



**Internal Audit Department**

# **Audit Report 2013-4**

**Parks and Recreation Department**

## **Freedom Park Follow-up Cash Review**

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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, 5<sup>th</sup> District)* and Florida Statute 119.0713. Work-papers supporting the observations noted within this report will become public record and can be made available upon request once the final audit report has been issued.

The Draft Audit Report 2013-4, dated May 2013, was initially reviewed with the Departments on May 31, 2013 and was released to the Department for management response on June 3, 2013. Barry Williams, Parks and Recreation Director, provided all County Management Responses on June 10, 2013. Revised County Management Responses were provided on June 17, 2013.

## Objectives

Internal Audit performed a follow-up review of the Freedom Park change drawer and related cash handling processes. The objective of the review was to determine whether corrective actions were sufficient to address internal audit findings from Audit Report 2013-1 (*Reference Audit Report 2013-1 Freedom Park Cash Review*).

## Scope

The review consisted of, but was not limited to the following tasks:

- Review of Florida Statute Chapter 219 County Public Money, Handling by State and County;
- Review of the Finance Department's Accounting Procedures Manual (including policies and procedures);
- Review of Parks and Recreation Policies and Procedures Manual (January 2013);
- Review the most recent Certificate and Request of Imprest Fund update forms;
- Review of CLASS Point of Sale Reports;
- Comparison of the most recent information provided by Finance to the information gathered during field work;
- Completion of a cash count of the change drawer (Imprest Fund) on May 2, 2013; and
- Interview custodian and sub-custodian: inquiring about and observing the procedures used to account for and safeguard their respective funds.

## Background

At a regular meeting held on April 9, 2013, the Board of County Commissioners unanimously requested the Clerk's Office validate corrective actions (i.e. controls) for Freedom Park.

The Parks and Recreation Director requested Internal Audit perform a follow-up cash review for Freedom Park to determine if corrective actions resolved Internal Audit Observations from Audit Report 2013-1 Freedom Park: Cash Review.

Internal Audit completed a follow-up for Audit Report 2013-1 Freedom Park: Cash Review (January 2013) to determine if the original audit observations were corrected.

For additional cash handling background, information, and previous observations. (*Reference Freedom Park: Cash Review Audit Report 2013-1*)

## Summary

Based on follow-up audit work, Internal Audit is closing 11 of the original Freedom Park audit observations (79%). The review indicates these concerns have been addressed and corrective changes have been implemented by the Parks and Recreation Department. Three audit observations remain open (21%) for Freedom Park. Seven additional concerns have been identified during the follow-up cash review.

The lack of sufficient controls remains a strong concern for the Parks and Recreation Department and the Clerk's Office.

# Status of Original Audit Observations

The below table summarizes the original audit observations noting the status at the completion of the follow-up cash review. The original audit report can be viewed on the Clerk's website at [www.collierclerk.com](http://www.collierclerk.com) under Clerk to the Board – Internal Audit – Published Reports; Audit Report 2013-1 Parks and Recreation Freedom Park Cash Review or Exhibit A of this report.

	Description of Original Observation	Status	Follow-Up Audit Comments
1	Funds were split for multiple locations without authorization.	Closed	An updated Certificate and Request of Imprest Funds form for Freedom Park was completed and approved by Finance on 10/29/2011, providing for the transfer of funds from P&R CD 46 to P&R CD 50.
2	Funds have not been properly secured or safeguarded.	Closed	On May 2, 2013 cash review, funds were properly secured in the location's combination safe. There were no donation jars observed.
3	Manual keys have been used to override automated cash register controls compromising the integrity of the transaction.	Closed	On May 2, 2013 cash review, the manual key was secured in the top part of the safe. Access to the top part of the safe was indicated to be limited to 3 employees.
4	Manual cash registers have been used to circumvent using the CLASS Point of Sale system.	Closed	On May 2, 2013 cash review, no manual cash register was observed. The custodian and sub-custodian said the manual cash register had been removed from the location in the summer of 2012.
5	Receipts have not been properly issued.	Closed	Receipts and transactions were reviewed in CLASS. It appears the receipts and transactions are being properly completed in the CLASS POS System.
6	Checks have not been properly endorsed.	Closed	Waive on further review – On May 2, 2013, no checks were observed at the location. The change drawer contained an example of a check with the required notations.
7	The change drawer did not balance to the authorized fund amount.	Closed	On May 2, 2013 cash review, the change drawer balanced to the authorized fund amount.
8	A sub-custodian does not appear to have been trained for credit card transactions.	Closed	Parks and Recreation removed the employee from Imprest Fund forms on 5/16/2013. The current sub-custodian has been trained in credit card handling and is aware of the procedures.
9	There are an inordinate number of "Item Not Found" transactions.	<b>OPEN</b>	<p>On May 2, 2013 cash review, an item not found / assorted items log was observed next to the cash register, but had not been used (newly implemented).</p> <p>Review of transactions completed in the CLASS POS System from December 14, 2012 through May 1, 2013 indicate approximately 8.2% of items sold are completed by item not found or assorted item transactions.</p> <p>Reference "Additional Observation #2"</p>

