



Internal Audit Department

Audit Report 2014-12

Parks and Recreation Department

Beach Parking Cash Review

Dwight E. Brock
Clerk of the Circuit Court

3299 Tamiami Trail East
Suite #402
Naples, FL 34112-5746

www.collierclerk.com

Issued: June 18, 2014

Prepared by: Megan Gaillard, Senior Internal Auditor

Report Distribution: Board of County Commissioners
Leo Ochs, Jr., County Manager
Mark Isackson, Director, Corporate Financial & Management Services
Steve Carnell, Public Services Administrator
Barry Williams, Director, Parks and Recreation
Ilonka Washburn, Operations Manager, Parks and Recreation
Nancy Olson, Regional Manager, Parks and Recreation
Jake Sullivan, Park Rangers Supervisor, Parks and Recreation
Jeff Klatzkow, County Attorney

Cc: Dwight E. Brock, Clerk of the Circuit Court
Crystal K. Kinzel, Director of Finance & Accounting
James D. Molenaar, Internal Audit Manager

TABLE OF CONTENTS

SUMMARY.....	2
OBJECTIVES	2
SCOPE.....	3
BACKGROUND	3
OBSERVATIONS, RECOMMENDATIONS, & MANAGEMENT RESPONSES	4
OTHER OBSERVATIONS, RECOMMENDATIONS, & MANAGEMENT RESPONSES	6
CONCLUSION.....	9
ADDITIONAL MANAGEMENT COMMENTS	9

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. Work-papers supporting the observations noted within this report will become public record and will be made available upon request once the final audit report has been issued.

The Draft Audit Report was initially reviewed with the Parks and Recreation Department on June 3, 2014 and was released to the Department for management response on June 4, 2014. County Management provided County Management Responses on June 13, 2014.

Summary

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

1. Certificate and Request of Imprest Fund forms have not been updated and provided to Clerk's Finance as changes have occurred.
2. Annual Confirmations have not been returned to Clerk's Finance by the due date and have not been returned on a yearly basis.
3. The change drawers did not balance to the authorized fund amount.

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

1. Locations have not complied with Parks and Recreation Policy AF0001 for cash drops / deposits.
2. Cut keys / manual keys have been used to override the automated cash register controls compromising the integrity of the transaction and manual keys are not properly secured.
3. Funds have not been properly secured or safeguarded.
4. Sub-custodian / cashier was unclear of cash policies and procedures.

Imprest fund policies and procedures need to be followed to provide the Clerk's 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.

Compliance for depositing requirements (Parks and Recreation Policies and Procedures require bank deposits be completed within two business days) was reviewed in conjunction with this audit. 100% testing for the four beach parking locations with change drawers / imprest funds was completed for March 2014. There were no exceptions noted during review. The beach locations have properly complied with Parks and Recreation depositing requirements based on the sampled time period.

Objectives

Internal Audit performed an audit of the beach parking locations change drawers and a partial review of related cash handling processes. The objectives of the audit were 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.

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 Board of County Commissioner's (BCC) Insurance Policy Coverage;
- Review of the Clerk's Finance Department's Accounting Procedures Manual (including policies and procedures);
- Review of Parks and Recreation Policies and Procedures Manual;
- Review of the most recent Certificate and Request of Imprest Fund update forms;
- Review of the annual confirmations submitted by Parks and Recreation staff;
- Review of Manual Cash Register reports;
- Comparison of the most recent information provided by Clerk's Finance to the information gathered during field work;
- Completion of unannounced cash counts of the change drawers for beach locations (Imprest Fund) on August 23, 2011, March 13, 2013, and May 29, 2014; and
- Interviews of custodian, sub-custodians, and cashiers: inquiring about and observing the procedures used to account for and safeguard their respective funds.

Background

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 Clerk's 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.

Beach parking locations serve as locations to provide Collier County residents and tourists a place to park for the day while visiting the Collier County beaches. Each beach location (four) with a toll booth has an attendant at the gate / booth to make change for patrons. The locations use manual cash registers for operations and credit card machines. Attendants may accept credit cards payments. When visitors at Clam's Pass desire to pay using a credit card, the visitor is sent to an automated machine that accepts the credit card and provides a receipt for display. When the attendant or the automated machine provides a receipt, the receipt must be displayed in the visitor's window to indicate they paid for parking.

Observations

1) Certificate and Request of Imprest Fund forms have not been updated and provided to Clerk's Finance as changes have occurred.

Change Drawer Policy Item 4 indicates "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 of custodian and/or sub-custodian, director, or physical location.

