Fairfax County Internal Audit Office

Fairfax County Park Authority Cash Handling and Revenue Collection Processes Audit
Final Report

December 2005

"promoting efficient & effective local government"

Executive Summary

We found that Fairfax County Park Authority (FCPA) staff at our eight sample park sites followed FCPA standard operating procedures (SOPs) for cash handling and revenue collection, with varying degrees of compliance or non-compliance. In addition, there were certain "best practices" that could enhance internal controls over revenue collection but were not included in the SOPs. The current SOPs also need to be updated to remove some requirements that were no longer valid and to clarify certain procedures that were not fully understood and, therefore, not properly followed by the park sites.

The primary issues noted at the park sites during the audit were as follows:

- Too many staff members had access to park site safes. From five to 22 people, including permanent, part-time, and seasonal employees had individual access to the site safes.
- Cashiers who received payments and rang them in ParkNet also updated batches and prepared the Daily Cash Reports in violation of the separation of duties principle.
- The cashiers at some sites did not fill out or complete a Cash Drawer Activity Sheet (or settlement sheet) as required by SOPs, while those at other sites completed the settlement sheets incorrectly.
- At some sites, multiple cashiers were working out of the same cash drawer and sharing the same batch and ParkNet User ID.
- Controls over the driving range tokens sold by the golf courses in our sample were inadequate.
- Except for Twin Lakes, there was no formal system implemented at the park sites for monitoring cashier performance and reviewing the exceptions listed by ParkNet on the batch summary tapes.

We also reviewed the revenue collection process at headquarters and noted the following:

- The ParkNet vendor, Beta Data Systems, had full and unlimited access to the ParkNet system application which was not being monitored or controlled by the Park Authority for potential unauthorized use.
- There was no separation of duties between the billing and collection of revenues generated from facility use contracts.
- The Financial Management Branch's site reviews for monitoring site compliance with SOPs were being performed infrequently, with none performed in FY 2004 and 2005, only one in FY 2003, and three in FY 2002.

Scope and Objectives

This audit was performed as part of our Fiscal Year 2005 Annual Audit Plan and was conducted in accordance with generally accepted government auditing standards. Our audit objectives were to determine that:

- Adequate controls existed and were operating effectively to safeguard revenue collections from loss, errors, fraud and other irregularities.

- Park sites were complying with established written policies and procedures.

- Cash collections were deposited timely and were properly recorded, classified, and reported.

The audit scope was limited to an examination of the cash handling, collection, deposit, recording, and monitoring processes relating to fees and other revenues charged by FCPA for the use of its facilities, services and programs. Our audit did not include the revenue generated from advertisements in Parktakes, revenues received from the Frying Pan Park Youth Center Supervisory Board, and the controls over the sites' petty cash funds. Neither did we cover payments made through the use of credit cards as this was evaluated in a separate audit. Lastly, except for access controls, we did not examine the system controls in the ParkNet Point-of-Sale (POS) system. Our transaction testing did not rely on those controls, as test work was traced back to supporting documentation.

Methodology

Our audit approach included interviewing appropriate employees, observing employees' work functions, detailed testing of a sample of Daily Cash Reports, and evaluating the processes at the sites for compliance with sound internal controls and departmental cash handling and security procedures. Visits to eight different revenue collection sites were made and an internal control questionnaire was completed at each site to assist in evaluating compliance with guidelines. Revenue collection procedures at FCPA headquarters were also reviewed and evaluated.

The Fairfax County Internal Audit Office is free from organizational impairments to independence in our reporting as defined by generally accepted government auditing standards. We report directly to and are accountable to the County Executive. Organizationally, we are outside the staff or line management function of the units that we audit. We report the results of our audits to the management of the department under review, the County Executive, and the Board of Supervisors, and reports are available to the public.

Findings and Recommendations

The following audit findings pertain to the eight park sites in our sample, namely, Twin Lakes Golf, Burke Lake Golf, Lake Accotink Park, Burke Lake Park, Audrey Moore RECenter, Oak Marr RECenter, Sully Historic Site, and Frying Pan Park. Except where the findings are specific to a particular site, they have been written in general terms due to the number of issues and the sites' varying procedures. We have, however, attached to this report, a detailed description of each site's performance with respect to the audit issues for site management's reference.

1. Access to the Safe

Safes located at the various sites could be accessed individually by as many as five to 22 staff members, including permanent, part-time, and seasonal employees. The funds stored in the safe consisted of the site's change funds, ranging from $500 to $3,300, the day's cash receipts until deposited in the bank the next day (which could run in the thousands of dollars at some sites), and the site's petty cash fund. Managers at the sites stated that the reason several employees had access to the safe was that they were open seven days a week, ten to 19 hours a day, while their staff worked only three or four days a week. The safes needed to be accessed daily for the sites' opening and closing procedures, to get change for the cashiers, to take money out of the safe and bring it to the bank for change or deposit, and for ring-outs during the day.

