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TO: Honorable Mayor
and
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FROM: Commissioner Kimberly Mitchell, Audit Committee Chairperson

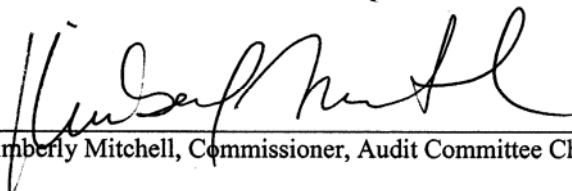
DATE: January 24, 2005

SUBJECT: Transmittal of Internal Audit Report No. 2005-002
AUDIT OF PARKS AND RECREATION CASH HANDLING

Attached is the report on **AUDIT OF PARKS AND RECREATION CASH HANDLING** approved by the Audit Committee at its regular meeting held today.

The audit identified several weaknesses in management controls over cash handling that needed attention. The audit recommended written policies and procedures be established by Parks and Recreation addressing segregation of duties, supervisory review, regular reconciliations, training of supervisors and staff, reporting and record keeping.

Many of the recommendations have been implemented by Parks and Recreation in cooperation with Finance. Written policies and procedures are being worked on and scheduled to be completed by midyear.



Kimberly Mitchell, Commissioner, Audit Committee Chairperson

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AUDIT OF PARKS AND RECREATION CASH HANDLING

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Internal Auditor's Office

Memorandum

To: Laura Schuppert, Parks and Recreation Director

From: 
Imogene Isaacs, CIA, CGFM, Internal Auditor

Date: January 24, 2005

Subject: **REPORT NO. 2005-002**
AUDIT OF PARKS AND RECREATION CASH HANDLING

INTRODUCTION

As approved in our audit plan for fiscal year 2002/03, we have performed an Audit of Parks and Recreation Cash Handling. The purpose of this audit was to determine that Parks and Recreation Department (Parks and Recreation) practices over cash collections and summer/specialty camp cash disbursements for events and activities (camp disbursements) were performed according to City Code and Finance Department (Finance) and Parks and Recreation policies and procedures.

The Cash Management Division, Finance, has citywide responsibility for establishing policies and controls over the receipts and deposits of cash and for monitoring such policies and controls. The amount of cash handled by Parks and Recreation is small relative to cash handling citywide. However, conditions brought out in this report indicate Cash Management did not fulfill some of its responsibilities. A separate memorandum to the Finance Director was issued covering weaknesses that Cash Management needed to address.

The management controls over cash receipts and cash disbursements covered in this report are the responsibility of the Parks and Recreation Director. The report focuses on the effectiveness of controls over cash receipts and camp disbursements within Parks and

Recreation, both at their central office and at the community centers that handle cash for various programs and activities.

CONCLUSIONS AND SUMMARY OF FINDINGS

While our audit focused on the areas of cash handling, we also observed the overall operations of Parks and Recreation and were impressed by the talented and dedicated staff that continually strive to develop innovative programs and services to enhance the quality of life for the children of West Palm Beach and the greater community.

Notwithstanding, sufficient attention had not been given to establishing effective management controls over cash receipts and camp disbursements. Overall, management controls over cash handling and corresponding records were inadequate and a general lack of knowledge was expressed by staff on the significance and importance of strong controls. Problems and weaknesses at Parks and Recreation resulted in \$35,948 of potential revenues that could not be accounted for.

Areas identified as needing attention are presented under Findings, Recommendations, and Responses and are summarized below.

Finding No. 1: Management Controls Over Cash Receipts Need Improvement elaborates on numerous deficiencies relating to:

- altered, missing, and incomplete records
- commingled and missing funds
- unexplained differences between revenues due and collections
- fees and charges not collected
- children attending programs without registration documentation or proof of payment on file

Finding No. 2: Management Controls Over Cash Camp Disbursements and Procurement Card Purchases Need Improvement elaborates on deficiencies relating to:

- missing and incomplete records
- unexplained differences between advances and expenses
- improper invoices paid

The core causes of the deficiencies cited in both findings were alike and we recommend written policies and procedures be established addressing:

- proper segregation of duties
- supervisory review
- regular reconciliations

- training of supervisors and staff
- reporting and record keeping

During the course of the audit, the Parks and Recreation Director and the Finance Treasury Manager cooperated in introducing improvements to strengthen weak areas. These new procedures are presented in the findings. We are recommending that these new procedures be formalized in writing. The Parks and Recreation Director agreed with our recommendations.

We thank the Parks and Recreation Director and Assistant Director and the community centers' supervisors and managers and staff for their cooperation and assistance during the audit. Also, we thank the Assistant Finance Director and the Treasury Manager and their staff for their assistance.

This audit was conducted by Ken Nielson, CPA, CIA, CISA, Senior Assistant Internal Auditor, and Suzie B. Hetherington, Assistant Internal Auditor.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the audit were to determine that:

With regard to cash collections/receipts:

- Cash collections/receipts were properly recorded and reported and that funds were deposited in the bank daily.
- Cash collections were performed in accordance with written policies and procedures.
- Cash transactions were subjected to independent reviews and reconciliation.
- Adequate controls existed to identify cash shortages/overages and shortages/overages were investigated in a timely manner and reported appropriately.
- Cash receipts and monies were properly safeguarded from theft or loss.
- Duties of handling, recording, and reviewing cash transactions were properly segregated.

With regard to camp disbursements:

- Camp disbursements were properly supported and authorized.

The scope of the audit covered cash handling activities at the Parks and Recreation community centers and the central office (Dreher Park). The centers included were:

- Coleman Park Community Center
- Gaines Park Community Center including Gaines Park Community Pool (now known as Warren Hawkins Aquatic Center)
- Grassy Waters Nature Center
- Howard Park Community Center
- Pleasant City Community Center
- South Olive Community Center
- Vedado Park Community Center

We reviewed and tested programs that brought in about 50% of the fiscal year 2002/03 Parks and Recreation program activities revenues, including summer camp, athletic program, swimming, Fun Out Of School Activities (FOOSA), and pavilion rentals. Additional testing was performed in two areas:

- Review of summer camp expenses led to an unplanned review of Parks and Recreation staff's procurement card purchases.
- Discussion of a mural art project at Pleasant City Community Center led to an unplanned review of a 501 (c) (3) (not-for-profit) checking account established for the purpose of receiving donations for various programs, special events, and activities as needed in the community.

This audit was performed in accordance with generally accepted government auditing standards. In performing this audit, we:

- Reviewed the City Code provisions on cash management, departmental policies and procedures, and other applicable material on operations;
- Reviewed Parks and Recreation staff job titles and descriptions;
- Completed an internal control questionnaire for custodians of cash;
- Performed surprise cash counts at the centers;
- Interviewed centers' staff;
- Performed a risk analysis;
- Reviewed and tested:
 - summer camp records (registration, sign in/out sheets, receipts, fee assistance forms, vouchers, and sponsorships);
 - summer camp expenses for field trips and activities;
 - summer camp yearbook revenues and expenses;
 - FOOSA, Youth Soccer, and swimming records (registration, sign in/out sheets, receipts, fee assistance forms);
 - pavilion rental records (log book, receipts, facsimiles sent to Parks Maintenance);

- bank deposits;
- procurement card statements and charge slips; and
- Performed other procedures as deemed necessary.

