FINAL REPORT

A Report to the Audit Committee

Mayor
Freddie O'Connell

Parks and Recreation Director
Monique Odom

Audit Committee Members
Burkley Allen
Tom Bates
Angie Henderson
Courtney Johnston
Jenneen Reed
Matthew Scanlan

Audit of Parks and Recreation Cash Collections

March 27, 2025

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Metropolitan Nashville Office of Internal Audit

EXECUTIVE SUMMARY
March 27, 2025

Audit of Parks and Recreation Cash Collections

Why We Did This Audit

This audit was initiated following multiple notifications from the Treasury Office regarding discrepancies in deposits at the bank for Parks and Recreation Department revenue centers.

What We Recommend

- Reinforce compliance with established cash handling policies.
- Establish a retention policy for all deposit supporting documentation and transfer logs.
- Ensure all high-revenue locations are equipped with fully functional security systems.
- Conduct a cost-benefit analysis to evaluate the feasibility of enhancing camera coverage at revenue centers.
- Review the current process for transporting cash deposits to the bank.
- Incorporate operational management into the revenue monitoring process.

BACKGROUND

The Metropolitan Nashville Parks and Recreation Department operates multiple revenue centers where cash is collected. The centers include revenue-generating properties such as the Centennial Sportsplex, Wave Country, and multiple golf courses. Permitting fees are also collected for park and facility use. Total revenues by fiscal year are shown below in Exhibit A.

Exhibit A: Operating Revenues by Fiscal Year

Fiscal Year	Revenues
FY 2022	$15,045,902
FY 2023	$16,668,748
FY 2024	$17,444,216
Total	**$49,158,866**

Source: Oracle E-Business Suite R12

OBJECTIVES AND SCOPE

The objectives of this audit are to determine if:

- Procedures and effective internal controls are in place to ensure cash collections are complete, deposited timely, and properly recorded.
- Processes and controls are in place to ensure cash collections are monitored and safeguarded.

The scope of this audit includes Parks and Recreation Department cash transactions occurring between May 1, 2022, to April 30, 2024.

WHAT WE FOUND

Cash receipts were collected, deposited, and recorded accurately. However, cash handling processes often failed to comply with established controls, including using two-person integrity when counting and preparing deposits.

Physical security was lacking in some areas. Camera surveillance was inadequate, and safe codes were not changed periodically. Additionally, the Parks and Recreation Department relies on a Parks Police officer to transport deposits to the bank. The process was inefficient and lacked security.

Revenue is monitored by the Parks and Recreation Department's accounting office. However, the lack of involvement from operational management limits the effectiveness of identifying and addressing revenue variances.

GOVERNANCE

The Parks and Recreation Department is governed by a seven-member board, which holds the authority to set fees and charges for the parks and recreation system. The department is led by a director. The director serves as the chief administrative officer responsible for overseeing public parks, playgrounds, recreational facilities, and implementing a comprehensive recreation program.

Assistant directors work under the director and manage revenue-generating areas of the Parks and Recreation Department, including:

- Finance and Administration,
- Wellness, Community Recreation, and Cultural Arts,
- Revenue-Producing Properties,
- Natural Resources, Outdoor Recreation, and Special Events.

Additionally, superintendents report to the assistant directors and are responsible for managing revenue centers and locations to ensure cash collection controls and procedures are properly implemented.

BACKGROUND

The Parks and Recreation Department collects cash from various sources and locations throughout Nashville and Davidson County. The revenue streams include income from facilities such as the Parthenon, Centennial Sportsplex, Wave Country, Community Centers, Cultural Centers, and golf courses, as well as permitting fees for the use of Parks and Recreation properties. Detailed policies and procedures are established to guide employees in the processes and controls related to cash collection. The process for cash collection at the Parks and Recreation Department can be seen in Exhibit A below.

