



AUDIT OF RECREATION DIVISION

CASH ACCOUNTS

Exit Conference Date: February 22, 2007

Release Date: March 9, 2007

Report No. 07-10

CITY OF ORLANDO

OFFICE OF AUDIT SERVICES AND MANAGEMENT SUPPORT

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CITY OF ORLANDO

MEMORANDUM

To: Lisa Early, Families, Parks and Recreation Director
Raymond M. Elwell, Deputy Chief Financial Officer
Rodney I. Williams, Recreation Division Manager

From: Beryl H. Davis, CPA, CGFM, Director
Office of Audit Services and Management Support

Date: Exit Conference Date: February 22, 2007; Release Date: March 9, 2007

Subject: Audit of Recreation Division Cash Accounts (Audit Report No. 07-10)

The Office of Audit Services and Management Support has performed an audit of the Recreation Division Cash Collections. Our objectives were to: 1) determine what cash accounts (change funds, petty cash funds) exist in the Recreation Division; 2) document their purpose, the responsible parties, current balances in each account; and 3) assess whether the activities of these accounts are properly reflected in the City's General Ledger.

Our examination was conducted in accordance with generally accepted government auditing standards except that we did not test information gathered from electronic systems. Our procedures included discussions with Families, Parks and Recreation (FPR) fiscal management and Accounting Operations Division management, surprise cash counts and other observations of selected recreation centers, and a review of FPR cash collections policies.

Overall, we found that the Recreation Division has procedures in place to guide and control the cash collections processes. We did note minor instances of cash shortages during our surprise cash accounts, which indicate a need for increased understanding of current policies and practices. This report also identifies additional methods to enhance the documentation of the change funds and petty cash funds in operation in the Division. The criticality of each of the recommendations is identified on the Summary of Recommendations and Responses.

We would like to express our appreciation to the employees consulted during this audit for their courtesy and cooperation.

BHD/am

c: Honorable Buddy Dyer, Mayor
Cheryl J. Henry, Chief of Staff
Byron W. Brooks, Chief Administrative Officer
Rebecca W. Sutton, Chief Financial Officer
Laurie E. Nossair, Accounting Operations Manager
Denise M. Aldridge, Families, Parks and Recreation Fiscal Manager

BACKGROUND

The Recreation Division of the Families, Parks and Recreation Department operates 22 recreation centers and sites and 11 pools. These locations collect and process cash, check and credit card payments for the services provided. Each center has been given a \$25 change fund to use in processing the cash collections. In addition, a \$300 change fund is used for special events.

City Policy and Procedure 412.2 “Accounts Payable” outlines the use and replenishment of petty cash funds. Petty cash funds are used to reimburse employees for small purchases that are needed immediately and for which use of the Pro Card or issuance of a check is not feasible. The Families, Parks and Recreation Department has a petty cash fund of \$50 and the Recreation Division has a petty cash fund of \$125.

SUMMARY OF RECOMMENDATIONS AND RESPONSES

Each recommendation is classified with a “Criticality Factor”, defined as:

HIGH - represents a control risk or needed improvement requiring immediate attention.

MEDIUM – represents a control risk or needed improvement requiring attention in the next year.

LOW – represents a process improvement that can be addressed at management’s discretion.

RECOMMENDATIONS	RESPONSES
1. The Families, Parks and Recreation Fiscal Section should complete the change fund verification process for the Recreation Centers/Facilities and take action to rectify all issues. (HIGH)	Concur
2. The Families, Parks and Recreation Fiscal Section should create a tracking document that identifies each change fund and the person responsible. (HIGH)	Concur
3. The Families, Parks and Recreation Fiscal Section should create a process for transferring responsibility for change funds due to personnel changes or employee transfers. (MEDIUM)	Concur
4. The Recreation Division Manager should instruct the Area Managers to conduct periodic surprise cash counts of centers in their Areas and report the results to management. (LOW)	Concur
5. The Families, Parks and Recreation Fiscal Manager and Recreation Division Manager should instruct center staff on the importance of keeping cash secured in the safe overnight. (MEDIUM)	Concur
6. The Accounting Operations Division should keep a record of the amount and responsible party or parties for the change funds and petty cash funds in use at the Recreation Division and ensure that the total of these funds equal the associated General Ledger accounts. (HIGH)	Concur