BACKGROUND AND PERTINENT INFORMATION

Parks and Recreation’s mission is to enhance lives and create memories in clean supreme parks. Parks and Recreation is fulfilling its mission by offering many quality programs that benefit the children and the community.

Parks and Recreation has responsibility for 40 parks, 6 community centers, and a nature center (Grassy Waters). For fiscal year 2002/03, Parks and Recreation expenditures totaled \$8,997,007 including \$4,407,924 on community recreation and the nature center.

The staffing level for the Parks and Recreation central office (Dreher Park), community centers, and nature center (Grassy Waters) is as follows:

<u>Parks and Recreation Staff by Center</u> (includes part-time and full-time staff)	<u>Staff</u>
Central Office (Dreher Park)	8
Coleman Park Community Center	5
Gaines Park Community Center	16
Gaines Park Community Pool	15
Grassy Waters Nature Center	6
Howard Park Community Center	6
Pleasant City Community Center	11
South Olive Community Center	26
Vedado Park Community Center	<u>12</u>
	<u>105</u>

Note: Parks Maintenance staff not included in above staff numbers.

The community centers offer a variety of programs for children, adults, families, and seniors, such as:

- Kids Programs: Camps (spring, summer, and winter), FOOSA, gymnastics, kids’ scrap booking, Thank Goodness No School (TGNS), and theatre play.
- Youth and Teen Programs: Children’s cooking, computer lab, gymnastics, tae kwon do, music theatre, and video and photography club.

- Adult and Senior Programs: Arts and crafts, dances (line dancing and Irish dance), elderly nutrition, tennis, and yoga.
- Sports and Athletic Programs: Basketball, fishing, ping pong tournaments, tennis, soccer, and youth fitness.
- Special Events: Adventure Island egg hunt, dad’s special day, holiday dinner, and out of school party.
- Swimming Programs: Lifeguard program, open swim, swimming lessons, underwater hockey programs, and water fitness classes.

Additionally, the Pleasant City Multi-Cultural Center has the following community outreach programs.

- PATCH: Planned Approach to Community Health – working with community groups to identify health issues and needs.
- Parent Child/Housing Partnership: Behavioral health counseling services and case management.
- HIPPY: Home Instructional Program for Pre-school Youngsters (family self-sufficiency program with home study training).

Grassy Waters is different from the other centers; its focus is on encouraging water conservation through enjoyable nature-based education and creative activities for all ages. Programs include canoe outings, nature walks, wetlands discovery, monsters in the marsh, and nature photography contest.

Parks and Recreation receives revenues from programs held at community centers and from rental of pavilions, rooms, and facilities.

Parks and Recreation revenues for fiscal year 2002/03 were \$1,029,159 as shown in the table below.

Parks and Recreation Revenues for FY 2002/03

<u>Charges for Services:</u>	<u>Revenues</u>	
Arts and Crafts Programs	\$ 63.00	---
Athletic Programs	\$ 64,516.00	6%
Dance Programs	\$ 20,113.00	2%
Other Program Activity Fees (Camps/FOOSA)	\$ 420,304.00	41%
Permits and Rentals Fees	\$ 53,575.00	5%
Special Events	\$ 415,111.00	40%
Swimming Pools	\$ 16,806.00	2%
Tennis Programs	<u>\$ 38,671.00</u>	<u>4%</u>
Total	<u>\$ 1,029,159.00</u>	100%

Summer Camp Revenues

Summer camp sessions start in June and end in August. Summer camp 2003 was 10 weeks long of which 2 weeks were specialty camps. Open registration was held at South Olive Community Center in April where parents enrolled their children in various camp programs and made a partial or full payment of fees. Any unpaid balances were due one week prior to summer camp. Finance took custody of monies received during open registration.

A Recreation Program Coordinator was responsible for recording and tracking unpaid balances at the central office. Records were maintained on a computer spreadsheet showing children's names, unpaid balances, and the center requested by parent.

The subsequent or final payments were received either at the central office or the centers. If received at the centers, monies were brought to the central office for daily deposit and copies of receipts for these payments were given to the designated Recreation Program Coordinator to update records.

Rosters were created from the spreadsheet maintained by the Recreation Program Coordinator and sent by e-mail to the respective center. Each center used these rosters to create their sign in/out sheets where children were signed in by center staff and signed out by an authorized parent or guardian when picked up.

Pavilion Rentals

Parks and Recreation offers pavilion rentals at South Olive Community Center, Howard Park Community Center, Gaines Park Community Center, and Dreher Park. Community centers or a room within a center can also be rented based on availability.

Pavilions rented at Dreher Park and Gaines Park Community Center were paid for at the central office. However, effective October 2003, Gaines Park Community Center began renting and collecting for pavilions at Gaines Park. Rents per pavilion varied from \$26.50 to \$63.60 depending on the pavilion size with an additional \$25.00 fee for electricity, when used.

A notice was transmitted weekly from the central office to Parks Maintenance advising them which pavilions were rented over the weekend, so pavilions could be inspected and, if necessary, cleaned prior to occupancy.

Camp Cash Disbursements

Parks and Recreation camp disbursements were made by the community centers Camp Coordinators for summer camp field trips and activities and by the central office for summer camp supplies.

Monies to pay for summer camp field trips and activities expenses were received on a weekly basis during the 8 weeks of summer camp. During this period, Finance issued weekly checks to a designated Recreation Manager at the central office totaling \$35,400. That amount was established based on 885 anticipated children at \$40 per child.

The weekly amounts differed due to variations in scheduled events, field trips, and activities. The Recreation Manager allocated a portion of the monies to each community center based on their planned summer camp field trips and activities.

Summer camp allowances were spent as follows:

Food	21%
Water Activities	20%
Movies	14%
Arcades	11%
Supplies	9%
Other	25%

The above distribution represents the totals of all centers and central office's summer camp expenses. Individual centers were given discretion on how to spend their allowances for the program.

FINDINGS, RECOMMENDATIONS, AND RESPONSES

FINDING No. 1: MANAGMENT CONTROLS OVER CASH RECEIPTS NEED IMPROVEMENT

Management controls over cash receipts were ineffective. Numerous weaknesses were evidenced by the following conditions:

- Altered records
- Missing records
- Incomplete records
- Commingled funds
- Missing funds
- Differences between the attendance records and receipts
- Late fees not collected

These conditions existed because written policies and procedures were not established. Consequently:

- employees' duties were not effectively segregated

- supervisory oversight was not exercised
- regular independent reconciliations were not performed
- supervisors and staff were not properly trained
- reporting and record keeping were inadequate and inconsistent

Specifics are discussed below.

RECORDS OF RECEIPTS

Prenumbered receipts are a strong deterrent to misappropriation. To achieve this, all prenumbered receipts must be controlled and accounted for on a timely basis and funds for those issued must be deposited.

The City’s Official Receipt form is a prenumbered set with 4 duplicate parts in different colors. After the preparer completes the receipt, the parts are distributed as follows:

Part 1: White copy	Handed to customer
Part 2: Yellow copy	Turned in to Finance with proof of bank deposit and Daily Cash Collection Report
Part 3: Pink copy	Kept at central office
Part 4: Gold copy	Kept with registration form at the central office for programs coordinated by central office staff; otherwise, kept at respective community center

1. Receipts were not Controlled by the Central Office and Records were Incomplete.

The central office control over blank prenumbered receipt forms was weak. Controls over blank receipts in custody of the central office and records of blank receipts issued to and used by the community centers’ staff were not practiced.