In addition to the large number of people with access to the safe, we noted that six sites were not changing the safe combination when a staff member who knew the combination left or no longer had the authorization. Four of the six sites were also not changing the safe combination at least annually as required in the SOPs. Furthermore, at some of the sites, items not related to the FCPA cash collection function, e.g., cell phones, credit cards, jewelry, and other lost and found items, were being stored in the safe.

The County's Accounting Technical Bulletin (ATB) 001 says that only one person with backup (the primary and alternate custodians) should have access to the change funds in the safe. Site management felt that the ATB requirement was not feasible since limiting access to the safe to only two people during operating hours would severely diminish their operating efficiency.

Having the safe accessible to several staff members, singly and individually, eliminates accountability in instances of loss of funds from thefts and mistakes. Storing items not related to the FCPA cash collection process in the safe only increases traffic to and from the safe, making it necessary to have the safe accessible to several people. Additionally, not changing the safe combination at least annually and when a staff member who knows the combination leaves or no longer has the authorization, could result in unauthorized employees accessing the safe.

Recommendation: We recommend the following:

1) If the requirement of ATB 001 to limit access to only two individuals is not workable, FCPA management should consider implementing "dual access control" over the safes. This means that access to the safes should always be by two people to reduce the risk of loss of funds when only one person accesses a safe. To enforce dual control, safes should be equipped with a locking mechanism that requires two keys or two combinations under the control of two individuals to open them.

   For those sites that open very early in the morning and close late at night when there aren't many customers, the site managers stated that it is not cost-beneficial to have two people (for dual control) at the site at those hours. They have, therefore, suggested alternative methods for limiting access to the safe, including: locking up the cash drawers with the $75 or $100 change monies in the locking file cabinets outside the safe; using the deposit drop door in the safe for the cashiers or duty managers to secure the individual deposits in the safe without actually opening the safe; giving each cashier a safe deposit box with his change fund in it so that he is solely accountable for it; etc. All these suggestions could achieve the objective of restricting access to the safe to two individuals per ATB 001 and should be fully explored by FCPA management. Whatever procedures are decided upon should be documented in the SOPs.

2) The SOP requirement to change the safe combination at least annually and when a staff member who knows the combination leaves or no longer has the authorization, should also be complied with by all the park sites.

3) Items not related to the FCPA cash collection process, such as lost credit cards, cell phones, jewelry, etc., that are currently being stored in the site's safe should be locked in a filing cabinet outside the safe.

Management Response:

1) New SOPs will be instituted that restrict access to safes to the minimum number of staff per operating day. Other potential solutions, such as purchasing safes that have restricted-access features like deposit drop doors, will be investigated. Revised SOPs should be completed by March 2006, with training and implementation completed by June 2006.

2) To ensure compliance with the SOP requirement to change safe combinations annually and/or when staff no longer works at or has access authorization, a new reporting requirement will be initiated to monitor compliance.

3) Designated alternate locations will be identified and used for non-monetary items that need to be secured (lost jewelry, wallets, etc.). These topics will be covered in mandatory staff training.

2. Separation of Duties

At six park sites, there was a lack of separation of duties in that the cashiers who received payments and rang them in ParkNet also updated batches and prepared the Daily Cash Reports. SOPs require that, for proper separation of duties, "the person who prepares the Cash Report should not also be the person who entered cash directly into the P.O.S. Unit."

Separation of duties is one of the most important aspects of cash control. The basic concept is to have a system of checks and balances so that no one person is allowed to complete related steps in a process from beginning to end. The purpose is to make it impossible for a person to carry out or conceal an error or irregularity without timely detection by others in the normal course of their duties. Inadequate separation of duties increases the potential for error, non-performance, poor performance, theft or fraud.

The main reason for the lack of separation of duties at the sites was that the cashiers were also functioning as managers-on-duty.

Recommendation: To ensure adequate separation of duties, site management should ensure that if a duty manager acts as cashier, he is precluded from being involved in updating/editing batches, making deposits, and preparing the Daily Cash Report.

Management Response: SOPs will be revised to ensure compliance and mandatory training will be provided and documented for all staff with cash handling duties. All SOPs should be revised by March 2006. Training and implementation will be completed by June 2006.

3. Cash Drawer Activity Sheets

One park site did not fill out a Cash Drawer Activity Sheet (or cashier's settlement sheet), another site completed it incorrectly, thereby defeating its purpose, and the rest of the sites had various errors and omissions in using the form (see attachments), contrary to the FCPA's guidelines.

The Cash Drawer Activity Sheet serves as the cashier's "settlement sheet," i.e., a verification process that reconciles the total amount of cash, checks, and credit card charges received with the dollar amount of receipts recorded in ParkNet. It is, therefore, important that the cashier complete the Cash Drawer Activity Sheet as prescribed in the SOPs, sign it, and have a reviewer, or the manager-on-duty (MOD), sign it also to certify that the change fund is properly re-established, and that the dollar value of receipts agree with the total of cash, checks and credit card charges. Unless this required settlement form is properly completed after each cashier's shift, the cashier would not know whether his collections were counted and recorded correctly, and whether there were any shortages or overages during his shift.

