



Trumbull Recreation Cash Receipts Review

TOWN OF TRUMBULL, CT

February 28, 2017

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Mrs. Elaine Hammers, Chairperson
Town of Trumbull Board of Finance
5866 Main Street
Trumbull, CT. 06611

Dear Mrs. Hammers,

I respectfully submit the enclosed report entitled Trumbull Recreation - Cash Receipts Review.

The objectives of this audit were to:

- Ensure the current Recreation cash receipts process included and adhered to the internal controls designed to adequately identify and safeguard Town receipts throughout the revenue cycle.
- Ensure the 2015 Matrix Consulting Group audit findings associated with cash receipts and general matters had been appropriately and permanently addressed.

I would like to thank Stuart McCarthy, Director of Parks and Recreation, for his assistance in the completion of this report.

Respectfully submitted,

Therese Keegan
Financial/Accounting Controls Analyst

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Background

In 2015 the Town contracted with the Matrix Consulting Group to review and report on the Town of Trumbull’s Parks and Recreation policies, processes and procedures. On December 15, 2015 Matrix issued a widely encompassing report, entitled “Management Audit of the Town’s Parks and Recreation Activities”. The report provided:

- A profile of the Department of Parks and Recreation,
- A comparison of current processes to “best practices”,
- An evaluation of staffing, structure and service levels,
- Twenty-five high level recommendations for improvement, including priority and estimated cost to implement. Subsequent chapters of the report provided guidance as to how to accomplish.

A section of the Matrix report was dedicated to Finance and Administration. Seven of the report’s 25 recommendations related to Cash Receipts. Status of completion is further discussed in the Findings section of this report.

| # | Recommendation | Priority | Timeframe | Cost | Status |
|---|--|----------|-------------------|-------------|----------|
| 1 | The Department should develop and implement clear, written policies regarding funds and expenditures. | High | Immediate | None | Open |
| 2 | The Department's section of the Trumbull Budget should include reporting on both the General Fund and Special Agency Account Revenues and expenditures | High | 2017 budget cycle | None | Partial |
| 3 | The Department should develop and implement reporting to track use, cost, revenues and expenditures for all major programs. | High | within 6 mo. | None | Complete |
| 4 | The Department should move forward with automation of Recreation registration including availability of on-line registration for residents. | Medium | within 6 mo. | unknown | Open |
| 5 | As an interim solution before RecTrac is implemented, Department should enter registration data into a shared spreadsheet that includes information regarding registration numbers and fees collected. | High | Immediate | None | NA |
| 6 | The Department should redesign revenue collection and cash handling processes in accordance with Best Practices and Trumbull's own cash handling guidelines. | High | Immediate | None | Complete |
| 7 | The Department should add the position of Business Manager to be in charge of all financial, HR and technology aspects of managing the Department. | Medium | within 6 mo. | Salary/Ben. | Complete |

Scope and Methodology

- Revenue collection and cash handling processes were documented for each of the Department’s revenue streams. These processes were reviewed for efficiency and for the existence and appropriateness of internal controls.
- All of the above Matrix recommendations were tested to ensure that they were appropriately and permanently addressed and that the solutions implemented did not create other issues.

Current Cash Receipts Policy/Process

Revenue is generated from multiple sources as follows:
(Account balances are presented on page 11.)

| <u>Revenue sources</u> | <u>6 mo - 2017</u> | <u>FYE 6/16</u> | <u>FYE 6/15</u> |
|--------------------------|--------------------|-----------------|-----------------|
| ARTS COMMISSIONS | 2,890 | 4,830 | 5,940 |
| Movie ticket sales | | | |
| PARK PERMITS | 5,605 | 9,944 | 8,195 |
| PARK STICKERS | 523 | 3,360 | 13,027 |
| RECREATION FEES | 125,175 | 254,358 | 227,414 |
| RECREATION- FIELD USE | 2,925 | 20,180 | 18,755 |
| RECREATION-ADULT | 400 | 9,405 | 13,126 |
| RECREATION-COED | 9,085 | 12,495 | 18,756 |
| Returned check fees | (290) | 140 | - |
| TRUMBULL SOFTBALL LIGHTS | 11,650 | 12,650 | 10,000 |
| YOUTH COMMISSION | 72,598 | 109,161 | 70,292 |
| | <u>230,561</u> | <u>436,522</u> | <u>385,505</u> |

1. Program Registration

Although program information is posted on the Town website, registration forms and payments are collected in person at the Recreation office. Clerks enter registration information into RecTrac which accumulates detail and provides customer receipts. The Department accepts cash, checks and credit cards. Receipts are reconciled to sales at the end of each day. Cash, checks and credit card slips are stored in the safe with the daily reports which include a General Ledger Summary Distribution Report categorizing receipts by Special Revenue Account, and amounts collected for the day broken down by cash, check, and credit card.