10	The No Sale transaction is not being properly used.	<b>OPEN</b>	<p>On May 2, 2013 cash review, the sub-custodian was observed properly using the no sale transaction feature.</p> <p>Review of the CLASS No Sale Report from December 13, 2012 through May 1, 2013 indicates 5 of 89 days (approximately 5.6%) contain errors in the descriptions.</p> <p>Review of the CLASS No Sale Report from January 1, 2013 through May 1, 2013 indicates 22 of 79 days (approximately 28%) did not have an entry for opening and closing, as required by policy.</p> <p>On May 7, 2013, Parks and Recreation indicated review was being completed to determine if drop down descriptions were an option in the CLASS system.</p> <p>Reference "Additional Observation #1"</p>
11	Deposits have not been made in accordance with Parks and Recreation Policy AF0004.	<b>OPEN</b>	<p>Freedom Park deposits from December 13, 2012 through May 1, 2013 were tested. 86 deposits were reviewed. 2 exceptions were noted in March 2013 and 2 exceptions were noted in April 2013 (approximately 4.65%).</p> <p>Block deposits appear to be resolved and did not occur in the testing period (December 13, 2012 - May 1, 2013).</p>
12	Lack of Audit Trail	Closed	<p>Donation jars are no longer at the location. The CLASS POS System has a button for employees to record donations received.</p> <p>Manual keys are no longer used at the location unless there is a power outage. 3 employees have access to the manual keys.</p> <p>The manual cash register was removed from the location in the summer of 2012. Handwritten receipts are no longer used. Transactions are completed through the CLASS POS System.</p>
13	Certificate and Request of Imprest Fund forms have not been updated and provided to Finance as changes have occurred.	Closed	<p>On May 2, 2013, the information contained on the Certificate and Request of Imprest Fund forms for Freedom Park were up-to-date and accurate. Updates have been properly submitted to Finance for Freedom Park.</p>
14	Annual Confirmations have not been returned to Finance by the due date and have not been returned on a yearly basis.	Closed	<p>The Annual Confirmation for FY 2013 is not scheduled to be completed until July/August 2013. Each year Finance monitors timeliness and will report at 2013 fiscal year end.</p>

**County Management Response:**

*Regarding Item #9:*

*"Parks and Recreation staff will develop a more robust system of control to monitor, track, and reconcile inventory items. The Department is working with the Public Services Operations Analyst to develop a standard operating procedure for tracking inventory throughout the department."*

*Regarding Item #10:*

*"Staff is appreciative of the ongoing review related to this issue. Parks and Recreation staff will continue to monitor this issue until resolved. The "no sale" report will be reviewed weekly and signed by Operation's staff as reviewed in order to provide a clear audit trail to demonstrate whether procedures are being followed."*

*Regarding Item #11:*

*“Staff continues to emphasize daily deposits in our operations. Operations staff will continue to monitor our performance in this area. Three of the four exceptions noted relate to the fact that Freedom Park is closed Sunday and Monday. Staff who work Saturday prepare the deposit and place it in the safe until Tuesday when the Park Ranger comes by to pick it up and take to the bank. The additional day appears to be related to the current schedule. The remaining outlier occurred after the deposit was delivered to the bank after the bank had closed for the day (Friday) and was not processed until the following Monday. The Department will continue to look at altering operations to meet the policy of the deposit being made within two business days”.*

# Additional Observations

## 1) Inadequate control over the No Sale feature for access.

On May 2, 2013, Internal Audit completed interviews with Parks and Recreation staff, during a cash count at Freedom Park. Parks and Recreation staff said all users with access to the CLASS Point of Sale (POS) system have the same user name and password for the No Sale Feature.

No Sale transactions are highly suspected sales because No Sale transactions open the cash register without a sale being recorded in the cash register. There may be a legitimate reason for No Sale transactions, such as, cashiers needing change, correcting change mistakes, and opening the cash register to close at the end of the day.

All users having the same user name and password for an internal control security feature does not provide adequate control or security. No Sale transactions expose a location to potential loss or means for theft. Management should adequately control the feature and limit access.

During Internal Audit's review of No Sale transactions from January 1, 2013 through May 1, 2013, it was detected 22 of 79 days (approximately 28%) did not have an entry for opening and closing, as required by policy. Policies and procedures should be consistent and accurately reflect operations.

No Sale transactions should be monitored and No Sale authorization should be limited. All users should not have the same user name and password for features within CLASS.

### Recommendations:

- Access to the No Sale feature should be reviewed and limited.
- Unique user names and passwords should be assigned to users.
- A clear audit trail with consistent procedures should be in place.

### County Management Response:

*"Management concurs with the observations and recommendations. Currently, Operations staff reviews "no sale" reports in order to track how well this policy is being followed. Operations staff will continue to monitor "no sale" reports for this reason and provide corrective instruction where the policy is not followed. The "no sale" report will be reviewed weekly and signed by Operation's staff as reviewed in order to provide a clear audit trail to demonstrate whether procedures are being followed.*

*The Department will work with Informational Technology to explore supplying a unique user name and password for CLASS users' permission for registering no sales."*

## 2) There remain an inordinate number of "Item Not Found" transactions and Inventory does not reconcile.

During review of the CLASS Journal Listing Report for "Item Not Found" transactions, from December 14, 2012 through May 1, 2013 for Freedom Park, the number of Item Not Found transactions decreased; however, the Item Not Found transactions were replaced with "Assorted Items" transactions. Renaming the "Item Not Found" transaction description does not change the type of transaction. The issue remains that sales are not identified to validate inventory.

