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Management Review
of
Parks and Recreation
Cash Collection Process

Report of Audit 05/06-XX-10

October 9, 2006



Office of Management and Budget
Internal Audit

MEMORANDUM NO. 07-02

DATE: October 9, 2006

TO: Director of Parks and Recreation/Phil Thornburg

SUBJECT: *Review of Parks and Recreation Cash Collection Process*

Enclosed is the “subject” Final Report of Audit.

Allyson C. Love
Director, Office of Management and Budget

Attachment - Final Report of Audit No. 05/06-XX-10

c: City Commission
City Manager/George Gretsas
Assistant City Manager/Kathleen Gunn
Assistant City Manager/David Hebert
Assistant City Manager/Stephen Scott
Director of Finance/Betty Burrell

ACL/vf

REPORT OF AUDIT NO. 05/06-XX-10

DATE: September 7, 2006

TO: Parks and Recreation Director/Phil Thornburg

FROM: Assistant Internal Audit Director/Renee Foley

BY: Financial Management Analyst/James Hamill

SUBJECT: *Review of Parks and Recreation Cash Collection Process*

BACKGROUND

The City of Fort Lauderdale's (City) Parks and Recreation Department (PKR) provides residents and visitors the opportunity to participate in quality recreational programs and leisure activities in well-maintained parks, aquatic, and recreational facilities. Registration/payment for programs and activities is decentralized at various site locations throughout the City. Collection of daily receipts from these remote sites is facilitated by Park Rangers who deliver the bank bags to a drop safe at the PKR Administration Office. The Clerk II¹ opens the drop safe and prepares a consolidated deposit for remote site bank bags, which is forwarded to the Treasury Division for deposit into the City's account at the bank by Brinks. On May 8, 2006, a bank bag containing \$543 from Carter Park was detected missing by the Clerk II. The City Treasurer performed a preliminary analysis of PKR's cash handling procedures and determined the need for Internal Audit to conduct an audit.

SCOPE

The objective of our review was to investigate the circumstances surrounding the missing bank bag totaling \$543 and evaluate the overall adequacy and effectiveness of the internal control environment for the cash collection process and Information Technology (IT) security. Judgmental sampling methods were used to perform a limited review of cash collections delivered to the PKR Administration building from various sites.² Walk throughs were only conducted at the PKR Administration building and Mills Pond Park, the locations where cash was reported missing. We discussed

¹ PKR Administration

² Carter Park, Mills Pond Park, Holiday Park Social Center, Jimmy Everett Tennis Center, and Beach Community Center

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policies and procedures, processes, and reviewed transactions and documentation. The audit was performed during the months of May and June 2006 according to generally accepted government auditing standards.

OVERALL EVALUATION

PKR's cash collection procedures and intra-departmental communication needs improvement to properly safeguard City assets. Ineffective communication resulted in a drop safe malfunction from being reported/repared timely and the inability to affix responsibility for the Carter Park missing bank bag containing \$543. Accountability for pre-numbered forms is also deficient. Adequate system administration controls for the RecTrac system were not in place creating the potential for fraud with regard to the daily cash receipts. Lack of management oversight of the cash collection operations and security controls resulted in inadequate safeguarding of the City's assets.

FINDING 1

The City's Police Department was not immediately informed when it was discovered that a bank bag containing \$543 from the Carter Park facility was missing from the safe located at the PKR Administration building.

PKR Policy and Procedures, Topic: Facility Safes dated 6/22/00, Drop Safe Procedures, Paragraph 8 states, "If a signed-in money bag is missing from the safe at time of removal, the Police, the facility supervisor and the Finance Supervisor are to be notified. A copy of the police report must be provided to the Finance Supervisor for forwarding to Treasury and Internal Audit."

On May 10, 2006, the City Treasurer informed Internal Audit that a bank bag containing \$543 of cash receipts collected on Friday, May 5, 2006 for Carter Park was missing. The Clerk II discovered the Carter Park bank bag was missing when he opened the drop safe at the PKR Administration building on Monday morning, May 8, 2006. The Clerk II promptly notified his supervisor, the Community Program Supervisor (CPS). The CPS notified the City Treasurer, but did not file a police report, as required by PKR's policy and procedures. Internal Audit contacted the PKR Director on

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May 10, 2006, and gave instructions to have staff immediately file a police report to document this incident.