- The Recreation Director uses the Daily Reports to prepare an Excel based Revenue Template. The Recreation Director counts out the cash, checks, and credit card slips to ensure all receipts have been submitted.
- The Revenue Template feeds a Deposit Transmittal form. The Deposit Transmittal summarizes the week's sales and receipts.
- The Recreation Director prepares a bank deposit ticket for cash and checks, and funds are taken to the bank. A copy of the validated deposit slip is attached to the weekly Deposit Transmittal and forwarded to Accounting for summary input to MUNIS.

Note: Business Manager was hired in December 2016. Receipt reconciliation and banking will now be performed by Business Manager, and reviewed via signature by the Recreation Director.

2. Other Income

- A. Movie tickets: purchased 2,000 at a time, usually twice annually. Tickets are purchased for \$7 each and sold for \$8 each. Packages are kept in safe and issued to clerks in batches of 100. Per website, ticket income benefits "the Barn".
- B. Park stickers: non-residents may purchase for annual fee of \$112. Park stickers are free to Trumbull residents.
- C. Field permits and lighting charges: currently billed manually at end of each season. Tracked manually to receipt.

Findings & Recommendations

Finding #1: Per the Matrix audit and the Special Revenue Fund Review, Budget discussions and considerations should include revenue and expense of the General Fund as well as the Special Revenue account activity.

Additionally, per the Town of Trumbull Special Revenue Fund Review dated January 2016, the balances of the 7 Recreation special revenue accounts, the Arts Commission account and 5 Youth accounts should be taken into consideration for budgetary purposes. If these balances are not captured in the budgetary process, disbursement from these funds is not subject to spending constraint. As of June 2015 the Recreation Special Revenue Accounts totaled \$324K. As of June 2016 they totaled \$353K. And as of the time of this review, the balances of these accounts totaled \$276K. (See Appendix, page 10, which also includes Parks Department Special Revenue Accounts for information purposes.)

1. Four of the five Youth accounts have not been used for as many as 12 years.

Recommendation: These four accounts, totaling \$1,695, should be cleared, and the accounts should be inactivated.

2. The Park Permits and Field Light Special Revenue Accounts earn revenue but have no substantial associated expenses. Balances continue to grow and there is no written plan or policy for use of these amounts.
 - Park Permits: \$26,632 - includes \$5K encumbered for on-site RecTrac training.
 - Field Lights: \$73,484 - income generated from billing teams for use; currently held as a sinking fund for future lighting replacement.

Recommendations:

- Balance of Park Permit account at fiscal yearend should be moved to General Fund. Subsequent activity should be budgeted and recorded in the General Fund and Special Revenue Account should be inactivated.
 - Agreement should be reached on the intended use of the Field Lights account balance.
3. The Park Sticker account has little revenue but substantive expense. Park stickers are free to Trumbull residents and available to non-residents for an annual fee of \$112. Expenses of this account are driven by the cost of temporary summer labor, incurred to process in-person requests for park stickers. Because this activity runs through a special revenue account it is not currently budgeted. The concept is to drain the balance over a period of time and then devise a policy. The current balance is \$10,650.

Recommendation: Balance of Park Sticker account at fiscal year-end should be moved to General Fund on June 30. Beginning July 1, 2017, activity should be budgeted and recorded in the General Fund and the Special Revenue Account should be inactivated.

4. Finally, there are four Recreation fee accounts currently used to collect fees and incur associated expenses. The balances are comprised of a historic buildup +/- current activity. The document prepared for budget purposes projects income and expense of programs but it is not tied to the Munis Special Revenue Accounts. Additionally, the document does not take the Special Revenue Account balances into consideration. Since these balances remain outside the budgetary process, amounts can be disbursed without scrutiny. Currently these accounts total \$119k.

Recommendations:

- Adult Recreation, Coed Recreation and Recreation Fee Special Revenue Accounts should be immediately reconciled. Income and expense will need to be tracked by program for the remainder of the 2017 fiscal year. Activity recorded prior to June 30 that represents programs to occur after June 30 will be reclassified to Deferred Revenue at June 30, and released July 1 to offset 2018 program expenses.
- The portion of the Adult Recreation and Coed Recreation account balances that do not represent current activity (the historic buildup) should be transferred to the General Fund at June 30. The remaining balances in these two accounts could be combined into a single Special Revenue Account.
- The balance of the Recreation Fees Special Revenue Account should be moved to the General Fund at June 30. Subsequent activity should be recorded through the General Fund.

The account summary in the Appendix includes proposed action plans for closing, combining or retaining each of the Special Revenue Accounts. Per Finding #2, the use of Special Revenue Accounts that remain should be formally documented, regularly reconciled and periodically compared to budget.