The main causes for the unsatisfactory compliance by the sites in completing the cashier's settlement sheet were lack of training and the time it took to fill out the form.

Recommendation: FCPA management should ensure that adequate training is provided to all managers and cashiers at the park sites regarding the proper completion of the Cash Drawer Activity Sheet as prescribed in the SOPs.

Management Response: Mandatory training regarding all cash handling guidelines and SOPs will be conducted and documented. Revised SOPs should be completed by March 2006. Training and implementation should be completed by June 2006.

4. Controls over the Cash Drawer

It was the practice at a couple of sites for a cashier to open a batch, using his ParkNet ID in the morning, and not to close the batch at the end of his shift. Instead, another cashier took over the register and continued cash drawer activity under the first cashier's batch number and ParkNet ID until his shift ended. Another cashier then took over, again continuing cash drawer activity under the first cashier's batch number and ID, and so on, until the end of the day.

The effect of having multiple cashiers working out of the same cash drawer and sharing the same batch and ParkNet User ID is that nobody knows who has been at the register all day and nobody is accountable for the specific transactions that took place. Such a practice is contrary to the FCPA's reporting/accountability guideline which requires that "a single on-duty cashier is to be responsible for each Batch opened using their ParkNet User ID and that "ParkNet User identifications are not to be shared." The guidelines further state that "batch closing *must* be done at each change of a cashier and at closing."

The inadequate controls over the cash drawer increase the risk of theft or error.

Recommendation: FCPA management should ensure that all park sites strictly comply with the established control procedures regarding cash handling and revenue collection.

Management Response: We will review SOPs and address this topic in mandatory training for site staff. Procedures will be monitored by site managers to ensure compliance. Revised SOPs should be completed by March 2006. Training and implementation should be completed by June 2006.

5. Driving Range Tokens

Tokens for the driving range were sold by both Twin Lakes and Burke Lake Golf, the two golf centers included in our audit sample. Prices of tokens ranged from $6.00 to $15.00, depending on the number of tokens purchased at one time. Revenue from tokens sold in FY 04 by Twin Lakes and Burke Lake Golf totaled $127,823 and $294,309, respectively.

We noted that accountability over the tokens was lacking and that controls were generally weak. The tokens were placed in an open box underneath the counter beside the cashier. The box was left there at the end of the day for use the following morning. More tokens were available in the safe, if needed. When tokens were sold, the sale amount was rung into ParkNet. However, at the end of the day, there was no way of knowing how many tokens were actually sold for comparison to ParkNet. This was because the number of tokens placed in the box at the beginning of the day and the number of tokens remaining in the box at the end of the day were not counted. Therefore, the ending count could not be subtracted from the beginning count to determine how many tokens were sold for comparison to the total sales recorded in ParkNet. Furthermore, only one person emptied the token machines at Twin Lakes, and similarly at Burke Lake Golf, then placed the tokens back in the boxes beside the cashiers to be resold.

An objective of sound management controls is to deter potential theft or fraud. A procedure to ensure that cash, and assets that represent cash, are fully accounted for would help achieve this objective. Unless proper accountability is established for the driving range tokens, theft of the tokens or the proceeds from the sale of the tokens could potentially take place and not be detected.

Recommendation: To provide accountability and stronger controls over the driving range tokens, we recommend the following:

1) A specified number of tokens (e.g., 100 or 200) should be placed in the box underneath the cashier's counter at the beginning of the day. At the end of the day, the tokens remaining in the box should be counted and the number subtracted from the beginning count. The difference represents how many were sold that day.

2) The number of tokens sold should then be reconciled to the ParkNet report showing the number of tokens sold. Tokens given to customers redeeming their driving range passes and free tokens given to employees are keyed in ParkNet using item codes other than "tokens sold." Therefore, these should be added back to the ending count of tokens in order to reconcile to ParkNet. This reconciliation would show whether all tokens sold had been properly rung up in ParkNet.

3) At the end of the day, the tokens remaining in the box should be secured in the safe by the manager-on-duty.

4) Two people should be assigned to empty the token machines. The tokens retrieved from the machines should then be returned to the safe instead of being put back in the boxes beside the cashiers.

5) Both sites should use a box with a lockable lid, instead of just an open box, for the tokens sold at the counter. The box needs to be locked only when it is

brought to the safe at the end of the day. Alternatively, the sites should consider putting the tokens in the cash drawer.

6) As an alternative solution to using tokens, FCPA management may consider issuing a bar-coded receipt to the customer which the customer could then swipe through the golf ball machine to get the golf balls he had paid for.