Blank receipt forms received from Cash Management were not examined by central office staff and, on occasion, duplicate numbered receipts were included in the blocks provided. To illustrate, a Parks and Recreation supervisor who had just picked up some blank receipts from Cash Management came by our office and we asked if the receipt numbers had been verified. The supervisor said “no.” We reviewed the block of receipts with the supervisor and found two receipt forms duplicated (9197 and 9198) due to a printing error.

The central office had an incomplete record of receipt numbers for receipts received from Cash Management. We reviewed their receipt logbook for the period of January through October 2003. When compared with copies of receipts in Finance turned in by Parks and Recreation, 1381 (22%) of 6185 receipts used were not recorded in the receipt logbook. Of the 1381 unrecorded blank receipts, 804 were used by the central office.

In summary, the central office records showed:

- Blocks of receipt numbers were not recorded in the logbook.
- On numerous occasions, blocks of receipt numbers issued to a specific center were used by a different center. For example, South Olive staff signed for a block of receipts, numbered 2701 through 2769; yet these receipts were used by Vedado.
- Blocks of voided receipt numbers were not identified as such nor was the center identified that had custody of the receipts.
- Seventy percent of the time, the dates blocks of receipts were issued to various centers were not recorded.
- Center staff did not verify their receipt numbers prior to signing off acceptance in the receipt logbook.

Cash Management issued blank receipts to the central office and monitored the numbers to track receipt usage. Cash Management sent e-mails to the central office listing missing receipts and inquired of the status. Secretary A at the central office sent e-mails to respective centers requesting status and, in turn, updated Cash Management from the responses.

We reviewed 7700 receipts turned in to Finance dated from 10/14/02 through 10/4/03 and identified 72 missing and 109 voided receipts. Of the 109 voided receipts, only 27 were evidenced as being corrected by a second receipt. None of the 109 voided receipts were approved by a supervisor.

2. Community Center Records were Inaccurate and Incomplete.

The centers had inaccurate records of blank receipts obtained from the central office. As an example of inaccurate records, a letter from Pleasant City to the Parks and Recreation Director in July 2003 stated the staff had inadvertently discarded 40 blank receipts when cleaning and preparing the center for summer camp program. The numbers listed for the 40 “discarded” receipts included:

- Nos. 489 and 702 used by South Olive
- Nos. 655 and 5470 used by the central office
- No. 2724 used by Vedado
- No. 5500 used by the central office for a \$160.00 payment that was not deposited in the bank (see “Summer Camp,” Item #1 below)

As another example, 9 receipts were reported as missing by Gaines Park Pool; 3 were actually missing, 2 voided, and 4 turned in to Finance.

Community centers do not have formal procedures on how to properly “void” receipts. Instruction for voiding receipts was issued by a memo sent from the Assistant Parks and Recreation Director to centers’ staff on 5/5/03 stating:

“When errors are made on an official receipt, that receipt must be VOIDED and turned in as part of your daily deposit in the correct sequential order. NO RECEIPT is to [be] ripped/torn-up or discarded. They are to be accounted for!”

Additionally, we noted some voided receipts:

- Were neither signed nor dated by the person voiding the receipt.
- Had no reason written on the receipt for being voided.
- Had a note written on them “wrong amount,” but corrected receipt did not follow.
- Were turned in without all four parts.

The Parks and Recreation Director reported new procedures over blank receipts were put into place and Finance trained the staff on these new receipting procedures. The new procedures include:

- Receipts are distributed by Cash Management directly to the center staff and tracked by Finance.
- Recreation staff count and review each receipt at Cash Management to ensure all receipt numbers are accounted for and no duplicates or unnumbered receipts are included.
- Receipt logs are used at each center for tracking and accountability and show who performed the transaction.
- Receipt logs are reconciled by supervisors and managers.
- Receipts are completed with all pertinent information for tracking of transactions.
- If a patron changed their mind or a mistake was made on a receipt, the receipt is voided with the reason for voiding it written on the receipt and the four copies are submitted with the daily cash report.
- If voided because a mistake was made, a new receipt with the correct information is immediately issued following in sequential order and referencing the voided receipt.
- If a patron decided not to register, information is noted on the voided receipt.
- All voided receipts are reviewed and initialed by a supervisor.

SUMMER CAMP

1. Altered and Missing Receipts.

We reviewed Finance records of receipt copies turned in by Parks and Recreation for fiscal year 2002/03. While reviewing the receipts, we observed that amounts were altered on some and some receipts were missing. We made inquiries and observed cash receiving practices at Parks and Recreation.

When payments were received at the community centers, the payer received the white copy of the receipt. A center staff person recorded daily revenues received for programs on a Daily Revenue Receipt form that showed the amount of checks and cash as well as respective receipt numbers. The gold copy of the receipt was retained at the community center.

The Daily Revenue Receipt form, monies collected, and the pink and yellow copies of the receipts were brought to the central office by a center staff person and submitted to Secretary A assigned to making the daily bank deposit. Secretary A counted the monies in the presence of the center staff person and verified the amount to the total monies shown on the form. If monies counted did not agree with the amount recorded on the Daily Revenue Receipt form, Secretary A corrected the form. Both parties signed the form to indicate agreement and one copy of the two-part form was given to the center staff person for the center's records and the other copy was kept at central office.

After making the bank deposit, Secretary A filed the pink copy of the receipts at the central office and turned in the yellow copies to Finance along with the bank deposit receipt and the Daily Cash Collection Report. Since similar records were kept by both the central office and the community centers, we compared the altered yellow receipt copies to the gold copies at the respective centers. This comparison showed the amount on the yellow copies had been altered between the time they were turned in to the central office and the time they were submitted to Finance.

The amounts altered on the yellow copies of receipts were initialed by Secretary A. We also observed the cash amount shown on the Daily Revenue Receipt form was changed and initialed by Secretary A.

Secretary A received the monies, prepared the bank deposit and the Daily Cash Collection Report, and made the bank deposit. No one at the central office reviewed the Daily Cash Collection Report and backup documentation. Having these responsibilities vested in the same person did not provide adequate segregation of duties. When the same individual has custody of the monies and the records of those monies along with no independent review, the opportunity for misappropriation exists.

A cashier at Cash Management reviewed the Daily Cash Collection Report along with the backup documentation. The altered receipts were not questioned nor were the changes made on the Daily Revenue Receipt forms questioned even though the cash amount was changed and initialed by just one person, Secretary A.

We were able to determine that eight amounts were altered after the money was taken in at the central office and the money was not deposited or otherwise accounted for. Below is a list of the 8 receipts that were altered to reduce the amounts received. The original amount, the altered amount, and the amount of the shortage are shown for each receipt. Each altered receipt was initialed by Secretary A. Total amount of money received from customers that should have been deposited in the bank was \$812, but only \$533.40 was actually deposited resulting in a shortage of \$278.60.

