



Oceanfront Parks Revenue Audit

#721

Executive Summary

Why CAO Did This Review

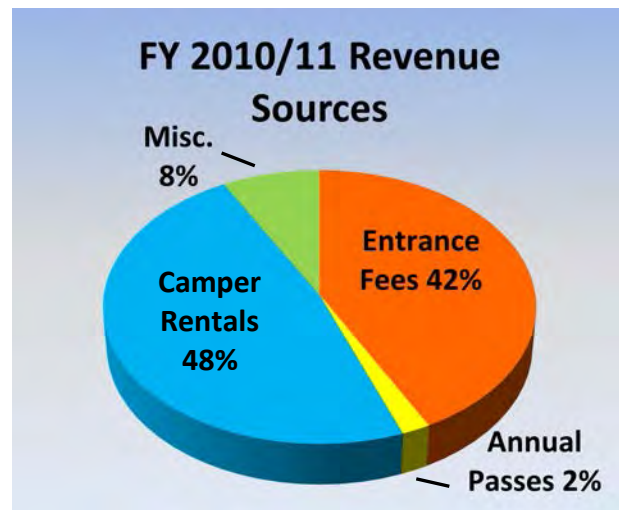
This audit was conducted based on the Council Auditor's Office internal risk assessment and audit plan in addition to various tips received concerning operations at Hanna and Huguenot Parks. These two oceanfront parks conduct a cash intensive operation that collects approximately \$1,500,000 each year through entrance fees, camping site rentals, facility/shelter rentals, the sale of annual passes and early bird booklets, and vendor services contracts.

What CAO Recommends

The Waterfront Management and Programming Division (WMPD) of the Parks and Recreation Department needs to establish controls to protect sensitive customer information while at the same time establishing better controls to safeguard City assets. WMPD should enforce the procedures established by the City for cash receipts in addition to the controls established for revenue collections and reporting.

What CAO Found

- Credit card numbers provided by customers for camping and facility reservations, as well as the purchase of annual passes, were not being encrypted by the camping software.
- Improperly reported sales activity and questionable transactions occurred at Huguenot Park.
- Record keeping for the sale of annual passes and early bird ticket books was incomplete. Fifty-seven passes, valued at \$4,560, out of 794 passes tested were unaccounted for, while the uncollected or missing revenue from the early bird ticket books was unable to be determined due to poor record keeping.
- Multiple violations of the City's Standard Operating Procedures on Cash Receipts were found.



Misc. revenue sources include facility/shelter rentals, the sale of early bird booklets, and vendor services contracts.



Council Auditor's Office

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April 23, 2012

Report #721

Released on: September 27, 2012

AUDIT REPORT #721

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OFFICE OF THE COUNCIL AUDITOR
Suite 200, St. James Building



April 23, 2012

Report #721

Honorable Members of the City Council
City of Jacksonville

INTRODUCTION

Pursuant to Section 5.10 of the Charter of the City of Jacksonville and Chapter 102 of the Municipal Code, we conducted an audit of Kathryn Abbey Hanna Park and Huguenot Memorial Park. These parks are a part of the Waterfront Management and Programming Division. At the time of our audit, the division was located within the Recreation and Community Services Department. The department has since been reorganized and is now known as the Parks and Recreation Department. The focus of our audit was the collection of revenue at both parks. Approximately \$1.5 million is collected as revenue by the two parks each year through entrance fees, camping site rentals, the sale of annual passes and early bird tickets, facility rentals, and vendor services.

Pursuant to City policy, any agency that has activities related to cash receipts, deposits, and record keeping of monies received by the City of Jacksonville must follow the City's Standard Operating Procedures for Cash Receipts as issued by the City Comptroller.

STATEMENT OF OBJECTIVE

The objective of the audit was to determine if proper internal controls over revenue collections are in place at Hanna Park and Huguenot Park to ensure the accurate and timely collection, recording and depositing of these revenues and if personnel are following the City's Standard Operating Procedures for Cash Receipts.

STATEMENT OF SCOPE AND METHODOLOGY

The initial scope of our audit was October 1, 2010 through September 30, 2011. To complete the audit, we conducted interviews with applicable personnel and reviewed supporting documentation relating to the collection, deposit and reporting of revenue at Hanna and Huguenot Parks. More specifically, we:

- Determined the types of revenue collected at each park through interviews, observations, park websites, and use of the City's financial information system - FAMIS
- Compared the City's Cash Receipts Policies to the revenue collection processes at both parks to determine what policies were applicable
- Examined internal controls surrounding revenue collections
- Selected judgmental samples based on the seasonality of the parks' business and a sample of high volume days

For the samples selected above, we performed the following testing procedures:

- Compared the daily deposits to register tapes and system generated reports
- Compared the sale of early bird tickets and annual passes to the respective logbooks
- Traced the deposits to FAMIS for proper posting in a timely manner
- Examined all voids for proper approval and reasonable explanations
- Examined inventories of annual passes and early bird tickets to determine accountability
- Verified that revenue was properly deposited

In addition to the samples based on seasonality, we selected the following items for additional testing:

- A judgmental sample selection of contracts for the rental of the Dolphin Plaza at Hanna Park to verify full payment was received and properly posted in a timely manner
- A judgmental sample selection of refunds processed by the Accounting Division to verify proper approval and refund amount
- All contracts for concession/vendor services provided at the parks to verify appropriate contract payments and revenue postings
- Administrative Services Division (of the Intra-Governmental Services Department) sales tax reports to verify deposits on each day of the testing period