Management Response: SOPs will be developed to control the inventory of tokens and reconcile physical counts to sales records on a daily basis. Alternate methods and/or equipment for dispensing tokens will be investigated. Inventory control procedures should be completed by March 2006. Investigating other methods and/or equipment should be implemented by June 2006.

6. Review and Monitoring of Exceptions

We noted that ParkNet listed at the bottom of each cashier's batch tape various types of exceptions, such as: number of cancelled transactions, number of no sales, number of returns, total dollar amount of returns, number of price overrides, and total dollar amount of price overrides. However, we did not see evidence at the park sites that these exceptions were being reviewed and cashier performance monitored. Site management stated that they looked at the exceptions at the bottom of the batch tapes and reviewed anything that appeared irregular or unusual, but did not document their reviews.

Twin Lakes was the only site in our sample that had implemented a formal system for reviewing the exceptions and monitoring cashier performance. Twin Lakes recorded on Excel spreadsheets the exceptions listed at the bottom of each operator's batch tape, and sorted the exceptions by date and by operator. This systematic way of accumulating the daily exceptions and presenting them on spreadsheet reports assisted management in reviewing trends and identifying and researching unusual occurrences.

The importance of closely monitoring trends in cashier performance and researching any unusual exceptions cannot be overemphasized in this highly sensitive and vulnerable cash handling process. Documenting the trends and the results of their research would provide site management with evidence to support any appropriate action they might later decide to take.

Recommendation: FCPA management should include a requirement in their SOPs for the site managers to document their review of the ParkNet operator exceptions and their monitoring of trends in cashier performance.

Management Response: SOPs will be revised to include a requirement to document ParkNet cashier exceptions, review of cashier's performance and creation of a reporting tool for sites. This topic will be covered in mandatory staff training. Revised SOPs should be completed by March 2006. Training and implementation will be completed by June 2006.

7. Locker Rental Revenue

The two recreation centers in our sample, Audrey Moore and Oak Marr, had locker rental revenue but were not collecting it in accordance with SOPs. The rentals were not collected weekly and only one person at each site was making the collections. We noted other control issues regarding locker rental revenue which we have listed in the attachments to this report under Audrey Moore and Oak Marr. Locker rental revenue in FY 2005 totaled $12,645 for Audrey Moore and $20,559 for Oak Marr.

FCPA's guidelines for collecting and recording locker money require that locker rentals be collected weekly and that two staff members be assigned to collect the money from the lockers, thus placing dual custody over the money until it is turned over to the duty manager to put in the safe. The SOPs further state that a log should be maintained "indicating who collected, received, and counted the money, and when it was collected and rung in."

Although the amount of money involved in locker rentals may not be material relative to the overall revenue generated by the recreation centers, it is important that the agency's cash security guidelines are complied with to minimize the opportunities for error, theft or fraud.

Recommendation: FCPA management should ensure that all the recreation centers comply with SOPs concerning locker rental revenue. In addition, site management at Audrey Moore and Oak Marr should take appropriate action to correct or resolve the issues detailed in the attachments on this subject.

Management Response: This topic will be covered in mandatory staff training and a new reporting requirement will be implemented to ensure compliance and regular oversight. Training and implementation should be completed by June 2006.

8. Revenue from Gift Certificates

Another source of revenue for four sites in our sample was the sale of gift certificates to patrons. We noted that at two of the sites, the gift certificates were not being sold in numeric sequence, and certificate numbers were being repeated and sold on different dates for different amounts. In addition, a third site was not keying in the item code, "gift cert," into ParkNet when a gift certificate was sold. Instead, the sale was rung up for whatever the certificate was good for, e.g., five rounds of golf, which was inconsistent with the way the other sites were ringing up their gift certificate sales. Lastly, for the three sites that used the right item code in keying in the sales, we noted differences between ParkNet and the gift certificate logs in the total number and dollar amount sold during a selected month.

Non-consecutive issuance of gift certificates and the use of duplicate numbers for certificates sold on different dates for differing amounts could result in incorrect redemption of the gift certificates when presented by patrons. Not keying in the appropriate item code in ParkNet for the sale of a gift certificate would make it impossible for FCPA management to get accurate statistics from ParkNet about the

total amount earned from this particular revenue source. Lastly, discrepancies between ParkNet and the sites' gift certificate logs regarding the number and dollar amount of the sale indicate that either a sale was not rung up in ParkNet or that a sale was not recorded in the logbook (which is the cashiers' reference source when a certificate is redeemed).

Recommendation: We recommend that:

1) Site management should ensure that gift certificate numbers are used in numeric sequence and are not repeated for different certificates sold.

2) FCPA management should ensure that all park sites consistently use the designated item code for keying sales of gift certificates into ParkNet.

3) When reconciling batches at the end of the day, the duty manager at the site should include a reconciliation of the total gift certificates sold per the log, to the sales recorded in ParkNet. To facilitate the reconciliation, it would be helpful to include a space on the certificate log for the cashier to write in the batch and transaction number next to the sale.

