



## C. B. Smith Park Cash Handling Process

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**Office of County Auditor**  
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## **EXECUTIVE SUMMARY**

This report presents the results of our review of cash handling processes at C. B. Smith Park. Our objectives were to assess the effectiveness of the internal control system for cash receipts and to determine compliance with County policies and procedures.

We reviewed a sample of cash receipts documentation for twenty-five days in fiscal year 2013 and conducted a surprise cash count during our site visit on January 11, 2014. We found the following deficiencies:

- Cash handling processes lacked adequate preventive and detective controls, which could result in theft of County funds:
  - Account Clerk duties lack proper segregation;
  - Access to cash was not appropriately restricted or monitored;
  - Procedures for handling cash in the safe were not followed; and
  - Lack of signage instructing customers to obtain a receipt, which requires cashiers to record sales in the cash register.
- Control of passes valued at \$187,300 were lacking, and
- Outdated cash handling procedures that do not reflect the RecTrac<sup>1</sup> Point of Sale system implemented in 2010.

On page seven of this report, we present recommendations intended to correct the above deficiencies.

## **METHODOLOGY**

To accomplish our objectives, we:

- Reviewed:
  - The Broward County Internal Control Handbook, Volume 8, *Cash Handling and Depositing Procedures* (ICH);
  - County Administrator Procedure No. AAF0015, *Self-Auditing Program for Cash Handling*;
  - Broward County Administrative Code, Chapter 37.33 to 37.58, *Broward County Parks System Fee Schedule*;
  - Parks and Recreation Division Numbered Procedures Memorandum (NPM) PAC 83, *Internal Procedures for Cash Handling* and NPM PAC 85, *Internal Procedures for Administration Accounting Section Receipt Processing*;
  - RecTrac Accounting and Operations Manuals;
  - Bank Statements;
  - Revenue recorded in Advantage;
  - Concessionaire Agreements;

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<sup>1</sup> RecTrac is the Parks and Recreation Division's computer software system used to record sales, manage reservations, schedule events and track park attendance.

- A sample of 25 daily cash receipt reports;
  - A sample of 25 Safe Activity Logs; and
  - Fiscal Year 2013 revenue from vendors who have contracted to operate the golf and tennis facilities.
- Interviewed personnel of the Parks and Recreation Division and Records, and Taxes and Treasury Division,
  - Observed transactions processed at the C. B. Smith park office and gate entrance cash points, and
  - Evaluated the internal control environment at C. B. Smith Park, including security and access to the safe and cash registers.

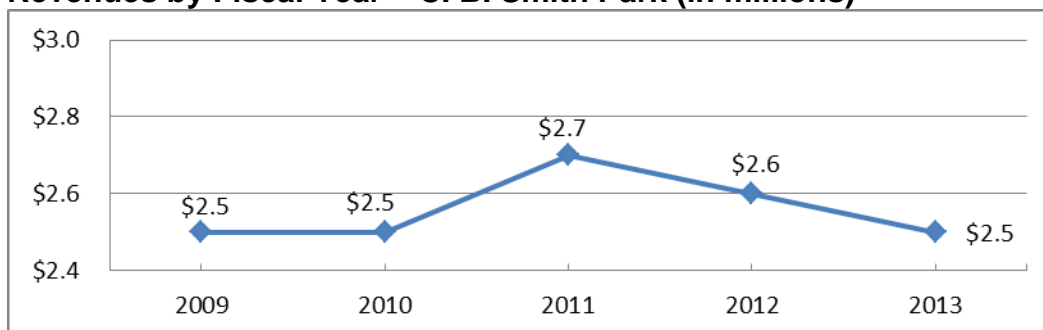
## **BACKGROUND**

C. B. Smith Park is one of 17 County regional parks. The park covers 299-acres and offers a variety of attractions, including the Paradise Cove Water Park, RV campground, tennis complex, family golfing center, meeting/picnic facilities and a 5,000-seat capacity open-air amphitheater. Entrance to the park is \$1.50 per person on weekends and holidays and free on weekdays. Fees for park attractions vary and are collected by either County employees or vendors<sup>2</sup> who have contracted with the County.

### **Park Revenue**

C. B. Smith Park is the highest revenue-generating park operated by the Broward County Parks and Recreation Division. Over the past five fiscal years, park revenues ranged from \$2.5 million to \$2.7 million as displayed in Exhibit 1 below.

**Exhibit 1**  
**Revenues by Fiscal Year – C. B. Smith Park (in millions)**



**Source: Advantage Financial Information System**

<sup>2</sup> The Golf and Tennis facilities are managed by concessionaires under contract with the County.

## **Daily Cash Handling Process**

C. B. Smith Park cash points are located throughout the park including the entrance, the park office and the aquatic and food concession facilities. Each morning the Park Manager opens the safe, assigns each Cashier to a cash point and provides them a change fund<sup>3</sup> for use at the cash register. The Cashier counts the change fund in the presence of the Manager and records the transfer of funds on a log prior to departure to the assigned cash point.