During our testing we found excessive use of the “No Sale” button on the cash registers, which raised questions. Therefore, we expanded our initial audit scope to perform limited testing by:

- Reviewing the number of daily no sale transactions at each park during February and March 2012
- Determining the camera surveillance footage available from the DVR systems at each park
- Recording the day with the highest number of no sale transactions for viewing purposes
- Watching the video to determine why the “No Sale” button was being utilized with high frequency
- Reviewing internal journal tapes of the cash registers and comparing this information to daily sales report data, video footage and actual deposits
- Comparing internal journal tapes to daily sales reports from October 2011 through March 2012

Our report is structured to identify Internal Control Weaknesses, Audit Findings, and Opportunities for Improvement as they relate to our audit objectives. Internal control is a process implemented by management to provide reasonable assurance that they achieve their objectives in relation to the effectiveness and efficiency of operations and compliance with applicable laws and regulations. An Internal Control Weakness is therefore defined as either a defect in the design or operation of the internal controls or is an area in which there are currently no internal controls in place to ensure that objectives are met. An Audit Finding is an instance where management has established internal controls and procedures, but responsible parties are not operating in compliance with the established controls and procedures. An Opportunity for Improvement is a suggestion that we believe could enhance operations.

STATEMENT OF AUDITING STANDARDS

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDITEE RESPONSES

Responses from the auditee have been inserted after the respective finding and recommendation. We received these responses from the Parks and Recreation Department, via Kelley Boree, Director of Parks and Recreation, in a memorandum on July 23, 2012. We also received responses from the Administrative Services Division, via Marlene Russell, Chief of Administrative Services Division, in a memorandum on July 6, 2012.

AUDIT CONCLUSION

The Parks and Recreation Department's Waterfront Management and Programming Division is not consistently applying and enforcing the internal controls that have been established to safeguard City assets. They also need to implement additional controls to address discovered weaknesses that make the City vulnerable to unnecessary exposure.

AUDIT OBJECTIVE #1

To determine if proper internal controls over revenue collections are in place at Hanna Park and Huguenot Park to ensure the accurate and timely collection, recording and depositing of these revenues and if personnel are following the City's Standard Operating Procedures for Cash Receipts.

INTERNAL CONTROL WEAKNESSES

Internal Control Weakness 1 – 1 *Accessible Customer Credit Card Information*

The Campground Manager software utilized at both Hanna and Huguenot Parks for the booking of camping reservations, the rental of shelters/facilities and the sale of annual passes currently stores the credit card information of customers who have chosen this payment method. With just a few clicks inside the program, any staff member can access any paying customer's full credit card number and expiration date in addition to their name and address. This creates a risk for customers' private information to be used fraudulently and is a direct violation of the Payment Card Industry's (PCI) Data Security Standards (DSS). The PCI DSS was developed to encourage and enhance cardholder data security by the five founding global payment brands – American

Express, Discover Financial Services, JCB International, MasterCard Worldwide, and Visa Inc. – and encourages all businesses that store payment account data to comply with the PCI DSS. There are no penalties associated with non-compliance of the PCI DSS; however, individual payment brands may have their own compliance initiatives which could result in financial or operational consequences to the City.

Additionally, from these same screens within the software, staff has the ability to generate refunds for customer’s paying with a credit card. Per the standard operating procedures, refunds are only allowed with management approval.

Recommendation to Internal Control Weakness 1 – 1

The Waterfront Management and Programming Division should contact the software provider immediately to pursue the reported \$274 upgrade solution at both Hanna and Huguenot Parks to address this security issue. They should also seek a solution to the single level of approval for refunds.

Parks and Recreation Response to Internal Control Weakness 1 – 1

Agree Disagree Partially Agree

The Mission Management campground reservation software has been updated and now includes encryption of customer credit card information. Mission Management customer service staff have indicated that because this system is not customized specifically for the City of Jacksonville Parks, the refund option seen on the screen is part of the default user graphical interface however the function is disabled in the system. All refunds must be processed through the established multi-tier process established by the City.

Internal Control Weakness 1 – 2 *Undocumented Park-Specific Policies & Procedures*

Both Hanna and Huguenot Parks were unable to provide park specific policies and procedures outlining and defining their processes on a daily basis. Policies and procedures specific to an organization’s operations should exist for training, employee reference and documentation to clearly address employee’s responsibilities and management’s expectations.

Subsequent to the completion of fieldwork, Hanna Park provided policies and procedures applicable to their operations. Because of the timing in which we received these policies, they were not used for any testing purposes. However, requested copies of signed employee acknowledgements signifying receipt of the policies and procedures for Hanna Park were never provided.

Recommendation to Internal Control Weakness 1 – 2

Hanna and Huguenot Parks should develop and utilize a written form of policies and procedures specific to their operations regarding revenue collections, reporting, etc. The City’s Standard

Operating Procedures on Cash Receipts allows for each agency to add specific procedures that relate to their own businesses, as long as they are not contradictory to the cash receipts procedures. Park-specific policies will assist new employees while establishing written guidelines for employees to follow.

Parks and Recreation Response to Internal Control Weakness 1 – 2

Agree Disagree Partially Agree

Although the hard copies were not available for the Auditors, both Hanna and Huguenot do utilize the City's Standard Operating Procedures on Cash Receipts. Today, each park has written Standard Operating Procedures at the park which provide direction specific to the needs and requirements of daily operation of the facility including opening and closing procedures. We believe that between these above mentioned documents all aspects of cash handling and operation are clearly defined.

