



## Markham Park Cash Handling Process

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June 2, 2014

Report No. 14 – 10



**Office of the County Auditor**  
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# Table of Contents

**EXECUTIVE SUMMARY ..... 1**

**METHODOLOGY ..... 1**

**BACKGROUND ..... 2**

**FINDINGS ..... 5**

**RECOMMENDATIONS ..... 9**

## **EXECUTIVE SUMMARY**

This report presents the results of our review of the cash handling processes at Markham 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 Fiscal Year 2013 and conducted a surprise cash count during a site-visit on February 28, 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 and selected Target Range employees' duties lack proper segregation;
  - Access to cash was not appropriately restricted or monitored;
  - Procedures for handling cash were not followed; and
  - Lack of signage instructing customers to obtain a receipt, which requires cashiers to record sales in the cash register.
- Controls of park passes valued at \$81,300 and Target Range sales agreements were lacking, and
- Target Range fees were not authorized by the Board of County Commissioners as required by the County's Administrative Code.

On page 9 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;
  - Revenues recorded in Advantage;

- A sample of 26 daily cash receipt reports; and
- A sample of 210 Safe Activity Log entries.
- Interviewed personnel of the Parks and Recreation Division and Records, and Taxes and Treasury Division;
- Observed transactions processed at the Markham Park Office and Target Range cash points; and
- Evaluated the internal control environment at Markham Park, including security and access to the safe and cash registers.

## **BACKGROUND**

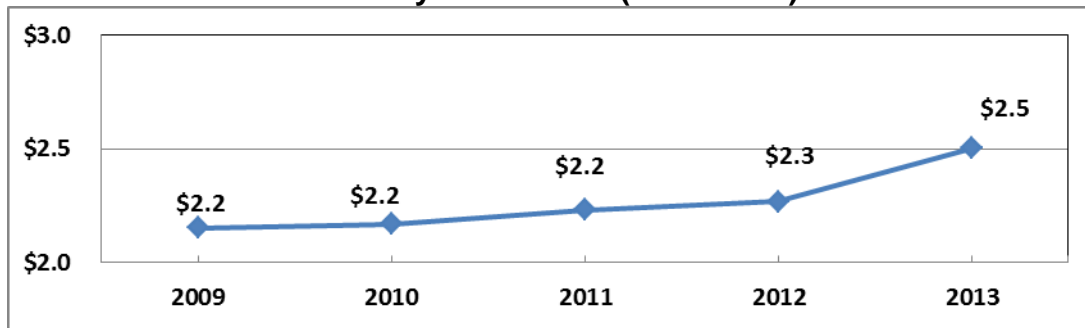
Markham Park is one of 17 County regional parks. The park, which opened in 1973, covers 542 acres and offers a variety of amenities, including camp grounds, picnic shelters, a dog park, ten-miles of mountain bike trail, a 50 acre airfield for remote-control model airplanes and a Target Range, used extensively by law enforcement agencies.<sup>1</sup> Entrance to the park is \$1.50 per person on weekends and holidays and free on weekdays. Fees for park amenities are established by the Board of County Commissioners.

### **Park Revenues**

Markham Park is the second highest revenue producing park operated by the Broward County Parks and Recreation Division. The principal source of revenue was Target Range fees averaged approximately \$1.3 million (58% of total revenues). Over the past five years, park revenues ranged from \$2.2 million<sup>2</sup> to \$2.5 million as displayed in Exhibit 1 below.