RECOMMENDATIONS

RESPONSES

- | | |
|---|--------|
| 7. The Families, Parks and Recreation Fiscal Manager should conduct surprise cash counts of the petty cash funds and other funds kept in the department safe at least annually and report the results to management. (LOW) | Concur |
| 8. The Families, Parks and Recreation Fiscal Manager should report the existence of the \$300 special event change fund to Accounting Operations for proper recording of this account in the City's financial records. (MEDIUM) | Concur |

ISSUES AND RECOMMENDATIONS

Objective The objectives of this audit were to: 1) determine what cash accounts (change funds, petty cash funds) exist in the Recreation Division; 2) document their purpose, the responsible parties, current balances in each account; and 3) assess whether the activities of these accounts are properly reflected in the City's General Ledger.

Scope The scope of this audit includes procedures in effect during fiscal year 2005-06.

Methodology We held discussions with Families, Parks and Recreation (FPR) fiscal management and Accounting Operations Division management, conducted surprise cash counts of seven change funds and two petty cash funds, observed the cash reconciliation processes of selected recreation centers, and reviewed FPR cash collections policies and procedures.

**Complete Change
Fund Verification
Process and
Document
Updates**

At the time of this review, the Families, Parks and Recreation (FPR) Fiscal Section was conducting a verification of the change funds in use at the centers/facilities in the Recreation Division. At the start of this effort, the Fiscal Section obtained a listing of authorized change funds according to the Accounting Operations Division. The Fiscal Section created a form and sent it to every center/facility identified that asked the manager to identify the amount of the change fund in use.

We reviewed the information gathered from this process and learned that several issues exist with regards to the change funds in use in Recreation. First, the verification process resulted in eight instances of missing or unverified change funds. That is, eight change funds noted by Accounting were not found at their respective facilities (Hankins Park Recreation Site, L. Claudia Allen Senior Center, Reeves Terrace Recreation Site, SPARK Program, John Jackson Pool, Englewood Pool, Northwest Pool and Hankins Park Pool). Second, four additional change funds not noted on the Accounting listing were in use in the Division. These are for Rosemont Community Center, College Park Community Center, Smith Center Pool, and the Orlando Tennis Centre. We also learned from this information that a change fund identified at the Orlando Sports Campus was transferred to establish the change fund at the Rosemont Community Center. Third, two additional locations recorded no change fund was on site, although they had previously requested a change fund be established. These locations are the Rosemont Pool and Rock Lake Community Center. In addition, our review of the petty cash funds (included in an upcoming section) identified a \$300 change fund for special events that is kept in the department safe by the FPR Fiscal Section.

The preliminary results of this verification process have identified a possible \$200 in missing change funds (i.e., \$25 each for eight locations). In addition, \$100 of change funds (i.e., \$25 each for 4 locations) are being used that are not recorded

on the change fund listing provided by Accounting. These results indicate a need for the Fiscal Section to continue the verification process and investigate: 1) what may have occurred at the locations where the change fund is missing and 2) how to establish new change funds at sites that need them. In addition, all change funds in existence should be properly documented and the information provided to Accounting.

One cause of these occurrences is that FPR does not have a regular process of assigning responsibility for the change funds at each location to a responsible individual who acknowledges and understands the importance of safeguarding these assets. Since the Recreation Division has a good deal of turnover or transfers of managers between centers, a process is needed to track and document when a change in center management and the responsibility for the change fund occurs.

To improve internal control, a method to record the responsible party for each change fund and a process for updating these records when personnel changes occurs is necessary.

Recommendation 1. We recommend that the Families, Parks and Recreation Fiscal Section complete the change fund verification process for the Recreation Centers/Facilities and take action to rectify all issues.

Response Concur. In progress to be completed by March 31, 2007.

Recommendation 2. We recommend that the Families, Parks and Recreation Fiscal Section create a tracking document that identifies each change fund and the person responsible.

Response Concur. Completed.

Recommendation 3. We recommend that the Families, Parks and Recreation Fiscal Section create a process for transferring responsibility for change funds due to personnel changes or employee transfers.

Response Concur. Completed.