Council Auditor Rebuttal to the Parks and Recreation Response to Internal Control Weakness 1 – 2

We utilized the City’s Standard Operating Procedures on Cash Receipts as a tool to conduct this audit as seen in Finding 1-5 documenting the parks’ non-compliance with such procedures. Our recommendation suggests that Hanna and Huguenot Parks develop a written form of policies specific to their operations as allowed by the City’s Standard Operating Procedures on Cash Receipts for further documentation of each park’s procedures.

Internal Control Weakness 1 – 3 *Exclusion of Z Tape from Second Register*

Daily revenue reports are sent to the Administrative Services Division (ASD) for calculation of sales tax and storage of the official documents in a centralized location. Huguenot Park does not include a Z tape from the second admissions register in daily reports sent to ASD to verify that it was not used to collect revenues. Rather, a handwritten note on a portion of the daily reports indicates that the second register was not used that day. A Z tape closes out a cash register and reports all activity of the register from the last time it was closed out. By not including a Z tape for the second register, Huguenot Park is not held accountable for activity that could have taken place during the day, increasing the risk that misappropriated funds would not be detected. In addition, ASD is unable to tell if any sales took place and therefore, if any sales tax should be remitted.

Additionally, both parks let ASD know when they will no longer be using the second admissions register due to a decrease in activity as the summer ends and when they put it back into use due to an increase in activity. During this time of lower activity, they no longer give any indication of the second register’s use via a Z tape or a handwritten note. Sales can occur during this time period without ASD being made aware.

Recommendation to Internal Control Weakness 1 – 3

Hanna and Huguenot Parks should send the cash register Z tape format that includes grand total amounts for the second admissions register even if it was not used that day. This should be a requirement for both parks each day that the parks are open. ASD should correspondingly keep a running log of each day’s Z tape grand total. This would allow ASD to compare the current day’s grand total to the prior day’s grand total where the difference should equal the current day’s sales. This record keeping would detect missing revenue if it was not properly reported and ensure that all sales have been captured prior to remitting/reporting sales tax to the State of Florida.

Parks and Recreation Response to Internal Control Weakness 1 – 3

Agree Disagree Partially Agree

The second admission register at both Hanna and Huguenot are operated from the guard shack during the busy spring and summer seasons. During the season, a z-tape will be run each day from that register regardless of use. However during the winter season, the second admission register from each park is removed from the admission 2 guard shack (for approximately a 5 month period) and placed into storage. This is due in part to the the fact that the guard shacks are not well insulated from the weather and the storage of additional equipment in that detached facility when not in use for an extended period increases the vulnerability to theft or vandalism.

Administrative Services Division Response to Internal Control Weakness 1 – 3

Agree Disagree Partially Agree

ASD agrees with the recommendation. Hanna Park has been consistent in providing the grand total tapes for each register. Huguenot Park has not provided the grand total tapes and submits Register 2 reports only when the register is used. A procedure change will need to occur by Parks and Recreation management to require both parks to send the cash register Z tape on a daily basis.

Internal Control Weakness 1 – 4 *Use of “No Sale” Button*

The “No Sale” button on the cash register is utilized a considerable amount of time (sometimes in excess of 50 times a day) and the frequency does not seem to fluctuate consistently with the amount of day’s revenues. Staff verbally indicated they use the “No Sale” button to provide change to patrons without ringing up a transaction; however, the quantity of times that it was utilized on certain days does not seem reasonable for this explanation.

Additional audit work was conducted to examine the use of the “No Sale” button via recorded video. The single day’s video that was viewed showed that the “No Sale” button is used by the employees to remove/count cash from the register drawers numerous times throughout the day. Cash is removed from the drawer once a significant amount has been collected. It is also counted

at various times during the day by employees for what appears to be a check of how much cash they have collected to that point.

The removal of cash is a necessary activity due to the amount that is received; however, employees should not be counting the funds collected prior to the closing of their drawer.

Recommendation to Internal Control Weakness 1 – 4

We recommend that Parks and Recreation management establish a quantity threshold for use of the “No Sale” button and that management review instances where the threshold has been exceeded to determine the cause. Management should also consider restricting employee’s access to register operations as described in Opportunity for Improvement 1 – 2.

Parks and Recreation Response to Internal Control Weakness 1 – 4

Agree Disagree Partially Agree

Both Hanna and Huguenot Parks realize a large number of visitors who pay an entrance fee largely with \$1 bills. The "No Sale" button is intended to be utilized only to open the register to remove excess bills from the till to be counted and placed in the secure cash draw or safe or when change must be made for the separate campground register which is operated year round at each facility. A log will be developed to be located at each register. Staff will log reasoning for each 'no sale' transaction. At the end of the day, the z-report will be analyzed, comparing the log to the total 'no sale's on the z-report. If there is a difference of more than five, a full investigation will be conducted.

Internal Control Weakness 1 – 5 *No Inventory of Internal Cash Register Tapes*

The cash registers at Hanna and Huguenot Parks have an internal journal tape that keeps a record of all transactions entered into the register. When the tape runs out, it is replaced with a blank one. Both parks store used journal tapes onsite, but do not have an organized method in place to ensure that all journal tapes are accounted for once they are used and removed from the cash registers. At Huguenot Park, we were unable to locate several tapes for both admissions registers. The lack of an inventory system contributed to the missing tapes. We did not examine specific internal journal tapes for Hanna Park, but the system they have in place is insufficient as well.

When using cash registers to collect revenue, an internal journal tape is the best way to monitor all register activity. Without a system of ensuring completeness, any potential review needed by management could be compromised. If an employee knows this, they have the ability to conduct questionable activity without a record of that activity existing in the future.