Exhibit A: Parks and Recreation Cash Collection Process

Cash Collection

- Cash is collected at up to 25 different locations.
- Transactions are recorded in the Neptune Point-of-Sale System.

Cash Deposit

- Cash is transported to the bank by a Parks and Recreation Police Officer
- Certain locations are visited daily, while others are visited upon notification of a pickup.

Cash Recording

- Bank deposits are monitored by the Parks and Recreation Accounting Office.
- Revenues are recorded in Oracle E-Business Suite R12 using object code data from the Neptune Point-of-Sale System.

Parks and Recreation Department cash collections occur at 25 different locations. The locations are grouped together as source categories. Exhibit B below provides a breakdown of Parks and Recreation revenue by source and fiscal year.

Exhibit B: Parks and Recreation Revenue by Source and Fiscal Year

Revenue Source	FY 2022	FY 2023	FY 2024	Total
Golf Courses	$ 5,422,515	$ 5,578,743	$ 6,284,467	$ 17,285,725
Parthenon	3,290,098	3,874,317	3,950,980	11,115,395
Centennial Sportsplex	2,376,132	2,797,454	3,033,996	8,207,582
Usage Permits	914,815	1,000,537	979,717	2,895,069
After Hours Special Events	832,460	954,799	949,699	2,736,958
Special Events	587,534	945,213	738,254	2,271,001
Wave Country	614,449	489,632	446,956	1,551,037
Hamilton Creek Marina	383,319	372,577	379,259	1,135,155
Community Centers	302,125	293,460	304,338	899,923
Instructors	270,211	238,882	234,957	744,050
Organized Sports Leagues	40,222	88,315	92,181	220,718
Other Revenue	12,022	34,818	49,412	96,252
Total	**$ 15,045,902**	**$ 16,668,748**	**$ 17,444,216**	**$49,158,866**

Source: Oracle E-Business Suite R12

OBJECTIVES AND CONCLUSIONS

1. *Does the Parks and Recreation Department have adequate procedures and effective controls in place to ensure cash collections are complete, deposited timely, and properly recorded?*

   Generally, yes. The Parks and Recreation Department had documented procedures for cash collections and internal controls. A review of cash collection policies and procedures and observations of cash collection processes revealed the department has cash controls in place to guide employees and protect revenues.

   However, a review of randomly selected cash deposits at revenue producing properties, golf courses, and the permitting office found procedures are not consistently followed by employees. Ensuring two-person integrity when counting cash deposits was lacking. (See Observation A.)

2. *Does the Parks and Recreation Department have adequate processes and controls to ensure cash collections are monitored and safeguarded?*

   Generally, yes. An established process was in place to monitor revenues within the Accounting Office. However, operational management was not included in the process. (See Observation D.)

   Physical security measures were in place at revenue centers. Observations of physical security at some locations found deficiencies in certain areas. (See Observation B.) Additionally, the Parks and Recreation Department relied on a Parks Police Officer to transport deposits to the bank. The process should be reassessed for efficiency and security. (See Observation C.)

AUDIT OBSERVATIONS

Internal control helps entities achieve important objectives to sustain and improve performance. The Committee of Sponsoring Organizations of the Treadway Commission (COSO), Internal Control – Integrated Framework, enables organizations to effectively and efficiently develop systems of internal control that adapt to changing business and operating environment, mitigate risks to acceptable levels, and support sound decision-making and governance of the organization. See ***Appendix B*** for a description of the observation *Assessed Risk Rating*.

Observation A – Cash Handling Controls

Parks and Recreation Department management and staff in the Revenue Producing Properties, Natural Resources, Outdoor Recreation, and Special Events divisions inconsistently followed established controls for cash handling. The Parks and Recreation Department's documented policies required two-person integrity during cash deposit preparation. Additionally, Treasury Policy #9 requires cash deposits be made within one business day of receipt and recorded in the Oracle R12 accounting system within two business days.