### *Cash Register Transactions*

All cash points are equipped with a cash register and most are connected to RecTrac, the County's point of sale system. RecTrac is a comprehensive computer software package used to record sales, manage reservations, schedule events and track attendance. All rates and fees approved by the Board of County Commissioners are pre-programmed into the RecTrac software; these include gate entrance fees and charges for amenities such as camping, aquatics and facilities rental.

At the cash points, Cashiers log into RecTrac, using their username and unique password<sup>4</sup> and load their change fund into the cash register. In addition, Cashiers are given a cash register key to manually open the cash drawer and access the cash. Cashiers enter customer reservations and process sales through RecTrac, accept payments in the form of cash, check or credit/debit card, and provide customers with a receipt for the transaction. Cashiers cannot perform refunds, returns or over rings without a Manager's authorization and password.

## **Reconciliation and Deposit**

At the end of their shift, each Cashier logs out of RecTrac and takes their day's receipts to the park office. In the presence of the Account Clerk, the Cashier counts the cash and checks, records the count on a Cash Balancing Worksheet (CBW) and compares the total against a report of the sales activity generated by RecTrac. The CBW shows the result of the count and any variance between sales and cash on hand. Both the Cashier and Account Clerk then sign the CBW evidencing agreement with the count and reconciliation.

The following morning the Clerk combines and counts the entire day's cash receipts in the presence of a Park Manager, records the day's total cash receipts on a consolidated CBW, compares it against the park-wide daily sales report generated by RecTrac, and prepares a deposit ticket. The total cash receipts and the deposit ticket are placed into a bank deposit bag and stored in the safe. The consolidated CBW and a copy of the deposit ticket are reviewed and signed by the Park Manager who observed the count. An armored courier picks up the deposit bag for delivery to the bank.

Credit card transactions for all parks are combined by RecTrac, and uploaded to a processing firm nightly. On the following business day, Parks Administration Office staff enters the total credit card amount into an electronic spreadsheet and performs daily

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<sup>3</sup> The change fund consists of small denominations and coins and range from \$200 to \$300

<sup>4</sup> Cashiers are prohibited from sharing their passwords with others

follow-up with the bank until the funds are received in the County's bank account. After receipt of the funds, a Parks Division Account Clerk electronically exports the credit card amount via RecTrac into Advantage, the County's accounting system.

### **Internal Control System**

Establishing and maintaining effective controls in the cash handling process is a prerequisite ensuring all funds are collected and appropriately recorded. As such, the County has developed procedures for the collection, storage and deposit of revenues. These procedures are documented in the County's Internal Control Handbook (ICH), Volume 8, *Cash Handling and Depositing Procedures* and Numbered Procedure Memorandum (NPM) developed by Parks Division.

As stated in the ICH, good internal control of cash includes an adequate separation of duties, control over collections, timely depositing, safekeeping of cash, document control, proper recording of revenue and accounts receivable, reconciliation and supervisory review.

## **FINDINGS**

### **Finding 1 Cash handling processes at C. B. Smith Park lack adequate preventive and detective controls, potentially resulting in theft of County funds**

Preventive controls over cash handling include segregation of duties, supervisory approval of cash register voids and over-rings, supervisory review of transactions and physical control over assets, such as locking money in a safe.

Detective controls identify errors or irregularities after they have occurred. Examples of detective controls over cash handling include surprise cash counts, taking inventory of items held for sale and review of accounting work.

Our review disclosed the following control deficiencies:

- ***Duties performed by the Account Clerk lack “segregation of duties.”*** An important preventive control is “segregation of duties,” which requires more than one individual to be responsible for completing a process or have control over more than one phase of a transaction. This safeguard makes it difficult for intentional wrongdoing, because it requires collusion<sup>5</sup> of two or more individuals.

Our review disclosed inadequate segregation of duties related to the duties performed by the Accounting Clerk. This is problematic because of a potential for the Clerk to take cash from daily receipts and adjust the supporting records to hide the theft. Specifically we found the following deficiencies:

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<sup>5</sup> Collusion occurs when two or more employees collectively circumvent the control procedures

- Accounting Clerk performs daily Cashier closeouts as described on page 3, including reconciling cash receipts to the day's sales activity. The Accounting Clerk also prepares the deposit ticket, the accounting entry<sup>6</sup> to record the revenues in the County's financial system and has security access to perform adjustments to revenues recorded by RecTrac.
- Accounting Clerk performs all phases of contract billing and payment processing for the golf and tennis vendors with no evidence of supervisory review and approval. The Accounting Clerk's duties include billing the vendors, collecting payments, processing payments in RecTrac, recording transaction activity in a spreadsheet, depositing the funds and preparing accounting entries.
- ***Access to cash is not appropriately restricted or monitored.*** Failure to consistently control and monitor access to cash increases the likelihood of theft and reduces the ability to successfully investigate cash shortages. We found multiple instances of non-compliance with County policy and best practice:
  - Multiple Cashiers work out of the same cash register drawer. This practice violates preventive controls and the County's cash policy, making it difficult to assign responsibility for shortages.
  - Cashiers did not logout of RecTrac when leaving their registers and RecTrac is not programmed to automatically logout Cashiers after periods of inactivity.
  - Keys used to manually open registers drawers were also left in the register lock at all times.
  - The safe combination was not changed annually since May 2012 or when two employees with knowledge of the combination left the park in 2013.
  - Several employees share the same safe combination, even though the safe can be programmed with unique access codes for each employee.
  - Park Management does not have a list of employees who have access to the safe.
  - The back door leading to the cash registers area in the park office is unlocked during the workday. As a result, unauthorized individuals can enter the office and gain access to the cash drawers.

