



Internal Audit Department

Audit Report 2012 – 8

Parks & Recreation Department Immokalee Sports Complex

Cash Counts: 2011 Fiscal Year End and 2012 Follow-Up

October 2012

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The files and draft versions of audit reports remain confidential and protected from public records requests during an active audit under *Nicolai v. Baldwin (Aug. 28, 1998 DCA of FL, 5th District)* and Florida Statute 119.0713. Workpapers supporting the observations noted within this report are public record and can be made available upon request once the final audit report has been issued.

The Draft Audit Report 2012-8, dated October 2012, was initially reviewed with the Department on October 11, 2012 and was released to the Department for management response on December 4, 2012. The Management Response was provided by Barry Williams, Director of Parks and Recreation (notated in purple) on December 18, 2012.

BACKGROUND

The Finance Director requested that Internal Audit perform an audit of the County's Imprest Funds, to include change drawer funds. The request was based on concerns that the custodian and/or sub-custodian may not be following the County's policies and procedures for operations of these funds. The Finance Director requested a follow-up audit as a result of termination of the custodian of the change drawer fund.

Imprest fund policies and procedures define the authorized uses of funds providing the structure for how departments establish, modify, spend, replenish, safeguard, and discontinue the use of the funds in accordance with Florida Statute. The Clerk has established authoritative guidelines for the safeguarding of county resources in the Finance Accounting Procedures Manual effective October 1, 2008.

Change drawer funds are used to make change where money is collected during transactions of County business.

SUMMARY

The following audit observations for change drawer funds were generated during the review:

- The Annual Confirmation was not returned to Finance by the due date and has not been returned on a yearly basis.
- Certificate and Request of Imprest Fund forms have not been updated and provided to Finance as changes occurred.

The following audit other observations were generated during the review:

- Parks and Recreation staff were unable to locate a manual cash register.
- Locker Fee Revenue has been recorded as Pool Pass Revenue and currently is not being monitored.
- Manual keys are used to override automated cash register controls.
- Deposits have not been made in accordance with Parks and Recreation Policy AF0004.
- It does not appear Cash Control Logs are being used.

Imprest fund policies and procedures need to be followed to provide the Finance Department with accurate information for year-end reporting, to provide the external auditors reliable information, and to safeguard the County's imprest funds.

Parks and Recreation Policies and Procedures for change drawers and cash handling (partial review) have not always been adhered to by Parks and Recreation staff. Staff should be properly trained to ensure they understand policies and be held accountable for compliance.

Internal Audit Comment:

Internal Audit gratefully acknowledges the cooperation and assistance from Parks and Recreation staff.

OBJECTIVE

Internal Audit performed an audit of the Immokalee Sports Complex change drawer and a partial review of related cash handling processes. The objective of the audit was to determine 1) whether the cash funds exist, 2) whether internal controls over the cash funds are adequate, 3) whether imprest fund data is reliable, and 4) whether custodians are in compliance with county policies and procedures as they relate to the audited processes.

SCOPE

The audit review consisted of validating the custodians and imprest funds, including but not limited to the following tasks:

- Review of the Finance Department's Accounting Procedures Manual (including policies and procedures);
- Review of Florida Statute Chapter 219 County Public Money, Handling by State and County;
- Review of Parks and Recreation Policies and Procedures Manual (November 2011 and April 2012 updated);
- Review the most recent Certificate and Request of Imprest Fund update forms;
- Review the most recent annual confirmation prior to FY 2011 and the returned FY 2011 annual confirmation form;
- Comparison of the most recent updates to the annual confirmations;
- Comparison of the most recent information provided by Finance to the information gathered during field work;
- Completion of unannounced cash counts of the change drawer Imprest Fund on August 23, 2011, and a follow up cash count on May 11, 2012; and
- Interview custodians inquiring about and observing the procedures used to account for and safeguard their respective funds.

OBSERVATIONS FOR CHANGE DRAWERS FUNDS

1) The Annual Confirmation was not returned to Finance by the due date and has not been returned on a yearly basis.

Change Drawer Procedures Item 7 states the custodian or sub-custodian is responsible for returning the verified Annual Confirmation to Finance, including all updates, by the Annual Confirmation's specified due date on a yearly basis.

The change drawer annual confirmation was not returned by the due date and has not returned Annual Confirmations on a yearly basis. The annual confirmation included an updated Certificate and Request of Imprest Funds form to update changes. The form was not signed and approved by the director.

If the Annual Confirmation form, including all updates, is not complete and returned by the deadline provided, funds may not be properly recorded.

Recommendations:

- Custodians or sub-custodians should return the Annual Confirmations, including all updates, by the due date.
- When Certificate and Request of Imprest Fund forms are completed, the director should approve all changes.

Management Response:

Updated confirmation forms were provided to the Finance Department in September after consultation with Finance staff. These forms are updated annually and clarification was received by the Parks Department regarding providing updates throughout the year. The Parks and Recreation Department has hired a payroll fiscal technician who will ensure annual confirmation notices are completed each August for the coming year as well as maintaining the currency of changes in custodian, sub-custodian, and cashiers throughout the year.

