

**Date:** July 2, 2020

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**From:** Lauren Sundararajan, CFE, Internal Audit Manager *L S*

**Copies to:** Internal Audit Committee  
Christopher A. Bigham, Assistant City Manager  
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**Subject:** **Krohn Conservatory Audit**

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Attached is the Krohn Conservatory audit report. The primary objective of this performance audit was to assess the efficiency and effectiveness of internal controls and practices applicable to Krohn Conservatory program operations and performance. This audit was conducted in accordance with the current audit agenda.

We would like to thank the management and staff of the Park Board for their assistance and cooperation during this audit.

If you need any further information, please contact me.

Attachment

# Krohn Conservatory Audit

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July 2020



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## Table of Contents

Executive Summary	1
I. Introduction	2
Background	
Audit Selection	
Audit Objective	
Audit Scope and Methodology	
Statement of Auditing Standards	
Commendations	
II. Audit Findings and Recommendations	4
III. Conclusion	15
IV. Park Board Response	16

## **Executive Summary**

Internal Audit (IA) conducted a performance audit of the Park Board's Krohn Conservatory (Krohn). The primary objective of this performance audit was to assess the efficiency and effectiveness of internal controls and practices applicable to Krohn Conservatory program operations and performance.

Originally built in 1933, Krohn Conservatory is a greenhouse and botanical garden located in the City of Cincinnati's (City) Eden Park. Krohn Conservatory is managed by the Riverfront and Downtown Area Division of the Park Board.

The audit revealed several opportunities for improvement in Krohn's internal controls. A lack of succession planning for key management roles which could result in significantly compromising internal controls if sudden personnel changes occur. Additionally, IA found that policies and procedures are either minimal and outdated or not documented. This has led to variation in procedures among employees.

IA also found several current cash handling practices within Krohn that could expose the City to unnecessary risk. Although the admission's startup cash is counted and verified by both the cashier and manager, the gift shop startup cash is only counted and verified by the cashier in the morning, and employees other than managers retain access to the gift shop safe. IA also found that cashiers will share register tills when a cashier is relieved for a break and that employees are tasked with performing bank deposits. These practices create further opportunities for theft and increase risks to employee safety.

The audit also revealed other areas where there is room for improvement. IA determined that although admission revenue is reconciled with bank statements, gift shop revenue is not. Additionally, IA sought to reconcile receipt records from randomly selected weeks during the audit scope and determined that there was a negative variance of \$14,629, primarily due to missing cash receipt schedules. Further, the physical security of facilities is not routinely updated, intrusion alarm codes are not individually assigned, and phone lines are outdated and physically exposed to leaks.

To reduce the risk in daily operations, IA recommends developing a detailed succession plan for key positions, revising and expanding all policies and procedures, and strengthening cash handling internal controls. IA also recommends performing reconciliations of all gift shop revenue, ensuring that all overages and shortages of revenue are adequately addressed, routinely updating physical security features, assigning individual alarm codes and updating the phone lines.

## I. Introduction

### Background

Located in the City of Cincinnati's Eden Park, the Irwin M. Krohn Conservatory provides visitors with a "nationally recognized showcase of more than 3,500 plant species from around the world."<sup>1</sup> The conservatory is comprised of multiple rooms or houses, with each containing a unique temperature-controlled environment that displays both permanent and seasonal exhibits. Seasonal exhibits include a spring show, a butterfly show, a summer show, a fall show, and a



Figure 1: Entrance to Krohn Conservatory during Butterfly Show. Photo courtesy of the Park Board.

holiday show. While permanent exhibits include a palm house with a waterfall, a tropical house, an orchid house, and a desert house, which are available to visitors year-round. In fiscal year (FY) 2019, Krohn had a total of 179,750 visitors, with the Butterfly Show drawing the largest attendance.<sup>2</sup>

To oversee and accomplish these operations, Krohn is managed by the Riverfront and Downtown Area Division of the Park Board and employs seven full-time equivalents (FTE) and various

part-time seasonal employees. The FTE positions consist of a general manager, an assistant manager, and an administrative technician—all three of which are considered managerial positions. The other four FTE positions consist of three florists and one laborer.

In FYs 2018 and 2019, Krohn's approved operating budget was \$766,920 and \$771,830 in General Funds. Krohn is a 'self-sustaining' program within the Park Board's budget, meaning it relies primarily on revenue generated from admission sales (which includes the *Friends of Krohn* annual memberships) and gift shop sales. Admission revenue is deposited into the City's General Fund and is used to finance Krohn's operations. This includes expenses for personnel and seasonal exhibits. Revenue generated from the gift shop is deposited separately, into the Park Board's private Commissioner's Fund. This revenue is restricted to purchasing inventory for the gift shop.

Revenue for Krohn is also generated through private events that are usually held outside of normal business hours. The Park Board maintains a contract with private vendor, Premier Park Events (PPE) to manage these events. In accordance with the contract, Krohn retains a nominal fee and percentage of all event revenue, which is deposited into the same fund as admission revenue.