**Conduct Surprise
Inspections and
Cash Counts**

During this review, we performed surprise cash counts of selected Recreation centers and sites (Lake Eola Park, Jackson Community Center, Smith Neighborhood Center and Pool, Dover Shores Community Center, and Rosemont Community Center) to identify any control weaknesses or other opportunities for improving the cash collection activities of the Recreation Division. Prior to the cash counts, we consulted with the FPR Fiscal Manager to discuss the cash count process and identify a good cross-section of centers: one from each Recreation Area, both large and small centers, and sites throughout the City. We did not announce the sites selected in order to keep the count a surprise to those responsible for cash collections at each site.

Five auditors arrived at the five sites at approximately the same time on the day selected for the surprise cash counts. We found no discrepancies at Jackson and Dover Shores centers. We found minor discrepancies at the other sites. At Lake Eola Park, the \$25 change fund was short by \$5.09. There was no explanation for this occurrence. In fact, the staff noted that the change fund is never used as most collections come in the form of checks or credit cards. The manager at this site noted that he last opened the cash drawer when he acknowledged the existence of the change fund during the verification process instituted by FPR Fiscal Management. In addition, it was observed that the key to the cash drawer is located in an area that is accessible to all employees (an unlocked desk drawer).

At the Smith Center, the center's change fund was slightly over by \$0.47. While on site, we were able to also count the change fund at the Smith Center pool, which operates separately from the recreation center. At the Smith Center pool, we found the change fund to be \$7.75 short. The pool manager was not able to determine a reason for this shortage.

At the Rosemont Center, it was noted that cash collected was over by \$5.33. We later learned that this occurrence was caused

by a system problem that indicated one transaction as “pending” and not finalized. The problem was reported to the FPR Fiscal Section and the \$5.33 difference was rectified.

As a result of the surprise cash counts, we noted that some increased level of care needs to be taken so that cash shortages do not persist. While the individuals encountered during our review appeared trustworthy and conscientious, more oversight is necessary to increase the care taken with the cash kept on site at the recreations centers/facilities.

The internal policies and procedures of FPR mention that periodic surprise counts of cash will be conducted by the Area Managers. However, our inquiries into whether these had occurred recently at the centers visited indicated that these surprise cash counts do not occur on a regular basis. In order to increase controls over cash, we suggest that the Area Managers be instructed to perform periodic cash counts and report the results to the Recreation Division Manager and FPR Fiscal Section.

Recommendation 4.

We recommend that the Recreation Division Manager instruct the Area Managers to conduct periodic surprise cash counts of centers in their Areas and report the results to management.

Response

Concur. In progress.

Secure Cash in Safes Overnight

We observed the daily cash collections reconciliation and the preparation of the daily deposit at two centers that were not visited during the surprise cash counts. We found that both centers followed the guidelines for performing the daily cash deposit as outlined in the FPR cash collections policies and procedures (i.e., internal policies) of the department.

At one center we visited, Wadeview Community Center, we observed that the cash on site from the previous day’s collections was secured in the center’s safe. At the Northwest

Community Center, we noted that the cash collected was stored overnight in the cash drawer and was not secured in the safe. The cash on site on the day we visited was \$283.67.

We believe that the cash was not sufficiently secured overnight in the Northwest Community Center. Although the cash was stored overnight in a locked cash drawer, which can only be opened with a key or when processing a cash collection transaction, the FPR internal policies state that the safe (and not the cash drawer) should be used to keep funds secure until the financial institution is open for business and a deposit of funds can be made. We assert that the most secure location for the funds kept at the center overnight is in the safe.

Recommendation 5.

We recommend that the Families, Parks and Recreation Fiscal Manager and Recreation Division Manager instruct center staff of the importance of keeping cash secured in the safe overnight.

Response

Concur. Will be discussed at Recreation Division meeting.

**Research and
Create Subsidiary
Ledgers**

During this review, we inquired of the Accounting Operations Division what change funds and petty cash funds exist in the Recreation Division. As reported in an earlier section, we found that the detailed schedule kept by Accounting of the change funds in use in the Recreation Division is not up-to-date. The Accounting schedule included authorized signatories that are no longer employed by the City.