Freedom Park had 100 Item Not Found/Assorted Item transactions out of 1,224 total transactions (approximately 8.2% of transactions for the location). The percentage decreased 5.8% from the prior review (approximately 14%). There continues to be an inordinate number of Item Not Found transactions.

Further review of Item Not Found/Assorted Items transactions was completed, to determine the accuracy of inventory totals. For each Item Not Found or Assorted Items transaction there should be a corresponding manual

inventory adjustment or record of the item sold. No records for the item not found/assorted item transactions were produced by the Department. On May 14, 2013, Parks and Recreation staff said they could not reconcile inventory. Items sold using Item Not Found or Assorted Items do not reconcile to the inventory adjustment report indicating the Department has not implemented a sufficient tracking mechanism to reduce risk of inventory loss.

By not properly recording the sales completed with Item Not Found / Assorted Items transactions, inventory totals may be inaccurate. There is not a proper audit trail to determine the accuracy of the inventory. Without proper documentation for merchandise sales, inventory costs may be under or over stated.

**Recommendations:**

- A mechanism should be implemented to track and reconcile inventory items.
- Item Not Found / Assorted Items transactions should be reviewed, tracked, and inventory corrected for all Parks and Recreation locations.
- The Department should create an internal policy that provides procedures for Item Not Found / Assorted Items transactions, if they continue to be necessary.

**County Management Response:**

*“Management generally concurs with the observations and recommendations. Parks and Recreation staff will develop a more robust system of control to monitor, track, and reconcile inventory items. The Department is working with the Public Services Operations Analyst to develop a standard operating procedure for tracking inventory throughout the department. Efforts are underway as well to analyze all sales locations within existing operations to determine the costs/benefits of continuing these services at each site. A standard operation procedure will be developed for item not found transactions and training provided to all department cashiers.”*

**3) Lack of written Policies and Procedures for Inventory and Systems Review.**

The Parks and Recreation Department does not have a written policy or procedures for inventory and systems review (i.e. No Sale transactions, Item Not Found transactions, and systems monitoring and review).

All aspects of a department’s operation should be clearly documented in an up-to-date procedures manual. Written procedures are beneficial for operational consistency and training.

Lack of written policies and procedures increases the risk of loss of funds, inventory, and disruptions to operations.

**Recommendations:**

- The Department should create written internal policies and procedures to control, track, and monitor inventory and for systems review.
- Inventory procedures should be reviewed and monitored.

**County Management Response:**

*“Management concurs with the observations and recommendations and is developing a standard operating procedure for tracking and reconciling inventory in the department. Operations staff will monitor inventory management to ensure protocols developed are being followed consistently and appropriately.”*

**4) Revenue has been allocated to incorrect funds and/or cost centers.**

CLASS Point of Sale Merchandise Lists were reviewed for revenue allocation. Each item was traced to the General Ledger Account to determine if the revenue was being appropriately allocated.

On May 1, 2013, Freedom Park had 722 Price Look Up (PLU) Inventory Items. 49 PLU Inventory Items had exceptions noted (6.8%). 3 PLU Inventory Items were allocated to the wrong fund (MSTD General Fund 111



instead of the General Fund 001). 46 PLU Inventory Items were allocated to the wrong cost center (Cost Center 156365 instead of Cost Center 156366).

**Recommendations:**

- Revenues should be allocated to the appropriate fund/cost center.
- County staff should review and correct all Parks and Recreation locations for sales allocations to ensure proper routing.
- County staff should complete adjusting entries for revenue allocated to the wrong fund/cost center.

**County Management Response:**

*“Management concurs with the observations and recommendations. While the creation of Freedom Park was from the resources associated with the North Collier Regional Park Exhibit Hall, initially a cost center did not exist for Freedom Park. Once the cost center was established, care should have been taken to ensure inventory items were cost out to the correct center. The department has begun to analyze all cost centers to determine any inaccuracies in GL accounts. As any discrepancies are found journal entries placing the revenue in the correct GL account string is being completed and corrections made to ensure the appropriate cost center is charged. The department is developing a standard operating policy to monitor all costs centers on a routine basis to ensure integrity of accounts.”*

**5) The CLASS Journal Listing Report has not properly calculated Sales Tax within the report.**

CLASS Journal Listing Reports were reviewed for calculations of sales tax. When reviewing the report, it was detected sales tax had not been properly calculated within the report.

Two types of sales tax calculations errors were detected:

- Line items sales tax was not properly calculated. Example: \$7.98 (net sale) x 0.06 (sales tax rate) = \$0.48 (sales tax); the report showed \$0.24 sales tax.
- Rounding errors occurred because the report calculates from the line item sale rather than the total sale. Example: \$30.00 (total net sale) x 0.06 (sales tax rate) = \$1.80 (sales tax); the report showed \$1.81 sales tax. Receipts are calculated and reported by the total sale.

Further review was completed by Internal Audit to determine the extent of the calculation errors. CLASS General Ledger Reports were traced to the deposit slip, CLASS drawer balance report, and SAP (Accounting System). Tracing indicated sales tax has been properly calculated and reported. The calculation errors appear to be a “glitch” contained within the Journal Listing Report within the CLASS System.

**Recommendation:**

- Sales tax calculation errors should be resolved with the vendor.