<sup>1</sup> "Krohn Conservatory." *Cincinnati Parks*. <https://www.cincinnatiiparks.com/krohn/>

<sup>2</sup> "Cincinnati Parks Annual Report 2018-2019." City of Cincinnati Park Board. November, 2019.

**Audit Selection**

IA conducted this audit in accordance with the Audit Work Plan.

**Audit Objective**

Assess the efficiency and effectiveness of internal controls and practices applicable to Krohn Conservatory program operations and performance.

**Audit Scope and Methodology**

In order to achieve the prior objective, IA compared current practices to relevant City policies and industry standards, interviewed appropriate staff, sought verification of actions through documented reports, calculated statistics of relevant data, reviewed contracts and determined the accuracy of recorded revenue. Records reviewed included performance and operations data incurred during the period of FY 2018 through FY 2019.

**Statement of Auditing Standards**

As required by the Cincinnati Administrative Code Article II §15, this audit was conducted in accordance with the Generally Accepted Government Auditing Standards (GAGAS), except for standard 5.60 pertaining to external peer review requirements. This exception did not have a material effect on the audit.

IA continues to conduct internal quality reviews to assure the conformance with applicable GAGAS. IA performed the fieldwork between October of 2019 and January of 2020.

**Commendations**

IA commends the staff of the Park Board for their cooperation throughout the audit.

## II. Audit Findings and Recommendations

### *Lack of succession planning for Krohn management.*

Succession planning is the process of identifying internal personnel with the ability to fulfill key roles within an organization and fostering the development of these individuals. As personnel turn over, a succession plan facilitates business continuity. IA was informed that there is currently no succession planning for key positions at Krohn. As a result, sudden personnel changes could significantly compromise internal control systems.

For example, a significant amount of institutional knowledge is retained by two of the managerial positions, who collectively, retain multiple decades of work experience at Krohn. However, succession planning for their positions has not been performed nor a clear delineation of their responsibilities has been documented.

IA also found that managerial positions at Krohn retain a significant amount of the responsibilities that oversee day-to-day operations. Implementing adequate succession planning could assist in delegating some of those responsibilities onto other positions throughout Krohn and alleviate managers to focus more on their core responsibilities.

**Recommendation 1:** Management should develop a detailed succession plan for all of Krohn's management positions. Also ensure that the succession planning includes delegating responsibilities appropriately across all positions at Krohn.

**Department Response:** Agree. A table of organization for Krohn will be established with job descriptions to ensure responsibilities as well as cross training are disbursed throughout the operation.

### *Policies and Procedures need to be updated and expanded.*

IA found that policies and procedures are minimal and outdated and do not reflect all current operating practices. For example, Krohn maintains general standard operating practices (SOP), cash handling SOPs, and positional SOPs. However, the general SOPs have not been updated since February of 2017 and do not reflect all updated information. Additionally, the cash handling SOPs do not include best practices for cash handling processes.

IA also found that certain processes are not documented. This includes processes for managing and overseeing the *Friends of Krohn* memberships, inventory management duties, and procedures for mitigating and tracking theft. For example, procedures for inventory receipt and restocking duties are not documented and are being performed by various part-time and/or seasonal employees. This has led to variation in procedures among employees and could create opportunities for abuse or theft of inventory.

**Recommendation 2:** Revise and expand all SOPs to reflect current operating procedures.

**Department Response:** Agree. The department will take the next six months to revise and/or create SOP's to include current operating procedures.

**Recommendation 3:** Management should consult with the Park Board's Finance Division to update all cash handling procedures and practices to reflect industry best practices.

**Department Response:** Agree. Management will work with the Finance team to update cash handling best practices.

**Recommendation 4:** Ensure that all processes are documented and reflect current operations. This includes processes for *Friends of Krohn* memberships, inventory management duties, and mitigating and tracking theft.

**Department Response:** Agree. A comprehensive review of procedures will include Friends of Krohn memberships, inventory management duties and mitigating theft. Krohn has recently acquired a new inventory system that will help track and document inventory losses.

*Performance goals need to be expanded.*

In addition to limited SOPs, Krohn currently has performance goals established for tracking attendance and revenue. Although these goals are tracked daily, they are only used for a comparative analysis of historical trends. In addition, revenue for the gift shop is tracked but not adequately analyzed for inventory sale trends. Instead, employees rely on institutional knowledge and visual inspection of inventory volumes to determine future restock inventory.

Using minimal metrics to measure Krohn's attendance performance does not fully capture opportunities for increasing revenue and sufficiently assist employees in identifying operational trends and efficiencies. For example, the use of data-driven metrics could provide further examination and trend insight into hourly sales and the expansion of business hours past 5 p.m., group versus individual sales, membership demographic sales, outreach programs and special events, inventory turnover rate, sales per square foot, and website traffic.

**Recommendation 5:** Develop measurable performance metrics to expand the tracking of operational trends and assist staff in examining ways to increase attendance and revenue.