The Metropolitan Nashville Department of Finance's Treasury Office reported five instances in 2024 where cash deposits did not match the amounts recorded on deposit slips. The Treasury Office referred the discrepancies to the Office of Internal Audit for review. The review determined the discrepancies were due to clerical errors with no financial loss. A lack of two-person integrity while preparing the deposits caused each discrepancy.

A review of 145 randomly selected deposits from various Parks and Recreation facilities was conducted. Deposit documentation in 27 instances (19 percent) lacked proof of two-person integrity. An additional 19 deposits (13 percent) had no documentation maintained, limiting any ability to determine if two-person integrity was followed.

The sampled deposits also found 36 deposits (25 percent) were not deposited within the required one business day. In 11 instances (8 percent), the timing of deposits could not be determined due to missing documentation. While all 134 deposits (92 percent) with complete documentation were recorded within two business days, 11 deposits lacked documentation to verify the timing of the requirement.

A Parks Police Officer transferred deposits to the bank. Custody transfers from the location to the officer were to be documented in a log. However, in 45 instances (31 percent), the transfer of custody was not documented. The methods used to record custody transfers varied significantly. Some locations kept logs on forms in binders. Other locations used loose sheets of paper, and some locations were simply handwritten notebooks.

The failure to adhere to established policies and maintain adequate documentation increases the risk of undetected errors or fraud. The lack of two-person integrity during deposit preparation, insufficient deposit timing, and incomplete custody logs impairs accountability and oversight, which exposes the department to potential financial and reputational risks.

Criteria:

- *COSO*, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

- *COSO*, Control Activities—Principle 12—The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.
- Metropolitan Nashville Government Finance Department Policy – Treasury Policy #9

Assessed Risk Rating:

High

Recommendations for management of the Parks and Recreation Department to:

1. Reinforce compliance with established cash handling policies by providing training for staff.
2. Establish a clear process for addressing repeated noncompliance with established policies, including corrective actions or appropriate disciplinary measures when necessary.
3. Develop a standardized form for use at all revenue centers to document the transfer of custody from the revenue center to the Parks Police Officer transporting the deposit to the bank.
4. Establish a retention policy for all deposit supporting documentation and transfer logs and ensure all records are retained for the specified duration.

Observation B – Physical Security Controls

Observations of the cash collection process within various revenue centers identified physical security risks.

A review of the physical security measures at four locations revealed deficiencies. [redacted] Safe codes were recently changed at one location, and none of the locations were aware of a policy requiring periodic safe code changes. [redacted]

The identified weaknesses increase the risk of theft, fraud, and undetected security breaches, particularly in high-revenue locations. [redacted]

Criteria:

- *COSO*, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

Assessed Risk Rating:

Medium

Recommendations for management of the Parks and Recreation Department to:

[redacted]

2. Establish a policy requiring periodic changes to safe codes, and ensure the policy is communicated to all revenue locations with safes.

[redacted]

Observation C – Parks and Recreation Police Deposit Transport

The process for transporting cash receipts to the bank should be reevaluated to ensure efficiency, security, and timeliness. During the audit period, the Parks and Recreation Department assigned a Parks Police Officer exclusively to transfer cash deposits from revenue centers to the bank. The officer had no other responsibilities.

The Parks and Recreation Department operates 25 revenue-generating locations across Davidson County. However, some of the locations are visited daily while others are only visited when the officer receives notification that a pickup is ready. During a ride-along observation, the officer visited 15 revenue centers in one day. A review of deposit timing revealed 36 out of 145 deposits (25 percent) were not made within one business day. The delays could stem from revenue centers failing to send timely notifications or the officer missing scheduled pickups.

The Metropolitan Nashville Government contracts with Loomis Armored US, LLC, for armored car services. The armored car services are utilized by many Metropolitan Nashville Government departments to securely transport and deposit cash. An analysis of costs showed the officer's annual salary, including fringe benefits, is approximately $97,780, whereas using Loomis daily for all 25 locations would cost an estimated $217,000 annually. Daily utilization would potentially add $119,220 of expenses. However, the assumptions likely overestimate costs as not all locations require daily pickups.

