



MANAGEMENT ACTION PLAN PROGRESS REPORT

DATE: August 29, 2018

TO: Jim Gray, Mayor

CC: Sally Hamilton, Chief Administrative Officer
Glenn Brown, Deputy Chief Administrative Officer
William O'Mara, Commissioner of Finance & Administration
Monica Conrad, Director of Parks and Recreation
Phyllis Cooper, Director of Accounting
Susan Straub, Communications Director
Urban County Council
Internal Audit Board

FROM: Bruce Sahli, CIA, CFE, Director of Internal Audit
Jim Quinn, CIA, CISA, Internal Auditor

RE: Parks and Recreation Cash Collection MAPPR

Background

On May 18, 2017 the Office of Internal Audit issued the Parks and Recreation Cash Collection Audit report. The 2017 audit report contained findings related to insufficient collection documentation and late deposits, collection duties not properly segregated, bank statement reconciliations not being performed timely, late processing and deposit of weekend event collections, an excessive number of employees with cash handling duties, and the insufficient supervision and monitoring of cash deposits. The scope of the audit included activity for the FY 2016.



This review is provided for management information only. It is not an audit and no opinion is given regarding controls or procedures. We interviewed staff from the Division of Accounting and Division of Parks and Recreation, and obtained other evidence as necessary to complete our follow-up procedures. The period of review was from July 1, 2017 to May 24, 2018.

A summary of the findings from the original audit report and a summary of the results of our follow-up are provided in the table below. The original findings, management's original responses, and details of the results of this follow-up are contained in the **ORIGINAL AUDIT RESULTS AND FOLLOW-UP DETAILS** section of this report.

Finding	Summary of Original Finding	Follow-Up Results
Finding #1 High Priority	Insufficient Collection Documentation and Late Deposits	All areas now are retaining sufficient collection documentation. Parks indicated they still have difficulty at times getting bank deposit receipt slips from Chase Bank if deposits are made directly with the bank (i.e., for weekend events). Four out of forty-one (9.8%) of deposits tested were deposited two to four days late.
Finding #2 High Priority	Collection Duties not Properly Segregated	Parks has taken action to ensure that while one employee may be responsible for the collection, recording, and preparation of deposits, another employee will review and sign off on the deposits and transport it to the Division of Revenue after it has been reviewed by Parks senior managers. While we prefer to see more separation of duties, we understand staffing limitations may make this difficult, and it appears Parks has taken the necessary steps to adequately mitigate this risk. The finding is resolved.



<p>Finding #3 High Priority</p>	<p>Bank Statement Reconciliations Not Performed Timely</p>	<p>The Division of Accounting is up to date on Parks bank statement reconciliations as of the May 2018 bank statement. The finding is resolved.</p>
<p>Finding #4 High Priority</p>	<p>Late Processing and Deposit of Weekend Event Collections</p>	<p>This finding referred primarily to weekend events which occurred in 2015. Parks took action soon after these occurrences to improve the processing and timeliness of deposits for these events, including making deposits directly with Chase Bank on the same night after the events had concluded. Our testing found collections for these events were being processed and deposited on a timely basis. The finding is resolved.</p>
<p>Finding #5 Moderate Priority</p>	<p>Excessive Number of Employees with Cash Handling Duties</p>	<p>While there still appears to be some employee turnover with new employees handling cash, Parks has indicated they are providing training on CAO Policy #40 regarding cash handling to these employees. Parks has also mitigated the risk of numerous employees with cash handling duties by adequately separating cash handling duties and by providing more management supervision. The finding is resolved.</p>
<p>Finding #6 Moderate Priority</p>	<p>Supervision and Monitoring Of Cash Deposits Can Be Improved</p>	<p>Access to PeopleSoft Financials and Chase bank statements in order to provide better supervision and monitoring of cash deposits had not been requested or given to Parks managers when our review began. As a result of our follow-up review, Parks administration recently obtained access to the PeopleSoft financials</p>



		<p>system for the Deputy Director of Parks, four senior managers/administrators, and a senior staff assistant. Since Parks management should now be able to sufficiently monitor and reconcile deposit activity and ensure that all deposits are being made through use of PeopleSoft Financials, the finding is resolved.</p>
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ORIGINAL AUDIT RESULTS AND FOLLOW-UP DETAILS

Original Finding #1: Insufficient Collection Documentation and Late Deposits **Priority Rating: High**

Condition:

Most of the areas we examined did not retain supporting documentation such as calculator tapes, receipts, copies of checks, or other types of vouchers to support the RecTrac summary cash journal report printed out with each deposit. In particular, we found that the Athletics area and Downtown Arts Center did not retain this type of supporting deposit documentation, which is helpful in reconciling and balancing deposits and ensuring deposit totals are correct.