Management Response: A new system-wide approach will be created to ensure full accountability for tracking the issuance, redemption and recordation of gift certificates. This approach will be documented in the SOPs and will be covered in mandatory staff training. Revised SOPs should be completed by March 2006. Training and implementation should be completed by June 2006

9. Check Processing

At FCPA headquarters and at three of the park sites sampled, checks were not restrictively endorsed upon receipt. Instead, endorsement was done later in the day or evening when the administrative assistant or duty manager prepared the deposit slip.

The Department of Finance's (DOF's) over-the-counter collections guidelines state that all checks should be endorsed on the back with a stamp, "For Deposit Only/Account Number and Agency Name" **when received.** This ensures that all checks are deposited in the designated bank account and not diverted for other purposes. The longer the checks are not endorsed, the greater the risk that they will be improperly negotiated.

Recommendation: Checks should be restrictively endorsed upon receipt.

Management Response: SOPs will be revised to incorporate restrictive endorsement of checks upon receipt. This topic will be covered in mandatory staff training. Revised SOPs should be completed by March 2006. Training and implementation should be completed by June 2006.

10. Safe Access Journal

At four of the sites in our sample, the staff did not maintain a safe access journal to document each time a staff member accessed the safe. One site did not bother to maintain a safe access journal at all, while the others had safe journals where the only activity recorded was when money was taken to the bank for change, or when the change bank was counted, not each time someone accessed the safe.

The SOPs require maintenance of a safe access journal at each site to record every access activity. This journal should show the date, amount involved, staff involved, and reason for access. Maintaining such a journal makes the staff more alert to what they are doing each time they access the safe. It also encourages interim reconciliations of cash and earlier detection of discrepancies in the cash balance.

Recommendation: All site managers should implement the use of safe access journals as required by the SOPs.

Management Response: Mandatory staff training will be provided and methods to ensure compliance and regular oversight will be investigated. Training and implementation should be completed by March 2006.

11. Controls Over Public Links' Revenues

Public Links, Inc. is a corporation set up by the Park Authority to provide for the sale of beer at Twin Lakes and other designated golf courses. Revenues collected from the beer sales are deposited into a Public Links' bank account at Bank of America. The net profit (revenues less expenditures) realized by Public Links is paid to the Park Authority which uses the funds exclusively for the operation and maintenance of the golf courses. For the calendar year 2004, the total beer sales profit at Twin Lakes, paid to the FCPA from Public Links' account, was $43,452. In reviewing the controls over Public Links' revenues at Twin Lakes, we noted a lack of separation of duties in the handling of the company's account. The person who wrote checks on the account and maintained the accounting records was the same person who reconciled the monthly bank account statements to the accounting records.

The Public Links Operating Procedures require that an employee other than the one with check signing authority must perform the bank account reconciliation. Without this separation of duties, the opportunity for error, theft or fraud is increased.

Recommendation: The monthly bank account reconciliations for the Public Links' account should be performed by someone other than the employee that possesses signing authority and maintains the books.

Management Response: Twin Lakes Golf Course is already in compliance with this recommendation. The other Public Links facilities will also establish procedures to be in compliance with this recommendation. This procedure was reestablished July of 2005 at Twin Lakes. Compliance at the other three sites will be implemented by March 2006.

12. Physical Inventories of Resale Merchandise

All the park sites in our audit sample were taking physical inventories of their resale merchandise either monthly, semi-annually (as in the case of Sully Historic Site and Frying Pan Park), or at the beginning of the fishing or camping season. Our review noted two sites that were excluding some merchandise items from being inventoried. In addition, the inventory reports of the majority of the sites simply listed the quantity, price and retail value of the items on hand at the time of the count without comparing them to purchase and sale documentation to determine if there were any missing items. We further noted that there was no requirement for the park sites to report the results of their physical inventories to FCPA Accounting for their review.

The risk of lost, stolen, or erroneously recorded merchandise items going undetected is high without a proper periodic physical inventory. A proper inventory requires that the count of items on hand should be compared to the total of the beginning inventory plus purchases, less the total sold during the period. Unless this comparison is made, it would not be possible to determine if there are any missing items. Review by FCPA Accounting of the results of the sites' physical inventories is important for monitoring trends and identifying discrepancies that may require investigation.

Recommendation: We recommend the following:

1) Site management should ensure that a physical count of all their resale merchandise items is performed periodically and compared to purchase and sale documentation. Purchase information can be obtained from their hard-copy vendor invoices while sales information is available from ParkNet.

2) FCPA management should include a requirement in the SOPs to have the sites report the results of their periodic inventories to FCPA Accounting for their review.

Management Response: This topic will be covered in mandatory staff training and a new reporting requirement will be implemented to ensure compliance and regular oversight. SOPs will be revised to include these requirements. Revised SOPs should be completed by March 2006. Training and implementation will be completed by June 2006.

