

CITY AUDITOR'S OFFICE



AUDIT OF PARKS, RECREATION & CULTURAL AFFAIRS

FLOYD LAMB PARK PAYMENT COLLECTIONS

Report PR016-2223-04

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CITY AUDITOR

TABLE OF CONTENTS

BACKGROUND	1
OBJECTIVES	1
SCOPE AND METHODOLOGY.....	2
FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS.....	2
1. Areas of Noncompliance with Policies and Procedures	4
2. Outdated Department Procedures	6
3. Inadequate Gatehouse Key Controls	7
4. Lack of Data and Process for Evaluating Accuracy of Collections	8
MANAGEMENT RESPONSE	11

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BACKGROUND

The Department of Parks, Recreation & Cultural Affairs (Parks) manages the operation of the city's Floyd Lamb Park. This park is located on 680 acres, 15 miles northwest of downtown Las Vegas. Parks employees oversee the entrance to the park and collect vehicle admission fees from a gatehouse. There are nine part-time employees and a supervisor that work at the gatehouse. The gatehouse hours are 8 a.m. to 8 p.m. daily May through September and 8 a.m. to 5 p.m. daily October through April. The park admission fees per vehicle are as follows:

- Daily pass - \$6
- Annual pass - \$50
- Senior (50+) pass - \$25
- Individuals in a bus or passenger van - \$1 per person

Vehicles with individuals who are active duty military, veterans, handicapped, or realtors are granted free access to the park. While there are other fees that are charged for use of the park such as rental fees for picnic areas and various special events, those fees are processed either online or through Parks Administration.

During fiscal year 2022 (July 2021 – June 2022), gatehouse collections totaled \$299,817 including \$163,359 in cash (54%) and \$136,458 in credit cards (46%).

Parks utilizes a recreation management software known as CivicRec. Payments at the gatehouse are recorded into this software.

OBJECTIVES

Our audit objectives were to review the payment collection process at the Floyd Lamb park gatehouse and determine whether:

- Payments are receipted in accordance with the department's and the city's cash handling policies and procedures.
- Payments are being accurately processed, balanced, and recorded to the CivicRec system.
- Deposits are being properly prepared, remitted to the armored car service, reconciled to the bank records, and posted to the general ledger.
- Keys to the gatehouse are being properly controlled and gatehouse door locks changed when keys are lost.
- System access permissions assigned to gatehouse employees are appropriate for their job responsibilities.

SCOPE AND METHODOLOGY

The scope of our work was limited to the management controls within the context of the audit objectives and scope of the audit. Our testing covered the following periods:

- Payment and deposit testing included 24 days of deposits including 4 randomly selected days from each of the six months from October 2021 through April 2022.
- Safe combination testing was for the period September 21, 2021 through July 31, 2022.
- Gatehouse key testing included the review of a city locksmith report as of October 12, 2022.

The last date of fieldwork was November 29, 2022.

Our audit methodology included:

- Observations of payment collections at the Floyd Lamb Park gatehouse.
- Interviews with Floyd Lamb park management and staff.
- Review of current practices against the following city and department policies and procedures:
 - Cash Handling Policy/Procedure (FN302)
 - Petty Cash and Change Funds Policy/Procedure (FN305)
 - Key Control Policy/Procedure (DE301b)
 - Parks and Recreation Cash Handling Procedures (PR-005.1)
- Review of a sample of days of payment transaction and deposit documentation.
- Interviews with city locksmith personnel and a review of locksmith reports.
- Review of the CivicRec system access permissions.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards except for the requirement for an external peer review every three years. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides reasonable basis for our findings and conclusions based on our audit objectives.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

The following findings and conclusions to our audit objectives were noted:

Objective 1: *Determine whether payments are receipted in accordance with the department's and the city's cash handling policies and procedures.*

Our audit identified areas of non-compliance with the department's and the city's cash handling policies and procedures. See Finding #1.

We also found that the department's cash handling procedures for the gatehouse need updating to reflect current practices. See Finding #2.

Objective 2: Determine whether payments are being accurately processed, balanced, and recorded to the CivicRec system.

Our audit included testing a sample of 24 days of payments made at the gatehouse from October 2021 through April 2022. We found that payments are being accurately processed, balanced, and recorded to the CivicRec system. However, we noted that there are no controls in place to provide assurance of the reasonableness and accuracy of the payments collected. See Finding #4.

Objective 3: Determine whether deposits are being properly prepared, remitted to the armored car service, reconciled to the bank records, and posted to the general ledger.