<u>Receipt#</u>	<u>Date</u>	<u>Original Amount</u>	<u>Altered Amount</u>	<u>Shortage</u>
202	11/15/02	\$ 40.00	\$ 20.00	\$ 20.00
1610	01/30/03	\$ 12.00	\$ 6.00	\$ 6.00
2349	03/05/03	\$ 80.00	\$ 40.00	\$ 40.00
2352	03/05/03	\$ 80.00	\$ 40.00	\$ 40.00
3639	04/08/03	\$ 80.00	\$ 67.40	\$ 12.60
5221	05/22/03	\$ 360.00	\$ 260.00	\$ 100.00
5658	06/14/03	\$ 80.00	\$ 60.00	\$ 20.00
6911	09/09/03	\$ 80.00	\$ 40.00	\$ 40.00
		<u>\$ 812.00</u>	<u>\$ 533.40</u>	<u>\$ 278.60</u>

For four receipts missing in Finance, the gold copies were found at the central office attached to the respective registration forms; however, no money was deposited in the bank for these receipts indicating the money was missing. Below are the numbers of the four receipts missing from Finance. The monies shown on copies of these receipts at Parks and Recreation as collected, but not deposited in the bank, totaled \$455. The person responsible for depositing the money was the same employee who altered the receipts, Secretary A.

<u>Receipt#</u>	<u>Date</u>	<u>Amount Not Deposited</u>
2033	02/06/03	\$ 90.00
2371	02/12/03	\$ 105.00
5470	06/06/03	\$ 100.00
5500	06/06/03	\$ 160.00
		<u>\$ 455.00</u>

Secretary A denied any wrongdoing when interviewed by a City Police Officer about the altered records and missing monies, but did offer to resign from the City. The resignation was accepted.

We recommended immediate action to have daily receipts by each community center and the central office be delivered directly to City Hall for deposits in the bank by Cash Management.

Because supervisory oversight was not exercised and effective segregation of duties did not exist, monies disappeared leading to the loss of a City employee.

2. Unexplained Differences between the Amount of Summer Camp Fees Due and Collected.

We reviewed the summer camp records maintained at the central office to verify that children who attended summer camp were registered and the proper fees were paid and the monies were deposited in the bank. The records provided to us were summer camp registration forms, sign-in/out sheets, fee assistance forms, list of children paid by voucher and West Palm Beach Housing Authority, copies of receipts (gold copies), and a “payment worksheet” listing fees for summer camps and specialty camps.

We identified a number of documents missing (i.e., receipts, registration forms, and fee assistance forms) from the files maintained at the central office. A list of these missing documents was given to Parks and Recreation staff for help in locating them. The centers staff were able to provide some of the missing documents, but many could not be produced.

Daily sign-in/out sheets were maintained as a record for children’s attendance at the various camps offered by Parks and Recreation. From the sign-in/out sheets, we identified names of 1191 children that attended regular or specialty camps. Where a child attended more than one camp, we recorded the name once for each camp attended.

We tried to match each child’s name from the sign in/out sheets to a registration form and record of payment (receipt, voucher, or fee assistance form) for the camps attended. In cases where there were no payment records at Parks and Recreation, we reviewed copies of receipts maintained in Finance. If a record of payment for the child could not be found at either location, we calculated the amount that would have been due based on the category (regular or fee assistance) where the child appeared to belong.

When a child is registered for camp, payment can be made in full at that time or a partial payment may be made with the balance due by the first day camp is in session. Our review of payments revealed a number of cases where there was a record of the partial payment made at registration, but no record of a subsequent payment of the balance due. In cases where there was a balance due and no record of a 2nd payment, we calculated the amount due.

The results of our analyses shown in the following table indicated a balance due of \$24,138.

Calculation of Summer Camp Revenues

Amount Accounted For

Amount collected for summer camp per receipts (gold copies) at central office/centers	\$ 190,428
Additional amount collected for summer camp per receipts (yellow copies) at Finance	<u>\$ 12,942</u>
Total amount accounted for by receipts available	\$ 203,370

Amount Not Accounted For

Amount calculated from sign-in/out sheets for which there were no evidence of payments	\$ 17,148
Amount of unpaid balances not evidenced by receipts for 2nd payments	<u>\$ 6,990</u>
Total amount not accounted for by receipts available	\$ 24,138

Records provided to us by Parks and Recreation showed \$34,171.60 was due the City as of January 26, 2004. However, we determined some payments had not been applied to this balance.

While our analysis showed a significantly lower amount due than their own records, the Parks and Recreation Director stated that many of the children may have been eligible for reduced fees, thus lowering the outstanding amount. Our calculations were based on participants paying the full \$320 for the first child and \$160 for the subsequent children unless the registration form clearly showed eligibility for the reduced fee then we used \$160 for the first child and \$80 for any subsequent child. The Parks and Recreation Director believed that most of those who attended and proof of registration was not found resided in low income neighborhoods and, in all likelihood, these participants would have been asked to pay the lowest fee of \$80 for the first child and \$40 for subsequent children. Records were so incomplete that an accurate determination of the amount due was not possible.

This was further complicated at Finance where the summer camp revenues were recorded in the same general ledger account with FOOSA revenues. This precluded an accurate comparison of summer camp receipts turned in to Finance to the amount calculated for summer camp.

Controls over cash handling for summer camp receipts were weak and ineffective. Records were incomplete. Segregation of responsibilities was not established. Reconciliations were not performed. Receivables were not sufficiently pursued. Supervisory oversight was inadequate. All these basic control procedures need to be put in place.

During the audit, one of the major improvements made was that the receivable process was transferred from Parks and Recreation to Finance and receivables are now being independently pursued.

3. Not all Children who Attended Summer Camp and Specialty Camps were Registered.

We reviewed the sign-in/out sheets for summer camp 2003 and compared the children's names with registration records. Our comparison identified 1191 children's names appearing on the sign-in/out sheets that were matched to 910 registration forms leaving 281 children for which registration forms could not be produced. We also noted the sign in/out sheets were not standardized throughout the community centers.

Registration forms are important to have on-site when summer camps or specialty camps are in session because they contain important information, such as the parent or guardian to contact in case of an emergency and persons authorized to pick up the child. Sign in/out sheets are important to assure children signed in are signed out by a parent or guardian.

4. Records of Children Registered for Summer Camp were not Maintained Current.

Sixty-three children were registered for summer camp at Coleman Community Center of which 14 did not attend because:

- 12 children were moved to other community centers without adequate transfer documentation.
- 1 child was a "no show."
- 1 child who had been sponsored by West Palm Beach Housing Authority was "switched" with another child without documentation.

The center's Recreation Program Coordinator told us it was very common for parents to request to have their child moved to another center and the "move" is recorded by writing the replacement center's name on the respective registration form and moving the form to its new respective folder. The record keeping system was not effective.

Because the City is responsible for every child attending summer camp, information on each child must be properly obtained, maintained, and accurate.

5. Three Children were Misclassified as Being Paid by Voucher.

We reviewed the summer camp records at central office for the children who attended summer camp and were sponsored by Palm Beach County Summer Camp Scholarship Program. Under this program, the City agreed to match each scholarship one for one; 43 children were sponsored at \$320 each totaling \$13,760 of which \$6,880 was paid by the Scholarship Program and \$6,880 absorbed by the Parks and Recreation's budget.