**Department Response:** Agree. Finance established a consistent and effective revenue and attendance tracking system that will allow the department to review trends and analyze opportunities of improvement as it relates to programs and/or hours of operation.

*Inventory management needs improvement.*

In order to track all inventory for the gift shop, items are manually entered into spreadsheets as they are received. However, IA was informed that this form of tracking has proven difficult to maintain due to variation in busier business hours and seasonal part-time staff turnover. As a result, inventory tracking is not current and therefore could not be verified by IA. And since they rely upon employees manually inputting data, that further compounds the risk for errors.

Krohn staff also perform wall-to-wall inventory counts on a biannual basis in order to document inventory in stock. However, they are not reconciled with previous inventory counts to establish the accuracy of records. The ability to accurately count physical inventories is critical in verifying that inventory actually exists and that on-hand balances agree with financial and logistical records. Without proper inventory tracking controls in place, inventory counts may not reflect accurate sales transactions, in addition to staff being unaware or unsure of what inventory is currently on-hand. This could further result in abuse or theft of inventory stock going unnoticed.

**Recommendation 6:** Update to an inventory tracking software that allows for deploying a barcode system. Barcoding software would allow for more accurate tracking of all items, since it requires all items be electronically scanned as they enter and leave the gift shop.

**Department Response:** Agree. The inventory system has been updated including a barcode system to increase accuracy as well as inventory controls.

**Recommendation 7:** Ensure that the results of all inventory counts are reconciled with previous counts in order to measure variation among counts. Additionally, establish performance metrics to evaluate all results and amend policies as needed in order to control for any inventory variances.

**Department Response:** Agree. Since the installation of a new inventory system, Krohn staff and Finance have completed a double count inventory of all Gift Shop items. Staff are working through an efficient system for receiving new inventory so that all items can be reconciled. A full reconciliation will take place twice a year after the Butterfly Show and Holiday show

*The gift shop POS needs to be updated.*

The point of sales (POS) system software used in the gift shop is estimated to be about 15 years old and is outdated and obsolete. The age of the software creates inefficiencies in the workflow because the system is not integrated into the credit card system. The POS system is also supposed to connect to a computer in the basement of Krohn to track all logins and transactions made. However, this connection is not always reliable, rendering any transaction data unreliable.

In addition, the POS system does not uniquely identify all inventory sold in the gift shop. The POS system categorizes all inventory into groups and rings them up on the register to the corresponding group button. For example, all toys in the gift shop are rung up under the toys button regardless of what the toy is specifically. Additionally, all grouped items must be sold at the same price, since costs cannot be configured per item.

The lack of specificity makes it difficult for staff to identify what items are on hand versus what has been sold. Further, significant inventory discrepancies can arise when the transaction of inventory items is not individually tracked, limiting the ability of management to identify sales trends and impeding access to inventory tracking in real time.

**Recommendation 8:** Management should ensure that there are no disruptions to POS connectivity transactions. This could be accomplished by updated system software or deploying a new system.

**Department Response:** Agree. The new inventory system is a cloud base system which makes it more reliable.

**Recommendation 9:** Ensure that all gift shop inventory transactions are individually tracked.

**Department Response:** Agree. With the new inventory system, each item has its own barcode and description associated with that item. In addition, as new inventory is received a purchase order within the system to identify the quantities purchased and quantities received from each vendor.

*Cash handling internal controls need strengthening.*

Revenue at Krohn is both generated from admission sales and inventory sold at the gift shop. Two register tills are maintained at the admission's entrance while one register till is maintained within the gift shop. Depending on which show is currently on exhibit, the admission's booth may have either one or both register tills being operated by cashiers. Startup cash for both register tills is maintained in separate, corresponding safes. Each cash register till is counted and verified both in the morning and in the evening at the close of business.

Although the admissions' startup cash is counted and verified by both the cashier and a manager in the morning and evening, the gift shop startup cash is only counted and verified by the cashier in the morning and then counted and verified by both a cashier and manager at the end of the day.

Additionally, IA found that all cashier employees retain access to the gift shop safe. This includes both part-time and/or seasonal employees. IA was also informed that it is not known when the combination to this safe was last changed.

Allowing access to cash safes beyond

management personnel potentially exposes Krohn to risk of theft as the level of accountability is weakened when access is also retained by temporary or seasonal personnel. Further, without routine replacement to safe combination codes, access may be retained by former employees, further exposing Krohn to risk of theft.

IA also found that when additional change funds are needed from the change fund box, the manager on duty will take the change from the register till and place the cash in the box for which it is being changed. (E.g. they will place a \$10 dollar bill in the box and exchange that for a roll of quarters which amounts to \$10). This exchange of funds is not documented through a cash activity sheet. Additionally, when a cashier on duty is relieved by a floater cashier, the register till does not follow the relieved employee, and is instead, used by multiple employees. In the event of any significant shortages both within the master safe or register till, a cash audit could not trace the shortage to a specific employee, diminishing the degree to which employees are held accountable.