2) Certificate and Request of Imprest Fund forms have not been updated and provided to Finance as changes occurred.

Change Drawer Policy Item 5 requires a new Certificate and Request of Imprest Fund form to be completed and submitted each time there is a change to the custodian and/or sub-custodian, director, or physical location.

Annual Confirmations returned for FY 2011 year-end did not include changes that have occurred. On August 23, 2011, the sub-custodian stated he would complete an updated Certificate and Request of Imprest Fund form. It does not appear this occurred.

On May 11, 2012, the change drawer fund had a custodian and sub-custodian listed who are no longer employees of Collier County. There is a sub-custodian listed who no longer works at the location. There are two employees who have access to the change drawer are not listed as sub-custodians.

As custodians and sub-custodians change, it is important to update the Certificate and Request of Imprest Fund Form and ensure that only authorized custodians and sub-custodians have access to the imprest fund.

Recommendations:

- The policies and procedures should be followed. Authorizations should be immediately updated for changes in custodians and sub-custodians, with appropriate training on policies and procedures.
- Certificate and Request of Imprest Fund forms should be updated to comply with policy.

- Upon custodian changes, an official count of the change drawer funds should be completed and documented, approved by the terminating custodian, the new custodian, and the supervisor.
- The Department should create an internal policy that provides procedures addressing potential situations and changes to the cash processes.

Management Response:

While the Imprest Fund custodians will be required to provide changes as they occur, the Parks and Recreation Department has implemented a policy where operations staff will provide a quarterly audit to the imprest funds in order to ensure no changes have occurred and if changes are detected are reported to Finance immediately.

OTHER OBSERVATIONS

1) Parks and Recreation staff were unable to locate a manual cash register.

The FY 2011 Year End Annual Assets Inventory Report provided to the Parks and Recreation Department by Clerk’s Finance was returned on September 1, 2011, signed by the Parks and Recreation Director confirming the Immokalee Sports Complex was in possession of a Sanyo 645 Cash Register (manual cash register). The Annual Assets Inventory Worksheet indicated the asset was in fair condition and originally purchased on July 31, 1996.

On May 11, 2012, Internal Audit completed a site visit with Parks and Recreation staff. The Sanyo 645 Cash Register was unable to be located.

On August 2, 2012 the Sanyo 645 Cash Register was disposed from County records because the item was unable to be found.

A manual cash register is an additional cash intake point that should be properly safeguarded, controlled, and monitored. When the manual cash register is used for operations at the end of the day the amount collected in revenues should be entered into the CLASS POS system to properly record the revenue. When manual cash registers are not properly safeguarded, a person/employee could collect cash with the manual cash register without recording the revenue as County income. Without proper controls in place for cash intake points it is possible cash may be stolen, revenue not recorded, and assets misstated.

Recommendations:

- The Department should safeguard, control, and monitor cash intake points.
- The Department should properly monitor assets and submit the appropriate forms when changes occur.

Management Response:

Staff reports that the cash register in question was an older model that was damaged and disposed. A disposition form has been completed on the item and turned into Finance. The Department works with Finance annually to review all assets assigned to the Department for inventory purposes. Operations staff is providing routine spot checks of inventory between annual reviews to further ensure proper tracking of assets. The Department will review protocols associated with this inventory in order to ensure items are disposed properly. The Department is also working with an agency-wide initiative regarding asset tracking.

Internal Audit Response to Management Response:

Any information (i.e. register tapes, records) should be preserved prior to the disposal of the asset.

2) Locker Fee Revenue has been recorded as Pool Pass Revenue and currently is not being monitored.

On August 23, 2011, County staff stated locker fee revenue was recorded as pool passes in the CLASS Point of Sale (POS) system. County staff stated they were creating an item in the POS system for locker fee revenue to ensure revenue was properly recorded.

On May 5, 2012, the IT Department reviewed the POS system for the Immokalee Sports Complex and verified that no POS item had been created.

On May 11, 2012, County staff stated they have not been checking the lockers for revenue and have not been recording revenue. Staff was unaware of how the revenue would be recorded in the POS system.

Recommendations:

- The Department should create an item in the POS system for recording locker fee revenue.
- The Department should create an internal policy that provides procedures for the frequency of recording locker revenue, how funds are collected from the lockers, and how to record revenue in the CLASS POS system.

Management Response:

Staff concurs with the recommendations as set forth herein. The Parks and Recreation Department Operations staff has provided an alternative key for locker fee revenues distinct from pool pass revenues and are currently recording it in CLASS as locker fee revenue. Operations staff will update current internal procedures regarding the collection and tracking of locker rental revenue.

3) Manual keys are used to override automated cash register controls.

On May 11, 2012, County staff had a manual key for the cash register. The manual key is being used to open the cash register as needed for putting the starting bank in the change drawer, making change for patrons, and removing the starting bank/deposit at the end of the shift.

The CLASS POS system has a no-sale feature that should be used to prevent the need for a manual key. In February 2012, a prompt was added to the no-sale feature that requires County staff to enter a reason for opening the cash register. There should be two no-sale entries per day: one to put the starting bank into the cash register and one to open the cash register at the end of the day to complete the deposit.