The CPS stated a police report was not immediately filed with the Police because the CPS wanted to be sure the bank bag wasn't misplaced in the Park Ranger's City vehicle.

Enforcement of procedures to immediately report bank bags when discovered missing will enhance the quality and effectiveness of an investigation to recover missing funds.

RECOMMENDATIONS AND MANAGEMENT COMMENTS

The *PKR Director* should require the *Recreation Superintendent* to:

Recommendation 1. *Revise Drop Safe procedures, paragraph 8, line 5 to insert the word "immediately" after "are to be notified."*

Management Comment. *Management concurred with the finding and recommendation and stated: "Procedures revised." This item is closed.*

Recommendation 2. *Enforce PKR written policy and procedures to immediately notify the City's Police Department, as well as other specified officials, when a bank bag is discovered missing to assure control objectives are achieved and to aid in the investigation.*

Management Comment. *Management concurred with the finding and recommendation and stated: "Staff will be given new procedures at upcoming management meeting to enforce the policy." Estimated completion date October 18, 2006.*

FINDING 2

No action was taken to immediately report and repair a drop safe malfunction in which bank bags were getting caught in the teeth of the safe. As a result, the opportunity to conceivably prevent this loss was not realized.

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Malfunctioning safes create a risk to safeguard assets and should be immediately reported and repaired.

During our review, the Park Ranger Supervisor stated that the CPS was advised of this condition over a year ago. However, the CPS indicated she had no knowledge of this malfunction but was fully aware that the Clerk II made frequent weekend visits to the PKR Administration Building to make sure bank bags dropped to the bottom of the safe and were not hung up on the teeth of the safe.

Both the CPS and Park Ranger Supervisor failed to take appropriate/timely action to repair the malfunctioning safe. The CPS did not make arrangements to have the safe repaired, nor did the Park Ranger Supervisor follow-up on his verbal communication with a written notice/request to the CPS and carbon copy to the PKR Director.

Immediate repair of the drop safe malfunction when the condition was first detected could have prevented the missing bank bag at Carter Park.

RECOMMENDATIONS AND MANAGEMENT COMMENTS

The *PKR Director* should:

Recommendation 3. *Assure the recommendations contained in OMB's Memorandum No. 06-39 dated May 31, 2006 (see attached), are implemented.*

Management Comment. *Management concurred with the finding and recommendation and stated: "Safe adjusted so that it is operational, in June 2006." This item is closed.*

Recommendation 4. *Require the Recreation Superintendent to revise the PKR Policy and Procedures concerning Facility Safes to require immediate reporting and repair of safe malfunctions and meet with all management/supervisory staff in the department to review said policy and distribute accordingly.*

Management Comment. *Management concurred with the finding and recommendation and stated: "Safe policy revised October 3, 2006.*

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Changes to be reviewed at upcoming management meeting.” **Estimated completion date October 18, 2006.**

Recommendation 5. *Determine the cost effectiveness (cost vs. benefits) of installing a surveillance camera in the safe area/copier room in the PKR Administration building to enhance security and deter future losses.*

Management Comment. *Management concurred with the finding and recommendation and stated:* “Due to the fact this is the first time funds have been missing, we do not feel it would be cost beneficial to install a security camera. Estimated cost is \$1,500 to install camera that will record forty hours of activity. It would take many hours of staff time to monitor system. There is also a possibility that a new security system (city-hall coordinating) will be installed in the administration building that may be able to monitor actual staff members in and out of building on any given day. We are waiting for more information on this system.” **This item is closed.**

FINDING 3

The Systems Administrator did not establish a system of adequate IT security controls for the RecTrac system creating significant risk for unauthorized access and potential to compromise the integrity of the data.

User access permissions should always be consistent with actual job requirements and reviewed at least annually to verify the continuing need for the access permissions granted.

Best Practice IT security controls require passwords to be disabled immediately when they are no longer required; and all passwords should automatically be set to expire every 60 to 90 days.

Segregation of duties requires preparers of the daily bank deposits to not have the ability to make adjustments to sales/revenue accounts.