It was also found that bank deposits are usually designated to one of the three managers at Krohn. During busier shows, deposits can occur daily totaling significant amounts. In addition to taking them away from their management duties at Krohn, this task places these employees at an increased risk for their safety when they perform bank deposits. Further, they retain an increased control of cash handling duties, which further increases the opportunity for theft or errors and does not ensure that duties are properly segregated.



Figure 2: Main lobby in Krohn with the admission's booth in the center and partial view of the gift shop on the right. Photo courtesy of the Park Board.

**Recommendation 10:** Management should ensure that the gift shop register is verified every morning by a manager before the start of the business day.

**Department Response:** Agree. This procedure will be addressed immediately and reflected in the revised revenue collection procedures.

**Recommendation 11:** Restrict access to the safe to managers only. Additionally, ensure that the combination code is changed anytime there is a turnover in management staffing.

**Department Response:** Agree. This procedure will be addressed immediately and reflected in the revised revenue collection procedures.

**Recommendation 12:** Management should implement a cash activity sheet that documents all exchanges of cash within the safe. This would include all cash drops and change fund exchanges.

**Department Response:** Agree. This procedure will be addressed immediately and reflected in the revised revenue collection procedures.

**Recommendation 13:** Management should ensure that each cash register till is assigned to only one employee and that no other employees may use the same till.

**Department Response:** Agree. Staff is preparing to obtain additional register drawers so that everyone has their own drawer to start their shift or during any shift adjustments.

**Recommendation 14:** Determine if having a third party pick up and transporting revenue from Krohn is cost efficient for the department. This would also ensure that cash handling duties are properly segregated amongst employees.

**Department Response:** Agree. The department will look into the feasibility of this service.

*Receipts are not routinely offered to customers.*

Cashiers are advised to offer receipts to customers, especially for admission purchases, since those receipts can be used to discount *Friends of Krohn* memberships that are purchased within the same visit. Additionally, refunds cannot be issued at the gift shop without a receipt. Although cashiers may verbally offer receipts, there is no visible signage reminding customers to ask for a receipt.

According to the City's Treasury Division's *Self Audit Guide*, "Citizens cannot be relied upon to ask for a receipt or cash register slip that they do not need, but posted signs advising them to expect a receipt will improve control." Without this internal control, cashiers may forget to offer receipts, which could allow for a poor customer service experience in the event that a receipt is needed for a future discount, refund, or record of financial transaction.

**Recommendation 15:** Management should ensure that visible signage is posted at all registers reminding customers to ask for receipts.

**Department Response:** Agree. Signage will be placed at each register.

*Coupons are not reconciled.*

At the end of a business day, all visitor passes or 'comp tickets' and coupons are placed into a plastic bin adjacent to the master safe. The manager on duty is required to ensure these are either ripped at the corner or marked with an 'X' to ensure they cannot be returned to rotation and used twice. Although comp tickets and coupons are recorded into the POS system when customers are rung up, the actual comp tickets and coupons are not reconciled with the POS report at the end of the day. Without performing proper reconciliations of all comp tickets and coupons, the opportunity for employees to ring up discounts without receiving comp tickets or coupons exists and creates the opportunity to pocket the additional monies.

**Recommendation 16:** Implement a policy that requires all comp tickets and coupons to be reconciled with the POS report at the end of the day.

**Department Response:** Agree. Working on a plan to satisfy this request. Staff is also looking into a barcode scanner and discussing with marketing department to explore the possibility of placing a barcode on all coupons/comp tickets.

*Revenue is not routinely recorded in a timely manner.*

In order to increase the amount of change funds for busier shows, Krohn withholds one deposit at the end of the previous show. This adjustment is returned at the closing of the current, busier show, where the excess change funds are deposited at the bank, several months after it has been generated.

According to Article IX, Section 14 of the Administrative Code, "Every person authorized by the city treasurer to receive or collect money, or receiving or collecting money in behalf of the City of Cincinnati, shall account for such money and shall pay it over to the city treasurer on the same day, or...on the next business day." Without the timely recording of all revenue, budget and revenue data may become skewed and inaccurate and create unreliable information and trends.

**Recommendation 17:** Management should ensure that all revenue is realized and recorded as it is earned.

**Department Response:** Agree. Staff will work with Finance to discuss the best practices on how to handle events / "shows" that require more change on hand.

*Surprise cash counts are not conducted.*

The Park Board's Finance Division does not currently perform surprise cash counts of Krohn's register tills. According to the Government Finance Officers Association (GFOA), best practices state that surprise cash counts should be conducted in order to ensure the accuracy of collections. In addition, they increase accountability and strengthen controls over cash handling duties.

**Recommendation 18:** The Finance Division should implement the practice of conducting surprise cash counts to ensure the accuracy of collections.

**Department Response:** Agree. The Finance division has taken note of this recommendation and will develop a plan to execute more frequent spot checks.