The use of a manual key overrides the cash registers automatic controls and increases the opportunity for unrecorded transactions and/or theft.

The Parks and Recreation Regional Manager agreed that manual keys circumvented the no-sale feature and did not properly safeguard County funds. On May 11, 2012, Management removed the manual key from the cash register and secured it in the safe.

Recommendations:

- Manual keys should be properly secured and only used by supervisors under special circumstances (i.e. if the CLASS system fails, the no-sale feature would be unavailable and money would need to be removed from the cash register).

Management Response:

As cited under finding #3, staff separated the manual key from the cash register several months ago. Similarly, retraining has been provided on proper use of no sale key. Parks and Recreation fiscal staff are performing spot audits of cashiers to ensure the Department's standard operating procedures are being followed. Parks and Recreation fiscal staff are reviewing the "no-sale" report weekly to review deviations from the standard procedures and corrective emails are issued to the cashier, the supervisor, and the regional manager when deviations are detected.

4) Deposits have not been made in accordance with Parks and Recreation Policy AF0004.

Parks and Recreation Policy AF0004 (January 2011-in effect at the time of review) stated all deposits exceeding \$50.00 must be deposited into the bank during business hours within 48 hours. On August 23, 2011, County staff stated they attempted to bring the deposits to the bank every 2-3 days.

Parks and Recreation Policy AF0004 (November 2011) was updated stating all deposits must be deposited in the bank within 24 hours. County staff did not always comply with the policy.

Parks and Recreation Policy AF0004 (April 2012-in effect at the time of the follow-up review) was updated stating all deposits exceeding \$100.00 must be deposited into the bank during business hours within two business days and brought directly to the bank. On May 11, 2012, County staff stated they do not deposit the funds directly into the bank. To reduce costs and staff time to complete a deposit they bring the deposits to the Immokalee Courthouse and a courier brings the deposits to the bank.

Follow-up review showed the location now typically completes deposits within the time frame provided by policy, noting a few exceptions. It appears the policy should be reviewed for appropriate controls and time frames.

Recommendations:

- Management should consider revising their policy to provide for other secured methods of depositing funds.
- Deposits should continue to be made according to policy.

Management Response:

The Department has unique venues throughout the County where logistical variables make it difficult to fully standardize the deposit process. For example, the arrangement in Immokalee where deposits are couriered through the Property Tax Collector's office due to the lack of a 5/3 Bank location in Immokalee. The Department will continue to enforce the current deposit procedures. Pursuant to the next update of these procedures, staff will revise language in the procedure that addresses these unique variables.

Internal Audit Response to Management Response:

It remains important, regardless of venue, that funds are deposited in a timely manner and in accordance with policy to deter theft.

5) It does not appear Cash Control Logs are being used.

Parks and Recreation Policy AF0032 Cash Control Logs are required to be used for cashiers to sign in and out for change drawers. Cash Control Logs are used by the department for cashiers to sign in and out for the change drawers, sign confirming the amount, and record the deposit.

On May 11, 2012, County staff were not using Cash Control Logs.

Recommendations:

- Staff should be aware of current policies and any changes.

- Policies should be followed.

Management Response:

This was corrected immediately and cash control logs are being completed. Will continue to provide internal spot checks to verify use of these logs.

CONCLUSION

The Change Drawer Fund Policies and Procedures for imprest funds have not always been adhered to by the custodians and/or sub-custodians. The custodian for each imprest fund should update their respective Certificate and Receipt of Imprest Fund forms and keep the documentation current.

Parks and Recreation Policies and Procedures for change drawers and cash handling (partial review) have not always been adhered to by Parks and Recreation staff. Staff should be properly trained to ensure they understand policies and be held accountable for compliance.

Audits do not relieve management of their responsibilities. It is the responsibility of management to understand and implement the proper processes and procedural controls to comply with the imprest fund policies and procedures. The Clerk's Office may suggest recommendations in audit reports, but it is the decision of management to formulate and implement controls for operations.

Additional Recommendations:

- The director or an independent employee (not a custodian or sub-custodian of the fund) should perform periodic cash counts of the department's imprest funds on a non-routine basis to ensure that the custodian and/or sub-custodians are complying with the County's change drawer fund policies and procedures and that adequate documentation exists for audit purposes.
- Additionally, Internal Audit will continue to perform unannounced cash counts.
- Training should be provided to all custodians and sub-custodians to ensure they understand the policies, procedures, and forms governing change drawer and petty cash funds.
- Additional training should be provided to all custodians, sub-custodians, and cashiers to ensure they understand how to print CLASS reports and operate the POS system.

Additional Management Comments:

The Department has hired additional personnel to conduct spot audits related to the imprest funds that are used for point of sale locations. Operations' staff developed a cash handling training that is required by each staff member who handles cash. They created an on-line training module for annual updates for each staff, which requires them to complete a performance test and document the results.

The Department will continue to work both through its own auditing and feedback from internal audit to ensure documented compliance with all procedures related to these funds.

Internal Audit Response / Comment:

It appears the department is duplicating the Internal Audit function. Management control of regular processes should provide safeguards that can then be reviewed by Internal Audit.