In addition, we learned that Accounting does not have a listing of each individual petty cash fund, and the only record available from the JDE System lists the total dollar amount of petty cash funds in the General Fund. Therefore, we were not able to trace the Recreation Division change funds and FPR Department petty cash funds to the City's general ledger. Accounting staff explained that they had initiated a project to determine what individual petty cash funds exist but that this project has been delayed due to other priorities. Accounting was able to locate a

memorandum from 2001 that showed that Accounting verified a \$50 petty cash fund used by the Families, Parks and Recreation Director (at that time Community and Youth Services Director). Since the time of this memorandum, both the Director and Assistant to the Director have changed.

As a result, the records of Accounting for both the change funds and petty cash funds are not up-to-date. Therefore, there is no record of the amount and responsible party of each change fund and petty cash fund in use.

Due to the increased use of Procards, the use of the City's petty cash funds has decreased. Therefore, the amount of oversight has also decreased as the Accounting staff is engaged in the oversight of other accounting transactions of greater dollar value. In addition, there has been some turnover in the Accounting staff responsible for the petty cash funds, including the recent retirement of the individual directly responsible.

For proper control and documentation of accountability, Accounting should keep a subsidiary ledger of the amount and responsible party for the existing change funds and petty cash funds. To increase efficiency, we suggest that this record does not need to include the responsible party for each change fund, as we have previously recommended that the FPR Fiscal Section can keep this information. Rather, Accounting could simply note in its records that the FPR Fiscal Manager is the responsible party for all change funds in use in the Recreation Division.

In addition, City Policy & Procedure 412.2 states "the authorized signatory for a petty cash fund is required to promptly notify Accounting whenever there is a change in either the authorizing signatory or custodian of the fund ..." When we discussed the petty cash funds with the FPR Fiscal Section, we were informed that the petty cash fund for the director is no longer needed and will be turned into Accounting to close the account. After this occurs, Accounting can update its subsidiary information for the petty cash funds to note the existence of the \$125 petty cash

fund noted earlier in this report.

Recommendation 6.

We recommend that the Accounting Operations Division keep a record of the amount and responsible party or parties for the change funds and petty cash funds in use at the Recreation Division and ensure that the total of these funds equal the associated General Ledger accounts.

Response

Concur. The Finance Department concurs with the recommendation that we should keep a record of the amount and responsible party for change funds and petty cash fund, and that we should periodically reconcile that record with the General Ledger. While your recommendation is for this responsibility to reside in the Accounting Operations Division, we reserve the right to assign this to another division in Finance where the internal control may be stronger.

**Conduct Surprise
Counts of Petty
Cash and Other
Funds**

We also performed surprise counts of the petty cash funds of the Families, Parks and Recreation Department Director and the Recreation Division. Prior to the cash counts, we consulted with Accounting Operations to determine what petty cash funds existed in the Department. Because of the lack of information available at Accounting, we could only confirm one petty cash fund of \$50 in use by the FPR Director's office.

We also consulted with the FPR Fiscal Manager, who informed us that there was a petty cash fund in use in the Recreation Division that was operated by the Accounting Specialist Senior. Without informing this individual in advance, we met with the Accounting Specialist Senior and performed a surprise cash count of the petty cash funds in her possession.

The Accounting Specialist Senior informed us that she was in possession of three funds: the Recreation Division petty cash fund of \$125; the FPR Director's petty cash fund of \$50; and a change fund of \$300 used for special events held by the Recreation Division. We performed a count of all three funds.

We found that the Recreation Division petty cash fund was short by \$2. No explanation was given for this difference. This petty cash fund was kept locked and separate from the other funds and we observed that the Accounting Specialist Senior takes great care with this account as evidenced by the invoices used to document the uses of the fund. These invoices were kept in good form, with a notation of the reason for the expense that was signed by both the Accounting Specialist Senior and the individual reimbursed from the fund.

We were informed that the FPR Director's petty cash fund was given to the Accounting Specialist Senior when the previous Executive Assistant to the Director was transferred to become the Assistant to the Chief Administrative Officer. We found that this fund reconciled to its \$50 balance. As stated earlier, subsequent to the count, we were informed that the new Director does not need the petty cash fund and actions are being taken to return the funds to Accounting.

We also counted the \$300 change fund and found that \$300 in cash was in the possession of the Accounting Specialist Senior. We did note that the funds were not secured in the Accounting Specialist Senior's safe. They were kept in an unlocked bank bag in an unlocked desk drawer.