Management Response: We will work with finance to close/inactivate the appropriate accounts. There will be a budget impact to these changes if both revenues and expenditures are moved to the general fund. The purpose of these accounts, which is widely used in municipal Parks and Recreation Departments, is based on the potential for significant variation from budget based on changes in program registration and participation as well as impact of the timing of the FY year end in relation to program dates. Moving these accounts to the General Fund budget will expose the GF to these discrepancies. In order for the Parks and Recreation Department to be responsive to community needs the Finance Board will need to exhibit flexibility in allowing for additional appropriations based on program and activity enrollment.

The active Special Agency accounts will be managed in accordance with the SA Funds Policy referenced above. The recommendation that the account balances be returned to the General Fund do not appear reflect the purpose of the Special Agency accounts which (it is assumed) is to keep retained funds in place for expenditures related to the activity by which they were raised. The Parks and Recreation Commission should be consulted/informed prior to a determination on these funds being finalized.

Finding #2: Per recommendation of the Matrix Consulting Groups Management Audit dated December 2015, the Department should develop and implement clear, written policies regarding funds and expenditures. The Matrix analysis of the accounts identified there was little consistency regarding fund use.

To obtain receipt information for this audit, Special Revenue account detail was reviewed. Use of funds has not been documented. Although the account balances have not been reconciled, the Department is reviewing current receipt postings to the accounts.

Recommendation: The Department should develop and implement clear, written policies regarding receipts and disbursements from remaining Special Revenue Accounts. Based upon these policies, the accounts can then be reconciled on a regular basis.

Management Response: The following draft Special Agency Account revenues and Expenditures has been developed and will be submitted to the Parks and Recreation Commission for review and approval.

It should be noted that ALL Department revenue is now entered into the RecTrac system upon receipt providing detailed and trackable information on all revenues.

| Account | Revenue Sources | Regular Expenses | Special Disbursements |
|-----------------------------------|---|---|---|
| Recreation Fees | Program Registration Fees, Movie Ticket sales, Sponsor fees, planned transfer in from GF to account for subsidies and discounts | All Program Expenses including payroll, vendor fees and supplies for recreation programs | Any capital purchase would require prior approval of the Parks and Recreation Commission |
| Arts Commission | Cabaret ticket sales, Sponsor Fees and Donations | Related Expenses | |
| Athletic Field Lights | Fees collected for light rentals | Routine maintenance and repair of lights | Capital replacement of lights |
| Co-ed Sports and Adult Recreation | Fees collected from participants | Related league expenses including game officials, insurance and equipment. | Related facility repairs/enhancements |
| Field Use | Field Use fees, Field Preparation fees | Expenses for maintenance of athletic fields | Any athletic field capital purchase would require prior approval of the Parks and Recreation Commission |
| Park Permits | Park use fees, payment for reimbursable services (porta-johns, rangers etc.) | Payment for reimbursable services, repairs to park picnic facilities (fire pits, picnic tables, pavilions), wildlife control services | Any capital purchase would require prior approval of the Parks and Recreation Commission |
| Park Stickers | Revenue from Non-Resident Park Stickers | Purchase of stickers, Seasonal help to process stickers | |
| Parks | Donations | Expenses related to donations | Permenant structuires of items over \$5,000 approved b y Parks and Recreation Commission |
| Youth Commission | Participation fees, ticked sales, Sponsor contributions and donations | All Program Expenses | |

Finding #3: Per the Matrix audit, the Departments should add the position of Business Manager to be in charge of all financial, HR and technology aspects of managing the Department.

Recommendations: The Department hired a Business Manager 12/16.

- The Department should move forward with automation of Recreation registration including availability of on-line payment ability for residents.
- The Department has implemented RecTrac which acts as a subledger to capture all receipt information. The Department should move forward with implementation of the Facilities Scheduling module of RecTrac, so Field Use and other billables can be captured and invoiced systemically rather than manually, which is currently the situation. Systemic billing will provide more consistent results and will aid currently manual collection efforts.
- During fieldwork, the Finance Department issued a Cash Receipt Policy, which specifies cash handling and depository requirements. Based on collections, the Policy potentially requires Departments make deposits more frequently than weekly, which was the Recreation Department practice. The Recreation Department immediately began making daily deposits to comply with the Cash Receipt Policy.

- The Department should move forward with their Administrative (how to) instructions, providing cash handling and depository guidance to personnel.
- The Department should provide transparency to income from the sale of movie tickets. Ticket sales are now tracked via RecTrac. Revenue and expense should be reconciled each time a new batch of tickets are to be purchased.
- Reference to movie ticket profits benefitting “the Barn” should be removed from the Town website.