Our analysis of security for users of the RecTrac system revealed:

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- 2 of 62 (3.2%)³ staff user accounts/profiles were not deactivated when they were no longer required due to separation from the City and/or transfer to another Department. Furthermore, Vermont Systems (RecTrac software vendor) confirmed 3 of 7 (42.9%) of the system user accounts were not essential to maintain the functionality of the software; however, were also not disabled/locked out (*Asset Accountability/Fixed Responsibility*).

User Account	Menu
<i>Staff User Accounts</i>	
CKL	FD
DEB	ADMIN
<i>System User Accounts</i>	
DIA	<u>ZZZZZ</u>
MGR	MGR
TES	<u>ZZZZZ</u>

- User passwords were never set to expire (*Fixed Responsibility*).
- Access permissions were granted and did not provide for adequate segregation of duties. The Clerk II's (CLII) access permission is unsuitable for the role as both the preparer of the daily bank deposit and the ability to omit, enter, delete or change registration details before and after they are entered into the RecTrac system (*Segregation of Duties*).
- No annual review to verify the appropriateness of the level of access permissions granted to the system users based on their job needs was ever conducted by the CPS in her role as System Administrator (*Asset Accountability/Fixed Responsibility*).

No written policies and procedures exist to define and provide staff guidance as to levels of security access that should be granted for each job function and automatically set passwords to expire at pre-set intervals. Furthermore, all access permissions are not routinely reviewed and modified to restrict access based on the principle of least privilege⁴ while ensuring adequate segregation of duties and verify the correct status (active vs. locked) for each account/user.

³ Final Report of Audit corrected to reflect “2” instead of “7” staff user accounts were not deactivated when they separated from the City and/or transferred to another department.

⁴ The “Principle of Least Privilege” means user access permissions are granted to the minimum necessary to permit a legitimate action and enhance protection of data.

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Establishment of effective IT security controls will minimize the risk of comprising the integrity of the data and potential for fraud.

RECOMMENDATIONS AND MANAGEMENT COMMENTS

The *Recreation Superintendent* should require the *CPS* to:

Recommendation 6. *Lock out/disable within a week all user accounts/profiles, which are no longer required.*

Management Comment. *Management concurred with the finding and recommendation and stated:* “Two of the staff user accounts mentioned above have terminated and their passwords were disabled. The other staff members mentioned above still are employed and use the system or need to have access to the system. Within one week of termination or transfer, all user accounts/profiles which are no longer required will be disabled.” **This item is closed.**

Recommendation 7. *Set all user passwords to automatically expire every 60 to 90 days to reduce the risk of obtaining unauthorized access to the system.*

Management Comment. *Management concurred with the finding and recommendation and stated:* “Staff has checked with Vermont Systems and will be implementing this recommendation. Passwords will be set to expire every 90 days.” **Estimated completion date October 10, 2006.**

Recommendation 8. *Disable the Recreation Administration Clerk II’s ability to add, change and delete RecTrac Registrations.*

Management Comment. *Management concurred with the finding and recommendation and stated:* “Even though there is an audit trail in RecTrac and staff has the ability to know who made changes, we have disabled the Clerk II’s ability to add, change and delete RecTrac registrations. However, this Clerk II position does fill-in for the Clerk II at the Holiday Park Social Center, so when he is filling in, he will receive another user account so he has the ability to perform registration duties. This user account will be deactivated after coverage is completed.” **This item is closed.**

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Recommendation 9. *Immediately conduct and document a comprehensive review of all RecTrac user account profiles to confirm access privileges are based on actual job requirements. The review should place particular emphasis on users with cash handling responsibilities to ensure adequate segregation of duties.*

Management Comment. *Management concurred with the finding and recommendation and stated: “CPS will immediately conduct a review of all user accounts.” Estimated completion date November 1, 2006.*

Recommendation 10. *Future comprehensive reviews should be conducted annually at minimum and results documented in order to provide a complete audit trail.*

Management Comment. *Management concurred with the finding and recommendation and stated: “CPS will conduct and document an annual review of user accounts during month of October.” This item is closed.*

FINDING 4

PKR policies, procedures, and practices are conflicting to specifically identify who has the authority to pick-up bank bags. Furthermore, verification of the Park Ranger’s identification when picking up the deposits/bank bags is not performed.