Some areas, including Downtown Arts Center and Cultural Arts/Special Events, were also missing copies of stamped deposit receipts from the Division of Revenue. Most Parks locations make their deposits with the Division of Revenue. Stamped deposit receipts provided by the Division of Revenue indicate deposits have been made and verified with Revenue and should be retained as evidence of deposits.

Our testing also identified two Cultural Arts deposits that were deposited six and eleven days late, respectively. We also identified an Athletics deposit which was 10 days late. Non-neighboring LFUCG locations (most Parks locations) are required by CAO Policy #40 to make their deposits within 48 hours of the receipt of funds.



Effect:

Supporting deposit documentation is a means of reconciling and balancing deposit totals to ensure that they are correct and that all collections have been recorded properly. Deposit receipt documentation provided by the Division of Revenue provides evidence that a deposit has been made, and is an important source document should questions arise concerning possible discrepancies within individual deposits. Without this documentation, Parks management lacks sufficient evidence that the deposits were made.

Recommendation:

All supporting documentation should be retained with each collection area's deposit records. All deposits should be made in a timely manner as required by CAO Policy #40. The deposit receipt documentation received from the Division of Revenue should be attached to the supporting collection documents and reviewed by management within the various areas for evidence all funds were deposited.

Director of Parks and Recreation Response:

Parks & Recreation agrees all documentation should be retained with deposit records. Verified deposit documentation from Division of Finance is retained at Dunbar Center in the Deputy Director's office, the Athletics' office, at the Downtown Arts Center and at Artworks at Carver School. All transactions are posted in RecTrac, the Division's registration software. A General Ledger Distribution Report is produced via RecTrac and confirms all registration transactions. In order to improve the documentation on the General Ledger Distribution Report, we will begin entering the last name of check writers along with the check # when registering people in RecTrac. In order to remain environmentally responsible, transaction receipts are maintained electronically on RecTrac, any receipt can be printed.

Depending on the method of deposit (weekend event transactions deposit directly to the bank, weekday transactions are submitted to Revenue) acquiring a deposit receipt is not always possible. Parks has worked with the Division of Revenue to request a deposit receipt from the bank for weekend transactions, we will continue to work with Revenue and Chase Bank to obtain documentation post deposit. We are requesting access to PeopleSoft and bank accounts which provide additional back-up for managers to insure that deposits were successfully made and recorded. While the Division of Accounting is responsible for reconciliation, Parks will begin reconciling RecTrac deposits to PeopleSoft and bank accounts to insure additional oversight.



Over the past year we have taken steps to insure that deposits are made in a timely manner and that we are following CAO Policy #40.

Commissioner of General Services Response:

I concur with the Director's response.

Follow-Up Detail Results:

All areas are now retaining sufficient collection documentation, including stamped receipts from the Division of Revenue when deposits are made. Parks indicated they still have difficulty at times getting bank deposit receipt slips from Chase Bank if deposits are made directly with the bank (i.e., for weekend events). Four out of forty-one (9.8%) deposits tested during our follow-up review were from two to four days late. Deposits from Government Center neighboring locations are to be deposited with Revenue the next business day, and deposits from satellite locations are to be deposited with Revenue within two business days in accordance with the requirements of CAO Policy #40.

Director of Parks and Recreation Response:

While we have improved, we continue to strive in achieving 100% compliance within the two business days deposit window. We have instituted a procedure for Dunbar Center to have a civil service employee who is not involved in the collection, recording and preparation of deposits, take deposits to Finance daily, as needed. This procedure is working extremely well and should insure increased compliance at Dunbar Center. Artworks at Carver Center and Pam Miller Downtown Arts Center have also initiated procedures to insure deposits are made within the two business days deposit window.

Chief Administrative Officer Response:

I concur with the Director's response.

Original Finding #2: Collection Duties not Properly Segregated
Priority Rating: High

Condition:

In most collection areas examined, one employee is responsible for collecting, recording, and preparing the deposit, and sometimes transporting the deposit to the Division of Revenue. Although most areas try to mitigate this lack of segregation of



duties control by having another employee review and sign off on the deposits, no one employee should be responsible for all of these collection processes.

Effect:

The absence of properly segregated duties reduces management's ability to prevent, detect, and correct collection errors and irregularities, and also creates the opportunity for misappropriation or theft of funds.

Recommendation:

Collection duties should be properly segregated to ensure that no one person has complete control over their collection, recording, and depositing functions. To accomplish this, at least one of the three collection steps noted above should be performed by a different employee.