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<sup>6</sup> The RecTrac point of sale system also automatically exports revenue data to Advantage, the County's financial system

- Eight of the nine security cameras intended to monitor activities at cash points are inoperative. The only functioning camera is in an area of no cash handling significance.
- ***Procedures for handling cash in the safe are not followed.*** We observed the Safe Custodian did not count and reconcile the cash in the safe and sign the Safe Activity Log on the morning of our site visit. Division procedures require safe custodians to count and reconcile cash in the safe and document and sign the Safe Activity Log at the start of each day and at the time of transferring responsibility for the safe's operations at shift change. These procedures serve to improve accountability by documenting the transfer of responsibility for the safe contents and confirming the cash balance at time of the transfer. Failure to count and properly document the transfer of responsibility for the safe's custody may increase the likelihood of theft, delay discovery of a theft and hinder successful investigation of cash shortages.

We reviewed a sample of FY 2013 Safe Activity Logs and found logs for 16 (64%) of the 25 days were not completed; an indication that the safe contents were not counted.

- ***Lack of signage designed to ensure sales are recorded.*** There are no signs posted at the park office and gate entrance notifying customers that Cashiers must issue a receipt for all transactions. County policy requires agencies to post highly visible signs at each cash point encouraging customers to notify management when Cashiers do not provide receipts.

## **Finding 2 Controls for passes valued at \$187,300 were lacking**

Patrons purchase passes in advance for entrance to the park and its aquatic facilities. Securing and accounting for the passes is important because the passes have cash value and a proper accounting for pass inventory is necessary to ensure sales and cash receipts are reported accurately. Failure to control access to and account for passes could result in unauthorized use or reuse and undetected loss of revenues.

We found the following:

- Access to passes is not controlled. Passes are stored in a locked cabinet; however the key to the lock is kept nearby and readily accessible to anyone;
- Cashiers are allowed access to the inventory in violation of County policy that requires the separation of the inventory function from sales;
- The pass inventory was not independently counted and reconciled to sales on a monthly basis as required by County policy; and



- Redeemed passes are not defaced nor voided to prevent unauthorized reuse.

**Finding 3 Parks Division's cash handling procedures are outdated and do not reflect the RecTrac Point of Sale system implemented in 2010**

Parks Division promulgated NPM PAC83, *Internal Procedures for Cash Handling*, April 1, 2005. The NPM describes controls and procedures for processing revenues, safe access, sales transactions and daily reconciliation and deposits. The NPM is important because it provides uniform procedures for the various park locations; augments the County's Cash handling procedures and aides in training and transitioning new employees.

We reviewed NPM PAC83 and found the NPM was not updated to reflect the Parks Division's RecTrac point of sale system. RecTrac was implemented in 2010 and has substantially changed how cash receipts are processed, reconciled and accounted for at the Parks Division.

Updated procedures are important because they provide uniform guidance to all Parks Division's staff as to necessary controls and management directives.

**RECOMMENDATIONS**

1. We recommend the Board of County Commissioners direct the County Administrator to take steps to improve control over cash handling at C. B. Smith Park including:
  - a. Separating incompatible duties:
    - Cash register closeout duties from processing adjustments in RecTrac;
    - Cash receipt processing from billing functions; and
    - Sales from custody of the passes.
  - b. Controlling access to cash by:
    - Assigning separate cash draws to Cashiers;
    - Appropriately securing cash drawer keys;
    - Requiring Cashiers to logout from RecTrac prior to exiting the register area;
    - Programing RecTrac to automatically time out after periods of inactivity;
    - Identifying and maintaining a list of employees authorized to access the safe;
    - Programming the safe with a unique access code for each employee;
    - Changing the safe combination at least annually and when employees with access are transferred or terminated; and

- Keeping the office door locked during work hours.
- c. Improving management and accounting by:
  - Counting pass inventory and reconciling changes to sales monthly;
  - Voiding or defacing passes immediately upon redemption;
  - Entering redeemed passes in RecTrac immediately upon redemption;
  - Posting signs at cash points notifying customers that Cashiers must issue a receipt for all transactions;
  - Ensuring cameras are functioning and monitored at all times;
  - Requiring two employees perform and document all cash counts (e.g., cash drawer close outs, safe openings, transfers of cash between employees, upon shift changes, etc.); and
  - Updating the Park's Cash Handling NPM for all changes.