County during the scope period.

According to the terms of the Agreement, the County is due ten percent (10%) of total gross revenues, excluding any sales taxes. Thus, we determined that the County is due \$39,659.52 from the Center. The calculations are as follows:

AMOUNT DUE FULTON COUNTY	
Total Gross Revenue (less sales tax)	\$396,595.21
Percentage due Fulton County	10%
Amount Due Fulton County	\$ 39,659.52

Noncompliance with the terms of the Agreement could result in the loss of revenue to the County and in the termination of the agreement.

Recommendations

We recommend the Operator fully comply with the terms of the Facility Use Agreement entered into on April 7, 2008 and to remit \$39,659.52 in commission fees to the County.

Finding 2 – Inconsistent Financial Documentation

An efficient cash receipting process includes a periodic reconciliation of funds collected and recorded and reported in the financial system. All daily collections should be accurately reflected in accounting records. Our audit revealed that different revenue totals were reported on the deposit log and the sales summary reports. The discrepancies between the deposit log and the sales summary reports indicate inaccuracies in financial reporting, thus making the Center’s financial statements unreliable.

Recommendations

We recommend that the Center reconcile the deposit log to the sales summary report on a consistent basis. The reconciliation process will aid in the preparation of reliable financial statements for all stakeholders.

Finding 3 – Receipts Excluded from the Deposit Log and Cash Used for Disbursements

The most effective procedures for handling cash receipts and disbursements are those which require that each be recorded, reconciled and reported separately. After reviewing the deposit log, we found that receipts totaling \$6,675 were not recorded. Furthermore, the Operator stated that disbursements were made from the daily cash collections to pay business related expenses. The practice of using funds from the collections on-hand reduces the effectiveness of internal controls over cash management. The results of our audit testing are as follows:

Deposit Log Analysis				
	Cash	Checks	Credit Cards	Total
Deposit Log Total	\$30,373.19	\$7,850.25	\$114,673.04	\$152,896.48
Adjustments				
Receipts included in file & excluded from deposit log	\$ 1,760.00	\$ 190.00	\$ 3,865.00	\$ 5,815.00
Receipts excluded from file & deposit log	860.00	-	-	860.00
Total Adjustments	\$ 2,620.00	\$ 190.00	\$ 3,865.00	\$ 6,675.00
Adjusted Deposit Log Total	\$32,993.19	\$8,040.25	\$118,538.04	\$159,571.48

Recommendations

To strengthen internal controls, we recommend the Center deposit all collections into its business account and make all disbursements through its financial reporting system by either issuing a check or using the related debit card. Utilizing QuickBooks to issue checks for all business expenditures and paying with the debit card will greatly aid in preventing any future collection and deposit discrepancies, as well as, serving as an audit trail for the Center’s accounting records.

Finding 4 –Bank Statements Not Reconciled

An efficient cash receipting process includes a periodic reconciliation of collections recorded in the financial reporting system to the bank statements. Currently, the Center’s method to ensure the accuracy and completeness of the collections is to reconcile the daily receipts to the daily

collections. The Center does not reconcile the financial documentation to the Bank Statements. As a result, there is an increased risk that errors or misappropriation of funds could occur and remain undetected.

We tested an audit sample of bank statements for the period July 1, 2011 thru April 30, 2012, and compared the deposit detail to the financial documentation. Our testing revealed that the revenue reflected on the bank statement is \$14,079.48 less than the daily deposit logs and \$22,970.71 less than the monthly sales summaries. Thus, the bank statements do not reflect all of the Center's revenues from the adjusted daily deposit logs or from the monthly sales summary reports.

Recommendations

To detect any errors or misappropriation of funds, we recommend that the Center reconcile its accounting records to the bank statements on a monthly basis.

Finding 5 – Inoperable Equipment

Best business practices recommend that the terms and conditions of all legally binding contracts and/or agreements should be adhered to. At the time of the audit, we noted the Department of Parks and Recreation appeared to be noncompliant with the terms of the Agreement.

During our on-site visit of the Center, we noted that two of the three heating, ventilation and air conditioning (HVAC) units were inoperable. The Center was able to repair one of the HVAC units at its own expense. However, as of the end of our fieldwork, one HVAC unit at the Center remained inoperable. In accordance with the Agreement, Section four (4), Paragraph three (3), indicates that the County is responsible for maintaining and repairing the HVAC unit. The agreement states:

County shall also maintain and repair facilities and equipment that is not the responsibility of the Operator and/or requires attention for reasons not deemed a condition of wear and tear, abuse or neglect caused by the Operator. Areas covered under this term include the roofing system, HVAC, plumbing, electrical, mechanical systems, lighting fixtures, fixed and portable furnishings, utilities, fixtures and equipment owned by the County.