Director of Parks and Recreation Response:

Parks collection duties are broken into two steps: 1) collection & recording, which is the sales transaction in RecTrac and 2) depositing. Deposits are verified by two persons and compared to RecTrac General Ledger report before deposit is taken to Finance. We are taking steps to reduce the number of times that the same employee is completing both collection & recording and deposits. However, it may be necessary in certain situations depending upon available staff, for the same person to complete both steps in order to comply with making deposits within 48 hours and CAO #40.

Commissioner of General Services Response:

I concur with the Director's response.

Follow-Up Detail Results:

Parks has taken steps to ensure that while one employee may be responsible for the collection, recording, and preparation of deposits, another employee will review and sign off on the deposits. Parks also attempts to have a different employee transport the deposit to the Division of Revenue other than the employee who initially performed all the collection, recording and preparation of deposit duties. Parks senior managers are now reviewing all deposits before they are taken to Revenue, as was indicated in our testing by their signing off on the deposit documentation. While we would prefer more separation between the collection, recording, and deposit duties, we understand staffing limitations may make this difficult, and it appears Parks has taken additional steps to adequately mitigate this risk. The finding is resolved.



Original Finding #3: Bank Statement Reconciliations Not Performed Timely
Priority Rating: High

Condition:

We noted that Accounting was not up to date in reconciling the Parks and Recreation deposits recorded in PeopleSoft to the Parks and Recreation bank statement. At the time of our field work, the reconciliations were three months behind. We were informed that the employee performing the reconciliations had just started employment with LFUCG, which could explain why the reconciliations were not up to date.

Effect:

When deposits are not reconciled to the bank statement in a timely manner, the detection of lost or stolen deposits may go undetected for a longer time period than necessary, and this delay may impede any necessary investigation into these anomalies.

Recommendation:

Accounting should perform the reconciliation of Parks and Receptions deposits to their bank statement as soon as possible after the statements become available.

Director of Accounting Response:

I concur with the audit recommendation. The employee was new and external auditors were onsite conducting our financial statement audit. The Parks and Recreation bank statement is now reconciled soon after the statements become available.

Commissioner of Finance & Administration Response:

I concur with the audit recommendation and Director of Accounting response.

Follow-Up Detail Results:

The Division of Accounting is up to date on Parks bank statement reconciliations as of the May 2018 bank statement. The finding is resolved.



Original Finding #4: Late Processing and Deposit of Weekend Event Collections**Priority Rating: High****Condition:**

We noted that some Parks and Recreation areas, particularly the Cultural Arts/Special Events area and the Downtown Arts Center which conducted weekend events, did not always balance or reconcile cash collected to ticket/receipt records immediately after the event finished. Those reconciliations sometimes occurred the following week or later. We also noted that the Little Goblins Galore, Woodland Arts Fair, and Ballet Under the Stars events in the latter part of calendar 2015 were 27, 16, and 17 days late in being posted to the RecTrac system and delivered to Revenue for deposit. Additional training on CAO Policy #40 regarding cash handling, and some adjustments in how deposits are made for these types of events, indicate this problem has since been resolved within Cultural Events/Special Programs because receipts for these types of events during the first part of 2016 were processed timely and were deposited in compliance with CAO Policy #40. However, the Downtown Arts Center still has opportunities for improvement, especially in reconciling receipts to ticket documentation on the same nights or days of a weekend event.

Effect:

The failure to timely reconcile cash collected to related ticket/receipt documentation and record these receipts in the RecTrac system increases the risks that lost or stolen collections may go undetected.

Recommendation:

Parks and Recreation senior management should instruct areas involved with special events, plays or dances that occur on weekends to immediately balance and reconcile receipts to all ticket/receipt documentation and to record the collection activity on the day/night of the event.

Director of Parks and Recreation Response:

Parks has worked to identify and correct issues that contributed to late deposits in the past. We strive to reconcile and verify transactions immediately following an event. All employees will be instructed to also balance and reconcile the cash to all ticket/receipt documentation immediately following the event. Parks management will identify the obstacles preventing this in the past and provide the assistance and/or tools (printer for DAC) necessary to assist.



Parks management has worked with Revenue to make deposits directly at the bank immediately following an event, however due to the hour and nature of most of these events/programs it is not always feasible to record the collection activity on the day/night of the event. With dual verification, each employee can keep a copy of the deposit information in addition to emailing it to senior management from the event. In this case, the collection activity will be recorded in RecTrac the next business day after the event/program. Parks has worked with Division of Revenue to hold any large amounts of cash on weekend events for Monday deposits, when necessary.

Commissioner of General Services Response:

I concur with the Director's response.