*PKR Policy and Procedures, Topic: Dropping Revenues for Deposit dated November 2, 2000 Park Ranger Pick-ups, Paragraph 5 states, “The **Park Ranger** will pick-up the deposit bag, also completing the safe manifest. The Park Ranger will complete the drop into the Clerk II safe at the Administrative office, leaving a copy of the facility’s signed manifest to backup the drop bags in the safe.”*

*PKR Policy and Procedures, Topic: Facility Safes dated June 22, 2000 Drop Safe Procedures, Paragraph 7 states, “Money is not to be held in a safe for an extended period of time. The City does not accept post dated checks and all money collected is to be deposited that day. Safety circumstances do allow for **staff** to bring revenues collected after Administration building closes down the following working day.”*

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Due diligence of comparing actual signatures and photographs of all persons presenting themselves as having the authority to pick up and transport bank bags should be adhered to.

Our review of the PKR actual bank bag pick-up practices revealed Recreation staff, other than Park Rangers, at times perform bank pick-ups. According to PKR Policy and Procedures “Dropping Revenues for Deposit,” paragraph 5, the Park Rangers are authorized to pick-up the deposit bags. However, the Policy and Procedures for “Facility Safes” contains language to allow “staff” the ability to make late deposits due to safety circumstances.

Our review of the daily Facility/Safe Manifest forms dated May 26, 2006, revealed 3 variations of the signature for the same Park Ranger on forms at different facilities. We were unable to authenticate the signature due to the fact a sampling of usual Park Ranger signatures was never established.

The PKR policies have not been reviewed for consistency. In addition, no system was in place to require the Park Ranger Supervisor to establish a list of the Park Rangers’ authorized to pick up bank bags/deposits. Furthermore, the Park Rangers’ signatures and/or photographs were not on hand in order to allow the individuals responsible for preparing bank bags/deposits to verify.

Establishment of exclusive authority on who is authorized to pick-up bank bags, and having the ability to identify the Park Rangers who transport bank bags for deposit to the bank, will assist in fixing accountability/responsibility, and prove chain of custody in the event a bank bag goes missing.

RECOMMENDATIONS AND MANAGEMENT COMMENTS

The *Parks and Recreation Director* should require the *Recreation Superintendent* to:

Recommendation 11. *Consider performing a cost benefit analysis to determine if picking-up bank bags should be outsourced to a security firm or whether the Park Rangers continue to be tasked with this responsibility. At a minimum, the PKR Policies and Procedures should be revised to remove the word “staff” from Paragraph 7 of the “Facility Safes” procedure and replace it with “Park Ranger.” If it is determined that*

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contracting with Brinks or another security company is more cost beneficial, then all relevant procedures should be updated accordingly. If Park Rangers continue to transport the bank bags, it should be specified in their job descriptions to fulfill the City's insurance requirements in the event of a loss.

Management Comment. *Management concurred with the finding and recommendation and stated:* "The statement "or Park Rangers" will be inserted of paragraph 7 of the Facility Safe's procedures. We still want the staff to have the ability to bring funds to the administrative offices for deposit. Completed October 3, 2006. The current contract with Brinks has a contract rate for daily pickups at various locations @ \$280 per month. While this would not be cost beneficial for pickup at all department locations, we will investigate the possibility of having the daily funds picked up from the locations where we receive large sums of revenue. Estimated completion date November 15, 2006. Staff will request that the Human Resources Department amend the Park Ranger job description to include the transport of bank bags." **Estimated completion date November 15, 2006.**

The *Parks and Recreation Director* should require the *Park Ranger Supervisor* to:

Recommendation 12. *Validate all Park Rangers' City identification cards contain both photograph and signature and they are carried with them at all times to present during bank bag pickups.*

Management Comment. *Management concurred with the finding and recommendation and stated:* "The Park Ranger Supervisor will require staff carry their city-issued photo id card with them at all times." **Estimated completion date October 10, 2006.**

Recommendation 13. *Continue to update/maintain the Park Ranger signature list, which was created as a result of this audit. A current photograph should be added next to each of their signatures. A copy of this list should be provided to the Recreation Superintendent for distribution to all individuals responsible for transferring custody of bank bags/deposits to Park Rangers.*

Management Comment. *Management concurred with the finding and recommendation and stated:* "Park Ranger Supervisor will scan all photo

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id's that contain photo and signatures and make sure staff have a current list of authorized Rangers to pickup deposits. Some part-time Park Rangers only work every other month so it may take a couple of months to get a complete list.