Recommendation to Internal Control Weakness 1 – 5

Management at both parks should review the current method of internal journal tape storage and develop an alternative that would facilitate the cataloging of used tapes for completeness.

Parks and Recreation Response to Internal Control Weakness 1- 5

Agree Disagree Partially Agree

Management has reviewed the current system and a daily sign-off sheet for the stored journal tape will be implemented at each park. The journal tape from 3/25 found to be missing during the audit was actually linked to a programming error of the new register. The register was not recording the transactions on a journal tape at Huguenot Memorial Park on March 25th and did not exist. The contractor for the registers was contacted and the issue has since been resolved.

Internal Control Weakness 1 – 6 *Incomplete Surveillance Camera Coverage*

Currently, the surveillance cameras at Hanna and Huguenot Parks do not sufficiently capture the daily activities. Without proper coverage by surveillance video, fraudulent activity may go undetected or if suspected, may not be proven.

Both parks have cash registers that are not properly covered by the current camera positions to identify specific transactions entered. Transactions occurring on the primary admissions register and the camping register at Hanna Park are not clearly discernible and the second admissions register at Huguenot Park is not captured at all with the current camera placement. In addition to the cash registers, both parks have office and lobby areas that are not captured. Hanna Park also has a break room not currently under surveillance. The last area of concern is a part of the admissions counter at Huguenot Park where cash is counted.

Recommendation to Internal Control Weakness 1 – 6

Park management should review the current camera placement to ensure that sufficient coverage is being captured.

Parks and Recreation Response to Internal Control Weakness 1 – 6

Agree Disagree Partially Agree

Within the last year, Risk Management has had recording camera systems professionally installed at each of the facilities. Placement of the cameras was determined based on cash handling procedures and facility design (e.g. windows, wall space, door openings, etc.). Some of the inefficiencies noted are due to limitations in placement based on facility design. In other cases the camera angle has been slightly adjusted to further improve coverage of specific areas. Further expansion or enhancement of the camera system will be considered in the future as funding becomes available.

FINDINGS

Finding 1 – 1 *Unreported Cash Register Activity*

We viewed video footage of Huguenot Park on March 25, 2012 and discovered that the second admissions register was used and the activity for the day was not properly reported. Because we could not locate a report for the second register's activities, we asked park staff when register two was first used. Park staff falsely indicated that the second admissions register had not been used this year until April 1, 2012. The typical daily sales report that is completed for revenue collected was not submitted to ASD for the second admissions register. In addition, a cash receipt could not be located in the Tax Collector System attributed to revenue from the second register for that date. The total amount of revenue that should have been reported for activity on the second admissions register up to March 25, 2012 was \$1,447. This amount was determined by examining the internal journal tape of the second admissions register from a later date. The internal journal tape for the activity on March 25, 2012 could not be provided as described in ICW 1 – 5.

Although revenue was not reported as collected through the second register, bulk transactions entered into Huguenot's main admissions register on March 25, 2012 totaled \$1,402, which was \$45 short of the unreported activity from the second register. Based on these transactions, it appears that employees entered transactions from the second register into register one and then consolidated both register collections into one report.

Interim park management was in charge on this date. From a reporting standpoint at ASD, there is currently not a process in place to verify that the second register has been used. If the revenue is not reported, then ASD is unaware that revenue was collected.

Recommendation to Finding 1 – 1

Parks and Recreation management should review the video and determine the appropriate disciplinary action that should be taken against employees who intentionally manipulated transactions and mislead park management about collections from the second register. We also recommend that a process similar to the one described in ICW 1-3 be put in place by ASD to ensure that activity of all registers is accounted for at both parks.

Parks and Recreation Response to Finding 1 – 1

Agree Disagree Partially Agree

The Department will work with ASD to develop a tracking system for z-tapes to be used as a cross reference. In addition, the Department takes cash handling very seriously and will continue to work with Human Resources/Labor Relations on proper discipline for actions that do not follow our standard operating procedures and the City's cash handling policy. The events associated with the March 25 date referenced above are directly associated with the programming errors of the new register as previously cited in Recommendation 1-5. The register utilized to collect admissions at the guard shack (register 2) was purchased in the Fall and had

not been used to collect monies prior to March 25th. There was a programming issue with this register and it was not functioning properly. Based upon the available resources, the point at which the error was discovered and the inability of the register to perform the required functions to document the transactions for reporting, the decision was made to document the transactions by logging bulk transactions in the main admissions register. The staff was very forthcoming with the issues that were encountered that day and the approach they took to mitigate the issue. After review of the situation, we are confident that there was no malicious intent associated with the event. Additionally, based upon the gathered information and issues that were at hand it certainly was not a desired situation and there were some keying errors with the transaction which were corrected via void at the end of the shift. We agree that this is not a preferred situation or even acceptable if it occurred on more than one occasion, however it is was a standalone occurrence attributed to new equipment which occurred when the direct manager was out on medical leave. As addressed in Recommendation 1-3, there are reporting procedures in place for registers at both parks which will be modified to include all days in which the second register is out of storage.

Administrative Services Division Response to Finding 1 – 1

Agree Disagree Partially Agree

ASD will modify the Sales Tax revenue spreadsheet to include the grand total for each register. If there should be a difference, ASD will immediately notify the management regarding the variance and request resolution.

Council Auditor Rebuttal to the Parks and Recreation Response to Finding 1 – 1

Although the staff may have been forthcoming with the issues that surrounded that day, it was only after being questioned by the Parks and Recreation Waterfront Management and Programming Division Chief during the course of our audit. When performing testing work at Huguenot Park, one of the staff members involved with the bulk transactions fervently insisted that the first day the second admissions register was used was April 1, 2012. While we do not have reason to believe that any malicious intent was involved, employees should have accurately documented what occurred on the daily sales report rather than identifying the cause of the transactions after being questioned and attempting to conceal the problems with the register.

