

CITY AUDITOR'S OFFICE



AUDIT OF PARKS, RECREATION & CULTURAL AFFAIRS

VETERANS MEMORIAL COMMUNITY CENTER PAYMENT COLLECTIONS

Report PR016-2223-06

June 22, 2023

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CITY AUDITOR

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**AUDIT OF PARKS, RECREATION & CULTURAL AFFAIRS
VETERANS MEMORIAL COMMUNITY CENTER
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BACKGROUND

The Department of Parks, Recreation & Cultural Affairs (Parks) manages the operation of the Veterans Memorial Community Center (Center). The Center is located at 101 N. Pavilion Center Drive. The center is open Monday - Thursday, 8 a.m. to 9 p.m., Friday, 8 a.m. to 8 p.m., and Saturday, 8 a.m. to 5 p.m.

The Center offers various amenities such as classrooms, a dance studio, a full size gymnasium, a fitness center, and various youth activities.

During calendar year 2022, the Center collected payments totaling \$265,226 including \$14,925 in cash, \$248,812 in credit cards, and \$1,489 in checks.

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

OBJECTIVES

Our audit objectives were to review the Center's payment collection process and determine whether:

- Customer payments are receipted, recorded, and deposited in accordance with the department's and the city's cash handling policies and procedures.
- Funds are appropriately secured.
- Department management is monitoring compliance with cash handling policies and procedures.
- System access permissions assigned to 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 during the period of April through September 2022.
- Safe combination testing was for the period of January 2022 through January 2023.
- Systems access permissions testing was as of January 31, 2023.

The last day of fieldwork was May 25, 2023.

Our audit methodology included:

- Observations of payment collections at the Center.
- Interviews with the Center's management and staff.

- Review of current practices against the following city and department policies and procedures:
 - Cash Handling Policy/Procedure (FN302)
 - Change Funds Policy/Procedure (FN307)
 - Parks and Recreation Cash Handling Procedures (PR-005)
- Review of a sample of 24 days of payment transactions and deposit documentation during the period of April through September 2022.
- Discussions 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 a 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 customer payments are receipted, recorded, and deposited in accordance with the department's and the city's cash handling policies and procedures.*

Customer payments are being receipted, recorded, and deposited in accordance with the department's and the city's cash handling policies and procedures with one exception. Daily close out summaries without any cash transactions are not always being printed and included with deposit documentation as required by policy. See Finding #3.

Objective 2: *Determine whether funds are appropriately secured.*

While the Center's funds were found to be secure, the Center is not maintaining a log of all employees with access to the Center's safe as required by policy. See Finding #2.

Objective 3: *Determine whether department management is monitoring compliance with cash handling policies and procedures.*

Parks management is not conducting periodic cash handling audits of the Center as required by city policy. See Finding #1.

Objective 4: *Determine whether system access permissions assigned to employees are appropriate for their job responsibilities.*

System access permissions assigned to employees are appropriate for their job responsibilities.

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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. Improved Management Oversight Needed

Criteria

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

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.

Parks' Cash Handling Procedures (PR-0005) states the following:

Responsibilities

Recreation Supervisor

- *Conduct and document site reviews to ensure this standard operating procedure is followed and understood by all staff.*

Recreation Manager

- *Review supervisor's process to conduct and document site reviews to ensure staff understand and follow this standard operating procedure.*

Administrative Services Division or Designee

- *Conduct internal cash handling site audits and report findings to management.*

Condition

- Parks management is not conducting periodic cash handling audits of the Center as required by city and department policy.

Cause

- Parks management has not adequately overseen the completion of periodic cash handling audits of the Center.
- Finance's cash handling policy does not contain specific guidance on what is expected by department management when conducting periodic cash handling site audits.

Effect

- Noncompliance with city and department policy.
- Areas of noncompliance may not be identified.