13. Deposit of Revenue Collections

During the audit, we noted that Sully Historic Site was not depositing collections within 24 hours or by the next business day after the amount reached $300 or more. The $300 minimum was allowed in the SOPs for the Resource Management Division (RMD) sites because their daily collections were relatively small. Our testing revealed, however, that collections frequently exceeded $300 early in the week for Sully Historic Site but their procedure was to wait until the end of the week before making the deposit.

The SOPs for the RMD sites state that, "Deposits will be made any time the amount of cash/and or checks collected is $300 or greater. The deposits must be made within 24 hours or by the next business day."

Delayed deposits of revenue collections result in a loss of interest earnings and increase the risk of the funds getting lost.

Recommendation: If site management feels the $300 standard needs to be raised for Sully Historic Site, they should obtain RMD management approval for a higher amount. Otherwise, they should ensure that deposits are made when collections reach $300 in accordance with SOPs.

Management Response: RMD management will seek approval to increase the deposit amount for revenue collections at all RMD locations. SOPs will be revised to include this revision. In addition, the SOPs regarding deposits will be reviewed in a division staff meeting and RMD management will direct staff to comply with established SOPs. Revised SOPs should be completed by March 2006. Training and implementation will be completed by June 2006.

14. Revenues for Frying Pan Park's Support Group

Frying Pan Park receives revenues from the Youth Center Supervisory Board (YCSB), a support group that provides funds in return for sale of support group merchandise and fees for participation in activities sponsored by them. Our review noted that revenues from events sponsored by YCSB, such as horse shows, and from the sale of livestock, eggs, and other support group merchandise, were not rung in ParkNet and deposited in the Park Authority's bank account. Instead, the collections were placed in the manager's safe for deposit into YCSB's bank account the next day. The safe log recorded a horse show held on May 2, 2005, that brought in $3,264 in revenue and the sale of livestock on May 5 for $586.00. RMD's cash security guidelines require that payments from the sale of the support group's merchandise and from fees for activities sponsored by the support group should be recorded in ParkNet and deposited in the appropriate Park Authority bank account along with other revenue collected. Monthly, payments are to be made to the support group based on ParkNet reports of the support group's transactions.

Ringing up the revenues of the support group in ParkNet allows the transactions to get recorded. Without a record of the collections, there would be no audit trail to provide individual accountability, and a means to reconstruct events should that become necessary.

Recommendation: Frying Pan Park should ensure that revenue collections for the support group are rung up in ParkNet and deposited in the designated Park Authority account in accordance with SOPs.

Management Response: RMD management will evaluate current procedures and will draft cash handling SOPs for the entire division that will be in accordance with recommendations put forth by the Internal Audit Office. As a short term measure, Frying Pan Park will comply with current SOPs by December 2005. Long term measures include drafting SOPs for all "Friends of" and the support group in RMD by June 2006.

The next two items are "best practices" that we recommend should be incorporated into the SOPs:

15. Removal of Excess Money from Cash Drawers

A best practice, included in the Department of Finance's (DOF's) Over-the-Counter Collection guidelines, to further safeguard cash is to establish a dollar limit for each cash drawer. Amounts over the limit should be removed, sealed in an envelope or bag, and stored in the safe. The money should not be merged together, but kept separately to ensure that deposits from individual cashiers can be made intact. We noted that there was no dollar limit established in the SOPs for each cash drawer. Although a few site managers said they "skimmed" some of the bills in the cash drawers when they felt the cash had reached excessive levels, this procedure was not documented in their SOPs. Moreover, the removal of the cash when such a transfer took place was not recorded. At some sites, the big bills were just stuffed in a bag, uncounted and unsealed, and placed underneath the cashier's counter.

Recommendation: We recommend that FCPA develop and implement procedures for removing excess cash from the cash registers. The procedures should include proper sign-offs between the giver and receiver of the funds, securing the money in the safe, and documentation of the amount removed for later use in reconciliation and deposit.

Management Response: SOPs will be revised to increase and/or establish dollar limits for cash drawers and documentation requirements for removal of excess cash from drawers. This topic will be covered in mandatory staff training. Revised SOPs should be completed by March 2006. Training and implementation will be completed by June 2006.

16. Cashier's Acknowledgment of Responsibilities

Another best practice is to require cashiers to sign a document of understanding about their responsibilities in safeguarding their change funds and payments received. This is also recommended in DOF's Over-the-Counter guidelines, available on the Info web, where an example of such a document is attached.

A written agreement or acknowledgement of his responsibilities would reinforce in the cashier's mind a commitment to safeguard his funds and adhere strictly to the agency's cash handling and security procedures.

Recommendation: We recommend that this best practice as described above be added to the agency's SOPs. The Park Authority should draft an appropriate cashier document, obtain approval from the County Attorney's office if deemed necessary, and include it in the SOPs.

Management Response: The SOPs will be revised to include an agency-wide Cashier's Acknowledgement of Responsibilities Agreement, including reporting requirements. This topic will be covered in mandatory staff training. Revised SOPs should be completed by March 2006. Training and implementation will be completed by June 2006.