Finding 1 – 2 *Questionable Cash Register Transactions*

While viewing the surveillance video from March 25, 2012 for Huguenot Park, we observed a park employee improperly depositing revenue through the main admissions register. In two instances, the employee collected admissions fees from entering patrons, but rang in the transaction as a “Non-Paid Entry.” The “Non-Paid Entry” button is used to record patrons entering the park that are not required to pay (i.e. annual pass holders, early bird ticket users, registered campers, etc.). By using this button to open the drawer instead of ringing in the automobile as a paid transaction, the employee would have an overage at the end of the day that could be misappropriated. There were no overages reported that day.

Recommendation to Finding 1 – 2

We recommend that Parks and Recreation management review the video on March 25, 2012 and investigate further the actions we observed. Additional review of video should be considered to see if others are manipulating the revenue collection process at Huguenot. Appropriate disciplinary action should be taken against any employee found to be intentionally manipulating transactions.

Parks and Recreation Response to Finding 1 – 2

Agree Disagree Partially Agree

Management has extensively investigated the occurrences on March 25th and it is believed that in the observed incident the "Non-Paid Entry" button was utilized to correct for a keying error made in a previous transaction. Staff have been informed that this is improper use of the "Non-Paid Entry" button and that keying error should be corrected via void when a manager is present or documented (i.e. date, time and cause of the error) in the closing paperwork if a manager is not present and a void is unable to be completed at the time the error occurs.

Finding 1 – 3 *After Hours Transactions*

While examining internal journal tapes for the cash registers, we noted several transactions that occurred at times when Huguenot Park was supposed to be closed. These transactions included voids and revenue reporting items. If the park is closed, patrons are not entering the park; therefore, staff should only be generating closing reports and not be entering transactions. The employees at Huguenot Park run a register summary report at closing while counting their cash. If the cash and report do not reconcile, it appears employees then manipulate the register report by entering in revenue transactions or voided amounts that will force the balanced reconciliation.

The integrity of the register reports is compromised when phantom transactions are entered. The accuracy of the revenue reported is unreliable and the possibility of misappropriation and fraud exists if reports are being manipulated.

Recommendation to Finding 1 – 3

Parks and Recreation management should review the instances we found to determine the reasons these afterhours transactions occurred. If management determines that these transactions were generated to manipulate the reports and force reconciliation, disciplinary action should be taken against these employees. Additional controls should also be implemented to ensure that daily reports and revenue are accurate.

Parks and Recreation Response to Finding 1 – 3

Agree Disagree Partially Agree

Please see response to Finding 1-1. Management has looked into the reported occurrences of afterhours transactions. Due to the amount of time that has passed since the cited instances a definitive cause or reason could not be determined. However the park staff have been reminded that no additional entries should be allowed after the established park closing time and therefore no additional transactions should be taking place after the park and thus the register has been closed. It is the understanding of management that the cited occurrences make up approximately 5% of the audited transactions and that the reconciliation reports are being modified to further strengthen controls. Management will also periodically check the journal tape to identify and eliminate improper transactions.

Finding 1 – 4 *Management’s Lack of Oversight in Review of Daily Reports*

Huguenot Park submits a page in their daily sales reports that indicates the number of voided transactions that occurred during the day and the reasons for those voids. If no voids occurred, then the report page states “no voids.” The report page is verified by two employees and a manager, all of whom sign the void sheet attesting that the information concerning any voids is accurate. We found seven instances during testing of transactions made from October 2011 to March 2012 where employees wrote on the reports that no voids occurred, even though the cash register’s internal journal tape clearly shows voided transactions.

Management’s lack of oversight on the dates of the instances found, allowed employees to void transactions without giving an explanation. The City’s Standard Operating Procedures for Cash Receipts state in Part II General Standards E.9. that cashiers must not have the ability to void without supervisor approval. Because a supervisor is not always present, the “void sheet” acts as supervisor approval; however, this control was compromised by the lack of proper management review. Without sufficient review, it is possible that revenue was collected and the transaction was later voided, allowing the funds to be kept by the employee that initiated the void. Several of these instances did occur under interim management.

Recommendation to Finding 1 – 4

Parks and Recreation management should review these voids with Huguenot’s managers, provide additional training if necessary and convey how imperative it is for a thorough review of the daily void sheet to occur. Additionally, if any employees intentionally misrepresent the voids that occur on their daily void reports, appropriate disciplinary action should be taken.

Parks and Recreation Response to Finding 1 - 4

Agree Disagree Partially Agree

Management will review the Standard Operating Procedures and the City's Cash Handling policy with all staff at the Oceanfront Parks. Management continues to stress the importance of cash handling and protecting the City's assets. In addition the Department will work with Human Resources/Labor Relations when issues may arise that require disciplinary action.

Finding 1 – 5 *Non-Compliance with the City’s Cash Receipts Policies*

Both Hanna and Huguenot Parks were not in compliance with several sections of the City’s Standard Operating Procedures for Cash Receipts. The violations are detailed below.