### **Exhibit 1**

#### **Markham Park Revenues by Fiscal Year (in millions)**



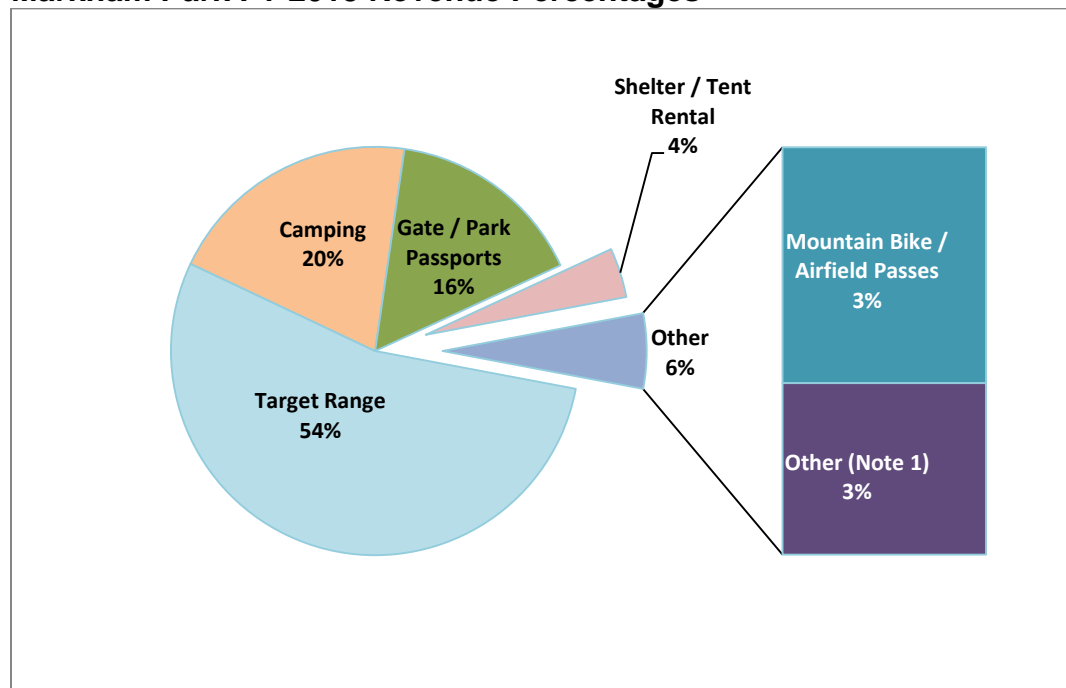
*Source: Advantage Financial System*

<sup>1</sup> Law enforcement agencies include the Broward Sheriff, Federal Air Marshall, and local law enforcement agencies

<sup>2</sup> Revenues are net of sales tax

FY 2013 Markham Park's revenues totaled \$2.5 million. This includes \$1.4 million from Target Range operations, \$500,000 from camping, \$400,000 from gate receipts and sale of park passports and \$300,000 from shelter/tent rentals, mountain bike trails, airfield passes and other income including special events. Exhibit 2 below depicts FY 2013 revenue percentages.

**Exhibit 2**  
**Markham Park FY 2013 Revenue Percentages**



*Source: RecTrac Point of Sale System*

*Note 1: Includes special events, contract classes and athletic fields*

**Daily Cash Handling Process**

Markham cash points are located at the park entrance,<sup>3</sup> Park Office and Target Range. Each morning the Park Manager opens the safe, assigns each Cashier to a cash point and provides them a change fund<sup>4</sup> for use at the cash register. Cashiers in the Park Office are also assigned an inventory of passes<sup>5</sup> for sale.

*Cash Register Transactions*

Cash points are equipped with a cash register 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 park attendance. All rates and fees are preprogrammed into the RecTrac software; these include gate entrance and amenities such as camping, facilities rental and Target Range fees.

<sup>3</sup> Park entrance cash points are used on weekends and holidays when patrons are required to pay the entrance fee

<sup>4</sup> The change fund consists of small denominations and coins and range from \$200 to \$300

<sup>5</sup> Passes include Airfield, Dog Park, Mountain Bike Trail, and Park Passports. Dog Park and Passports require validation by RecTrac to activate

At the cash points, Cashiers log into RecTrac using their username and unique password<sup>6</sup> and load the change fund into the register. In addition, Cashiers are given a register key to manually open the draw and access the cash. Cashiers enter customer reservations and process transactions 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.

At the Target Range, the Range Master opens the safe, assigns each Cashier to a cash point and provides them a change fund for use at the register. Target Range Cashiers receive an inventory of pre-numbered sales agreements for the rifle/pistol, skeet and trap ranges and the sporting clay course. Patrons desiring to use the Target Range provide current valid photo identification, complete and sign a liability waiver, and pay for the services. After payment is received, the Cashier provides the patron the stub portion of the contract and the patron presents the stub to the Range Attendant as proof of payment and authorization to access the Range.