Follow-Up Detail Results:

As indicated in the previous report, this finding referred primarily to weekend events which occurred in 2015. Parks took steps soon after these occurrences to improve the processing and timeliness of deposits for these events, including making deposits directly with Chase Bank on the night of the events after the events had concluded. Deposit testing conducted during our review found collections for these events were being processed and deposited on a timely basis. The finding is resolved.

Original Finding #5: Excessive Number of Employees with Cash Handling Duties

Priority Rating: Moderate

Condition:

We noted that most collection areas had a significant number of employees with cash handling duties, including part-time and seasonal employees. We were told that these employees were given these duties because of lack of adequate staffing to receive and collect payments, especially during peak activity periods. We also noted that most of these employees were given multiple cash handling duties from collecting cash, to recording cash, to preparing deposits, particularly in the Therapeutic Recreation area, the Downtown Arts Center, and the Athletics area.

Effect:

Allowing more employees to have cash handling duties than is necessary increases the risk of errors and theft of funds. This risk is increased when these duties are assigned



to part-time or seasonal employees who may not be sufficiently trained on proper cash handling procedures.

Recommendation:

The number of employees with cash handling duties should be evaluated and reduced when possible to mitigate the risks identified above. This should particularly focus on the use of part-time and seasonal employees and whether their duties are properly segregated and adequate cash handling training is provided.

Director of Parks and Recreation Response:

Parks accommodates our customers by providing convenient and accessible payment opportunities. In order to meet the demand, we have staff members (some seasonal) trained to handle transactions. While many registrations occur during weekday business hours, Parks & Recreation programs seven days a week, most frequently on nights and weekends. Our programs are made possible with the help of seasonal employees who serve under the supervision of program managers. While it is not feasible for us to eliminate cash handling duties for some of our seasonal employees, every effort will be made to limit the number of people that are needed to handle cash. All employees with cash handling duties are trained on CAO policy #40 and we will repeat this training annually and as needed with new employees.

In addition, we are exploring technology and purchasing hardware to enable staff to take credit cards at off-site events and programs which will help reduce the number of cash transactions.

Commissioner of General Services Response:

I concur with the Director's response.

Follow-Up Detail Results:

While there still appears to be some employee turnover with new employees handling cash, Parks has indicated they are providing training on CAO Policy #40 regarding cash handling to these employees. Parks has also mitigated the risk of numerous employees with cash handling duties by adequately separating cash handling duties and by providing more management supervision. The finding is resolved.



Original Finding #6: Supervision and Monitoring Of Cash Deposits Can Be Improved

Priority Rating: Moderate

Condition:

We noted that the deposits of most program areas including Athletics, Therapeutic Recreation, and Special Events were not consistently reviewed by the senior program manager before deposits were made and, once made, were not always monitored for timely and proper posting to RecTrac. We also noted deposits were not tracked by management for proper posting to PeopleSoft or to the Parks and Recreation bank statement. In fact, we were informed by almost all managers we interviewed that they did not have access to view the Parks and Recreation bank statement, and reviewed deposit information on PeopleSoft infrequently.

Effect:

Without proper management supervision and monitoring of cash deposits, the risk of lost or stolen deposits is increased.

Recommendation: All program managers should review and sign off on deposits before they are submitted to Revenue. Management should verify that all deposits are posted to the RecTrac system and to the PeopleSoft Financials on a timely basis. In order to accomplish this, the managers should be given access to view the Parks and Recreation bank account information so that deposits may additionally be tracked there for proper deposit. While the Division of Accounting is responsible for performing the bank reconciliation of all Parks and Recreation deposits on a monthly basis and identifying any missing deposits, enabling Parks and Recreation managers to perform their own monthly bank statement reviews will provide another layer of monitoring and further reduce the possibility of a missing or stolen deposit going undetected.

Director of Parks and Recreation Response:

We agree that managers should be given access to view the Parks and Recreation bank account information in addition to access to PeopleSoft Financials so that deposits may be tracked in a timelier manner.

In providing additional training and oversight for employees we have placed the emphasis on accurate verification, proper documentation and timely deposits in accordance with CAO Policy #40. We are working with our IT professionals to use the RecTrac Systems reports in order to track the revenue as they are received and



deposited. Managers will sign off on stamped deposit receipts and retain copies for their sections.

Commissioner of General Services Response:

I concur with the Director's response.

Follow-Up Detail Results:

Access to PeopleSoft Financials and Chase bank statements (in order to provide better supervision and monitoring of cash deposits) had not been requested or given to Parks managers when we began our review. As a result of our follow-up review, Parks administration recently obtained access to the PeopleSoft financials system for the Deputy Director of Parks, four senior managers/administrators, and a senior staff assistant. Since Parks managers should now be able to sufficiently monitor and reconcile deposit activity and ensure that all deposits are being made by using PeopleSoft Financials, the finding is resolved.