1. “Persons responsible for cash (money) shall be instructed to maintain confidentiality of safe combination and complete a Security Agreement biennially.” Of the 11 employees previously or currently working at Hanna Park during fiscal year 2010/11, seven of them had outdated security agreements on file and three employees did not have an agreement on file. Of the nine employees previously or currently working at Huguenot Park during fiscal year 2010/11, five of them had outdated security agreements on file and three employees did not have an agreement on file.
2. Huguenot Park employees remove the starting change fund of \$100 from the register once the day’s sales are believed to be enough to support the admissions related activity for the remainder of the day. This \$100 is placed in a cash box underneath one of the counters at the front desk. The standard operating procedures state that “the cash bank must be protected and locked in a secure location when not in use.”
3. During an observation of procedures at Huguenot Park, the employee in charge of closing began counting the day’s cash receipts in plain sight prior to the park’s closing and without locking the doors to the building. Per the standard operating procedures, “Money is to be counted in a secure location. It should be counted in a locked room whose interior is not visible to the outside.” The employee later locked the doors and closed the blinds, but not prior to this occurrence.
4. During testing, we found four instances where Huguenot’s admissions closing reports did not include a verifying person’s signature. The procedures state that “the individuals counting and verifying the count must sign the count sheet.”
5. During multiple observations at both parks, two employees were allowed to operate out of the same drawer in the cash registers to allow for breaks, lunches, and other scenarios requiring employees to leave the register. The standard operating procedures states that “Monies must not be commingled between cash drawers. Each employee works only from one’s own cash register.”
6. During multiple observations at both parks, it was evident that receipts are not consistently given to customers as required by the City’s Standard Operating Procedures for Cash Receipts.

A similar finding related to receipts was reported in the 2004 Oceanfront Parks Revenue Audit Report #598 issued by our office. This previous report found that receipts were not being offered to all patrons (as was required by the City’s Cash Receipt Procedures at that time).

Recommendation to Finding 1 – 5

Recommendations to each bullet listed above are as follows:

1. Hanna and Huguenot Parks need to include the Security Agreement as a part of a new employee's orientation to the organization. They should also make it a point to enforce with employees the importance of following the standard operating procedures for cash receipts. Conducting a biennial training of cash receipts procedures will reinforce procedures and allow an opportunity to have all employees sign/resign the security agreements. This will ensure that all employees are reminded at a minimum of every two years of their responsibility to safeguard City assets.
2. Huguenot Park employees should place the starting change fund in the locked safe if they continue the practice of removing it once the day's sales are sufficient to support the admissions activity for the remainder of the day.
3. Management needs to reinforce with their employees the cash handling procedures and their importance to City operations. This is another reason that a training session should occur as mentioned above.
4. Huguenot management should make sure that a verifier has signed off on all closing reports prior to sending them to ASD. Having someone verify the closing reports ensures that the person responsible for the cash is held accountable.
5. Management should work with the Finance Department to develop procedures that would allow employees to work from the same cash register without violating the City's Standard Operating Procedures for Cash Receipts.
6. Receipts should be provided to patrons as required by the City's Standard Operating Procedures for Cash Receipts. Visible signs at both parks should indicate that customers should receive a receipt.

Parks and Recreation Response to Finding 1 – 5

Agree Disagree Partially Agree

All recommendations of Finding 1-5.1 have been implemented and are currently being followed.

Procedures have been modified to address recommendations in Findings 1-5.2. Starting change fund is placed in a secure locking drawer below the register.

Recommendations of Finding 1-5.3 are currently being enforced at both parks as is required by City policy.

Recommendations of Finding 1-5.4 are standard procedures for management. It is the understanding of management that approximately 5% of audited reports did not have the verification signature. After investigating the cited occurrences we believe that all paperwork and deposits were verified daily and that the lack of a verifier signature was an oversight. Management staff have been provided additional training to reinforce the importance of checking that all signatures are in place.

Procedures for recommendation 1-5.5 are in place. Each register is equipped with two tills and employee log-ins to help address this as well. The Department will work with the Finance Department to increase the change fund/till count to allow for additional tills to be changed out

to allow for cash handling accountability. It is the Department's intent to have only one person utilizing a till.

Receipts are provided upon request and staff are required to offer a receipt to every customer. Signage to this effect is in place at each of the front gates. Providing a receipt to every customer greatly increases the amount of litter at the parks and due to the large bodies of water and abundant wildlife at the facilities the policy has been modified to help balance the recreation with preservation of the natural resources. The Department will work with the Finance Department to change the policy to allow the Park's current procedure to continue as we strive to protect our environment.

Finding 1 – 6 *Unaccountable Annual Passes*

Both Hanna and Huguenot Parks were unable to provide sufficient documentation to ensure that all annual passes the parks were accountable for were properly sold, maintained in inventory, or destroyed. Each park's specific instance is described below.

Hanna Park should have been able to account for 459 annual passes that were sold for \$80 each plus tax. Instead, they could only account for 406. The following explanations detail the 53 unaccountable passes valued at \$4,240:

- Based on documentation we found, one was provided to a customer who has an outstanding balance on his account in the computer system. It should be noted that customers are not allowed to carry balances for the purchase of annual passes.
- Three passes were missing with no explanation.
- For five passes, park employees claimed that they were issued as replacements, but documentation supporting the replacement passes could not be provided.
- 44 passes were claimed to be destroyed, but documentation relating to the destruction of passes failed to include these passes.

Huguenot Park should have been able to account for 335 annual passes. They were able to account for 331 of these passes with the four unaccountable passes valued at \$320 allegedly being given as replacement passes; however, the passes they replaced could not be provided.

The insufficient documentation for annual passes at both parks prevented a determination of uncollected/missing revenue.

Recommendation to Finding 1 – 6

Rather than just maintaining signed agreements for the annual passes, Hanna Park should keep a running log similar to how they track the sale of early bird booklets. Each time a pass is sold, it should be input into the annual pass log. This will ensure that any "missing" passes are discovered at the next point of sale. Also, as a part of each day's closing process, the number of annual passes sold per the log should be reconciled to the revenue received, and vice versa.