The registration forms for the children who were paid for by the Scholarship Program were notated with the word "voucher" written on top of the forms. Our summer camp analysis included the children who were paid by voucher and were matched to a list of summer camp scholarship recipients provided to us by the summer camp Recreation Program Coordinator at the central office. The list showed 43 children being sponsored, but our review of registrations showed 47; a difference of 4. Four children's registration forms indicated they were paid by voucher, but a payment for one of the children was shown on receipt number 4288 in the amount of \$320. The other three children were not paid by voucher nor were payments evidenced by receipts, indicating a loss of revenues of \$960 (3 at \$320 each).

In addition to the new procedures identified before, the Parks and Recreation Director reported the following additional procedures covering receipts were implemented since our audit:

- Responsibility for performing receipting transactions is now segregated from responsibility for performing daily cash reports.
- Personnel completing daily cash reports review receipts for correctness, accuracy, and that receipts are being used in sequence. Errors are reported to managers for further action, such as additional training or disciplinary measures.

New procedures over registration and attendance were also implemented as follows:

- Program attendance sheets only list names of those who have paid for the specified program.
- No names are written on attendance sheets without payment being made and an official registration form completed by the participant or legal guardian and in file.
- Registration forms have the official City receipt copies attached for records of payment.
- If a voucher is used to pay for a program, the voucher is attached to the registration form.
- If fee assistance is approved, proof of subsidy level is attached to the registration form.
- Original registration forms are maintained for Summer Camps at the administrative office of Parks and Recreation and all other program registration forms are maintained at the hosting center.

- Copies of Summer Camp registration forms are then given to centers with program rosters and attendance sheets.
- Program rosters/attendance sheets cannot be altered at sites; any revisions are made at the administrative office and redistributed.

Furthermore, registration forms are audited monthly for payment information and reconciled against program rosters and sign in/out sheets. Program sign in/out sheets are collected and reviewed to ensure only those who have registered with payment in full are attending.

SUMMER CAMP YEARBOOKS

1. Summer Camp 2003 Yearbook Revenues were not Deposited and Cash was Used to Pay another City Department for Expenses.

Each community center created a summer camp yearbook with photos of the children involved in the camp activities. Parents ordered and paid for the yearbooks in advance and the City's printing division printed the number ordered and five extras of each community center. No record of the monies collected was kept. The monies collected were not deposited in the bank and were not recorded on the City's books.

The Printing Division's records showed 339 summer camp yearbooks were printed; 269 were for sale by the community centers and 70 were to be kept at the central office for sale and future marketing of the program. Since there were no records maintained, we estimated the amount collected to be \$1,674 for the 269 yearbooks based on the unit price at each center.

When the printing was completed, a bill for \$1,220 was submitted by the Printing Division for the cost of the printing and it was paid in cash. The normal process for internal service funds, such as Printing, is to charge other departments through the accounting system.

In addition to the printing cost, other costs totaling \$465.62 were paid for creating the yearbooks, resulting in a total cost of \$1,685.62 for the yearbooks. These costs were also paid in cash.

There were no controls over these cash transactions. All monies collected should be timely deposited in the bank and records maintained. Furthermore, charges from other departments should not be paid in cash but should be transacted in the normal billing process through the accounting system.

The Parks and Recreation Director told us in the future the yearbooks would be included in the Summer Camp fee and printing expenses will be paid for by Parks and Recreation through an internal charge from the Printing Division.

PAVILION RENTALS

1. Pavilion Rental Records were Incomplete, thus making it Impossible to Verify Rentals were Collected and Deposited.

During the audit, the pages covering the January through May 2003 pavilion rentals disappeared from the pavilion rental logbook kept at the central office. Coincidentally, notices faxed (facsimiles) to Parks Maintenance requesting clean-up services for pavilions rented during January through May 2003 were missing from the files. Rental of the pavilions located at Dreher Park and Gaines Park Community Centers were handled at the central office. Once a week, a facsimile was sent to Parks Maintenance to advise which pavilions were rented, so they could be inspected and cleaned, if needed, prior to occupancy.

We determined Parks Maintenance maintained records of the weekly facsimiles sent by the central office and obtained copies. From the copies and the receipts turned in to Finance for pavilion rentals, we reconstructed rental activities for the missing months (January through May 2003). The receipts were traced to the respective pavilions listed for clean-up on the facsimiles. In cases where pavilions were listed on the facsimiles for clean-up and there were no related receipts for rental, we calculated the rental fees using the standard pavilion rental fees provided to us by the central office. Rents per pavilion varied from \$26.50 to \$63.60 depending on the pavilion size with an additional \$25.00 fee for electricity, when used.

For the months of January through May 2003, our analysis indicated that an additional \$1,727.50 should have been received and deposited.

<u>Month</u>	<u>Total amount of rental fees due based on pavilions listed on facsimiles (\$)</u>	<u>Total amount of monies collected based on receipts (\$)</u>	<u>Total amount of monies unaccounted for based on analysis (\$)</u>
January	933.60	785.20	148.40
February	692.80	502.00	190.80
March	699.60	402.80	296.80
April	2,080.70	1,617.20	463.50
May	<u>3,951.60</u>	<u>3,323.60</u>	<u>628.00</u>
Total	<u>8,358.30</u>	<u>6,630.80</u>	<u>1,727.50</u>

Our reconstruction of the missing records indicated pavilion rental revenues for January through May 2003 would have totaled \$8,358.30 of which \$6,630.80 had receipts on file.

Parks and Recreation management offered various explanations such as City use, school use, and rescheduled dates for rain days for the difference of \$1,727.50; however, none of these could be verified from their documentation.

Additionally, we reviewed the pavilion rental activities from June to September 2003 from information recorded in the pavilion rental logbook and matched the entries to the respective receipts. Pavilion rental receipts indicated the pavilion number and showed the fees paid. For those logbook entries where a receipt could not be found, no amount was recorded. The difference was calculated for each month and shown as unaccounted for in the following table.

<u>Month</u>	<u>Total amount of rental fees paid as shown in logbook (\$)</u>	<u>Total amount of monies collected based on receipts (\$)</u>	<u>Total amount of monies unaccounted for based on analysis (\$)</u>
June	955.60	630.00	325.60
July	1,248.60	1,015.40	233.20
August	636.00	568.80	67.20
September	<u>901.80</u>	<u>533.80</u>	<u>368.00</u>
Total	<u>3,742.00</u>	<u>2,748.00</u>	<u>994.00</u>

The total amount of monies unaccounted for from January to September 2003 was \$2,721.50 (\$1,727.50 plus \$994.00).

Two separate forms were filled out when renting a pavilion; a facility permit and a receipt. A facility permit could have easily been issued without a receipt and the customer would not have known to ask for a receipt too. The pavilion rental logbook did not show receipt numbers issued. Furthermore, if rented pavilions were cancelled by customers, there were no notations of it in the logbook.

Transaction records were missing and incomplete. Because reconciliations and supervisory reviews were not performed, these conditions were not timely discovered.

2. Altered Entries in the Pavilion Rental Logbook.

While reviewing the pavilion rental logbook at the central office, we noticed a number of entries altered using correction fluid to cover the original information and then overwriting it with new information.

For example, an entry on June 8, 2003 was covered with correction fluid and overwritten to indicate a pavilion rental for “Roosevelt Elementary School” at no charge. Some of the information underneath the correction fluid could be read including the previously entered rental cost of “\$63.60.”