This list will be distributed to those responsible for transferring custody of bank deposits to Rangers.” **Estimated completion date (for most Rangers) October 20, 2006.**

The *Parks and Recreation Director* should:

Recommendation 14. *Require the CPS to periodically perform a comparison of the Park Ranger signatures on the Safe Manifest forms to the sample list of signatures provided and immediately report any discrepancies to the Recreation Superintendent for follow-up with the Park Ranger Supervisor.*

Management Comment. *Management concurred with the finding and recommendation and stated: “Parks & Recreation finance office staff will perform a quarterly comparison of Ranger signatures on the list against the safe manifest. Staff will follow-up with the Ranger Supervisor to report any discrepancies. Ongoing.” This item is closed.*

FINDING 5

Pre-numbered forms⁵ are not tracked/monitored effectively to properly account for sales activity.

The control strength (accountability/fixed responsibility/completeness) inherent in the use of pre-numbered registration forms is completely diminished/lost if the disposition of all forms are not documented and reconciled.

Our review of the issuance and tracking of various pre-numbered forms revealed the following conditions:

⁵ 1) Daily Financial Log; 2) Facility Use Contract Receipt Form; 3) Daily Program Registration Form; 4) Program Registration Form – Regular; and 5) Program Registration Form – Gymnastics.

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- No written policy and procedures exist to track and monitor pre-numbered forms used in the cash collection process.

No effective control system exists to account for the issuance and disposition of each pre-numbered form. Tracking logs for the distribution of pre-numbered forms revealed the following errors.

Form Type/Name	Condition
Facility Use Contract Receipt Log	Duplicate entries to 2 different sites
Program Registration Form (Short Form)	Manual tracking logs were maintained on separate forms opposed to a consolidated (chronological/ consecutive) recording
Daily Financial Log	Form numbers not recorded in log
Daily Program Registration	Form numbers not recorded in log

- No completed reconciliation of pre-numbered forms was evidenced.
- Multiple versions of the same spreadsheets to account for pre-numbered forms were found on the S-drive as follows.

Daily Financial Log (8)

Daily Program Registrations (9)

GIS Receipts (7)

Furthermore, some files contained overlapping date ranges.

According to the CPS, a comprehensive reconciliation of the pre-numbered forms hasn't been completed in over two years due to staff shortages.

Establishment of procedures and an effective control system for pre-numbered forms will provide accountability for the completeness and accuracy in safeguarding and maximizing total revenues.

RECOMMENDATIONS AND MANAGEMENT COMMENTS

The *Recreation Superintendent* should:

Recommendation 15. *Develop a written policy and procedure to properly account for the use/disposition of all pre-numbered forms, including*

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establishing instructions to perform a quarterly reconciliation of all pre-numbered forms.

Management Comment. *Management concurred with the finding and recommendation and stated:* “A written policy and procedure will be developed to account for all pre-numbered forms. A quarterly reconciliation will be part of that policy. Department finance Staff is investigating the possibility of doing away with pre-numbered forms where we can, as the RecTrac system generates an individually numbered receipt and most of the information on the numbered form is duplicated in RecTrac.” **Estimated completion date November 15, 2006.**

Recommendation 16. *Require the CPS to provide training to staff tasked with responsibility of performing the above reconciliation process.*

Management Comment. *Management concurred with the finding and recommendation and stated:* “Parks & Recreation department finance office staff will be trained on the policy of reconciliation.” **Estimated completion date November 15, 2006.**

Recommendation 17. *Require the CPS to establish a separate subfolder within the main S-drive folder for each of the 5 pre-numbered form types. Additionally, establish two Excel spreadsheets for “Archived/ Reconciled” and “Current/Unreconciled.” Upon completion of the quarterly reconciliation, place copy into the Archive/Reconciled spreadsheet.*