Hanna Park should also devise a uniform method of entering the sale of an annual pass into the Campground Manager System if they decide to continue to use this tracking mechanism. This will facilitate the easy identification of pass owners within the computer system in addition to the physical log.

Huguenot Park's method of utilizing a running log appears sufficient; however, park employees should make sure to maintain accurate records of the passes they replace.

Any changes in the process should also be incorporated into written policies and procedures as recommended in ICW 1-2.

Parks and Recreation Response to Finding 1 – 6

Agree Disagree Partially Agree

Since Huguenot Park's tracking system was determined to be sufficient, Hanna Park will adopt that system for tracking annual passes.

Finding 1 – 7 *Unorganized Record Keeping for Early Bird Booklets*

Huguenot Park was unable to provide sufficient documentation to ensure that all early bird booklets (which sell for \$10 each) the park was accountable for during fiscal year 2010/11 were properly sold and maintained in inventory. During testing, we found numerous instances where the revenue collected per the register tapes did not match the inventory log of early bird booklets maintained by the park. We also found instances where booklets were recorded as being sold twice. There were inconsistencies with what the log book stated as inventory compared to what Huguenot Park management had accepted as a transfer of inventory booklets from Hanna Park as well. The City's Standard Operating Procedures for Cash Receipts state that "financial records will be kept up to date, and be used to track the movement of assets." The unorganized and inconsistent tracking of early bird booklets prevented a determination of uncollected/missing revenue.

A similar finding was reported in the 2004 Oceanfront Parks Revenue Audit Report #598 issued by our office. This previously reported finding found that proper safeguards had not been established, early bird ticket books were unable to be accounted for, and sales did not agree to register tapes and revenue reports.

Recommendation to Finding 1 – 7

Huguenot Park management should ensure that the inventory transferred from Hanna Park is what they are accepting/acknowledging as received. Upon acceptance, inventory logs for newly received early bird booklets should be created and verified as accurate. This will prevent the location of single books on multiple pages of inventory logs. As a part of each day's closing procedures, the number of early bird books sold per the register tape should be reconciled to the

inventory logs. In addition, as a part of the opening procedures, each employee should ensure that the physical inventory of booklets matches the log sheets.

A new subobject should also be created within FAMIS dedicated solely to revenue collected for the sale of early bird booklets. This would allow management to use the reported/collected revenue as a reconciling tool to the inventory logs rather than solely relying on the logs for the tracking of sales.

Any changes in the process should also be incorporated into written policies and procedures as recommended in ICW 1-2.

Parks and Recreation Response to Finding 1 – 7

Agree Disagree Partially Agree

As part of the existing procedure and practical facility management Huguenot Park does check and acknowledge receipt of transferred inventory items (such as annual passes and early bird passes) from Hanna Park. Upon receipt of early bird passes, Huguenot Park creates new log sheets that correspond to the accepted early bird passes (using Excel). The log sheets will be generated via an electronic spreadsheet and cross checked to ensure there is no duplication in numbers.

Early bird passes are part of the park admissions and thus we believe should be kept as part of the "Admissions" subobject in FAMIS, on the closing reports, in the budget revenues etc. In the current system the register tape and the sales log serve as reconcilable records of early bird ticket sales which can be verified at any time by pulling the nightly closing reports and the corresponding early bird sales log.

Early bird passes make up a minimal percentage of the overall revenue collected at the parks and separating those sales out would increase the work required for closing the parks at night, completing the monthly tax reports and require a new line item in the budget. Due to the relatively small amount of revenue generated by the Early Bird Passes and the fact that the existing system provides the ability to reconcile, we do not believe the benefit offsets the additional costs of staffing for establishing and maintaining a separate FAMIS subobject.

Council Auditor Rebuttal to the Parks and Recreation Response to Finding 1 – 7

We recognize that Huguenot Park acknowledges receipt of transferred inventory from Hanna Park as evidenced by documentation provided to us; however, when we questioned Huguenot Park management as to where a portion of the inventory of early bird booklets received and signed for was located, they indicated that Huguenot had never received these booklets.

We also agree that the early bird ticket sales can be verified at any time by pulling the nightly closing reports and the corresponding early bird sales log; however, this was not being done. If it had been performed, the differences in the sales log and register tapes would have been discovered.

Finding 1 – 8 * Contract Revenue not Remitted to the City*

Hanna and Huguenot Parks have contracts for services to be provided at the parks for the use by park patrons. These contracts are revenue generating whereby the vendor pays the parks for the right to provide the service. The contracts are for the right to operate the concession stores, camper laundry operations, on-site vending machines, and offer recreational activities at a cost to park patrons. Based on contracts for the campground concession stores at both Hanna and Huguenot Parks, the City was underpaid revenue for the month of February 2011. The underpayments at Hanna and Huguenot Parks equated to \$600, and \$1,405, respectively.

Recommendation to Finding 1 – 8

Management at both parks needs to be familiar with the contract terms when accepting and enforcing payment schedules. Management should request payment from the appropriate vendors for the month of February 2011.

Parks and Recreation Response to Finding 1 – 8

Agree Disagree Partially Agree

Management is familiar with the terms of the vendor contracts and have copies on file which can be referenced if there are any questions. All payments have been requested and are current as of date of this response.