In July 2003, there were 3 altered entries in the pavilion rental logbook. The original information was covered with correction fluid, including pavilion cost, and replaced with new information. We could not read the original information covered by the correction fluid, but could see that earlier entries had been made.

When changing an accounting record, the original entry should not be obscured. To correct or change an entry, it can be neatly crossed out with a single line that does not obscure the original information and the revised information written above, below, or along side the original entry. If the reason for the change is not readily apparent, an explanation can be written nearby or as a footnote. We noted some revisions in the pavilion rental logbook where original entries were crossed out and new information recorded and initialed, but there was no indication of supervisory review. The revision should be initialed by the person making the change and, on a timely basis, all revisions should be reviewed by a supervisor for propriety and this review evidenced in writing.

Because supervisory oversight was not exercised, an obvious “red flag” such as entries in the pavilion rental logbook covered with correction fluid went unnoticed and were not acted upon timely.

The Parks and Recreation Director reported that new pavilion policies and procedures have been put in place:

- White-out is no longer permitted to be used on any fiscal related documents.
- Pavilion use for City functions is now noted in the logbooks.
- When a pavilion rental is cancelled, a line is drawn through the rental. If rented at a later date, the new permit holder information is written above the cancellation information showing the corresponding receipt number.
- All pavilion cancellations require evidence of supervisory approval, so a refund may be issued.
- Pavilion logbooks have a column for writing in the corresponding receipt number for supervisory and fiscal review.
- Pavilion rental refunds may be issued based on timeliness of request, severe inclement weather, and poor pavilion conditions.
- To ensure good customer service, should a renter encounter severe inclement weather or poor pavilion conditions, they are given the choice of rescheduling the rental without additional charges or a refund. Rescheduling would require that the original receipt number be moved to the new day of rental and location noting the reason for the move.

FOOSA (Fun Out of School Activities)

1. Children Attended FOOSA at Pleasant City Community Center without Proof of Payment.

We reviewed records for 98 children who attended FOOSA at the Pleasant City Community Center in September 2003. The records reviewed were:

- Registration forms (proof of registration)
- Sign-in/out sheets (proof of attendance)
- Receipts (proof of payment)
- Fee Assistance Forms (reduced fee)

Our review showed proof of payment could not be produced for 25 of the 98 children that attended FOOSA. Our analysis showed revenues that should have been received were \$2,495, but only \$1,095 was evidenced by receipts. The difference of \$1,400 was composed of \$1,010 of regular FOOSA fees and \$390 of fee assistance.

2. Children Attended FOOSA at Vedado Community Center without Proof of Payment.

We reviewed the FOOSA records at Vedado for the month of May 2003 to verify children were registered, had attended, and had paid. The records did not show proof of payment for 8 of 52 children in May and there was no proof of payment for 2 of these 8 children for the month of April. The regular FOOSA fee is \$40, thus a loss of revenues of \$400 (10 at \$40).

3. Late Fees for FOOSA were not Collected.

The monthly FOOSA fee is \$40, due by the 5th of each month, and subject to an additional \$5.00 charge for late payment. We reviewed the FOOSA records at Vedado Community Center for the month of May 2003. Of the 52 children enrolled, 31 late payments were received but the \$5 late charges were not collected resulting in loss of revenues of \$155 (31 at \$5). The Recreation Program Coordinator at Vedado stated it was common practice at the center for the parents to pay late, but the late charges were not enforced.

The "FOOSA Parent Handbook" prepared by the central office states the program fees are due by the 5th of each month; however, it does not state a late charge of \$5.00 will be added if not paid by the 5th. We asked a Recreation Manager at central office about the late charge not being included in the brochure and we were told even though it was not reflected in the brochure, the parents were aware of it since it has been in place for many years. The Recreation Manager agreed the brochure should be updated to include an

explanation of the additional \$5 charge if the FOOSA fee is not paid by the 5th of the month.

The Parks and Recreation Director reported the following policies and procedures were put in place for attendance checks and balances.

- All registration forms must be in the center FOOSA files with proof of payment attached and level of fee assistance with back-up if applicable.
- Program roster/sign-out sheets must match FOOSA payment spreadsheet.
- Program participants whose payments are not received will be removed from the Program roster/sign-in sheet and will not be permitted to attend the program until payment is received. Parents late on making payments are contacted prior to removal from the program.
- A late charge was put in place at the centers to encourage parents to pay the monthly FOOSA fees by the 5th of the month. Staff have been instructed, as a policy, they must collect the late fee for consistency and fairness to all parents.

YOUTH SOCCER PROGRAM

1. Late Fees on Youth Soccer Program were Not Charged.

The 2003 Youth Soccer Program registration policies stated the registration was \$40 for residents and \$45 for non-residents until August 2, 2003. After that date, the fee increased to \$50 for residents and \$55 for non-residents for late registration. Of the 250 participants, the records showed:

- 11 participants paid a late registration fee and
- 138 participants paid after 8/2/03, but did not pay late fees.

By not charging the 138 participants the late registration fee, the City incurred a loss of revenue of \$10 per person totaling \$1,380.

The Parks and Recreation Director explained due to low enrollment for the annual youth soccer program, it was decided the late fee would not be charged. The initial decision to institute a late fee was to motivate parents to register children early for the program. Parents still waited until the last minute to register and missed the deadline.

2. One Child Attended 2003 Youth Soccer Program without Proof of Payment.

Pleasant City Community Center fielded a soccer team in the 2003 Youth Soccer Program. The records show 14 children were on the team; however, payments received at Pleasant City were for only 13 children indicating one child participated without payment. The program fee was \$40 fee per child.

The center could not produce verification of payment or explain the non-payment.

The Parks and Recreation Director stated the same procedures as described in other sections will be implemented, i.e. late fees will be charged and consistently collected and registrations will be documented with proof of payment.

FEE ASSISTANCE

1. Required Proof of Earnings for Fee Assistance Recipients were not Properly Maintained by the Central Office.

Participants requesting fee assistance must be City residents and show proof of meeting certain income level restrictions as set by the City. When fee assistance is requested, a form must be completed with the following attachments:

- copy of free or reduced lunch program participation form, if enrolled
- verification of income such as pay stub, food stamps, social security check, etc.
- proof of residency (i.e., City water bill)

Fee assistance categories and allowances are determined by management at the central office. Fee assistance forms are approved and maintained at the central office. The fee assistance eligibility is good for one year unless the applicant's financial or residential situation changes.

We reviewed fee assistance eligibility records at the central office and noted:

Fee Assistance Records Missing for Summer Camp

We reviewed the summer camp records at the central office for 122 fee assistance recipients and noted 32 did not have proof of earnings on file. We inquired about the 32 and provided the list of recipients to management of Parks and Recreation. Further proof of earnings was not provided us.

We calculated an unpaid balance of \$4,020 due from fee assistance recipients. Where no receipts were provided nor proof of earnings on file for the registration forms notated by "FA," fee assistance allowance was assumed to be level 2 (\$160) and the balances due were calculated using that assumption.

Fee Assistance and Related Records Missing for FOOSA

We reviewed the FOOSA records at Pleasant City for September 2003 and the records showed 42 of 98 participants were on fee assistance and 25 of the 42 participants did not have proof of earnings on file.

