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OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



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Internal Audit Section

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August 16, 2006

Gary D. Bess, Director
Department of Parks, Recreation, and Forestry
5600 Clayton Ave.
St. Louis, Missouri 63110-1310

RE: Follow-up Review of Department of Parks, Recreation and Forestry:
St. Louis Amateur Athletic Association ("Triple A") Lease Compliance,
(Project # 2006-F6)

Dear Mr. Bess:

We have conducted a limited follow-up review on the St. Louis Amateur Athletic Association ("Triple A") Lease Compliance, (Project # 2004-6), issued April 1, 2004. This follow-up review was made under authorization contained in Article XV, Section 2 of the Charter, City of St. Louis, as revised, and conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*. A limited follow-up review does not necessarily involve detailed testing or verification but instead relies on communication with department management and staff, as well as limited observations. The purpose of this follow-up review is to determine the status of the observations made in the report issued April 1, 2004 as of March 2006.

We determined that the following observations have been resolved:

1. Opportunity to Develop Written Job Descriptions for Employees
 - a. We obtained and reviewed completed job descriptions for all employee classifications employed by Triple A.
 - b. The job descriptions we reviewed contained all of the elements we recommended.
2. Opportunity for the Centralization of Cash Receipt Transactions Reports
 - a. Triple A has set up a QuickBooks Point of Sale accounting system on a computer at the check-in desk in the clubhouse to centralize all cash activity.
 - b. The computer generates numbered receipts which are traceable through the Quick Books Point of Sale system.
 - c. Cash receipts were traceable to timely deposits indicated on the bank statement.

3. Opportunity to Establish Controls over Daily Cash Transactions

Our review and document walk-throughs of the QuickBooks Point of Sale system implemented by Triple A indicated the system changes had accomplished the control objectives of all three parts of our recommendation:

- a. Centralizing the collection of golf and tennis fees.
- b. Issuing and accounting for pre-numbered receipts.
- c. Timely depositing of cash received.

4. Opportunity to Increase Revenue by Promotions

We confirmed with City 10 Television that the station had aired promotion of at least one Triple A golf event during the summer of 2005. We also confirmed the posting of promotional information on the club's web page, which is linked to the Forest Park section of the City's website.

We determined that the following observations have been partially resolved:

5. Opportunity to Improve Segregation of Duties

- a. Written Cash Controls procedures we obtained did not include billing and collection of membership renewals. Verbal description of the billing procedures indicated the Club Manager reviews and mails out the invoices after the Accountant prepares them. Also, the Club Manager's responsibilities per the Job Description include coordinating sales and management of social memberships.
- b. Verbal description of procedures indicated the Club Manager, receives and deposits the members' payments of their renewal fees, and gives the Accountant the related documentation for review, reconciliation, and recording. However, the Club Manager did not sign or initial as preparer on the file copy of the deposit ticket.
- c. According to the Triple A Management's Response to the original report, the Club Manager and Board Treasurer are responsible for review and oversight of entries the Accountant records to the General Ledger. However, there was no apparent procedure in place for documenting any reviews either person might perform of sampled entries.
- d. According to the Triple A Management's Response to the original report, and the Club's Accountant, the Board of Directors is responsible for approving membership refunds and, after the Accountant prepares the refund checks, a compensating control is provided when the Board President and Treasurer review the supporting Board approval documentation for those expenditures in their roles as the authorized signers for the club's dual signature checks. We also obtained evidence that the monthly financial status reports are presented by the Club's Treasurer at each monthly Board of Director's meeting.

5. Continued...

- e. The Management's Response in the original report stated that following up on delinquent accounts is the joint responsibility of the Accountant, Club Manager, and Treasurer. There were no specific written procedures available, however, to indicate how oversight by the Club Manager and Treasurer might be documented.

6. Retention of Member Billing Invoices

Triple A has retained the Word Perfect file that produces the yearly invoices, and can print duplicates of those invoices. However, the invoices are not prenumbered.

7. Failure to Maintain an Accurate Accounting of Daily Tennis Passes

Tennis passes are not pre-numbered; however, computer-generated numbered receipts are traceable through the Quick Books Point of Sale accounting system.