Recommendations

- 1.1 Parks management, in coordination with Finance, should document and implement procedures for the completion of periodic audits of cash handling locations.
- 1.2 Finance management should provide direction to departments on how to appropriately comply with the city's cash handling policy requiring departments to complete periodic audits of cash handling locations.

2. Noncompliance with Safe Policy

Criteria

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

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.*

Condition

The Center is not complying with the city's safe policy as follows:

- A log of all employees with access to the Center's safe is not being maintained.

Cause

- Management is not adequately overseeing compliance with the safe policy.

Effect

- Noncompliance with city policy.
- Risk of unauthorized access to the safe.

Recommendation

- 2.1 Parks management should implement procedures to ensure the Center staff maintain a log of all employees with access to the safe.

3. Noncompliance with Deposit 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.*
 - i. *If no cash is collected on any given day, a Cash Recap Sheet shall be prepared for the Treasury division showing zero (0) cash collected. (3g)*

Condition

Our audit included testing 24 days of deposits from April 1, 2022 through September 30, 2022. According to the city's cash handling procedures, when no cash is collected, a cash recap sheet (also known as a daily close out report) shall be prepared for the Treasury division showing zero cash collected. However, we found the following:

- On 8 of the 24 days tested, close out reports with only credit card or refund transactions were not printed out and included with the deposit documentation.

Cause

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

Effect

- Noncompliance with deposit procedures.

Recommendation

- 3.1 Parks management should require that employees print out daily close out reports for inclusion with their deposit documentation on days when no cash is collected as required by city policy.

MANAGEMENT RESPONSE

1. Improved Management Oversight Needed

- 1.1 Parks management, in coordination with Finance, should document and implement procedures for the completion of periodic audits of cash handling locations.

Management Action Plan:

Parks, Recreation and Cultural Affairs has developed and implemented a monthly Cash Handling Site Audit and Review checklist for Recreation Supervisors and Cultural Affairs Managers to complete when they do their monthly site visits. The department has developed and implemented a Cash Handling Site Audit and Review checklist for the Budget Analyst and Administrative Officer to complete during annual scheduled audits and spot audits throughout the year.

Estimated Date of Completion:

Implemented on April 6, 2023

- 1.2 Finance management should provide direction to departments on how to appropriately comply with the city's cash handling policy requiring departments to complete periodic audits of cash handling locations.

Management Action Plan:

Management agrees with the recommendation and will update the Cash Handling Policy and Procedures to provide direction to departments on how and when to perform periodic audits of cash.

Estimated Date of Completion:

January 31, 2024

2. Noncompliance with Safe Policy

- 2.1 Parks management should implement procedures to ensure the Center staff maintain a log of all employees with access to the safe.

Management Action Plan:

Verbiage has been updated in the Department's Cash Handling Procedures No. PR-005 and PR-005.1 to include coordinators must maintain a current list of all employees with access to the safe.

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Recreation Supervisors, Cultural Affairs Managers, Budget Analyst and Administrative Officer review the Cash Handling Site Audit and Review checklists monthly which notates if the Employees with Safe Access Log is current.

Cash handling procedures will be reviewed on September 21, 2023 during our annual department training.

Estimated Date of Completion:

All coordinators received an email on May 30, 2023 to use the Employees with Safe Access Log starting immediately. The Department's Cash Handling Procedures will be updated by September 1, 2023.

3. Noncompliance with Deposit Procedures

- 3.1 Parks management should require that employees print out daily close out reports for inclusion with their deposit documentation on days when no cash is collected as required by city policy.

Management Action Plan:

PRC has reached out to Finance to ask if it would be possible to not print out Daily Close Out reports on days when no cash is collected. This would save employee time and reduce waste of paper.

If Finance does not allow this exception, then additional verbiage will be added into the Cash Handling Procedures No. PR-005 and PR 005.1 to include Close Out Reports must be printed daily, this includes printing them when no cash has been collected.

Estimated Date of Completion:

The Department's Cash Handling Procedures will be updated by September 1, 2023. An email will be sent to Coordinators pending the response from Finance.