**County Management Response:**

*“Management concurs with the observations and recommendation. A standard operating procedure will be established that allows for routine spot checks of calculation errors by operations staff. Internal Audit has verified that these calculation errors occurred within the software report and not within the actual calculation and payment of sales tax. The matter will be pursued with the vendor for correction to the software.”*

**6) The Freedom Park cash register opens each time a credit card transaction is completed.**

On May 7, 2013, Parks and Recreation staff explained the cash register at Freedom Park opens each time a credit card transaction occurs.

System security features are intended to prevent the cash register from opening when credit card transactions occur. In this instance an audit trail has not been consistently created for closing at the end of the day.

The cash register security features are not properly functioning. Without proper controls in place, the County may be exposed to potential loss or the lack of an audit trail.

**Recommendation:**

- Cash register system security features should be validated.

**County Management Response:**

*“Management concurs with the observations and recommendation. IT staff have uninstalled and then reinstalled the drivers associated with this cash register, which has corrected the problem. The department will work with IT staff to develop a test procedure for all point of sales in order to check that all cash registers used by the department are functioning properly.”*

**7) Parks and Recreation Policy AF0004 for Deposits has conflicting language.**

Parks and Recreation Policy AF0004 indicates “...Revenues collected in EXCESS of \$100.00 must be deposited in a bank within 48 hours...” Policy AF0004 also indicates “...All deposits exceeding the approved limits must be made within two business days of close of business (Business is any day Monday – Friday excluding holidays)...”

The policy language is conflicting. 48 hours is more restrictive than 2 business days from close of business. Example: A location collects \$150.00 at 9pm on a Friday. The first statement in the policy indicates the deposit should be completed by 9pm on Sunday. The second sentence in the policy indicates the deposit should be completed on Tuesday.

Policy AF0004 indicates deposits should be “...deposited in a bank...” The policy should clearly indicate the deposit should be made to the County’s designated bank.

Conflicting policy language may cause staff confusion and non-compliance. When 2 different terms apply, the more restrictive policy would prevail.

**Recommendations:**

- Deposits should be made daily.
- The Department should revise the policy language to be clear and consistent.

**County Management:**

*“Management concurs with the observations and recommendations. Staff strives to make cash deposits promptly and most occur daily. The audit correctly notes that the current policy states that all deposits are to be made within 48 hours. In reality, the intended maximum deposit period should read two business days. While the department strives to deposit funds daily, there are exceptions preventing this from occurring. The department is open weekends and holidays, which prevent daily (or in some cases 48 hour) deposits to the bank. In addition, the department has several remote locations where county designated banks have not been available or minimally staffed in the evening discouraging late night deposits. Finally, while daily deposits are optimal and the department strives to meet this objective, depositing small amounts of funds daily may in fact cost more in the staffing resources involved than the deposited amount. Staff will begin to systematically monitor the frequency of deposits at each sales location and explore more cost effective means of making daily deposits.”*

# Conclusion

Internal Audit closed 11 of the original Freedom Park audit observations (79%) based upon the corrective actions taken by the Parks and Recreation Department. Three audit observations (21%) remain open for Freedom Park. Seven additional departmental concerns have been detected during the follow-up cash review. The lack of sufficient controls remains a strong concern for the Parks and Recreation Department and the Clerk's Office.

The Parks and Recreation Freedom Park Follow-up Cash Review indicates there continue to be areas of concern and exposure to risk. Parks and Recreation Freedom Park does not have sufficient mechanisms in place to control, track, or monitor inventory and computer systems review. The Parks and Recreation Department should ensure the proper controls, policies, and procedures are in place to limit risk and error.

Audits do not relieve management of their responsibilities. It is the responsibility of County Management to understand and implement the proper procedural controls in order to reduce and limit the risk of fraud, error, and misappropriation of County assets. Internal Audit may recommend improvements in audit reports, but ultimately it is the duty and decision of County Management to formulate processes and controls that ensure compliance with Federal Regulations, Florida Statutes, County Ordinance, and County Policies.

## **Additional County Management Comments:**

*"Parks and Recreation staff will continue to monitor current policies and procedures and hold staff accountable for deviations in these practices. In addition, the department appreciates the Internal Audit process, the thoroughness of its employees, and the dialogue that occurs from these observations. While the department does have resource and logistical issues to overcome, it is appreciative and aware of the need for strong internal controls as it relates to cash management. The Department will continue to strive to update policies and procedures to address strengthening existing controls throughout the department and not just this cost center. Internal Audit in previous interactions has helped the department improve efficiency in business processes and assurances of accountability. We look forward to continuing work with this important aspect of government accountability."*

## **Internal Audit Comments:**

Internal Audit acknowledges and appreciates the cooperation and assistance from County staff.

# Exhibit A



# **Internal Audit Department**

## **Audit Report 2013-1**

### **Parks and Recreation Department**

#### **Freedom Park**

#### **Cash Review**

**January 2013**

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The draft Audit Report 2013-1 was provided to the Department for management response on February 1, 2013. Barry Williams, Parks and Recreation Director, provided all management responses on February 15, 2013. Barry Williams, Parks and Recreation Director, provided all revised management responses (noted in blue) on March 12, 2013.

## 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. A follow-up audit was completed to determine if original audit findings were corrected.