Four of four change drawers (100%) did not have accurate information for the custodian, sub-custodians, and/or cashiers. The custodian changed prior to FY 2011 and the forms had not been properly updated prior to the FY 2011 unannounced cash count. Park Rangers fill in for the cashiers, when cashiers take breaks. The Park Rangers covering the breaks were not listed on the forms as authorized sub-custodians and/or cashiers. Employees who no longer worked for the County and/or transferred to other locations and departments were listed on some of the change drawer authorized user lists. In some instances, employees used the change drawers and were not listed as authorized users.

After the FY 2013 unannounced cash counts, the custodian properly updated the Imprest Fund forms and listed all employees with access to the fund. Three of three change drawer's information were verified by Internal Audit on May 31, 2014.

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

Recommendations:

- The Department's Administration should continue to take care to ensure updated forms are approved by the Department Director and provided to Clerk's Finance in a timely manner.
- The Department should continue to comply with policies and procedures. Authorizations should be immediately updated for changes in authorized users, 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.

County Management Response:

"The Parks and Recreation Department concurs that Imprest Funds Forms were not updated and submitted timely in 2011 and 2013. The Department appreciates the acknowledgement that performance in this area demonstrated no exceptions in 2014. The Department will continue to complete and submit forms in a timely manner as changes occur."

2) Annual Confirmations have not been returned to Clerk's Finance by the due date and have not been returned on a yearly basis.

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

100% of change drawer Annual Confirmations for beach locations 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 Clerk's Finance for FY 2008, FY 2009, or FY 2010. The FY 2011, FY 2012, and FY 2013 Annual Confirmations were received by Clerk's Finance after the due date.

The FY 2013 Annual Confirmation was not properly approved by the Parks and Recreation Director. The Annual Confirmations were returned to the department and subsequently properly approved by the director. Annual

Confirmations should be properly reviewed and approved by the director prior to being returned to Clerk's Finance to ensure the accuracy of the information submitted.

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

Recommendations:

- The Department 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.
- The director should properly review and approve Annual Confirmations.

County Management Response:

"The Parks and Recreation Department concurs that Annual Confirmations have not been submitted or have not been submitted complete and timely. The Department will redouble efforts to complete and submit forms by the deadline each year."

3) The change drawers did not balance to the authorized fund amount.

Four change drawers were tested in FY 2011, FY 2013, and FY 2014 (in FY 2014 only three change drawers were tested), a total of 11 unannounced cash counts were completed. Three of the 11 (27.3%) unannounced cash counts had change drawers that exceeded the authorized fund amount by a minuscule amount.

On May 29, 2014, three of three change drawers properly balanced to the authorized fund amount. No exceptions were noted during the FY 2014 follow-up unannounced cash counts.

The change drawer should be balanced on a daily basis to the authorized amount without overages and shortages. While it may seem that the County benefits from change drawer overages, it can just as easily lead to change drawer shortages. Custodians and sub-custodians must exercise care for change drawers to prevent overages and shortages.

Recommendations:

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

County Management Response:

"The Parks and Recreation Department concurs that change drawers exceeded the balance amount by a miniscule amount in three instances and fully balanced in eight other instances. The Department appreciates the acknowledgement that performance in this area demonstrated no exceptions in 2014. The Department will continue to train employees on the proper and prompt reporting of overages and shortages and will monitor for compliance during routine site visits."

Other Observations

1) Locations have not complied with Parks and Recreation Policy AF0001 for cash drops / deposits.

Parks and Recreation Policy AF0001 indicates the cashier shall make a cash drop if their drawer exceeds \$800.00.

March 2014 was reviewed for compliance with Parks and Recreation Policies and Procedures. All beach parking collection locations repetitively exceeded the \$800.00 drop requirement. Cashiers indicated during interviews in March 2013 that the policy was not complied with because of location traffic. When the cashier was busy, the cashier indicated they were unable to comply with the policy.

On May 29, 2014, cashiers indicated during interviews that the locations were in compliance with the \$800.00 deposit / drop policy. This was not validated by Internal Audit.

Cashiers should be properly trained and comply with cash policies to properly safeguard County funds and reduce risk of theft. When cashiers do not comply with the cash drop policy, they expose the County to greater risk and/or loss from theft.

Recommendation:

- Cash drops should be completed as required by policy.
- The Department should continue to provide cashiers training for cash drop requirements.
- The Department should review the policy for actual operations and revise as necessary to reflect operations.

County Management Response:

“The Parks and Recreation Department concurs that its policy on cash drops has not been followed strictly. The Department has concluded that the policy as written is not always feasible within the demands of actual operations. The Department will revise the policy to accommodate operations. The Department will train employees on the new policy and will monitor for compliance during routine site visits.”

2) Cut keys / manual keys have been used to override the automated cash register controls compromising the integrity of the transaction and manual keys are not properly secured.

Parks and Recreation Policy AF0001 indicates “The No Sale Button (not the register key) shall be utilized to open the cash register drawer when a transaction has not taken place. This includes the start and end of your shift in order to place or remove your starting bank from the drawer...No Sale slips from manual registers shall be initialed, dated and submitted with the closing paperwork.”