We determined that the following observation has not been resolved:8. Opportunity to Improve Timeliness of Quarterly Rent Payments and Revenue Reports

We noted the last two quarterly rent payments the Department of Parks, Recreation, and Forestry received from the Triple A were on July 29, 2005 and October 31, 2005; rather than by June 30, 2005 and September 30, 2005, as was required by the lease agreement. Also, no quarterly revenue reports were submitted during the 6-month period.

Additional Note:

The Parks Department Executive Assistant and the Triple A staff members contacted informed the Internal Audit Section that operation of the Triple A facilities would likely be turned over to American Golf Association (AGA) under a sub-lease agreement during the month of April, 2006. As a result, many of the financial procedures would probably be changed to coincide with those used by AGA. We recommend the Department of Parks, Recreation, and Forestry management ensure that financial procedures implemented by the new Triple A facilities management group include adequate controls to reasonably assure the following occurrences:

1. The April 1, 2004 report observations indicated as Not Resolved or Partially Resolved in this report will be resolved.
2. The April 1, 2004 report observations indicated as Resolved in this report will not re-occur.
3. The lessee or (sub-lessee) organization will be in compliance with the terms of its lease agreement (contract 11849) with the City of St. Louis by:

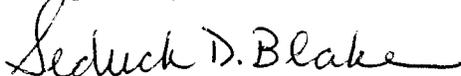
Additional Note (continued)...

- a. Accurately reporting annual gross revenues to the City.
- b. Properly and timely remitting rent in accordance with the agreement with the City.
- c. Properly safeguarding revenues to prevent fraud, waste and abuse.
- d. Managing operations to maximize revenues.

We met with department management on June 22, 2006 to discuss our determination of the status of each observation and offered them an opportunity to provide written responses to this report. Management provided written responses to us on July 31, 2006, and those responses have been attached to this letter.

If you have any questions, please contact me at (314) 589-6132.

Respectfully,



Sedrick D. Blake, CPA
Internal Audit Executive

Attachment

cc: St. Louis Amateur Athletic Association – Board of Directors
Jeffrey Raffelson, General Manager, Triple A Golf and Tennis Club
Karen Pecaut, Executive Assistant, Recreation Division - Department of Parks,
Recreation & Forestry
Ronald H. Smith, Manager of Operations, Office of the Mayor
Honorable Darlene Green, Comptroller



**DIVISION OF RECREATION
DEPARTMENT OF PARKS, RECREATION & FORESTRY
CITY OF ST. LOUIS**

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**EVELYN O. RICE-PEEBLES
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**FRANCIS G. SLAY
MAYOR**

**GARY D. BESS
DIRECTOR**

July 31, 2006

**Mohammad H. Adil, CPA
Internal Audit Manager
Internal Audit Section, Comptroller's Office
1114 Market Street, Room 608
St. Louis, Mo 63101**

**RE: Review of Department of Parks, Recreation and Forestry:
St. Louis Amateur Athletic Association ("Triple A") Lease Compliance
Project #2006-F6**

Dear Mr. Adil,

We appreciate your department's assistance in the audit of the Triple A Lease. Below are our responses to the remaining unresolved issues.

5. Opportunity to Improve Segregation of Duties

- A. Written Cash Controls procedures we obtained did not include billing and collection of membership renewals. Verbal description of the billing procedures indicated the Club Manager reviews and mails out the invoices after the Accountant prepares them. Also, the Club Manager's responsibilities per the Job Description include coordinating sales and management of social memberships.**

Management Response

Attached please find AGC Cash handling procedures as well as employee sign off. This winter when Triple A does the billing for the membership renewals the club accountant will bill each pass holder or member using a member number and invoice. Payment when returned will be handled by the club's operations manger. The method of payment, check, mc/visa, cash payment will be copied (receipt from the register, copy of the check or mc/visa receipt and stapled to the invoice and filed. The Senior Manager for the Forest Park properties will review the payments along with the board of Triple A each month to determine where they are against plan and ensure a proper audit trail.