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:

1. Funds were split for multiple locations without authorization.
2. Funds have not been properly secured or safeguarded.
3. Manual keys have been used to override automated cash register controls compromising the integrity of the transaction.
4. Manual cash registers have been used to circumvent using the CLASS Point of Sale system.
5. Receipts have not been properly issued.
6. Checks have not been properly endorsed.
7. The change drawer did not balance to the authorized fund amount.
8. A sub-custodian does not appear to have been trained for credit card transactions.
9. There are an inordinate number of "Item Not Found" transactions.
10. The No Sale transaction is not being properly used.
11. Deposits have not been made in accordance with Parks and Recreation Policy AF0004.
12. Lack of Audit Trail
13. Certificate and Request of Imprest Fund forms have not been updated and provided to Finance as changes have occurred.
14. Annual Confirmations have not been returned to Finance by the due date and have not been returned on a yearly basis.

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.

Florida Statute and 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.

## **OBJECTIVES**

Internal Audit performed an audit of the Freedom Park 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 fund is 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 Florida Statute Chapter 219 County Public Money, Handling by State and County;
- Review of the Finance Department's Accounting Procedures Manual (including policies and procedures);
- Board of County Commissioner's (BCC) Insurance Policy Coverage;
- 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 Fiscal Year (FY) 2011 and the returned FY 2012 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 September 10, 2011, and a follow up unannounced cash count on December 6, 2012; and
- Interview custodian and sub-custodian: inquiring about and observing the procedures used to account for and safeguard their respective funds.



## OBSERVATIONS

### 1) Funds were split for multiple locations without authorization.

Change Drawer Policy Item 6 states funds should not be separated into multiple change drawers.

Finance issued the initial check for Freedom Park's change drawer on October 28, 2009. Finance questioned P&R about the outstanding check. Parks and Recreation (P&R) staff never cashed the check. P&R staff said the check was not cashed because the check was "stale." P&R staff said the funds had been 'borrowed' from Exhibit Hall, requested the check be voided, and requested a new check be issued to replenish the borrowed funds. The check was voided by Finance on August 5, 2010.

A new check was issued on September 30, 2010 to establish the Freedom Park change drawer. Finance questioned P&R about the outstanding check. On July 11, 2011, P&R staff said the check had been inadvertently torn up and the check needed voided. No check has been cashed to establish the Freedom Park change drawer.

P&R staff explained Freedom Park had a change drawer in operation. The funds were borrowed from Exhibit Hall. Finance's records showed Exhibit Hall was authorized to have \$200, which is what was confirmed by P&R. P&R staff was unsure who provided the additional funds to Exhibit Hall or what fund had been reduced to provide the funds.

On August 30, 2011, Internal Audit completed unannounced cash counts for the entire North Collier Regional Park (NCRP) facility. The pool concessions fund was split to provide additional funds to multiple change drawers, including \$100 to Freedom Park. P&R staff said they would complete updated forms and provide them to Finance. The forms were provided on October 4, 2011.

Funds should not be split or provided to other locations without the appropriate documentation. Splitting funds may cause funds to be improperly recorded and may cause the appearance of theft when unannounced cash counts are completed.

#### **Recommendations:**

- P&R staff should not split funds or allow other locations to "borrow" funds.
- When changes occur to a fund, the appropriate documentation should be submitted to Finance.

#### **Parks and Recreation Management Response:**

Existing staff and resources were used to provide support to the facility. Initially, funds from another imprest fund were used to establish a change drawer for the facility, and were continued to be accounted for by the original location. When it was determined through the unannounced cash count for NCRP that this was inconsistent with policies and procedures, staff established a cash drawer October 2011 for the Freedom Park location and updated the imprest form to reflect the funds at Freedom Park. Staff was retrained on cash handling procedures in the fall of 2011 and receives additional training annually. Imprest Fund custodians have been trained on providing changes as they occur. The Parks and Recreation Department has hired an operations staff member who monitors the imprest funds for changes and provides a quarterly review to ensure no changes have occurred. In the event that changes have occurred, these changes are reported to the Finance Department immediately. For example, seasonal employees who leave employment are removed as cashiers upon their discharge from employment.

#### **Internal Audit Response:**

The initial funds from NCRP Exhibit Hall were accounted for by Exhibit Hall, but were not assigned to Exhibit Hall. Exhibit Hall had no records documenting the source of funds. In this instance the original source of funds was NCRP Pool Concessions. NCRP Pool Concessions was not accounting for the funds that had been provided to Exhibit Hall. Funds should be accounted for by the original location they are assigned to and not reassigned without completing the appropriate documentation. Funds should be continually monitored.

**Inactive employees should be removed from the cashier list.**

## **2) Funds have not been properly secured or safeguarded.**

Florida Statute 219.02(2) states “It is the duty of each officer to keep safely all the public money collected by him or her. Each officer shall exercise all possible care for the protection of the public money in that officer’s custody.”

Parks and Recreation Policy AF0018 states “Cash and/or checks must be kept in a secure manner to insure that the Parks and Recreation Departments revenues are safe from pilferage.” Additionally the policy states “All monies received at any facility within the Parks and Recreation system must immediately be secured.”

Change Drawer Procedures Item 5 states the fund must be in a secure place (i.e. locked safe or cash register) only accessible to the authorized custodians.

On September 10, 2011, the sub-custodian said change is left in the cash register unlocked overnight. During daily operations the cash register is left slightly ajar when assisting customers. Leaving the cash register drawer ajar or unlocked allows business to be transacted without being recorded through the register compromising the audit trail.