Our audit included testing a sample of 24 days of deposits from October 2021 through April 2022. We found that the deposits are not always being verified by a second cashier and that the additional procedures required when only one cashier is present are not always being followed. See Finding #1. Other than this exception, we found that deposits are being properly prepared, remitted to the armored car service, reconciled to the bank records, and posted to the general ledger.

Objective 4: Determine whether keys to the gatehouse are being properly controlled and gatehouse door locks changed when keys are lost.

We found that the gatehouse door locks had not been changed since 2007 despite four employees failing to return their keys upon leaving the city. It wasn't until a fifth employee left in July 2022 and failed to return his key that the locks were changed in August 2022. We also found that Parks management is not conducting bi-annual audits of keys in accordance with city policy. See Finding #3.

Objective 5: Determine whether system access permissions assigned to gatehouse personnel are appropriate for their job responsibilities.

Our audit found that system access permissions assigned to gatehouse personnel are appropriate for their job responsibilities.

Further information on these issues is contained in the following sections. While other issues were identified and discussed with management, they were deemed less significant for reporting purposes.

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1. Areas of Noncompliance with Policies and Procedures

Criteria

The city's Cash Handling Policy/Procedure (FN302) states the following:

- *All cash collections, regardless of amount, shall be deposited intact within 24 hours. (3g)*
- *Both the preparer and the verifier should sign or initial deposit slips to ensure compliance with generally accepted accounting and auditing standards. (3a)*
- *Money stored in drawers, desks, and filing cabinets must be locked when left unattended. (4b)*
- *Combinations for department safes shall be changed annually or when an employee with safe access separates from employment.*
 - i. The combination shall be restricted to the department director, or designee.*
 - ii. A log shall be kept of all people with access to the safe and when the safe combination was last changed.*
 - iii. The invoice from the locksmith shall be kept as backup. (4e)*
- *Department procedures must provide for periodic audits of all cash handling locations and field collections. The results of these audits must be reported to the Finance Department, Accounting Operations Manager. Major exceptions must be reported to the Director of Finance and City Auditor. (4f)*

The city's Petty Cash and Change Funds Policy/Procedure (FN305) states the following:

- *Change funds must be stored in a locked desk drawer or other secured location. (B2)*
- *Restricted access to the drawer or location must be maintained, and should be limited to the fund custodians and the Department Director, or designee. (B3)*

The department's Cash Handling Procedures (PR – 0005.1) states the following:

- *At the end of shift, cashier must...balance the monies to the Cash Journal Report and have it verified by another department staff member using dual control. It is not acceptable to write "SOLO" on any deposit documents. (1)*
- *For situations when there are not two people at the end of the shift to perform dual control verification, cashier will adhere to the following procedures.*
 - *Cashier will balance all tender to the Cash Journal Report and complete the deposit slip, bank deposit bag, and deposit log notation the date the deposit bag was placed in the safe.*

- *Cashier will immediately contact their immediate supervisor and secondary chain of command by email stating he/she was the only employee on duty and provide details of the deposit including total coin, cash, checks, deposit bag totals, bag number, and date the deposit was placed in the safe for pick up by the armored courier.*

Condition

During our audit of the Floyd Lamb Park gatehouse payment collection procedures, we identified the following areas of non-compliance with the department's and the city's cash handling policies and procedures:

- Each day's deposits are picked up the following business day by an armored car carrier service. Saturday's deposits are held in a safe until Monday or the next business day in the case of a holiday. Therefore, the gatehouse is not in compliance with city policy requiring that "all cash collections, regardless of amount, shall be deposited intact within 24 hours."
- Our audit included testing 24 days of deposits from October 2021 through April 2022. According to city and department cash handling procedures, deposits are to be verified by a second cashier. Per department procedure, when a second cashier is unavailable to verify a deposit, the cashier is to "immediately contact their immediate supervisor and secondary chain of command by email stating that he/she was the only employee on duty and provide details of the deposit." The following exceptions to policy were noted with these deposits:
 - On 12 of the 24 days there were deposits with cash that were not verified by a second cashier. An email was not sent to the cashier's immediate supervisor for 9 of the 12 deposits as required by policy. 3 of these deposits were completed by the supervisor of the gatehouse employees.
 - Per department procedure, "it is not acceptable to write "SOLO" on any deposit documents." 11 of the 12 deposits had "SOLO" written on a deposit document.
 - On 6 of the 24 days there were close out summaries with only credit cards. 3 of the 6 of the close out summaries were not verified by a second cashier. No email was sent to the cashier's immediate supervisor for these close out summaries.
- During our unannounced visit to the Floyd Lamb gatehouse on March 2, 2022, we observed that one of the cashiers had placed their change fund near the cash register after removing it from the safe but did not place it in their locked cash register drawer as required by policy.
- Per city policy, safe combinations are to be changed when an employee with safe access separates from employment. During the period from September 21, 2021 through July 31, 2022, six gatehouse employees separated from employment with the city. Parks management did not request a safe combination change following 4 of the 6 employee separations. One of the two instances where a request was made for a safe combination change was 17 days following the employee's separation.
- Parks management is not conducting periodic cash handling audits of the Floyd Lamb Park gatehouse as required by policy.