*Revenue reconciliation processes need improving.*

Reconciliations are a key internal control of accounting that ensure balances in the accounting systems match up with balances held by other entities. The absence of this internal control can allow errors or discrepancies to occur without being corrected. Although IA determined that admission revenue is reconciled with bank statements, gift shop revenue is not, but IA was informed that the Park Board’s Finance Division is currently working on a way to ensure this process is completed and documented in the future.

Additionally, IA sought to reconcile receipt records from FY 2018 through FY 2019 in order to determine that revenue was accurately recorded. IA reviewed admission and gift shop revenue records maintained at Krohn against cash receipt schedules maintained by the City’s Treasury Division, which provide the amount deposited in the bank and the date which the deposit occurred. Records reviewed included a randomly selected week from each quarter over the two fiscal years. This amounted to eight weeks comprised of 48 days in total.<sup>3</sup> Table 1 provides revenue recorded against deposited amounts for each week:

**TABLE 1: KROHN REVENUE RECONCILIATION**

<i>Month/Year</i>	<i>Recorded Revenue</i>	<i>Deposited Amount</i>	<i>Variance</i>
<i>August 2017</i>	\$5,729	\$5,743	\$14
<i>October 2017</i>	\$6,654	\$6,931	\$277
<i>February 2018</i>	\$10,755	\$10,618	-\$137
<i>April 2018</i>	\$67,514	\$63,799	-\$3,715
<i>July 2018</i>	\$9,245	\$9,245	\$0
<i>December 2018</i>	\$37,378	\$26,103	-\$11,275
<i>January 2019</i>	\$3,856	\$4,117	\$261
<i>June 2019</i>	\$50,987	\$50,933	-\$54
<b>Total</b>	<b>\$192,118</b>	<b>\$177,489</b>	<b>-\$14,629</b>

*Note: weeks are designated by the month and year in which they occurred.*

IA determined that there was a total negative variance of \$14,629. A significant amount of this variance was the result of missing cash receipt schedules for credit card transfers from December of 2018. IA was unable to confirm that the credit card transfers to the bank were completed. Additionally, out of 32 deposits<sup>4</sup> reviewed, 16 (50%) were deposited later than one full business day. Article IX, Section 14 of the Administrative Code requires that money collected on behalf of the City, must be deposited on the same day, or if impracticable, on the next business day.

IA also found that processes were heavily reliant upon hard copies. Although Krohn maintains extensive receipt records, they are entirely reliant on maintaining hard copies of all receipts and

<sup>3</sup> Randomly selected weeks only included six days since Krohn is usually closed on Mondays, with the exception of busier shows, such as the Butterfly Show or Holiday Show. To maintain uniformity across all tested weeks, IA only reviewed six days even if Krohn was open on the Monday of the randomly selected week.

<sup>4</sup> Since banks have limited hours on Saturdays and are closed on Sundays, IA only reviewed deposits for revenue collected Tuesdays through Thursdays.

utilize these along with paper records in order to reconcile revenue. As a result, it made it difficult for IA to adequately reconcile revenue and ensure that all receipt records were present. Further, relying on hard copies can increase the risk for lost or manipulated documents.

**Recommendation 19:** Management should ensure that all gift shop revenue is reconciled with monthly bank statements.

**Department Response:** Agree. Financial Management will reconcile gift shop revenue with monthly bank statements.

**Recommendation 20:** Management should ensure that recorded revenue matches deposited amounts and that any revenue overages or shortages are adequately addressed and reviewed. Additionally, they should seek to improve deposit times to adhere with the City's Administrative Code.

**Department Response:** Agree. Financial Management will ensure that revenues recorded match deposit amounts and address any shortages and/or overages or shortages are adequately addressed. Krohn staff will adhere to the City's Administrative Code as it relates to deposits.

**Recommendation 21:** Management should establish electronic processes for filing and maintaining all Krohn revenue, so that they can be easily referenced and reviewed by a third party. Establishing electronic processes would also increase accuracy through automation and would also allow for an audit trail in order to increase accountability.

**Department Response:** Agree. Parks Finance is reviewing the use of QuickBooks to provide an overall revenue picture for the Krohn Conservatory.

*The physical security of facilities is not routinely updated.*

Entrances to both the employee trailer and Krohn is maintained through key access and it is unknown when these locks were last changed. In addition to key access, intrusion alarms are both maintained in the employee trailer and Krohn. It is estimated by facility management that codes to these alarm systems have not been changed in over a year. Facilities management explained that they are in the process of updating all locks with the Park Board and anticipate work on Krohn to be started soon. As a result, access to these facilities could be retained by former Park Board employees when routine physical security measures are not updated or replaced.

**Recommendation 22:** Combination and key access to locked areas should be evaluated and regularly updated.

**Department Response:** Agree. The key system throughout the whole parks system is in the middle of a transformation. Krohn will be re-keyed by our Facility Maintenance Division.