On September 10, 2011, Internal Audit observed manual handwritten receipts being issued, circumventing the cash register record. Rather than daily operation transactions being transacted through the cash register, funds were placed in an unsecured bank bag (without a lock) then the bank bag was placed in the office instead of daily cash collections being secured in the locked cash register or locked safe. Cash registers have not been properly used to document transactions. Weak internal controls and manual systems provide greater opportunity for theft.

On September 10, 2011, two donations jars were observed at the location sitting on a table in the middle of the room amongst merchandise for sale. The donation jars were for P&R scholarships and the Freedom Memorial project. The sub-custodian said the Freedom Memorial donation jar would be collected monthly by a member of the Freedom Task Force and was left out the rest of the time. Donation jars were not properly safeguarded. Leaving donation jars in the middle of the facility leaves the funds in the jar susceptible to theft.

The BCC Insurance Policy states loss of money (exceeding the deductible) from loss or theft from a locked safe, cash register, or cash drawer is covered. This indicates if the cash register is unlocked or the safe is not properly locked, the insurance policy may not cover the loss. The deductible is paid from taxpayer funds. When employees do not properly secure funds, they may expose the county and/or taxpayers to additional costs and losses.

Internal Audit completed a subsequent unannounced cash count on December 6, 2012, the safe and cash register were properly locked. Donations jars were not present at the location. The sub-custodian said donation jars were removed from the location approximately 1-2 weeks prior to December 6, 2012 and after Internal Audit’s initial cash count over a year prior.

All county funds should be properly secured in locked safes or cash registers to prevent theft and as required by the insurance policy to cover claims.

### **Recommendations:**

- Custodians and sub-custodians should properly secure county funds.
- When donations are accepted or collected, the location should secure the county funds the same as when collecting revenue from merchandise sales. The CLASS system is capable of recording and tracking donations.

### **Parks and Recreation Management Response:**

**Re-training was provided to all staff who handle cash on cash handling procedures fall 2011. Issues identified in September 2011 have been addressed and are resolved. Staff will continue to provide annual updated cash handling training to all employees who handle cash. Donation jars were removed to eliminate opportunity for theft.**

### **3) Manual keys have been used to override automated cash register controls compromising the integrity of the transaction.**

On September 10, 2011, the sub-custodian said the manual key was left in the manual cash register when assisting customers and for convenience. 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. When the manual key is used to override the automated cash register controls, it compromises the integrity of the transaction and does not create an audit trail.

On December 6, 2012, the sub-custodian was using the CLASS POS cash register. The manual cash register had been removed from the location. There was no manual key observed in the cash register. The manual key was observed in the top part of the safe. The sub-custodian said all sub-custodians have access to the top part of the safe, which contains the manual key. In this instance the removal of the key did not reduce the risk of circumvention because all custodians/sub-custodians with access to the safe have access to the manual key.

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

#### **Recommendation:**

- 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).

#### **Parks and Recreation Management Response:**

**Staff was re-trained on cash handling procedures in the fall 2011 and receives training annually. The manual key was removed from the cash register and placed in a locked location accessible only by supervisory staff.**

### **4) Manual cash registers have been used to circumvent using the CLASS Point of Sale system.**

On September 10, 2011, the sub-custodian was using a manual cash register instead of the CLASS Point of Sale (POS) system. The sub-custodian said he had not been trained for CLASS and did not know how to use the system. The sub-custodian was unable to provide a report for the day's total activity and said he balanced cash collected with receipts rather than to a daily report. Using manual cash registers rather than using the CLASS POS system compromises the integrity of the transaction and the system's records.

On December 6, 2012, the sub-custodian said the CLASS POS system was not used to record donations, but was used for all other merchandise sale transactions.

When locations have the CLASS POS system, all transactions should be completed in the CLASS POS system. Manual cash registers should only be used as a back-up if the CLASS POS system is not working. The use of a manual cash register when the CLASS POS system is available circumvents the computer system. All cashiers should be properly trained to ensure an understanding of the CLASS POS system and should be required to use the system when it is available. Without proper use of the computer systems available, records may be inconsistent or unavailable.

#### **Recommendations:**

- Cashiers should be trained to use manual cash registers and CLASS POS.
- Locations with the CLASS POS system should use the CLASS POS system.

**Parks and Recreation Management Response:**

The sub-custodian was reassigned to the Freedom Park location and has subsequently been trained in the CLASS software. The practice of receiving cash donations for the department's STAR fund has been discontinued. All parks staff will be properly trained on CLASS software as cashiers prior to their assignment to cashier duties.

**5) Receipts have not been properly issued.**

Florida Statute 219.02(1) states "It shall be the duty of each officer to issue a receipt for each collection of public money made by him or her, a copy of which receipt shall be retained by the officer."

On September 10, 2011, when the unannounced cash count was completed, a receipt was not in the cash register or the deposit bag for a \$50.00 check for a non-resident beach pass. The sub-custodian said he issues receipts for merchandise sales, but not beach passes, which is a violation of Florida Statute and County Policy.

When receipts are not issued to customers, the potential for fraud and/or theft exist. Without proper documentation and receipts, a proper post-audit trail does not exist.

**Recommendations:**

- Custodians or sub-custodians should comply with all requirements of Florida Statute.
- Receipts should be issued to customers for all transactions.

**Parks and Recreation Management Response:**

Staff was retrained on cash handling procedures in the fall 2011 to among other things, address this specific issue. Stickers are placed on near POS registers viewable to the public encouraging customers to call a central number if they are not issued a receipt.