Cause

- Employees are not adequately trained in all aspects of the cash handling procedures.

Effect

- Non-compliance with certain cash handling policies and procedures.
- Increased risk of loss.

Recommendations

- 1.1 Parks management should consult with Finance on how Floyd Lamb Park can comply with the city's requirement that all cash collections be deposited within 24 hours.
- 1.2 Parks management should train cashiers on the additional procedures required to be followed when a second cashier is unavailable for verification of a deposit and implement procedures to ensure they are followed.
- 1.3 Parks management should require gatehouse cashiers to keep their assigned change fund in the safe or a locked register drawer when unattended and document and implement procedures to periodically verify that this is being done.
- 1.4 Parks management should document and implement procedures to notify the city locksmith of the need for a safe combination change at the gatehouse immediately upon separation from employment of a gatehouse employee and ensure this is completed in a timely manner.
- 1.5 Parks management should conduct periodic cash handling audits of the Floyd Lamb Park gatehouse.

2. Outdated Department Procedures

Criteria

The city's Cash Handling Policy/Procedure (FN302) states the following:

A Department Director whose department receives cash shall:

- *Ensure that the department has written cash handling procedures that are consistent with the city's cash handling policy/procedure. (1a)*
- *Provide the written procedures to all employees whose responsibilities include cash collection and disbursement. (1b)*
- *Ensure that cash handling procedures are followed (1d)*

The city's Adding, Revising and Deleting Policies/Procedures (CM601) states the following:

The originating department is responsible for overseeing the maintenance, retention, administration and updates of all applicable department policies/procedures and SOPs/work rules. (G10)

Condition

The department's cash handling procedures (PR-0005.1) for the gatehouse have not been updated since April 1, 2018 and some of the procedures do not reflect current practices. The following are examples of areas needing updates:

- Procedures refer to the use of a previously used software known as RecTrac.
- Procedures reference the use of honor boxes which are no longer used.
- Procedures require customers to sign credit card receipts which is no longer required.
- Procedures prohibit the writing of anything other than the required information on the deposit documentation; however, the current practice is to write "solo" on the deposit slip when there isn't a second cashier available to verify the deposit.

Cause

- Parks management has not recently evaluated their cash handling procedures for the gatehouse.

Effect

- Outdated documented procedures for reference by staff.

Recommendation

- 2.1 Parks management should update their cash handling procedures to reflect current practices and the current software being used.

3. Inadequate Gatehouse Key Controls

Criteria

The city's Cash Handling Policy/Procedure (FN302) states the following:

- *Cash handling areas must have restricted access. (4a)*

The city's Key Control Policy/Procedure (DE301b) states the following:

- *When there is a need to change locks or areas of access, the Department Director or designee must notify Department of Public Safety Locksmiths of the changes desired.*
- *A Department Director or designee is responsible for conducting a bi-annual audit of keys issued to the department.*

Condition

Entry into the Floyd Lamb gatehouse is controlled by keyed doors and all employees working at the gatehouse are given their own key. The city locksmith maintains a record of keys issued to employees and flags keys that are not returned upon an employee's separation from employment with the city. A report provided by the city locksmith showed that since 2007 when the city assumed operations of Floyd Lamb Park, five gatehouse employees had not returned their keys upon separation from employment. Parks management did not request that the gatehouse door locks be re-keyed until after the departure of the fifth employee who had not returned his key in July 2022. The gatehouse was re-keyed on August 11, 2022.

According to the city's key control policy, department directors are responsible for requesting changes to locks and for conducting bi-annual audits of keys issued to their department and reporting any breaches and/or deficiencies to the city locksmiths. Parks management does not adequately track the status of the gatehouse keys and they are not conducting bi-annual audits of the gatehouse keys as required by policy.

Cause

- Parks management is not adequately monitoring the gatehouse keys and the risk of loss when employees fail to return keys.

Effect

- Risk of access to the gatehouse by unauthorized individuals.

Recommendations

- 3.1 Parks management should maintain records of employees with keys to the gatehouse and perform a bi-annual audit of these keys. Parks management should reconcile their records to those of the city locksmith during these audits.
- 3.2 Parks management should document and implement procedures requiring the locks to the gatehouse be changed by the city locksmiths whenever an employee fails to return their key upon separation from employment with the city.