Management Comment. *Management concurred with the finding and recommendation and stated:* “Separate folders will be established under Parks & Recreation finance office staff’s S drive. A system will be established via Excel on the S-drive that will log the distributed forms and the reconciled forms.” **Estimated completion date November 15, 2006.**

Recommendation 18. *Require the CPS to convert manual issuance/tracking logs to electronic format in Excel to the City’s S-drive, which is backed-up nightly for purposes of disaster recovery. Furthermore, a comments column should be added to the spreadsheet to record any exceptions. One continuous spreadsheet is required for each form type.*

Management Comment. *Management concurred with the finding and recommendation and stated:* “A system using Excel on the City’s S-drive

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will be established to track forms that have been distributed.” **Estimated completion date November 15, 2006.**

FINDING 6

Access to the Recreation Administration drop safe was not restricted since multiple employees had the combination, which had not been changed upon installation into the Administration building more than 2 years ago.

Safe combinations should be restricted to the least number of employees based on job duties. Back-up part-time staff should only have access to the safe through a full-time employee. Additionally, the combination should be changed when 1) the safe is moved to a new location or 2) an employee who knows the combination leaves the Department or no longer needs access to the safe to perform their job duties.

Our review identified five employees had the combination/ability to open the safe, as follows:

- CPS
- Clerk II
- Part-time Recreation Worker (3)

The CPS provided the combination to three part-time Recreation Workers for reasons of operational convenience versus proper safe security.

Limited access to the drop safe will fix responsibility for loss, if it occurs and safeguard the City’s assets.

RECOMMENDATIONS AND MANAGEMENT COMMENTS

The ***Recreation Superintendent*** should require:

Recommendation 19. ***The CPS to immediately change the combination to the drop safe and provide access to the full-time Clerk II and CPS only.***

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Management Comment. *Management concurred with the finding and recommendation and stated:* “The Parks & Recreation department finance area has been reorganized and a Senior Accounting Clerk has been hired. The combination of the safe has been changed access has been limited to the Clerk II, the Sr. Accounting Clerk and the supervisor of the area, the Dept. Budget Coordinator.” **This item is closed.**

Recommendation 20. *The PKR written Policy and Procedures concerning “Facility Safes” should be updated to include a requirement for the lock or combination to access a safe be changed if the safe is moved to a new location or when a staff member who knows the combination leaves the Department or no longer needs access to the safe to perform their job duties.*

Management Comment. *Management concurred with the finding and recommendation and stated:* “The Facility Safe procedure has been updated to include a requirement for the lock or combination to access a safe be changed if the safe is moved to a new location or when a staff member who knows the combination leaves the Department or no longer needs access to the safe to perform their job duties.” **This item is closed.**

MILLS POND PARK

BACKGROUND

Our review was extended to Mills Pond Park in order to investigate the theft, which took place of Change Funds totaling \$300 on July 31, 2005 from the safe. A police report was filed concerning the theft on August 2, 2005. The safe at that time was in an unlocked copier room and 12 staff members had access. PKR effected the following changes in order to strengthen internal controls: 1) the safe was moved from the copier room to a locked safe room; and 2) access to the safe was restricted to the least number of staff necessary.

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FINDING 7

The security environment of the bank safe at Mills Pond Park was compromised. Furthermore, daily entries in the bank log to establish accountability for the Change Funds was incomplete and contained errors.

Safes should always be bolted/secured to a permanent structure to minimize the chance of the safe being physically removed and all points of entry into the safe room secured.

A bank log should fully account for all change fund activity and accurately reflect the total amount secured in the safe, which should be counted at the beginning and end of each shift.

PKR Policy and Procedures, Topic: Cashier Cash Handling with Cash Register – End of Shift Procedures, paragraph 18 states, “The Cashier will count and total all the cash, checks and money orders from their shift.”

Our site visit to Mills Pond Park on June 14, 2006 revealed the bank safe used to secure the change funds was not physically secured/bolted to a permanent structure in the safe room and could easily be removed. Furthermore, the safe room had an opening on the ceiling to an attic above, which was not fitted with a lock.