*Intrusion alarm codes are not individually assigned.*

All employees at Krohn are given the same universal alarm code to both the employee trailer and Krohn. The use of a universal alarm code prevents system audits from determining the

personnel origins of any access retained to the employee trailer or Krohn. As previously discussed, the intrusion alarm codes are not routinely updated which could further compound the issue of former employees retaining access even after their employment has been terminated.

**Recommendation 23:** Ensure all accounts correspond to active employees only and remove any duplicate or unidentifiable accounts within the system.

**Department Response:** Agree. A new Alarm contract is being finalized which will allow more flexibility with providing multiple codes for the Krohn operation. The alarm system will be evaluated and reconfigured to include better security measures.

*Security cameras need to be added and adjusted.*

Krohn is outfitted with nine security cameras; however, a camera is not positioned over the entrance to the master safe room. Additionally, IA reviewed the security camera over the admissions' booth and determined that it is angled so that the cashier's hands are only partially visible. These weaknesses may compromise monitoring controls over revenue received in the admissions' booth and persons accessing the master safe room.

**Recommendation 24:** Ensure that security cameras are positioned over all safes and positioned so that cashiers at cash drawers are fully visible.

**Department Response:** Agree. The camera at the admission booths have been adjusted to ensure that the activity at the draw is more visible.

*Phone lines need to be updated.*

The phone lines at Krohn are outdated and frequently susceptible to leaks in Krohn. The use of obsolete technology, disarray of the phone's lines and cables, and the susceptibility to leaking in Krohn could allow for phone lines to frequently go down and calls to be dropped. Figure 3 below shows a view of the phone lines and cables as they are seen on the ceiling of the basement of Krohn:

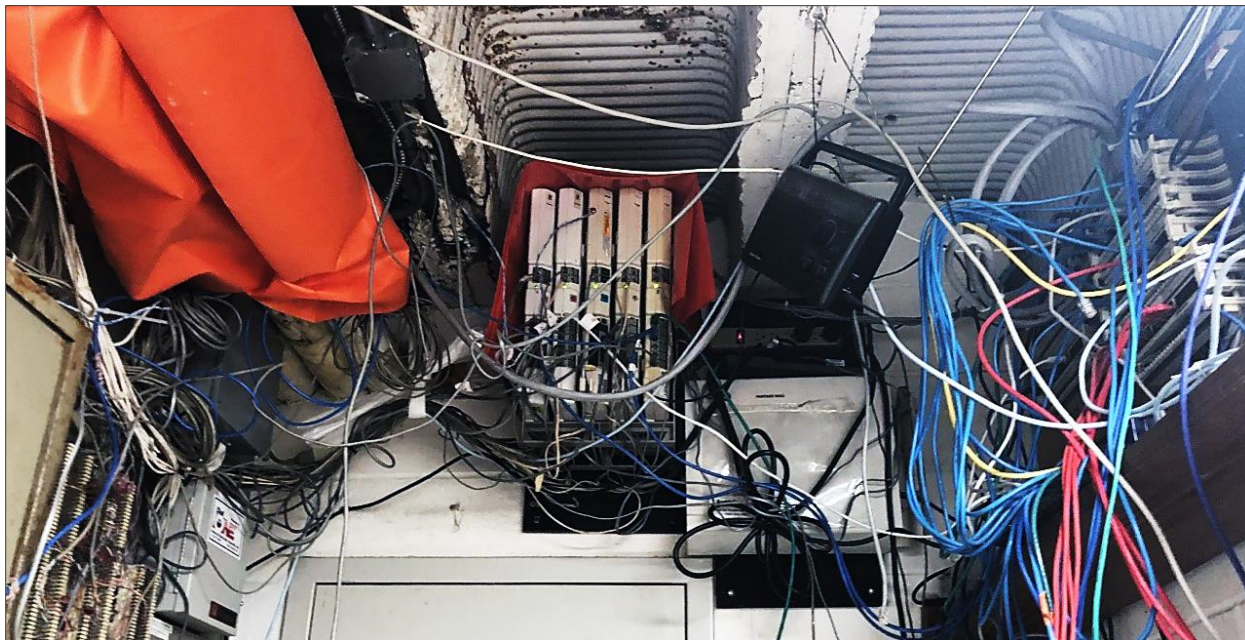


Figure 3: Phone lines and cables attached to the basement ceiling in Krohn.

**Recommendation 25:** Prioritize funds to update the phone lines.

**Department Response:** Agree. A new Phone system is highly recommended.

*Unforeseen overtime costs offset private event revenue.*

Krohn's full-time laborer often earns overtime for contracted events that go late into the evening. Although according to the employee's union contract overtime is to be distributed equally among employees, the laborer's knowledge of how to operate the outdated ventilation system at Krohn requires him to always be offered that specific overtime. The overtime expenses often reduce the revenue that Krohn earns from these contracted events as they are not absorbed by the contractor through the events' contract.

**Recommendation 26:** Ensure that any renewals or amendments to the PPE contract include that overtime costs be accounted for in Krohn's rental fees.