We calculated an unpaid balance of \$390 due from families on fee assistance. We determined the amount due by comparing registration forms indicating fee assistance to copies of receipts issued to the respective families. No receipts could be produced for fees totaling \$390.

Records of fee assistance approved for each recipient need to be maintained with proper supporting documents (i.e., proof of earnings).

Parks and Recreation Director stated procedures have been established as follows for fee assistance:

- Fee assistance applications, proof of income, proof of free/reduced lunch are maintained at the center where the participant is attending.
- Fee assistance back-up materials are kept with program registration forms along with proof of payment according to subsidy levels.
- Fee assistance recipients must have on file a VIP (Volunteer Incentive Program) form for tracking of hours.
- Volunteer hours must be served to continue receiving fee assistance.

As presented throughout the finding above, many changes were introduced to strengthen controls. Major accomplishments were:

- Cash Management created an interim policy on “Recreation Revenue Collection Report/Official Receipts Procedure,” which addresses handling of cash receipts.
- Daily receipts by each community center and the central office are brought directly to City Hall for deposit in the bank by Cash Management.
- The receivable process was transferred from Parks and Recreation to Finance and receivables are now being independently pursued.
- The Assistant Parks and Recreation Director ordered and distributed safes and locked money bags to the community centers and the central office. Additionally, a cash register was ordered and delivered to Gaines Park Pool. The cash register was coded according to the types of revenues received at Gaines Park Pool (i.e., pool pass, daily pass, swim lesson, water group activity, etc.).
- A new computer system called “Book It” was purchased to manage enrollment, payments, and monitoring of programs offered at Parks and Recreation. This system has the capability to significantly improve control over cash transactions if properly implemented and operated; however, the system is only a tool. Effective

controls can only result if management is committed to establishing the necessary policies and procedures to support the new system.

Notwithstanding numerous improvements in controls implemented by Parks and Recreation management over the course of the audit and the implementation of a new information system, further strengthening of the management controls is needed.

RECOMMENDATION:

We recommend the policies and procedures be formalized in writing and adopted by Parks and Recreation to address the following critical control parameters:

- timely bank deposits of all monies received
- billing for amounts due
- proper segregation of responsibilities
- supervisory oversight and review
- timely reconciliation of bank deposits to monies collected
- regular reconciliations of enrollment and activity fees to payments received
- standardized forms and uniform practices across community centers
- proper methods for correcting errors in records
- proper retention and security over documents and records
- regular monitoring by management of cash handling at the central office and community centers
- monitoring of all compliance documents for fee assistance eligibility

Many of these policies and procedures have already been developed in cooperation with Finance and have been put in place as discussed in the finding. They need to be incorporated in a policies and procedures manual and provided to each center and the central office. Additionally, formal training of staff and supervisors on policies and procedures on a continuing basis should be mandated.

RESPONSE:

The Parks and Recreation Director responded to this finding as follows:

I agree with this finding and the recommendations. We have already formalized in writing many of the policies and procedures recommended to address the control parameters and are assembling them into a manual which will be provided to each community center and the administrative office. Training of staff and supervisors on a continuing basis will be mandated.

The policies and procedures manual will be completed and distributed before June 2005.

FINDING No. 2: MANAGEMENT CONTROLS OVER CASH CAMP DISBURSEMENTS AND PROCUREMENT CARD PURCHASES NEED IMPROVEMENT

Management controls over camp disbursements and procurement card purchases were ineffective as evidenced by several conditions attributable to causes similar to those reported in Finding No. 1. These conditions existed because written policies and procedures were not established. Consequently:

- employees' duties were not effectively segregated
- supervisory oversight was not exercised
- regular reconciliations were not performed
- supervisors and staff were not properly trained
- reporting and record keeping were inadequate and inconsistent

Specifics are discussed below.

CAMP DISBURSEMENTS

1. Camp Disbursements were made in Cash and Controls over these Cash Transactions were Weak.

Summer camp allowances for camp disbursements totaled \$35,400. City checks were written weekly and made to the order of a Recreation Manager for distributing to the centers with summer camps for their activities. Checks ranged from \$3,000 to \$5,000.

The Recreation Manager picked up the weekly check from Finance, cashed it, distributed the monies to the community centers, kept track of expenses turned in weekly by the centers, and turned in original expense receipts to Finance.

We observed that accounting for the camp disbursements was mixed up with the summer camp yearbook costs and vice a versa. For example, the \$1,220 yearbook printing cost was turned in to Finance as support for camp disbursements while expenses for summer camps were included under summer camp yearbook costs and not turned in to Finance. Several camp disbursements were supported with charge slips that caused us to compare Procurement Card numbers with the charge slips to make sure the charges were not also made with Procurement Cards. Overall, the net result of the cash transactions (summer camp and yearbook monies) was that \$280 was not documented as expensed.

The mere use of cash for transacting business is risky. Cash can be lost or stolen and employees could be put in a situation for physical harm. Also, in this case, responsibilities were not properly segregated since the Recreation Manager handled the

cash, recorded expenses, and reconciled advances. When all these responsibilities are held by the same person, errors and irregularities can go undetected.

During the audit, we suggested that, rather than Finance advancing cash for summer camp activities by issuing checks to a Recreation Manager, each center be given a bank debit card to pay for activities directly or with cash withdrawn from an ATM. Rather than the same Recreation Manager having to reconcile the support for all centers, each center could be held responsible for supporting the debit card transactions. This suggestion was implemented prior to audit completion; however, we did not perform a review. The Assistant Parks and Recreation Director advised us that the debit cards significantly improved accountability for camp disbursements.

2. Invoices not Made out to the City were Paid by Cash from Activities Allowances.

Two invoices addressed to parties other than the City of West Palm Beach were paid by cash and submitted as backup for expenses to the summer camp allowances as shown in the following table.

<u>Charges Invoiced To Other Parties</u>				
<u>Invoiced To:</u>	<u>Invoice #</u>	<u>Description</u>	<u>Amount</u>	<u>Comments</u>
Blue Heron Fleet	307089018	Roasted Peanuts (150 lb)	\$553.60	Submitted as backup to copy of summer camp allowance check# 282903, week 3
Dryfus School of the Arts	13012	Wild Rapid Slide	<u>\$275.00</u>	Submitted as backup to copy of summer camp allowance check# 283235, week 4
Total			<u>\$828.60</u>	

The City of West Palm Beach is not referenced anywhere on the invoices. It is poor business practice to pay invoices that are addressed to third parties as there is no indication that the City of West Palm Beach actually ordered the goods or services. Furthermore, duplicate payments could result: one from the City and one from the addressee.

The Parks and Recreation Director provided us with an update of controls over camp disbursements:

- Bank debit card accounts are now being used for camp activity fee disbursements. Each camp program receives an available balance based on the number of participants enrolled.
- Debit cards are issued to camp directors to pay for approved activities and activity supplies.

- Debit card statements are reviewed by a Recreation Manager for appropriate spending.
- At the conclusion of each camp season, debit cards are returned to Finance.
- Debit card balances are then returned to the Department of Parks and Recreation's expenditure budget.

The Parks and Recreation Director told us the staff are required to review all invoices prior to payment for evidence of procurement by the City.

PROCUREMENT CARD PURCHASES

1. Charge Slips for Procurement Card Transactions Totaling \$7,155 were Not on File with the City.

We reviewed procurement card statements and charge slips on file at the central office and noted many procurement card statements at the central office were without corresponding charge receipts.