A hybrid approach could optimize costs and improve resource allocation. High-revenue locations could utilize Loomis for enhanced security and efficiency. Internal resources could handle deposits for lower-revenue sites. The hybrid approach would not only be cost-effective but would also allow the Parks Police Officer to focus on more critical law enforcement duties.

[redacted]

Inefficiencies or delays in deposit pickups increase the risk of theft, loss, or mismanagement of funds. Additionally, continued use of law enforcement resources may result in reduced public safety.

Criteria:

- *COSO*, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

Assessed Risk Rating:

Low

Recommendations for management of the Parks and Recreation Department to:

1. Review the current process for transporting cash deposits to the bank and explore the use of an armored car service or a hybrid solution to enhance efficiency, security, and resource utilization.

[redacted]

Observation D – Revenue Monitoring

Revenue monitoring within the Parks and Recreation Department could be improved by incorporating operational management into the process. Only members of the accounting office conducted revenue monitoring. Each month, an accounting staff member emailed a report detailing monthly and annual revenue for each source to the Assistant Director of Finance and Administration. Any unusual variances were to be investigated either internally or by consulting operational management. However, during the audit period, the Assistant Director of Finance and Administration confirmed no suspicious or unusual variances were investigated and all observed variances were related to seasonality.

Operational management reported that they previously received periodic year-over-year revenue reports, but this practice ceased following the retirement of an employee.

Although the department had monitoring activities in place, excluding operational management from the process limits the effectiveness of revenue monitoring. Operational management has closer involvement with revenue center-level activities. Providing operational management with regular revenue reports would enable them to identify and investigate unexplained variances more effectively, ensuring timely resolution of potential issues.

Without the involvement of operational management in revenue monitoring, there is an increased risk that significant revenue variances may go unnoticed and increase the risk of delayed identification of potential errors and fraud.

Criteria:

- *COSO*, Control Activities—Principle 12—The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.
- *COSO*, Control Activities—Principle 16—The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning.

Assessed Risk Rating:

Low

Recommendation for management of the Parks and Recreation Department to:

Incorporate operational management into the revenue monitoring process by reinstating the practice of providing them with regular revenue reports.

GOVERNMENT AUDITING STANDARDS COMPLIANCE

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 observations and conclusions based on our audit objectives.

METHODOLOGY

To accomplish our audit objectives, we performed the following steps:

- Reviewed policies and procedures in place for cash collections within the Parks and Recreation Department.
- Interviewed key personnel from the Parks and Recreation Department.
- Conducted observations of cash controls and physical security at Parks and Recreation locations.
- Evaluated internal controls currently in place.
- Reviewed sample selections to evaluate the effectiveness of internal controls.
- Considered risk of fraud, waste, and abuse.

AUDIT TEAM

Justine Cunningham, Assisting Auditor

Jim Carson, CIA, CFE, In-Charge Auditor

Seth Hatfield, CPA, CIA, CFE, CCFO, Quality Assurance

Lauren Riley, CPA, CIA, CFE, CMFO, ACDA, Metropolitan Auditor

FREDDIE O'CONNELL, MAYOR

METROPOLITAN BOARD OF PARKS AND RECREATION

Centennial Park Office
Park Plaza at Oman St
Nashville, TN 37219

(615) 862-8400
FAX (615) 862-8414
www.nashville.gov/Parks-and-Recreation.aspx

Monique Horton Odom, Director

March 26, 2025

Lauren Riley
Metropolitan Auditor
Office of Internal Audit
PO Box 196300
Nashville, TN 37219-6300

Dear Ms. Riley,
This letter acknowledges that the Metro Parks and Recreation Department received the Cash Collections audit report, and the appropriate personnel has reviewed the audit comments and recommendations. The department has accepted all recommendations and has also implemented some of the recommendations since the completion of the fieldwork by your staff. We will continue to implement the recommended improvements to more securely execute this process.