17. Additional Needed Updates to the SOPs

There were some requirements in the SOPs that were no longer valid and certain procedures that needed to be included or clarified. These are listed as follows:

1) The requirement to count and record season passes in the cash drawer is no longer applicable and should be deleted from the SOPs. The sites have not kept punch cards and season passes in the drawer since the system was changed to make those items bar-coded scan cards.

2) The requirement that receipts be kept in the drawer for no sales, cancellations and price overrides should be deleted from the SOPs as ParkNet does not generate receipts for such events according to site management.

3) There was no provision in the SOPs for taking inventories of resale merchandise. Although the sites already do this, it should be formally included in the written SOPs.

4) The SOPs should clarify the requirement for reporting daily cash shortages and overages of $5.00 or more to FCPA Accounting by stating that shortages are not to be netted against overages. At the time of the audit, the designated form being used to report shortages and overages stated: "This form is required if cash reports are OVER or SHORT $5.00 for the day." The sites were, therefore, netting the shortages and overages among the different batches in the cash report and only reporting the net shortage or overage if any remained that was $5.00 or more. The SOPs should make clear that every batch shortage or overage in excess of the limit has to be reported and explained to FCPA Accounting.

Recommendation: We recommend that FCPA management update the SOPs as described above.

Management Response: The SOPs will be revised to reflect and clarify the items noted above and these topics will be covered in mandatory staff training sessions. Revised SOPs should be completed by March 2006. Training and Implementation will be completed by June 2006.

The findings in the succeeding paragraphs pertain to issues at FCPA headquarters:

18. Vendor Access to ParkNet

The ParkNet vendor, BetaData Systems, Inc., had full and unlimited access to the system application under its contractual support agreement with the Park Authority. This wide access, which included read, write, modify, and delete data, files, and programs in the system, was not being monitored or controlled by the Park Authority for potential unauthorized use. Although the vendor's access activity was captured in the audit trail information, the audit log was not being reviewed.

The County's Information Technology Security Policy # 70-05-01 provides guidelines for vendor access, intended to protect the integrity of the agency's data and information, and ensure computer system security. One of these guidelines is that the vendor agreement must "specify the information the vendor should have access to." This requirement is in line with the "least privilege principle" prescribed in the policy as the basis for any access granted to system users. The policy also states that "all vendor maintenance equipment that connects to the outside world via the network, telephone line or leased line, and … all vendor accounts will remain disabled except when in use for authorized maintenance."

Full and unlimited vendor access that is not monitored could potentially result in undetected unauthorized modification or manipulation of the system, undermining data and program integrity, confidentiality, and availability.

The Park Authority's contractual support agreement with BetaData Systems, Inc. was entered into in 1992, long before the issuance of the County's Information Technology Security Policy in April 2003. Therefore, some of the vendor access guidelines in the Policy may not have been incorporated into the agreement with BetaData.

Recommendation: We recommend the following:

1) The Park Authority should incorporate the County's Information Security Policy guidelines on vendor access into their contract with BetaData Systems, Inc. through an addendum or modification to the existing contract. The guidelines would more clearly define and formalize the conditions for vendor access to the ParkNet system.

2) As a detective control, the Park Authority should monitor vendor access activity by reviewing the audit log more closely, noting such events as project milestones and major work activities, and the nature of the files, information, or programs accessed.

Management Response: New guidelines defining vendor access to the ParkNet system will be incorporated in the existing contract via a contract modification or addendum. A system to regularly document and review vendor activity on the ParkNet system will be developed and documented in the SOPs. The contract

modification should be completed by March 2006. Revised SOPs, training and implementation will be completed by June 2006.

19. Billing and Collection for Facility Use Contracts

There were 16 private companies and 25 county agencies that contracted annually with the Park Authority for the use of the recreation centers by their employees and/or clients. For FY04, revenues from these contracts totaled $139,489. Our review at the Park Services Division regarding revenues generated from these contracts noted a lack of separation of duties between the billing and collection functions. The person responsible for billing the customers, updating the customer billing sheets, and following up on delinquent payments, was the same individual who opened the mail containing the payment checks and posted them to the customer billing sheets.

Sound internal controls require separation of duties between billing and collection. In addition, the FCPA's Cash Security Guidelines state, as an example of adequate separation of duties, that "the individual who receives customer payments should not also maintain the balance on customers."

Without a proper separation of duties, the payments received may not be reflected on the billing sheets showing the customers' account balances, thus providing an opportunity for theft or fraud.

Recommendation: The Park Services Division should re-assign staff responsibilities in order to achieve an effective separation between the billing and collection functions. Someone other than the person in charge of billing should receive the payments and ring them up in ParkNet. The payment information should then be given to the billing person for posting to the accounts receivable ledger or customer billing sheets.