**6) Checks have not been properly endorsed.**

County Process for check intake and preventing NSF's require cashiers to ensure the following criteria have been met: checks received in person to have the person's name and address, a driver's license number and state written on the check, and verification for accuracy of information. Once the criteria are met, the cashier initials the check, endorses the check, and completes a transaction in the point of sale system.

On September 10, 2011, a check for the sale of a beach pass was not initialed or endorsed by the employee. A 2<sup>nd</sup> check was received for donations and had not been initialed / endorsed.

On December 6, 2012, no checks were observed at the location.

Checks that have not followed the check intake process may have insufficient information to provide the check to the State Attorney's Office if accounts have insufficient funds. Lack of proper procedures and accounting may cause the county to lose revenue and/or the inability to pursue funds due.

**Recommendation:**

- Custodians or sub-custodians should comply with county policies.

**Parks and Recreation Management Response:**

Staff was retrained on cash handling procedures in the fall of 2011 and receives training annually. This training included proper endorsement of checks received.

## **7) The change drawer did not balance to the authorized fund amount.**

On September 10, 2011, the change drawer exceeded the authorized fund and collection totals.

While it may seem that the County benefits from change drawer fund overages, it can just as easily lead to change drawer fund shortages. Custodians and sub-custodians must exercise care for change drawer funds to prevent overages and shortages.

### **Recommendation:**

- If an overage or shortage occurs, the amount needs to be recorded at the time of deposit in the over/under account. There should be an explanation for what occurred causing the overage/shortage.

### **Parks and Recreation Management Response:**

**Staff was retrained on cash handling procedures in the fall 2011 and receives training annually. This training includes proper balancing of change fund. Operations staff provides routine unannounced monitoring visits to verify change fund balances meet authorized amounts. Supervisors are provided immediate results of these monitoring visits and corrective actions are taken.**

## **8) A sub-custodian does not appear to have been trained for credit card transactions.**

On December 6, 2012, the sub-custodian said they were unsure if they could provide cash back when a customer used a credit card. The sub-custodian said they were not familiar with all credit card transactions requirements or processes.

All cashiers should be trained for the credit card transactions to ensure compliance with PCI requirements and County policies and procedures. Violations can result in non-payment by the credit card companies and result in lost revenues.

### **Recommendation:**

- Cashiers should be trained for PCI compliance and credit card policies and procedures.

### **Parks and Recreation Management Response:**

**The credit card device does not allow for cash back transactions. Staff will be retrained on credit card transactions through annual cash handling trainings.**

## **9) There are an inordinate number of “Item Not Found” transactions.**

During review of the CLASS Report for “Item Not Found” transactions, from September 10, 2011 through December 13, 2012 for Freedom Park, there were 524 “Item Not Found” transactions of 3,844 total transactions (approximately 14% of all transactions for the location).

The Information Technologies (IT) Department said the CLASS POS system treats “Item Not Found” transactions as a merchandise item from inventory. “Item Not Found” transaction entries do not have a prompt for the employee to enter the merchandise item being sold. The prompt only allows the cashier to type in the price of the item.

It appears there are no records in CLASS for the “Item Not Found” transactions. By not recording the item sold from merchandise inventory, totals may be inaccurate and there may be the lack of a post-audit trail. Without proper documentation for merchandise sales, inventory costs may be over or under stated.

**Recommendations:**

- The Department should create an item button in the POS system for items being sold at the location.
- A mechanism should be implemented to track all “Item Not Found” transactions.
- An audit should be completed for inventory.
- The Department should create an internal policy that provides procedures for Item Not Found transactions.

**Parks and Recreation Management Response:**

The Department completes an inventory of all items unsold and reports to Finance annually at FY year end. The relatively high number of “item not found” transactions were the result of a number of factors including problems with the manufacturer’s scan code within the item label and the labels themselves (no scan bar on them). Items without scans have now been assigned a number and a drop down button under “the item search button to reduce the need to use “item not found” designation. The department will introduce handheld scanners associated with the CLASS system that allows purchased items to be scanned as well as sold items to address inventory control issues identified.

**Internal Audit Response:**

The Parks and Recreation Management Response does not implement or mention a method for tracking “item not found” transactions. Reducing the need for “item not found” transactions does not eliminate the need to track “item not found” transactions when they occur. Once an item is identified as not in the POS system, an item button should be added for each item or a tracking mechanism to balance inventory.

The Parks and Recreation Management Response does not address the creation of an internal policy that provides procedures for Item Not Found transactions and inventory reconciliation.

**10) The No Sale transaction is not being properly used.**

On December 6, 2012, an unannounced cash count was completed by Internal Audit. The sub-custodian had opened the location for operations prior to the cash count, so the sub-custodian used the no sale transaction to open the change drawer for the cash count. The sub-custodian typed the description “opening” when the no sale prompt required a description. The description entered by the sub-custodian was inaccurate since they had been open for business prior to the unannounced cash count and already completed a transaction prior to the auditor’s arrival.

It appears the no sale transaction was not used when the sub-custodian opened. It does not appear the sub-custodian is properly using the no sale transaction.

The no sale transaction should be used and accurate descriptions should be entered. Without accurate descriptions, the audit trail is unreliable.

**Recommendation:**

- The Department should provide cashiers training for no sale transactions.