Management Response: We are currently working on transitioning to online payment for residents. This will be the primary responsibility of the Business Manager who was hired in 12/2016.

- The Director and Programs Manager are currently awaiting training and implementation of the Facilities Scheduling module in RecTrac.
- Movie ticket sales are input into RecTrac and are easily trackable. Reports are available as needed/requested.
- The reference to “The Barn” has been removed from the website.

Appendix

**Town of Trumbull Parks & Recreation
Special Revenue Accounts**

| Department | Fund# | Fund Name | June 2015 | June 2016 | Feb 2017 | Fund is used for | Action Plan |
|-------------------------------------|----------|----------------------------------|-------------------|-------------------|-------------------|--|-----------------------------------|
| Recreation | 72130016 | Youth - Trumbull Triad | 414.43 | 414.43 | 414.43 | Newsletter for youth programs | Not used - inactivate |
| Recreation | 72130060 | Youth - Kids First | 1,295.61 | 1,295.61 | 1,295.61 | Counseling for children and families | Not used - inactivate |
| Recreation | 72130061 | Youth - Safe Rides | 11.00 | 11.00 | 11.00 | To prevent drunk driving | Not used - inactivate |
| Recreation | 72130062 | Team | (25.69) | (25.69) | (25.69) | Not determined | Not used - inactivate |
| Recreation | 72050400 | Youth Commission | 33,796.67 | 54,189.46 | 43,326.33 | To assist in the social and cultural development of the youth of Trumbull with programs & summer play | Retain account |
| Recreation | 72080900 | EX ARTCOMM | 4,664.36 | - | 1,033.56 | Arts Commission | Retain account |
| Recreation | 72130021 | Trumbull Softball Lights | 49,184.13 | 61,834.16 | 73,484.13 | Fees collected from leagues for usage of field lights; last expense 6/14 | Sinking fund |
| Recreation | 72130053 | Park Stickers | 18,148.08 | 12,007.08 | 10,650.08 | Non-resident fees only; expenses for stickers & personnel | Close to GF 6/30/17 |
| Recreation | 72130054 | Park Permits | 20,366.45 | 27,846.80 | 26,631.80 | Fees collected for park usage by Town residents/picnics. Balance includes \$(5k) req. for on-site RecTrac training | Close to GF 6/30/17 |
| Recreation | 72130055 | Recreation Adult | 6,858.96 | 2,850.96 | (2,127.04) | Fees collected for adult programs. Historically fees collected April/May. Should be ~ \$0- this time of year? | Combine and retain |
| Recreation | 72130057 | Recreation Coed | 18,393.42 | 16,750.43 | 22,381.43 | Payments to referees and umpires for recreational sports programs/league fees | |
| Recreation | 72130056 | Recreational Field Use | 19,657.54 | 19,597.54 | 22,394.54 | Field use and maintenance | Hold for Commission policy update |
| Recreation | 72130063 | Recreation Fees | 151,627.97 | 156,183.90 | 76,679.37 | Activity costs for recreation programs | Close to GF 6/30/17 |
| Total Recreation | | | 324,392.93 | 352,955.68 | 276,149.55 | | |
| Parks | 72060000 | Early Learning Center Playground | 709.38 | 709.38 | 709.38 | Fund for Middlebrooks special needs playground | Not used - inactivate |
| Parks | 72130014 | Kachele Farm Irrigation | (7,959.41) | (7,959.41) | (7,959.41) | Irrigation for soccer fields at Madison School | Not used - inactivate |
| Parks | 72130043 | Vietnam Memorial | (4,663.68) | (4,663.68) | (4,663.68) | Maintenance of Vietnam Memorial | Not used - inactivate |
| Parks | 72130079 | Beautification Commission | 4,395.40 | 3,095.40 | 3,095.40 | Beautify publicly owned land not already within the jurisdiction of the Park Commission | Not used - inactivate |
| Parks | 72130082 | Memorial Walkway | 349.64 | 349.64 | 349.64 | Funds for placement of plaques at memorial walkways | Not used - inactivate |
| Parks | 72130089 | Outdoor Planting | 20.25 | 20.25 | 20.25 | To improve town gateway plantings | Not used - inactivate |
| Parks | 72130020 | Parks | 1,394.73 | 4,312.74 | 2,625.62 | Park Rangers set up as an endowment gift | Retain for donations |
| Parks | 72130022 | Indian Ledge Playground | 8,351.25 | 8,351.25 | 8,351.25 | Funds for maintenance of playground; last used 6/13 | Close to GF 6/30/17 |
| Total Parks | | | 2,597.56 | 4,215.57 | 2,528.45 | | |
| Total Parks & Recreation | | | 326,990.49 | 357,171.25 | 278,678.00 | | |