#### *Reconciliation and Deposit*

At the end of their shift, each Cashier logs out of RecTrac and takes the day's receipts, unsold passes and unused sales agreements to the Park Offices.<sup>7</sup> In the presence of the Account Clerk (Clerk) or Range Master, Cashiers count the cash and checks, the Clerk/Range Master 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. The Cashier and Clerk/Range Master then sign the CBW evidencing agreement with the count and reconciliation and the cash receipts are stored in the safe overnight.

The Range Master separately tallies the revenues for the rifle/pistol and the Skeet Ranges, places each in envelopes and a sealed bag and delivers the revenues to a drop safe in the Park Office.

#### *Park Office – Preparation of Deposit*

The following morning, the Clerk combines and counts the previous 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, sealed and stored in the safe. The consolidated CBW is reviewed and signed by the Park Manager who observed the count. The Clerk enters the deposit amount in the armor courier logs and stores the deposit bag in the safe.

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<sup>6</sup> Cashiers are precluded from sharing their passwords with others

<sup>7</sup> Target Range Cashiers report to the Target Range office and Cashiers at all other cash points report to the Park Office for daily closing activities

The Clerk opens the drop safe in the Park Office and retrieves and counts the cash receipts deposited by the Target Range<sup>8</sup> at the end of the previous day. The Clerk validates the amounts listed on the consolidated CBW, combines both packages and completes a deposit ticket for Target Range revenues. The Clerk then process the amounts for pickup by the armored courier by entering the amount on the pickup log, placing the deposit in a sealed bag, and storing it in the safe for pick up the following morning. An armored courier picks up the deposit bags 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 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 to 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 the 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 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.

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<sup>8</sup> The Target Range closes 9:00 p.m. on Wednesdays, 5:00 p.m. all other days, and closed Mondays

Our review disclosed the following control deficiencies:

- ***Duties performed by the Account Clerk and selected Target Range employees 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>9</sup> of two or more individuals.

Our review disclosed inadequate segregation of duties performed by the Accounting Clerk and Target Range employees.

- Accounting Clerk performs daily Cashier closeouts as described on page 6, including reconciling cash receipts to the day’s sales activity. The Accounting Clerk also prepares the deposit slip, the accounting entry<sup>10</sup> to record the revenues in the County’s financial system and has security access to perform adjustments to revenues recorded by RecTrac.
- Target Range employees perform both inventory and procurement functions creating opportunities for undetected theft of County property (e.g., an individual employee could purchase items, take the items home and conceal the theft by adjusting inventory records). The employees can perform the following duties:
  - Order and pay for inventory items with a County issued Procurement Card,
  - Count and enter inventory items in RecTrac,
  - Reconcile inventory counts to the perpetual records, and
  - Process adjustments to inventory records.
- ***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 policies and best practices:
  - There is no evidence the Target Range performs Cashier closeouts for breaks and as a result, multiple Cashiers are sharing the same register drawers. This practice undermines preventive controls, violates the County’s cash policy and makes it difficult to assign responsibility for discovered cash shortages.

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<sup>9</sup> Collusion occurs when two or more employees collectively circumvent the control procedures

<sup>10</sup> The RecTrac point of sale system also automatically exports revenue data to Advantage, the County’s financial system



- Keys used to manually open registers drawers are left in the register lock at all times.
- The combination to the Target Range safe has not been changed in over twelve years and the combinations to the two safes in the Park Office have not been changed in over three years. As a result, at least four former park employees<sup>11</sup> have knowledge of the office safe combinations.
- Park Management did not have a list of employees who have access to the safe.
- The back door leading to the Target Range office was unlocked during the work day. As a result, Range Attendants and other staff entered the office through the door during the end of day cash receipts closeout. Other unauthorized individuals could have also entered the office and gained access to cash receipts.
- As many as eight employees share the combination to the Target Range safe and seven employees share the combinations to the safes in the Park Office. Failure to limit the number of employees with safe access compromises management's ability to safeguard cash receipts.
- Markham Park does not have security cameras at cash points.
- ***Procedures for handling cash are not followed:*** 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 operational shift change. These procedures serve to improve accountability by documenting the transfer of responsibility for the safe's contents and confirming the cash balance at the time of transfer.
  - We observed the safe custodians did not count and reconcile the cash in the safe and sign the Safe Activity Log. In addition, Cashiers did not count their change funds, passes and sales agreements in the presence of the safe custodian to validate quantities. Failure to count and properly document the transfer of responsibility for cash and passes may increase the likelihood of theft, delay discovery of a theft and hinder successful investigation of shortages.
  - We reviewed a sample of Safe Activity Logs for 210 days during the review period and found logs were not completed 199 days (95%) for the Target Range and 74 days (35%) for the Park Office; indications that the safe contents were not counted.