**Parks and Recreation Management Response:**

This issue will be addressed through ongoing cash handling training. Operations staff is providing spot monitoring visits with custodians, sub-custodians, and cashiers to determine proper cash handling techniques. Staff reviews “No Sale” reports weekly and follow up on any issues deemed inconsistent.

**11) 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 the initial review) stated all deposits exceeding \$50.00 must be deposited into the bank during business hours within 48 hours. 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.

On September 10, 2011, the sub-custodian said deposits are only made 1 time per week, which is a violation of P&R policy AF0004. The Freedom Park location has made deposits in “block deposits.” A block deposit is when the location completes multiple deposits on the same day.

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 December 6, 2012, the sub-custodian stated deposits are made daily. The bank records indicate deposits have not been made in accordance with policy. While the individual deposits do not exceed \$100, the total amount of revenue at the location exceeded \$100. Block deposits and deposits not completed in accordance with policy are internal control weaknesses and leave funds susceptible to theft.

**Recommendation:**

- Deposits should be made according to policy.

**Parks and Recreation Management Response:**

**Park rangers are collecting deposits daily at the Freedom Park location thereby ensuring daily deposits.**

## **12) Lack of Audit Trail**

Florida Statute 219.04 requires each officer to keep a cash book (CLASS daily total reports or manual cash register total print-outs) wherein shall be entered daily, all receipts and disbursements of public money by item or by summary of itemized entries. The cash book shall be balanced and show the amount of money on hand.

P&R staff has not maintained records for donation transactions in the CLASS POS system and have not issued receipts for donations received.

As a result of P&R staff circumventing the CLASS POS system through the use of manual keys, manual cash registers, handwritten receipts, not maintaining documentation, and item not found transactions, there is the lack of an audit trail.

Without records for cash on hand, the location is susceptible to theft and loss of revenue. Without proper documentation, the County’s insurance policy may not pay insurance claims.

**Recommendations:**

- The Department should comply with Florida Statute.
- The Department should create an internal policy that provides procedures addressing donations.
- If the Department collects donations, the donations should be recorded in the computer system and the donee should be provided a receipt.

**Parks and Recreation Management Response:**

**Staff was retrained on cash handling procedures fall 2011 and receives training annually. In these trainings, staff was directed to account for all transactions thru the CLASS POS. Manual cash registers have been discontinued at Freedom Park. The use of the manual keys is restricted to supervisory staff. Operations management staff will continue to make periodic reviews to ensure the integrity of this directive.**

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

Change Drawer Policy Item 4 states “Only the custodian and/or the sub-custodian should have access to the funds.” 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.

On September 10, 2011, the sub-custodian said 3-4 volunteers have access to the fund and fill in for the cashier when they are not at the main building. The sub-custodian explained the cashier is typically a park ranger and park rangers frequently have to complete rounds of the location. When the park ranger completes rounds, the volunteer fills in for the employee completing sales and making change for customers. No volunteers were listed on the forms. The annual confirmation for FY 2011 included an updated Certificate and Request of Imprest Funds form to update changes. The form did not list all employees/volunteers with access to the change drawer.

On December 6, 2012, the sub-custodian said volunteers no longer have access to the funds and only county employees are authorized to access the fund. When reviewing CLASS reports for merchandise sales, it was noted that 3 county employees have filled in at Freedom Park during FY 2012 and were not listed on the forms. The annual confirmation for FY 2012 confirmed all information on file as accurate. The form did not list all employees with access to the change drawer.

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:**

- Certificate and Request of Imprest Fund forms should be updated to comply with policy.
- 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.
- 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 (i.e. volunteers) and changes to the cash processes.
- The County should determine if volunteers are allowed to have access to county funds and complete business transactions on behalf of the county.

#### **Parks and Recreation Management Response:**

**Imprest Fund custodians have been trained on providing changes as they occur and the Parks and Recreation Department has hired an operations staff member who monitors the imprest funds for changes and provides a quarterly review to ensure no changes have occurred and/or if changes have occurred, these changes are reported to Finance immediately. Parks staff will update SOP to address completing official count of imprest fund upon change of custodian of the fund.**

### **14) Annual Confirmations have not been returned to Finance by the due date and have 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 confirmations have not been returned by the due date and have not been returned on a yearly basis. An annual confirmation form was not received by Finance for FY 2010. The FY 2011 and FY 2012 annual confirmations were received by Finance after the due date.



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 information provided should be accurate.

**Parks and Recreation Management Response:**

**Parks and Recreation staff has engaged in dialogue with Finance staff about the imprest form and its use. These discussions have led to delays in returning the forms for 2012. In the future, these forms will be provided to Finance by the required due date each year and updated as changes occur.**

## CONCLUSION

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. 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 the imprest fund should update the Certificate and Receipt of Imprest Fund forms and keep the documentation current.

Florida Statute and 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 Parks and Recreation Management Comments:**

**The department has made substantial operational changes to our cash handling procedures, most of which more than a year ago. Operations staff have been conducting unannounced monitoring visits on custodian, sub-custodian, and cashiers reviewing and training knowledge of existing policies to ensure compliance. Annual training of cash handling practices will be provided in monthly supervisors' meetings and CLASS monthly trainings.**

### **Additional Internal Audit Comments:**

**Unannounced audits of cash began in FY 2011. We appreciate corrective measures taken by the department to remedy audit findings since that time. Internal Audit acknowledges the cooperation and assistance from Parks and Recreation staff.**