As a result of the surprise counts of the petty cash funds and other funds in the possession of the Accounting Specialist Senior, we noted some minor control weaknesses, as follows: 1) a shortage of \$2.00 in a petty cash fund of \$125; 2) the \$50 Director's petty cash fund was not used for many months after the signatory transferred from the department; and 3) the \$300 change fund is not listed as one of the change funds in operation by Recreation and the fund was kept in an unsecured location.

An increased level of care needs to be undertaken so that cash shortages do not exist. The internal FPR policies state that periodic surprise counts of cash will be conducted by the Area Managers. We suggest that similar to this policy, the FPR Fiscal Manager be instructed to perform one surprise cash count of

the funds in the possession of the Accounting Specialist Senior at least annually and that the results be reported to the FPR Director.

In addition, the \$300 change fund should be reported to Accounting Operations and properly documented in their records and the JDE System.

Recommendation 7. We recommend that the Families, Parks and Recreation Fiscal Manager conduct surprise cash counts of the Petty Cash funds and other funds kept in the department safe at least annually and report the results to management.

Response Concur. Will develop a plan for implementation.

Recommendation 8. We recommend that the Families, Parks and Recreation Fiscal Manager report the existence of the \$300 special event change fund to Accounting Operations for proper recording of this account in the City's financial records.

Response Concur. Completed.

EXHIBIT 1

RECREATION DIVISION CHANGE FUNDS

CHANGE FUNDS IDENTIFIED ON ACCOUNTING LISTING:

<u>Facility Name (in alphabetical order)</u>	<u>Amount</u>
Ceramics Program	25.00
Citrus Square Recreation Site	25.00
College Park Pool	25.00
Colonialtown Neighborhood Center	25.00
Cultural Arts Program	25.00
Dover Shores Community Center	25.00
Dover Shores Pool	25.00
Dr. I. Sylvester Hankins Park Recreation Site	25.00 *
Dr. J.B. Callahan Neighborhood Center	25.00
Dr. James R. Smith Neighborhood Center	25.00
Englewood Neighborhood Center	25.00
Englewood Pool	25.00 *
Hankins Park Pool	25.00 *
Ivey Lane Recreation Site	25.00
John H. Jackson Community Center	25.00
John Jackson Pool	25.00 *
John Long Pool	25.00
L. Claudia Allen Senior Center	25.00 *
Lake Eola Park	25.00
Lock Haven Neighborhood Center	25.00
Mayor Carl T. Langford Park Neighborhood Center	25.00
Mayor William Beardall Senior Center	25.00
Northwest Community Center	25.00
Northwest Pool	25.00 *
Orlando Downtown Recreation Complex	25.00
Orlando Sports Campus	25.00
Reeves Terrace Recreation Site	25.00 *
SPARK Program	25.00 *
Turkey Lake Pool	25.00
Wadeview Community Center	25.00
Wadeview Pool	<u>25.00</u>
 TOTAL	 775.00

* - At the time of this Audit, the physical existence of these Change Funds was not verified by the Families, Parks and Recreation Fiscal Section.

RECREATION DIVISION CHANGE FUNDS (continued)

CHANGE FUNDS NOT ON ACCOUNTING LISTING:

FOUND DURING FISCAL SECTION VERIFICATION PROCESS:

<u>Facility Name (in alphabetical order)</u>	<u>Amount</u>	
College Park Community Center	25.00	
Smith Center Pool	25.00	
Orlando Tennis Centre	25.00	
Rosemont Community Center	<u>25.00</u>	**
TOTAL	<u>100.00</u>	

OTHER CHANGE FUNDS IDENTIFIED BY AUDIT:

Special Events Change Fund (held by Families, Parks and Recreation (FPR) Fiscal Section)	300.00
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** - The FPR Fiscal Section identified this Change Fund as being transferred from the Sports Campus Change Fund listed on the Accounting Listing on previous page.

**FAMILIES, PARKS AND RECREATION DEPARTMENT
PETTY CASH FUNDS**

PETTY CASH FUND IDENTIFIED BY ACCOUNTING:

FPR Director's Office	50.00
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PETTY CASH FUND IDENTIFIED BY AUDIT:

FPR Fiscal Section	125.00
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