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<sup>11</sup> We were unable to determine the number of Target Range employees with knowledge of the combination who left the Park in the last twelve years

- Cash receipts are not deposited by the following day after receipt as required by County policy. Deposits are made two days after the date of receipts.
- ***Lack of signage designed to ensure sales are recorded:*** There were 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 \$81,300 and Target Range sales agreements were lacking.**

- Patrons purchase passes in advance for unlimited annual use of the airfield and mountain bike trails. Securing and accounting for passes is important because the passes have value and 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 an unlocked cabinet readily accessible to anyone,
- The pass inventory is not independently counted and reconciled to sales monthly as required by County policy,<sup>12</sup> and
- 1,000 passes (valued at \$25,000) transferred<sup>13</sup> to Quiet Waters Park were not properly documented.
- The Target Range uses pre-numbered sales agreements to document transactions for the rifle/pistol, skeet and trap ranges and the sporting clay course. In order to utilize the Target Range the patron presents the stub portion of the sales agreement to the Range Attendant as proof of payment and authorization.

We observed activities at the Target Range and noted:

- Cashiers did not count and reconcile the number of sales agreements assigned at the start of the shift and the Range Master did not count unused agreements or otherwise reconcile sales at the end of the shift, and

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<sup>12</sup> The Broward County Internal Control Handbook, Volume 8, Cash Handling and Depositing Procedures

<sup>13</sup> Quiet Waters Park confirmed receipt of the 1,000 passes

- The inventory of sales agreements was not independently counted and reconciled to sales on a monthly basis as required by County policy. Independent monthly counts and reconciliations are important in identifying shortages.

Failure to account for passes and sales agreements and conduct independent monthly inventory and reconciliation could result in unauthorized use and undetected loss of revenues.

### **Finding 3 Certain Target Range fees were not authorized in accordance with County Policy.**

The Administrative Code<sup>14</sup> requires fees to be approved by the Board of County Commissioners (Board). We reviewed fees programmed in RecTrac to the fees in the Administrative Code and found the following six fees for the Target Range were not authorized by the Board (as stated in Exhibit 3 below):

#### **Exhibit 3 Target Range Fees not Authorized by the Board**

<b>Item Code</b>	<b>Description</b>	<b>Unapproved Fee</b>
<b>Rifle/Pistol Corporate Rental Rates</b>		
RR207	4 Hours without light	\$400.00
RR208	8 Hours without light	\$600.00
RR209	4 Hours with light	\$450.00
<b>Sporting Clays Rental Rates</b>		
SC203	Sporting Clay Course Rental	\$1,000.00
SC204	Sporting Clay Course Hourly Rental	\$27.50
SC205	Sporting Clay Course Corporate Rental	\$1,630.00

*Source: RecTrac Point of Sale System*

### **RECOMMENDATIONS**

1. We recommend the Board of County Commissioners direct the County Administrator to take steps to improve control over cash handling at Markham Park including:
  - a. Separating incompatible duties:
    - Cash register closeout duties from processing adjustments in RecTrac, and
    - Inventory procurement, accounting and custodial functions

<sup>14</sup> Broward County Administrative, Chapter 37, Part IV, Broward County Parks System Fee Schedule, Section 37.46, Target Range

- b. Controlling access to cash by:
  - Assigning separate cash drawers to relieve Cashiers,
  - Appropriately securing cash drawer keys,
  - 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,
  - Limiting the number of employees with access to the Target Range safe, and
  - Keeping the office door locked during work hours.
- c. Improving management of and accounting control over cash and sales agreements by:
  - Performing independent counts of sales agreements and pass inventory and reconciling the counts to sales,
  - Storing passes in a secured location,
  - Documenting transfers of pass inventory from one park to another,
  - Posting signs at cash points notifying customers that Cashiers must issue a receipt for all transactions,
  - Installing cameras to monitor cash points as necessary,
  - Ensuring cash receipts are deposited within one day of receipt, and
  - 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.).
- d. Obtaining Board approval of fees.