4. Lack of Data and Process for Evaluating Accuracy of Collections

Criteria

In order to have assurance that total entrance fee collections are reasonable and accurate, payments received must be compared with visitation data and visitor discounts.

The Association of Certified Fraud Examiners Manual states the following:

Skimming is the removal of cash from a victim entity prior to its entry in an accounting system. Internal control procedures are a key to the prevention of skimming schemes.

The department's Cash Handling Procedures (PR – 0005.1) states the following:

- *Cashier must offer a receipt to the customer for all monetary transactions that states a payment was received. (E)*
- *Signage must be placed at each site stating the customer is entitled to a receipt. (E)*

Condition

Occupants of vehicles entering Floyd Lamb Park must pay a daily entrance fee or have previously purchased an annual pass. Vehicles with individuals who are active duty military, veterans, handicapped, or realtors are granted free access to the park with appropriate identification. The number of vehicles entering the park for free is tracked by the cashiers manually on a tally sheet. The total of these vehicles from the tally sheet is then entered into the CivicRec software at the end of each day. In order to minimize the risk of theft by employees at the gatehouse, Parks management tries to schedule two employees at a time working at the gatehouse and has a security camera within the gatehouse.

The following deficiencies were noted in the gatehouse security and payment collection process:

- There is no automated device for independently counting the number of vehicles entering the park. Without this information, the accuracy of the payments collected at the gatehouse cannot be verified and theft of funds may go undetected.
- The manual tracking of the number of vehicles entering the park for free is subject to human error and manipulation. A cashier could accept payment from a vehicle, pocket the cash, and record the vehicle as a free admission without detection when there is not a second cashier.
- There are not always two employees working in the gatehouse due to limited staff, absences, and work breaks creating the opportunity for a single employee to steal cash without detection.
- There is no signage at the site stating that the customer is entitled to a receipt and a phone number to call in case one is not provided. Without such a sign, there is increased risk and opportunity for a cashier to accept a payment from a customer, pocket the cash, and skip recording the payment in the payment software without detection.
- The current positioning of the single security camera may not adequately capture the handling of cash between a customer and the cashier.

Cause

- Information on the number of vehicles entering the park is inadequate for completing a proper evaluation of the reasonableness and accuracy of gatehouse collections.

- Parks management has not implemented a process for evaluating the reasonableness and accuracy of gatehouse payments.

Effect

- Potential for theft of customer payments by gatehouse employees without detection.

Recommendations

- 4.1 Parks management should evaluate the various automated devices that exist for tracking the number of vehicles entering the park and purchase and install such a device at the gatehouse entrance. Parks management should then document and implement a process for verifying the accuracy of park entrance payment collections using the data captured on the number of vehicles entering the park.
- 4.2 Parks management should request that CivicRec be updated to allow for the recording of vehicles entering the park for free at the time of the admittance.
- 4.3 Parks management should always schedule two employees to work in the gatehouse.
- 4.4 Parks management should create and install signage at the gatehouse alerting customers that they are entitled to a receipt and should call a specified number if a gatehouse employee fails to provide a receipt. Additionally, management should document and implement procedures for investigating reports of receipts not being provided.
- 4.5 Parks management should evaluate the feasibility of installing additional cameras at the gatehouse that are closer to where entrance fees are being collected from the public.

MANAGEMENT RESPONSE

1. Areas of Noncompliance with Policies and Procedures

- 1.1 Parks management should consult with Finance on how Floyd Lamb Park can comply with the city's requirement that all cash collections be deposited within 24 hours.

Management Action Plan:

Parks management will consult with Finance to explore city requirements and current policy to find a solution that will accommodate the cash collection schedule at Floyd Lamb Park and stay within city policy.

Estimated Date of Completion: September 1, 2023

- 1.2 Parks management should train cashiers on the additional procedures required to be followed when a second cashier is unavailable for verification of a deposit and implement procedures to ensure they are followed.

Management Action Plan:

Parks management, in consultation with Finance, will provide training for cashiers at the Floyd Lamb Park gate house on the required procedures to follow when a second cashier is unavailable for verification of a deposit. Parks management will implement procedures with staff to ensure the required procedures are followed consistently by all staff.

Estimated Date of Completion: July 6, 2023

- 1.3 Parks management should require gatehouse cashiers to keep their assigned change fund in the safe or a locked register drawer when unattended and document and implement procedures to periodically verify that this is being done.