**Department Response:** Agree. Coverage for the Special events whether private or Krohn produced needs to be addressed in order to reduce the amount of overtime. In addition, cross training or schedule adjustments need to be made to assist with a seven hour a day operation.

*A cost-benefit analysis of the maintenance of Warder Nursery needs to be performed.*

Warder Nursery operates as a greenhouse that supplies the majority of plants and flowers to all of the City's parks.<sup>5</sup> It is particularly beneficial for Krohn's needs since it produces many of their flowers and plants off season. Also, it allows for complete control over pesticide use, which is especially useful during the butterfly show since pesticides would be harmful to the butterflies.

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<sup>5</sup> Plants and flowers supplied to the riverfront parks are contracted out to private vendors.

Despite these advantages, Warder Nursery has many maintenance costs and significantly needed renovations. These expenses are expected to grow and could put constraints on the Park Board's budget.

**Recommendation 27:** Management should conduct a cost-benefit analysis of the maintenance of Warder Nursery and determine how to manage future expenses.

**Department Response:** Agree. The whole operation including the facility repairs and maintenance of Warder Nursery needs to be evaluated. We have conducted small portions of this cost benefit analysis to include the cost of staff vs. purchasing mature plants for the whole Park System.



*Figure 4: Flowers at Krohn are grown and provided by Warder Nursery. Photo courtesy of the Park Board.*

### **III. Conclusion**

Internal Audit conducted a performance audit of the Park Board's Krohn Conservatory. The primary objective of this performance audit was to assess the efficiency and effectiveness of internal controls and practices applicable to Krohn Conservatory program operations and performance. The audit revealed several opportunities for improvement in Krohn's internal controls.

A lack of succession planning for key management and policies and procedures that are either minimal and outdated or not documented has led to variation in procedures among employees. Additionally, current cash handling practices expose the City to unnecessary risk and theft, reconciliations of gift shop revenue are not being performed and overages and shortages are not adequately addressed. Further, the physical security of facilities is not routinely updated, intrusion alarm codes are not individually assigned, and phone lines are outdated and physically exposed to leaks.

To reduce the risk in daily operations, IA recommends developing a detailed succession plan for key positions, revising and expanding all policies and procedures, and strengthening cash handling internal controls. IA also recommends performing reconciliations of all gift shop revenue, ensuring that all overages and shortages of revenue are adequately addressed, routinely updating physical security features, assigning individual alarm codes and updating the phone lines.

#### IV. Park Board Response

**Recommendation 1:** Management should develop a detailed succession plan for all of Krohn's management positions. Also ensure that the succession planning includes delegating responsibilities appropriately across all positions at Krohn.

**Department Response:** Agree. A table of organization for Krohn will be established with job descriptions to ensure responsibilities as well as cross training are disbursed throughout the operation.

**Recommendation 2:** Revise and expand all SOPs to reflect current operating procedures.

**Department Response:** Agree. The department will take the next six months to revise and/or create SOP's to include current operating procedures.

**Recommendation 3:** Management should consult with the Park Board's Finance Division to update all cash handling procedures and practices to reflect industry best practices.

**Department Response:** Agree. Management will work with the Finance team to update cash handling best practices.

**Recommendation 4:** Ensure that all processes are documented and reflect current operations. This includes processes for *Friends of Krohn* memberships, inventory management duties, and mitigating and tracking theft.

**Department Response:** Agree. A comprehensive review of procedures will include Friends of Krohn memberships, inventory management duties and mitigating theft. Krohn has recently acquired a new inventory system that will help track and document inventory losses.

**Recommendation 5:** Develop measurable performance metrics to expand the tracking of operational trends and assist staff in examining ways to increase attendance and revenue.

**Department Response:** Agree. Finance established a consistent and effective revenue and attendance tracking system that will allow the department to review trends and analyze opportunities of improvement as it relates to programs and/or hours of operation.

**Recommendation 6:** Update to an inventory tracking software that allows for deploying a barcode system. Barcoding software would allow for more accurate tracking of all items, since it requires all items be electronically scanned as they enter and leave the gift shop.

**Department Response:** Agree. The inventory system has been updated including a barcode system to increase accuracy as well as inventory controls.

**Recommendation 7:** Ensure that the results of all inventory counts are reconciled with previous counts in order to measure variation among counts. Additionally, establish performance metrics

to evaluate all results and amend policies as needed in order to control for any inventory variances.

**Department Response:** Agree. Since the installation of a new inventory system, Krohn staff and Finance have completed a double count inventory of all Gift Shop items. Staff are working through an efficient system for receiving new inventory so that all items can be reconciled. A full reconciliation will take place twice a year after the Butterfly Show and Holiday show.

**Recommendation 8:** Management should ensure that there are no disruptions to POS connectivity transactions. This could be accomplished by updated system software or deploying a new system.