Four unannounced cash counts were completed for beach parking locations in March 2013. Internal Audit did not observe any slips for “No Sale” Transactions in the four change drawers or with the closing paperwork. Cashiers indicated “No Sale” Transactions were not completed to open or close, rather the manual key was used to open and close the cash register. 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.

In March 2013, three of the four locations did not properly secure cut keys / manual key for the change drawer. The keys were found next to the cash register, on the shelves near the safe, or above the cash register.

On May 29, 2014, one of three locations did not properly secure the cut key / manual key and had the cut key / manual key in the register. By having a key in the manual cash register, any person with access to the cash register has the ability to open the cash register. By not properly securing the cash register, collected funds have not been properly secured.

When cut keys / manual keys are not secured, it exposes the location to unauthorized access and/or theft. Any individual who is able to enter the area where the cash register is maintained potentially has the ability to use the manual key to access the drawer. This exposes the County to additional risk and loss.

Recommendation:

- Cut keys / manual keys should be properly secured and only used under special circumstances (i.e. if the system fails).
- The Department should comply with policies and procedures.
- The Department should provide cashiers training for properly securing cash registers and for proper completion of “No Sale” transactions.

County Management Response:

“The Parks and Recreation Department concurs that manual keys have not been secured and have been used in lieu of the policy-required No Sale transaction. Keys have subsequently been secured. The Department believes the observation of the use of a manual key at one location in May 2014 to be an outlier, albeit a concerning one. A management site visit approximately one week prior did not reveal the same finding. The Department will continue to train employees on the proper use and documentation of No Sale transactions and will review and monitor the same for compliance.”

3) Funds have not been properly secured or safeguarded.

Florida Statute 219.02(2) specifies “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 specifies “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 requires “All monies received at any facility within the Parks and Recreation system must immediately be secured.”

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

On May 29, 2014, one location had a deposit bag (unsealed) containing the starting change bank (\$200.00) unsecured. The manual cash register had a cut key / manual key in the register, causing the funds in the cash register to be unsecured. The starting change bank and funds collected during operations were unsecured at the time of the unannounced cash count.

The BCC Insurance Policy indicates 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.

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:

- County funds should be properly secured and safeguarded.
- Employees handling cash should continue to be provided training for the cash policies and procedures.
- When policies and procedures are revised or implemented, County staff should continue to be provided training at the time of implementation.

County Management Response:

“The Parks and Recreation Department concurs that in one instance funds were not properly secured. Again the Department believes the observation at this location in May 2014 to be an outlier. A management site visit approximately one week prior did not reveal the same finding. Nonetheless, the matter is considered serious and corrective action has been taken. The Department will continue to train employees on the requirement to secure and safeguard funds at all times and will monitor for compliance during routine site visits.”

4) Sub-custodian / cashier was unclear of cash policies and procedures.

On March 12, 2013, the sub-custodian / cashier indicated the department implemented new policies and they had not been provided additional training. The employee indicated they were unclear about policies and procedures.

On May 29, 2014, the same sub-custodian / cashier indicated training had been provided by Parks and Recreation Administration. The employee indicated being provided PCI compliance training, credit card machine and transaction training, and additional training on Parks and Recreation Policies and Procedures.

All sub-custodians and/or cashiers should be provided training when policies and procedures are revised or implemented to ensure a proper understanding of requirements. Violations can result in lost revenues and exposure to risk.

Recommendations:

- Employees handling cash should continue to be provided training for the cash policies and procedures.
- When policies and procedures are revised or implemented, County staff should be provided training at the time of implementation.

County Management Response:

“The Parks and Recreation Department concurs that in 2013 one employee indicated s/he was unclear about policies and procedures. The Department appreciates the recognition that this same employee indicated s/he had received training and was familiar with policies and procedures one year later. The Department will continue to train employees on policies and procedures for cash handling and will review and monitor the same for compliance.”

Conclusion

Imprest fund policies and procedures need to be followed to provide the Clerk's 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 Parks and Recreation staff.

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.

The Parks and Recreation Follow-Up Review in FY 2014 indicates there continue to be areas of concern and exposure to risk. The Department has improved in controlling cash handling; however, additional training and monitoring are necessary. The 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 Recommendations:

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

Additional County Management Comments:

"The Parks and Recreation Department appreciates the opportunity to improve controls through the audit process. The Department will continue to update Policies and Procedures as necessary to improve controls, train employees on Policies and Procedures, and monitor for compliance."

Internal Audit Comments:

Internal Audit would like to acknowledge the cooperation and assistance from County staff for addressing and implementing additional controls based on Internal Audit recommendations. The assistance and responses provided by the Parks and Recreation Department greatly assisted in the audit process.