Management Action Plan:

Parks management will require gatehouse cashiers keep their assigned change fund in the safe or locked register drawer when unattended. Parks management will document and implement procedures to periodically verify the procedures are being followed.

Estimated Date of Completion: July 6, 2023

- 1.4 Parks management should document and implement procedures to notify the city locksmith of the need for a safe combination change at the gatehouse immediately upon separation from employment of a gatehouse employee and ensure this is completed in a timely manner.

Management Action Plan:

Parks management will document and implement a procedure to notify the city locksmith of the need for a safe combination change at the gatehouse immediately upon separation from employment of any gatehouse employee. Staff will ensure this procedure is completed in a timely manner.

Estimated Date of Completion: July 6, 2023

- 1.5 Parks management should conduct periodic cash handling audits of the Floyd Lamb Park gatehouse.

Management Action Plan:

Parks management will conduct period cash handling audits of the Floyd Lamb Park gatehouse and report them to Finance according to the policy. Parks will create and implement a documented process for periodic audits and follow that documented process at least one time by the completion date.

Estimated Date of Completion: September 4, 2023

2. Outdated Department Procedures

- 2.1 Parks management should update their cash handling procedures to reflect current practices and the current software being used.

Management Action Plan:

Parks management will review and update PR – 0005.1, Cash Handling Procedures – Seasonal Pools and Floyd Lamb Park Gatehouse, in consultation with Finance. These updates will reflect current practices and software being used.

Estimated Date of Completion: December 4, 2023

3. Inadequate Gatehouse Key Controls

- 3.1 Parks management should maintain records of employees with keys to the gatehouse and perform a bi-annual audit of these keys. Parks management should reconcile their records to those of the city locksmith during these audits.

Management Action Plan:

Parks management will maintain record of employees with keys to the gatehouse and perform a bi-annual audit of these keys. Parks management will reconcile with the city locksmith during these audits. At least one audit will be completed following the new process by the estimated completion date.

Estimated Date of Completion: December 4, 2023

- 3.2 Parks management should document and implement procedures requiring the locks to the gatehouse be changed by the city locksmiths whenever an employee fails to return their key upon separation from employment with the city.

Management Action Plan:

Parks management will document and implement a procedure requiring locks at the gatehouse are changed by the city locksmiths when an employee fails to return their key upon separation of employment.

Estimated Date of Completion: July 6, 2023

4. Lack of Data and Process for Evaluating Accuracy of Collections

- 4.1 Parks management should evaluate the various automated devices that exist for tracking the number of vehicles entering the park and purchase and install such a device at the gatehouse entrance. Parks management should then document and implement a process for verifying the accuracy of park entrance payment collections using the data captured on the number of vehicles entering the park.

Management Action Plan:

Parks management will evaluate a variety of automated devices to count the vehicle traffic entering the park, including a cost/benefit analysis of installing and operating such devices. Parks will document and implement a process to verify the accuracy of park entrance payment collections using the data captured.

Estimated Date of Completion: December 4, 2023

- 4.2 Parks management should request that CivicRec be updated to allow for the recording of vehicles entering the park for free at the time of the admittance.

Management Action Plan:

Parks management has explored the options of updating CivicRec to allow for recording the number of vehicles entering the park for free at the time of admittance. This process has since been updated to allow for recording free entries into the park directly into CivicRec.

Estimated Date of Completion: December 15, 2022

4.3 Parks management should always schedule two employees to work in the gatehouse.

Management Action Plan:

Parks management will strive to schedule two employees to work in the gatehouse during operating hours. When an employee calls out for their shift, staff will make an attempt to fill that shift to ensure there are two employees on duty at the gatehouse. Completion date may be dependent on FY 23 budget allocations.

Estimated Date of Completion: December 4, 2023

4.4 Parks management should create and install signage at the gatehouse alerting customers that they are entitled to a receipt and should call a specified number if a gatehouse employee fails to provide a receipt. Additionally, management should document and implement procedures for investigating reports of receipts not being provided.

Management Action Plan:

Parks management will post signage at the gatehouse alerting customers that they are entitled to a receipt. A specified number, which does not ring to the gatehouse, will be provided on the signage to call if an employee fails to provide a receipt. Management will document and implement a procedure to investigate reports of receipts not being provided.

Estimated Date of Completion: July 6, 2023

4.5 Parks management should evaluate the feasibility of installing additional cameras at the gatehouse that are closer to where entrance fees are being collected from the public.

Management Action Plan:

Parks management will work with IT to evaluate the feasibility/efficacy of installing additional cameras at the gatehouse where entrance fees are being collected from the public.

Estimated Date of Completion: December 4, 2023