Prior to July 31, 2005, when the change funds were stolen, 12 staff members had access to the safe. Additionally, the Bank Control Log entries indicated change funds of \$240 were in the bank safe, which differed from the \$300 reported as stolen in the police report.⁶ Furthermore, some of the daily entries were missing/incomplete and a staff member signed out individual change funds (Batting Cage vs. Gate) for a co-worker.

The Recreation Programmer II (RPII) was unaware of the opening to the attic and/or potential for unauthorized removal of the safe. The RPII also stated that the Bank Control Log entries before July 31, 2005, showing \$240 in Change Funds were incorrect. Staff making the entries had not considered the excess coins in their total, which should not have been stored in the safe

⁶The Change Fund total was reduced from \$300 to \$230 after the 7/31/05 theft per a 9/8/05 memorandum from the Superintendent of Special Facilities and Administration to the Finance Director.

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but kept in the cash drawers. The incomplete entries indicate a staff training need.

Cost effective security controls and accuracy of the bank logs are essential to assure assets are properly safeguarded and audit trails are maintained to promote fixed responsibility and accountability.

RECOMMENDATIONS AND MANAGEMENT COMMENTS

The *Parks and Recreation Director* should:

Recommendation 21. *Assure the following recommendations contained in OMB's Memorandum No. 06-42 dated June 15, 2006 (see attached), are implemented.*

- 1. The bank safe should be secured/bolted to a permanent structure similar to the drop safe, which is bolted to the floor, to prevent an individual from removing the entire safe.*
- 2. The opening to the attic on the ceiling of the safe room should be fitted with a lock to remove a potential point of entry to the safe room.*
- 3. Continue effort to fill Recreation Programmer I vacancy to further restrict access to both safes from six to four.*

Management Comment. *Management concurred with the finding and recommendation and stated:* "New bank safe purchased-have request into Public Services to bolt safe. A lock has been placed on the opening of the attic. Recreation Programmer I has been hired. Safe access will be restricted to five staff. Mills Pond Park is a 7 day, 15 hours per day operation that uses part-time staff in order to cover all shifts." **Estimated completion date October 10, 2006.**

The *Recreation Superintendent* should require the *RPII* to:

Recommendation 22. *Enforce Cash Handling Policies and Procedures and require staff to physically count the cash at the beginning and end of each shift.*

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Management Comment. *Management concurred with the finding and recommendation and stated:* “Recreation Programmer II will require staff to physically count the cash at the beginning and ending of each shift.” **Estimated completion date October 6, 2006.**

Recommendation 23. *Provide training to the Recreation Attendants who access the bank safe to reinforce the importance of maintaining an accurate Bank Control Log for the use and return of change funds. The RPII should emphasize the Cash Handling Policies and Procedures and require staff to physically count the cash at the beginning and end of each shift and review the log weekly to confirm the accuracy and completeness of the log entries.*

Management Comment. *Management concurred with the finding and recommendation and stated:* “Recreation Programmer II will review procedures with Recreation Attendants who handle cash. An emphasis will be on the cash handling policies and staff will be required to physically count the cash at the beginning and end of each shift.” **Estimated completion date October 6, 2006.**

Recommendation 24. *Return to the Finance Department any change funds that are in excess of usual change fund requirements.*

Management Comment. *Management concurred with the finding and recommendation and stated:* “Staff has looked at the change fund at Mills Pond Park and it has been determined to be adequate.” **This item is closed.**

EVALUATION OF MANAGEMENT COMMENTS

Management comments provided and actions taken and/or planned are considered responsive with the exception of recommendation 5, 11 and 15, respectively, as follows.

- Recommendation 5-Management should reconsider the cost benefit of a surveillance camera in the safe area/copier room in the PKR Administration building since deposits/revenues from this safe in fiscal year 2005/2006 totaled approximately \$2+ million.

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- Recommendation 11-Management indicates they will allow staff or Park Rangers to continue to transport revenues collected; however, “staff” should be designated and limited to a minimum (e.g., Recreation Programmers I and/or II) in PKR Policy and Procedures. Furthermore, a sample signature list for the other PKR staff should be created and maintained complete with a photograph, which the CPS should include in the periodic comparison of actual signatures vs. the sample signature lists.
- Recommendation 15-We disagree with “investigating the possibility of doing away with pre-numbered forms where we can, as the RecTrac system generates an individually numbered receipt and most of the information on the numbered form is duplicated in RecTrac.”