- B. Verbal description of procedures indicated the Club Manager, receives and deposits the members' payments of their renewal fees, and gives the Accountant the related documentation for review, reconciliation, and recording. However, the Club Manager did not sign or initial as preparer on the file copy of the deposit ticket.

Management Response

As noted above Triple A will tie the invoice and the method of payment through the cash register and document the method of payment by attaching the actual register receipt and method of payment to the invoice so they can create an audit trail and no one individual will handle both the deposit and the billing of the members or pass holders.

- C. According to the Triple A Management's Response to the original report, the Club Manager and Board Treasurer are responsible for review and oversight of entries the Accountant records to the General Ledger. However, there was no apparent procedures in place for documenting any reviews either person might perform of sampled entries.

Management Response

With the AGC takeover all bills and P/L responsibility shifts to their home office in California. In order for them to pay a bill they have to get the vendor authorized, then code the bill and then send it to corporate for payment. All checks are written out of the home office in California. The Accountant will generally perform this function and the operations manager will review the G/L and P/L for accuracy and coding. The Senior Manager and Board will review the financial statements during the board meeting and the Board Secretary will note this in the minutes.

- D. According to the Triple A Management's Response to the original report, and the Club's Accountant, the Board of Directors is responsible for approving membership refunds and, after the Accountant prepares the refund checks, a compensating control is provided when the Board President and Treasurer review the supporting Board approval documentation for those expenditures in their roles as the Authorized signers for the club's dual signature checks. We also obtained evidence that the monthly financial status reports are presented by the Club's Treasurer at each monthly Board of Director's meeting.

Management Response

Membership refunds - The Accountant would prepare the refund check request. The operations manager will approve, get the Senior Managers sign off and send it to their corporate accounting department. The only person that can authorize a member refund is the Senior Manager for AGC. The check again would be cut out in California. Review would occur at the proper level as the P/L is issued by the board.

- E. The Management's Response to the original report stated that following up on delinquent accounts is the joint responsibility of the Accountant, Club Manager, and Treasurer. There were no specific written procedures available, however, to indicate how oversight by the Club Manager and Treasurer might be documented.

Management Response

Delinquent Accounts are the joint responsibility of the Club Accountant and the Operations Manager. Billing for pass holders and or members will occur on or about January 10th. Members will have until March 31st to respond and pay their yearly bill. Accounts become delinquent on April 1st. At that point all delinquent pass holders will be called and a certified letter sent to each asking them to clarify their intent to pay or forfeit their pass or membership. As of April 15th any pass holder not having paid will lose there status as a pass holder or member.

6. Retention of Member Billing Invoices

Triple A has retained the Word Perfect file that produces the yearly invoices, and can print duplicates of those invoices. However, the invoices are not pre-numbered.

Management Response

Triple A will have a hard copy of each invoice with an audit trail on the method and date of payment that can be tracked through the register back to the deposits.

7. Failure to Maintain an Accurate Accounting of Daily Tennis Passes

Tennis passes are not pre-numbered; however, computer-generated numbered receipts are traceable through the Quick Books Accounting system.

Management Response

Triple A will use numbered daily passes for Tennis.

8. Opportunity to Improve Timeliness of Quarterly Rent Payments and Revenue Reports

We noted the last two quarterly rent payments the Department of Parks, Recreation, and Forestry received from the Triple A were on July 29, 2005 and October 31, 2005; rather than by June 30, 2005 and September 20, 2005, as was required by the lease agreement. Also, no quarterly revenue reports were submitted during the 6-month period.

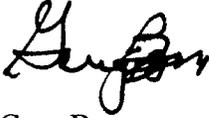
Management Response

Triple A will to standardize and come into compliance with timely rent payments and reports over the next 6 month period. Currently negotiation are underway for a lease extension and revision with recognition of rent relief for that period as the Triple A Club, AGC and the City work together to renovate the facility over the next several years.

We trust that the financial procedures implemented by the new Triple A facilities management group includes adequate management compliance controls.

If you have any questions, please contact me at (314) 289-5310.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary Bess". The signature is written in a cursive, somewhat stylized font.

Gary Bess
Director

cc: Tom Astorino, Executive Assistant, Department of Parks, Recreation & Forestry
Jeff Raffelson, General Manager, AGC