Finding 1 – 9 *Lost Revenue from Concession Contracts *

Both Hanna and Huguenot Parks had revenue producing contracts lapse as of December 31, 2011. Hanna Park has not had a vendor providing services at their campground store, campground coin and laundry facility, or for mobile vending operations since then. As a result, the City has lost out on \$7,290 of revenue based on prior contracts. Huguenot Park has not had a vendor providing services at its free standing concessions building or for mobile vending operations. Based on prior contracts, this has resulted in \$9,487 of lost revenue. Both of these lost revenue amounts are calculated for the period of January 1, 2012 through April 30, 2012 based on prior contract amounts.

Recommendation to Finding 1 – 9

Contracts should be awarded to an approved vendor(s) as soon as possible. Parks and Recreation management should determine what caused the delay and find a solution that will prevent future loss of revenue due to lapsed contracts.

Parks and Recreation Response to Finding 1 – 9

Agree Disagree Partially Agree

The concession buildings at the parks were intentionally allowed to be vacated to allow for facility improvements. There is currently a vendor operating out of Huguenot Memorial Park and the RFP for Hanna Park did not return any bids and will likely be sent out as an Request for Interest so that the RFP can be modified and re-advertised accordingly.

OPPORTUNITIES FOR IMPROVEMENT

Opportunity for Improvement 1 – 1 *Activation of Cash Register Capabilities*

Hanna and Huguenot Parks' cash registers have data storage capabilities that are not being utilized. The records can be downloaded electronically and be readily available to all levels of management. Having access to data electronically would facilitate research if a day's activity needed to be examined.

Recommendation to Opportunity for Improvement 1 – 1

We recommend that Parks and Recreation management determine the capabilities of data storage for the cash registers to aid in management's oversight of daily collection activity.

Parks and Recreation Response to Opportunity for Improvement 1 – 1

Agree Disagree Partially Agree

The cash registers have the capability to store and report statistical data and the z report. The software package on the existing cash registers do not have the ability to maintain an electronic journal tape.

Opportunity for Improvement 1 – 2 *Increase Management's Role in the Revenue Reporting Process*

As mentioned in Finding 1 – 3, it appears that afterhours transactions were created to manipulate cash register reports. Although these instances happened at Huguenot, managers at both Hanna and Huguenot Parks are not normally present at the close of day to run reports, count cash, or reconcile the cash against the reports. This lack of management supervision at the end of the day contributed to the instances noted at Huguenot. Having a manager present at the end of the day while closing procedures are performed lowers the risk of fraudulent activity.

Employees at both parks have the ability to void transactions and run reports. There are instances at both parks where employees collect revenue throughout the day, count the money, generate reports recording the day's sales, and create the cash receipt record for depositing the revenue. Segregating duties is not feasible because of the small operations at both parks; however, removing the ability for employees to manipulate data would greatly reduce the opportunity for assets to be misappropriated.

Recommendation to Opportunity for Improvement 1 – 2

Parks and Recreation management should review management’s role in the revenue collection process to determine if an adjustment to their role could improve the overall integrity of the process. It may be appropriate to adjust the hours of onsite managers to have them present at close of business each day to run reports and verify cash. It also might be beneficial to restrict void and report capabilities to managers.

Parks and Recreation Response to Opportunity for Improvement 1 – 2

Agree Disagree Partially Agree

Neither of the parks have sufficient management staff to open and close the park every day of the week. Management at Huguenot Park have and will continue to close with staff 4 to 5 nights of the week. Hanna Park currently has a vacant management position and will have additional management oversight during closing (4 to 5 nights per week). The position is currently being advertised on coj.net.

Opportunity for Improvement 1 – 3 *Identifying Cash Handler*

Daily camping reports from Huguenot Park do not indicate who prepared the report (person last responsible for the cash) or who verified its accuracy as is done with the daily admissions reports. The City’s Cash Receipts Procedures require that the deposit receipt (CR) in the Tax Collector Cash Receipt System be prepared by a person not handling cash.

Recommendation to Opportunity for Improvement 1 – 3

Huguenot Park should include on their daily camping reports a place for the preparer and verifier to attest to the accuracy of the report.

Parks and Recreation Response to Opportunity for Improvement 1 – 3

Agree Disagree Partially Agree

The reports will be modified accordingly.

Opportunity for Improvement 1 – 4 *Definitive Concession Contracts*

Both Hanna and Huguenot Parks have contracts for the operations of concessions for various purposes at different locations within the parks. Each location has vending machines for use by park patrons; however, the vending machines at Huguenot Park are not clearly identified in the concessions contract. The contract is vague on vending machine operations and does not attribute any of the revenue for operations to vending machine activity. In other contracts for which the

City receives revenue related to vending machine sales such as is the case at Hanna Park, the contract spells out a specified percentage of sales owed to the City.

Recommendation to Opportunity for Improvement 1 – 4

Future bids and contracts should clearly identify whether vending machine sales are included as parts of contracts. If so, the amounts of revenue related to vending machine sales should be stated in addition to the revenue for the operations of the concessions.

Parks and Recreation Response to Opportunity for Improvement 1 – 4

Agree Disagree Partially Agree

At Hanna Park, vending machines are a separate revenue generating contract (which includes multiple facilities) and are not permitted to be installed or maintained by the campground store concessionaire. Huguenot Memorial Park does not have vending machines as part of a separate contract and the campground has been allowed to install vending machines after review and approval as allowed by the Terms and Conditions. We will suggest that the next vending machine contract which the City has in place be modified to include concession machines at Huguenot Park.

We appreciate the assistance and cooperation we received from Recreation and Community Services Department / Parks and Recreation Department and the Administrative Services Division through the course of this audit.

Respectfully submitted,

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