Sincerely,

Monique Horton Odom, Director

"It is the mission of Metro Parks and Recreation to sustainably and equitably provide everyone in Nashville with an inviting Network of parks and greenways that offer health, wellness and quality of life through recreation, conservation and community"

We believe that operational management is in a unique position to best understand their operations and may be able to identify more innovative and effective approaches, and we encourage them to do so when providing their response to our recommendations.

	Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
Risk	*Recommendations for management of the Parks and Recreation Department:*		
H	**A.1** Reinforce compliance with established cash handling policies by providing training for staff.	**Accept.** While some divisions have individual policies, a department wide policy will be implemented by December 2025.	**12/31/2025**
H	**A-2** Establish a clear process for addressing repeated noncompliance with established policies, including corrective actions or appropriate disciplinary measures when necessary.	**Accept.** Disciplinary measures will be followed in accordance with Civil Service Policy.	**Implemented**
H	**A.3** Develop a standardized form for use at all revenue centers to document the transfer of custody from the revenue center to the Parks Police Officer transporting the deposit to the bank.	**Accept.** Form created and sent to Parks Division Heads on March 6, 2025.	**Implemented**
H	**A.4** Establish a retention policy for all deposit supporting documentation and transfer logs and ensure all records are retained for the specified duration.	**Accept.** Reference and link sent to Metro's retention policy sent to Parks Division Heads on March 6, 2025.	**Implemented**
M	[redacted]	**Accept.** [redacted]	**To Be Determined. Contingent of Funding.**
M	**B.2** Establish a policy requiring periodic changes to safe codes, and ensure the policy is communicated to all revenue locations with safes.	**Accept.** Department wide policy will be established and implemented by December 2025.	**12/31/2025**

	Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
M	[redacted]	**Accept.** [redacted]	**To Be Determined. Contingent of Funding.**
L	**C.1** Review the current process for transporting cash deposits to the bank and explore the use of an armored car service or a hybrid solution to enhance efficiency, security, and resource utilization.	**Accept.** A request for this service has been made in the department's FY26 budget requests. Completion date is contingent of funding.	**To Be Determined. Contingent of Funding.**
L	[redacted]	**Accept.** [redacted]	**3/31/2025**
L	**D.1** Incorporate operational management into the revenue monitoring process by reinstating the practice of providing them with regular revenue reports.	**Accept.** Division heads began receiving revenue reports on February 14, 2025.	**Implemented**

APPENDIX B – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Observations identified during the course of the audit are assigned a risk rating, as outlined in the table below. The risk rating is based on the financial, operational, compliance or reputational impact the issue identified has on the Metropolitan Nashville Government. Items deemed "Low Risk" will be considered "Emerging Issues" in the final report and do not require a management response and corrective action plan.

Rating	Financial	Internal Controls	Compliance	Public
HIGH	Large financial impact >$25,000 Remiss in responsibilities of being a custodian of the public trust	Missing, or inadequate key internal controls	Noncompliance with applicable Federal, state, and local laws, or Metro Nashville Government policies	High probability for negative public trust perception
MEDIUM	Moderate financial impact $25,000 to $10,000	Partial controls Not adequate to identify noncompliance or misappropriation timely	Inconsistent compliance with Federal, state, and local laws, or Metro Nashville Government policies	The potential for negative public trust perception
LOW/ Emerging Issues	Low financial impact <$10,000	Internal controls in place but not consistently efficient or effective Implementing / enhancing controls could prevent future problems	Generally complies with Federal, state, and local laws, or Metro Nashville Government policies, but some minor discrepancies exist	Low probability for negative public trust perception
Efficiency Opportunity	An efficiency opportunity is where controls are functioning as intended; however, a modification would make the process more efficient			