The Procurement Card Policy requires the Procurement Card Representative to:

- maintain a monthly file of all statements with corresponding receipts, and
- sign the Monthly Statement Verification Form authorizing charges and send to the Procurement Division.

Secretary B at the central office was the assigned Procurement Card Representative.

Our review included 20 Parks and Recreation cardholders' charge statements and corresponding receipts for calendar year 2003. For the procurement card statements without corresponding receipts at the central office, we reviewed Procurement Division files for these receipts. And, for those receipts that were neither at the central office nor at Procurement, we asked to review the cardholders' copies.

Our review showed 18 procurement card statements totaling \$10,072 had no corresponding receipts on file at the central office. Of the 18 procurement card statements:

- 4 had corresponding receipts filed at the Procurement Division.
- 5 had corresponding receipts with the respective cardholders.
- 9 totaling \$7,155 had no corresponding receipts either at the central office or at the Procurement Division or with the respective cardholders.

Furthermore, we noted:

- An employee had approved her own procurement card purchases and submitted the receipts along with a Monthly Procurement Card Purchase Report to the Procurement Division.
- The procurement statements found at the Procurement Division did not include the required Monthly Visa Verification Form, but rather a Monthly Procurement Card Purchase Report completed by the employee.
- The Procurement Card Representative did not maintain a list of Parks and Recreation procurement card holders and account numbers at the central office.

In summary, statements totaling \$10,072 of procurement card charges had no corresponding receipts on file at the central office and \$7,155 was paid without corresponding charge receipts on file with the City.

The Parks and Recreation Director told us all staff with procurement cards received training in the fall by the Procurement Official. Furthermore, the review process was elevated to a Recreation Manager position. The review covers the statements and supporting documents.

As with cash receipts, several improvements in handling of camp disbursements were introduced during the audit. However, the new procedures need to be written and compiled into a policies and procedures manual. Training needs to be provided on a continuing basis.

RECOMMENDATION:

We recommend the policies and procedures developed and any others over disbursements be put in writing and adopted by Parks and Recreation to address the following critical control parameters:

- proper segregation of responsibilities
- supervisory oversight and review
- timely reconciliation of debit card charges to allowances for activities
- regular reconciliations and verifications of procurement card charges to statements
- standardized forms and uniform practices across community centers
- proper methods for correcting errors in records
- proper retention and security over documents and records

These policies and procedures should be contained in a policies and procedures manual and provided to all centers and the central office. Additionally, formal training of staff and supervisors on a continuing basis should be mandated.

RESPONSE:

The Parks and Recreation Director responded to this finding as follows:

I agree with this finding and the recommendations. We have already formalized many of the policies and procedures recommended to address the control parameters. The policy and procedures manual will also address controls over camp disbursements and procurement card purchases.

The policies and procedures manual will be completed and distributed before June 2005.

OTHER OBSERVATIONS

During the course of the audit, we made other observations of poor operating practices at Parks and Recreation. Following are several indicators of inefficiencies of operations and/or control weaknesses:

- A postdated check was accepted for an extended camp that had already taken place at Coleman Center.
Action Taken: This is not an acceptable practice; staff has been trained as such.
- Checks were not restrictively endorsed “City of West Palm Beach for deposit only” upon receipt at the central office and the community centers.
Action Taken: All centers have endorsement stamps and stamp all checks.
- A \$100 rental deposit check with no payee’s name (left blank), not restrictively endorsed with “City of West Palm Beach for deposit only,” and not deposited was kept at Coleman Center.
Action Taken: This is not an acceptable practice; staff has been trained as such.
- A customer check in the amount of \$40 was left overnight on a table encumbered with papers at Vedado and was not stamped “City of West Palm Beach for deposit only.” Additionally, a receipt was not issued to the customer.
Action Taken: This is not an acceptable practice; staff has been trained as such.
- Registration forms for 2003 Youth Soccer Program were not correctly filled out. Most of the forms reviewed did not have the bottom section filled out that included important information for reconciliation purposes and good record keeping. The information requested on the bottom of the form was:
 - Registration fee (resident and non-resident)
 - Late fee (if applicable)
 - Method of Payment (cash or check)
 - Receipt number
 - Date
 - Staff Initials

Action Taken: Forms are filled out completely by staff for reconciliation purposes.

- Guests were accepted on field trips at South Olive with a Community Center Participant Registration form even though we were told by the Parks and Recreation Director it is not allowed.

Action Taken: This is not an acceptable practice; staff has been trained as such.

- Policies and procedures were not current. For example, South Olive had a “Supervisory Manual” dated 1989.

Action Taken: Inserts of updated policies and procedures are distributed for supervisors to add to Supervisors Manual.

- Forms used across the community centers were not standardized. Community centers create some of their own forms based on specific needs. Additionally, summer camp rosters reviewed were different across the centers. For example, some sign-in/out sheets:

- Were not listed alphabetically.
- Were created on tablet paper.
- Had sign-in/out times on separate sheets instead of having sign-in/out times beside the child’s name on the same sheet.
- Were not dated.
- Were formatted portrait and others landscape.
- Indicated kids signed in but not signed out or vice versa.
- Were turned in to central office and others were not.

Action Taken: Forms are now standardized.

- Receipts were not issued for programs costing less than \$20 at Grassy Waters Nature Center. We were told by the Recreation Campus Manager that the Treasury Manager approved of this practice.
- The Facility Use Permit used by Coleman Center for renting the facility did not reflect the current cost at \$70 per hour, but indicated \$50 per hour.
- An unauthorized part-time employee at Pleasant City received cash, issued receipts, and brought daily revenues to the central office. The Cash Receipting Procedure dated 10/5/02 states only authorized employees shall accept cash and prepare official receipts. A list of authorized employees to handle cash was provided by the Treasury Manager and the part-time employee handling cash at Pleasant City was not on that list.

Action Taken: This is not an acceptable practice; staff has been trained as such.

Most of these items/situations should be covered in the policies and procedures recommended in Findings No. 1 and No. 2.

MEMO



Department of Parks and Recreation

To: Imogene Isaacs, Internal Auditor
From: Laura Schuppert, Director of Parks and Recreation
Date: January 10, 2005
RE: Audit of Parks and Recreation Cash Handling

A handwritten signature in blue ink, appearing to read "Laura Schuppert", is written over the "From:" line of the memo header.

Below please find my response to the findings from the Audit of Parks and Recreation Cash Handling.

Finding No. 1: Management Controls over cash receipts need improvement.

I agree with this finding and the recommendations. We have already formalized in writing many of the policies and procedures recommended to address the control parameters and are assembling them into a manual which will be provided to each community center and the administrative office. Training of staff and supervisors on a continuing basis will be mandated.

Finding No. 2: Management Controls over cash camp disbursements and procurement card purchases need improvement.

I agree with this finding and the recommendations. As noted above, we have already formalized many of the policies and procedures recommended to address the control parameters. The policy and procedures manual will also address controls over camp disbursements and procurement card purchases.

The policies and procedures manual will be completed and distributed before June 2005.

Cc: Ed Mitchell, City Administrator
Dorritt Miller, Deputy City Administrator
Leah Rockwell, Assistant Director of Parks and Recreation-Recreation Division

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