MEMORANDUM NO. 06-39

DATE: May 31, 2006

TO: Parks and Recreation Director/Phil Thornburg

FROM: Assistant Internal Audit Director/Renée Foley/5851

VIA: Director, Office of Management and Budget/Allyson Love

SUBJECT: *Repair or Replacement of Malfunctioning Parks and Recreation Administration Drop Safe*

Internal Audit commenced a review of Parks and Recreation Cash Handling policies and procedures as a result of a missing bank bag from Carter Park (5/5/06), which was not found in the Parks and Recreation Administration drop safe on May 8, 2006, although it was logged on the Administration Safe Manifest. The Clerk II explained the Administration drop safe is prone to malfunction (especially, when it is full) and oftentimes the bank bags get caught in the teeth of the drop drawer preventing them from falling securely into the locked bottom portion of the safe.

On May 30, 2006, James Hamill performed a test to confirm the existence of the described condition/malfunction. The Auditor-in-Charge attempted to drop the 11 bank bags in the safe at that time and found 4 of 11 (36%) bags got caught in the teeth and did not easily fall into the bottom secure part of the safe.

This situation requires your *immediate* attention to prevent future losses and improve accountability for missing deposits. We recommend the current safe be repaired to eliminate the malfunction condition or purchase a replacement safe, which should be bolted.

We request your written response to the recommendation above, identifying the corrective action to be taken and estimated completion date by *June 14, 2006*.

If you should have any questions, please contact me at 954-828-5851.

c: Director of Finance/Betty Burrell
City Treasurer/Bob Mays
Community Program Supervisor/Suzanne Broucek
Bcc Asst. City Mgr/ Kathleen Gunn
RCF/jh/Project 2006-07

MEMORANDUM NO. 06-42

DATE: June 21, 2006

TO: Parks and Recreation Director/Phil Thornburg

FROM: Assistant Internal Audit Director/Renée Foley/5851

VIA: Director, Office of Management and Budget/Allyson Love

SUBJECT: *Maintenance required to enhance the physical security of the Bank Safe at Mills Pond Park*

Internal Audit commenced a Review of Parks and Recreation Cash Handling policies and procedures as a result of a missing bank bag from Carter Park and Change Fund stolen from Mills Pond Park.

On June 14, 2006, James Hamill visited Mills Pond Park and discussed with Jason McDannold, Recreation Programmer II, to determine and evaluate the effectiveness of procedural changes instituted since the change fund was stolen on July 31, 2005.

The following changes have been made and are valuable in terms of controlling risk.

- The copier, which used to be in the safe room has been moved, and a lock was placed on the safe room door.
- The combination to the bank safe has been changed twice since July 2005 (once because of the theft and again on April 26, 2006, because a staff member who had access to the safe left the City's employ on March 10, 2006).

According to discussion with Recreation Programmer II, the number of employees who know the combination and have a key to the safe room (new) has been reduced from 12 to 6. However, a Recreation Programmer I vacancy exists. The number of employees who access both safes could be further reduced if the existing vacancy is filled.

Certain weaknesses/opportunities for improvement were noted and require your immediate attention to minimize the potential for future losses. We recommend the following corrective actions be taken to improve the physical security of the safe room and the bank safe.

1. The Bank Safe should be secured/bolted to a permanent structure similar to the Drop Safe, which is bolted to the floor, to prevent an individual from removing the entire safe.
2. The opening to the attic on the ceiling of the safe room should be fitted with a lock to remove a potential point of entry to the safe room.
3. Continue effort to fill Recreation Programmer I vacancy to further restrict access to both safes from 6 to 4 employees.

We request your written response to the above recommendations, identifying the corrective action to be taken and estimated completion date by ***June 30, 2006***.

If you should have any questions, please contact me at 954-828-5851.

c: Director of Finance/Betty Burrell
City Treasurer/Bob Mays
Superintendent Special Facilities/Vince Gizzi
Recreation Programmer II/Jason McDannold
Community Program Supervisor/Suzanne Broucek

RCF/jh/Project 2006-07