Recommendations

We recommend that the Department of Parks and Recreation to fully comply with the terms of the Agreement.

Finding 6 – Credit Cards Not Deposited

The contract requires the Operator to keep accurate records and pay the required commissions to Fulton County on a timely basis. A reconciliation of the Bank statement credit card deposits to the daily sales recaps reflect a large amount of credit card collections which were not deposited into the bank. Credit card receipts for \$11,755.03 were not credited to the Contractor's bank account for the period, March 2011 through June of 2011 and \$23,992.47 credit card receipts were not credited to the bank account for the period, July 2011 through June 2012. These amounts represent material amounts of collections for the facility. By not reconciling the credit card receipts to the bank deposits, the loss of revenue was not reported.

Recommendations

We strongly recommend that the Operator contact its bank and credit card vendor and recover credit cards funds totaling \$11,755.03 and \$23,992.47. These funds could be used to pay Fulton County its commissions. In addition, we recommend that monthly bank reconciliations are performed.

Conclusion

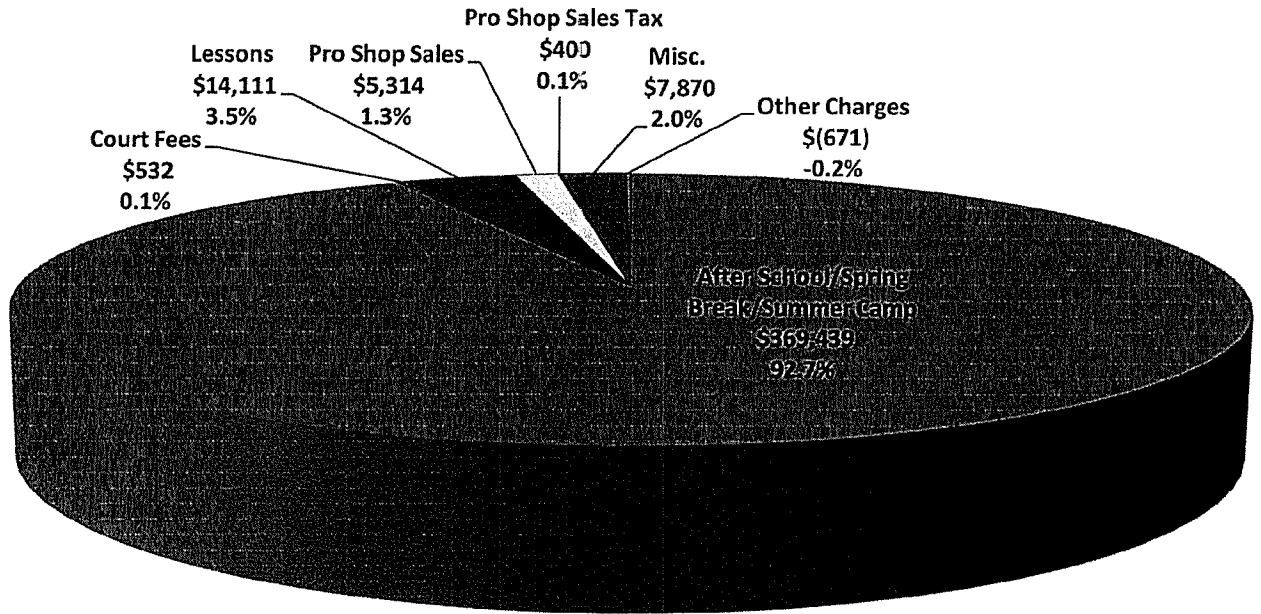
For the audit period, we determined that the Center's total gross revenues were \$396,595.21. Of that amount the Center's primary revenue generating activities were the after school program and the spring break/summer camps for elementary and middle school children, totaling \$369,439.00 or 93% of the total revenue. As a result of the agreement the County is due \$39,659.52 from the Center. This amount remains in arrears as of the date of this audit.

Our audit identified several weaknesses regarding the revenue recognition process, including disbursements made directly from available collections, inconsistent financial documentation, unreconciled bank statements, and noncompliance with the Facility Use Agreement. In order to mitigate these weaknesses, we highly recommend the Center implement the necessary procedures to prevent possible loss and inaccurate revenue reporting.

We would like to thank management and staff for their timely cooperation and assistance during the audit.

APPENDIX

Appendix 1: QB Sales Revenue Summary, July 2010 thru April 2012



NOTE:

- Miscellaneous consists of charges for ball machine rentals, racket stringing, and team fees.
- Other charges consist of credits or refunds given to customers.