**Department Response:** Agree. The new inventory system is a cloud base system which makes it more reliable.

**Recommendation 9:** Ensure that all gift shop inventory transactions are individually tracked.

**Department Response:** Agree. With the new inventory system, each item has its own barcode and description associated with that item. In addition, as new inventory is received a purchase order within the system to identify the quantities purchased and quantities received from each vendor.

**Recommendation 10:** Management should ensure that the gift shop register is verified every morning by a manager before the start of the business day.

**Department Response:** Agree. This procedure will be addressed immediately and reflected in the revised revenue collection procedures.

**Recommendation 11:** Restrict access to the safe to managers only. Additionally, ensure that the combination code is changed anytime there is a turnover in management staffing.

**Department Response:** Agree. This procedure will be addressed immediately and reflected in the revised revenue collection procedures.

**Recommendation 12:** Management should implement a cash activity sheet that documents all exchanges of cash within the safe. This would include all cash drops and change fund exchanges.

**Department Response:** Agree. This procedure will be addressed immediately and reflected in the revised revenue collection procedures

**Recommendation 13:** Management should ensure that each cash register till is assigned to only one employee and that no other employees may use the same till.

**Department Response:** Agree. Staff is preparing to obtain additional register drawers so that everyone has their own drawer to start their shift or during any shift adjustments.

**Recommendation 14:** Determine if having a third party pick up and transporting revenue from Krohn is cost efficient for the department. This would also ensure that cash handling duties are properly segregated amongst employees.

**Department Response:** Agree. The department will look into the feasibility of this service.

**Recommendation 15:** Management should ensure that visible signage is posted at all registers reminding customers to ask for receipts.

**Department Response:** Agree. Signage will be placed at each register.

**Recommendation 16:** Implement a policy that requires all comp tickets and coupons to be reconciled with the POS report at the end of the day.

**Department Response:** Agree. Working on a plan to satisfy this request. Staff is also looking into a barcode scanner and discussing with marketing department to explore the possibility of placing a barcode on all coupons/comp tickets.

**Recommendation 17:** Management should ensure that all revenue is realized and recorded as it is earned.

**Department Response:** Agree. Staff will work with Finance to discuss the best practices on how to handle events / "shows" that require more change on hand.

**Recommendation 18:** The Finance Division should implement the practice of conducting surprise counts to ensure the accuracy of collections.

**Department Response:** Agree. The Finance division has taken note of this recommendation and will develop a plan to execute more frequent spot checks.

**Recommendation 19:** Management should ensure that all gift shop revenue is reconciled with monthly bank statements.

**Department Response:** Agree. Financial Management will reconcile gift shop revenue with monthly bank statements.

**Recommendation 20:** Management should ensure that recorded revenue matches deposited amounts and that any revenue overages or shortages are adequately addressed and reviewed. Additionally, they should seek to improve deposit times to adhere with the City's Administrative Code.

**Department Response:** Agree. Financial Management will ensure that revenues recorded match deposit amounts and address any shortages and/or overages or shortages are adequately addressed. Krohn staff will adhere to the City's Administrative Code as it relates to deposits.

**Recommendation 21:** Management should establish electronic processes for filing and maintaining all Krohn revenue, so that they can be easily referenced and reviewed by a third party. Establishing electronic processes would also increase accuracy through automation and would also allow for an audit trail in order to increase accountability.

**Department Response:** Agree. Parks Finance is reviewing the use of QuickBooks to provide an overall revenue picture for the Krohn Conservatory.

**Recommendation 22:** Combination and key access to locked areas should be evaluated and regularly updated.

**Department Response:** Agree. The key system throughout the whole parks system is in the middle of a transformation. Krohn will be re-keyed by our Facility Maintenance Division.

**Recommendation 23:** Ensure all accounts correspond to active employees only and remove any duplicate or unidentifiable accounts within the system.

**Department Response:** Agree. A new Alarm contract is being finalized which will allow more flexibility with providing multiple codes for the Krohn operation. The alarm system will be evaluated and reconfigured to include better security measures.

**Recommendation 24:** Ensure that security cameras are positioned over all safes and positioned so that cashiers at cash drawers are fully visible.

**Department Response:** Agree. The camera at the admission booths have been adjusted to ensure that the activity at the draw is more visible.

**Recommendation 25:** Prioritize funds to update the phone lines.

**Department Response:** Agree. A new Phone system is highly recommended.

**Recommendation 26:** Ensure that any renewals or amendments to the PPE contract include that overtime costs be accounted for in Krohn's rental fees.

**Department Response:** Agree. Coverage for the Special events whether private or Krohn produced needs to be addressed in order to reduce the amount of overtime. In addition, cross training or schedule adjustments need to be made to assist with a seven hour a day operation.

**Recommendation 27:** Management should conduct a cost-benefit analysis of the maintenance of Warder Nursery and determine how to manage future expenses.

**Department Response:** Agree. The whole operation including the facility repairs and maintenance of Warder Nursery needs to be evaluated. We have conducted small portions of this cost benefit analysis to include the cost of staff vs. purchasing mature plants for the whole Park System.