Management Response: Billing and collection functions for facility use contracts are already in compliance with recommendations. This item has been completed.

20. Financial Management Branch's Site Reviews

The Financial Management Branch was tasked by FCPA management to periodically conduct full reviews of the sites as part of their compliance monitoring function to ensure that established cash handling procedures were being followed and problems did not exist. We noted that no full reviews had been performed in FY05 and FY04, and that only one was performed in FY03 and three in FY02. Thus, Financial Management performed a full review of only four out of the 29 revenue-generating sites (or 13%) over the four-year period from FY02 to FY05. We also noted that follow-ups on the status of their recommendations were not performed routinely by Financial Management.

For site reviews to be effective as a monitoring tool, they should be performed on all the revenue-generating sites periodically. Moreover, follow-ups on the status of

recommendations should be a required procedure to further strengthen Financial Management's review program.

Without adequate coverage of the Park Authority's sites, the internal control measure provided by Financial Management's reviews would not be effective in ensuring site compliance with the agency's cash handling and revenue collection procedures. Likewise, the absence of routine follow-ups on recommendations would make the review program less effective.

Recommendation: We recommend that Financial Management reassess methods available to allow the performance of complete site reviews, ideally on at least a 3-year cycle. In addition, follow-up of its recommendations should be made a requirement in Financial Management's site compliance review program. Should staffing size prevent the completion of compliance reviews in a timely manner within a reasonable cycle, we recommend that an alternate method of completing the reviews be implemented. One such method would be a peer review approach.

Management Response: Teams will be created, consisting of site staff, to perform compliance reviews related to cash control procedures utilizing a "peer review" approach. In addition, the Financial Management Branch will conduct unannounced, full cash handling and revenue collection procedural audit reviews of all revenue generating sites on a consistent cycle. Procedures and action plan should be completed by March 2006. Peer review implementation should be completed by July 2006.

21. Returned Checks

The returned checks log for the entire agency as of January 31, 2005, had 672 outstanding items, totaling $65,481. The ages of the returned checks ranged from one month to over 6 years. In our review of the returned checks for the Park Services Division (Leisure and Wellness) and the park sites in our sample (except Burke Lake Golf and Burke Lake Park who each had only two outstanding returned checks), we noted numerous repeat customers who had paid with bad checks up to four times and been accepted by the cashiers.

The returned checks log received by the sites from headquarters was for the entire agency and normally consisted of 15 to 20 pages. Therefore, the majority of the sites did not post the log at the cashier's cage because checking the log when a customer presented a check was too time-consuming and inefficient. The ParkNet system has the capability of flagging the opening screen if a customer with a member account has a negative balance, thereby alerting the cashiers. However, the system was not being used to manage and control the agency's returned checks.

We further noted that the SOPs did not require cashiers to obtain a photo ID (e.g., driver's license), address and telephone number from patrons paying by check. Such information, if written on the check by the cashier, would assist in the agency's collection efforts later on should the check be returned.

Recommendation: We recommend the following:

1) For member-based transactions, FCPA management should have ParkNet alert the cashiers by flagging the opening screen if a customer has an outstanding returned check. This would assist in preventing repeat occurrences for those customers with a member account.

2) FCPA management should include in the SOPs a requirement that the cashiers obtain a photo ID, address, and telephone number from customers paying by check, and to write this information on the face of the check if the customers are non-members. If the customer has a member account, the cashier should write the account number on the check.

Management Response: New SOPs will be implemented to use ParkNet to flag a member's account if the customer has an outstanding returned check. SOPs will be revised to clarify the verification and documentation requirements for accepting checks. This topic will be covered in mandatory staff training sessions. Revised SOPs should be implemented by March 2006. Training and implementation should be completed by June 2006.

22. Retention Period for Program Registration Forms

The Park Services Division and some of the park sites in our sample received program registration forms from customers either by fax or by mail, containing the customer credit card numbers to be charged in payment of the program fee. Because of the danger of credit card numbers being misused or stolen, the registration forms containing the credit card numbers were being kept in locked fireproof cabinets either in the manager's office or in the cash accounting area. However, we noted that there was no consistency among the sites and the Park Services Division regarding the retention period for the registration forms. Some sites destroyed the forms immediately after ringing up the payments in ParkNet; others, including headquarters, retained them for three months, others three years, and still others kept them forever. The reason for the varying retention periods was the lack of a specific guideline in the SOPs regarding this issue.

Without specific guidelines on the retention period for customer program registration forms, some sites may be destroying them too early, thus losing important evidence in case of disputes, while others may be keeping them too long, thereby increasing the risk of theft of the credit card numbers.

Recommendation: FCPA management should determine the appropriate retention period for registration forms containing credit card account numbers, and issue the appropriate guidelines to all the park sites.

Management Response: The SOPs will be revised to reflect the document retention and destruction requirements for registration forms and other documents that contain customer credit card information. Revised SOPs should be completed by March 2006. Training and implementation should be completed by June 2006.