

Office of the City Auditor

Audit Report

**El Dorado East Regional Park
Follow-Up Audit**

September 2010



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Executive Summary

Earlier this fiscal year, we performed a follow-up audit of cash controls over El Dorado East Regional Park gate entrance fees. We apologize for the delay in presenting the audit results and recognize it has been several months since the findings were discussed with department management. As a result, this report will be issued only to the department's management for review.

The purpose of our audit was to determine the adequacy, effectiveness and timeliness of actions taken by management to address the findings discussed in the prior audit report issued on February 9, 2005 (Appendix A). Additionally, we examined the Park's current internal controls over its collection process and deposit of entrance fee revenues. Internal controls are policies, procedures and practices established to safeguard an organization's assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies.

For fiscal year 2010, the Park will collect and deposit approximately \$860,000 in entrance fee revenue. Due to the significant amount of revenue and high volume of transactions, effective internal controls are critical to ensure all revenues are received and deposited. However, during our audit, we found several problem areas reported in the 2005 audit report that were not corrected. As a result, serious control weaknesses remain creating a high risk of potential fraud and jeopardizing revenue recognized by the City.

- There is a prevalent lack of separation of duties allowing several employees the opportunity to access cash, record transactions and approve those transactions. Should theft occur, there are no controls in place that would detect fraud.
- Significant discrepancies were identified in the Park's revenue records, including approximately \$1,000 in missing gate entrance tickets and unaccountable Daily Ticket Reports detailing total ticket sales during each shift.
- The City's Municipal Code requires Park vehicle entry fees be sufficient to cover total costs of Park operations. However, the Park has operated at a deficit for the past six fiscal years ending 2009.
- At the Nature Center, over 35 employees can perform credit card voids and credits without supervisor approval. In addition, sensitive customer credit card information is stored in the Registration Center's computer system, which can be accessed by all Registration Center employees.

The risk of large-scale fraud in the department remains high, as little has been done since 2005 to establish adequate internal controls over revenue. In fact, many of these findings were also documented in audit reports issued in 1998 and 1993. Yet, management has done little to correct some of the highest risk problem areas. We recognize that staff turnover may have contributed to the implementation delays; however, the problems identified are significant and require the existing staff to find solutions to reduce the risk of fraud.

The department has indicated their desire to install an electronic gate for revenue collection, but funding for this project has not been secured. The installation of an electronic gate will address some of the findings noted by our office, but not all. It is our recommendation that the department immediately begin developing and implementing controls over its revenue collection process. It is also recommended that the department's Finance Services section, or an area with similar knowledge of proper accounting and cash handling controls, take a leadership role in establishing controls over the Park's cash operations.

It is not necessary for management to provide comments at this time; however, our office is requesting an update in 90 days on the department's efforts to improve controls and reduce the risk of theft.

Background

El Dorado East Regional Park

The Department of Parks, Recreation and Marine (PRM) operates 152 parks within the City of Long Beach (City). The largest open space park in the City is El Dorado East Regional Park (Park). The Park is located on approximately 401 acres in east Long Beach and has the ability to accommodate up to 7,000 participants at one time. In fiscal year (FY) 2009, approximately 210,000 vehicles and 736,000 visitors entered the Park to take advantage of the wide range of amenities offered, as illustrated in Table 1.

Table 1
Park Amenities

Archery Range	Model Sailboat Area
Barbeque Grills	Nature Center
Bicycle Trails	Picnic Areas
Youth Group Campgrounds	Playgrounds
Stocked Fishing Lakes	Physical Fitness Course
Radio-Controlled Glider Flying Area	Train Rides
Pony Rides	Food and Catering
Hay Rides	Petting Zoo
Pedal Boat Rentals	

The Park is open from 7:00 a.m. until dusk every day and requires all vehicles to pay an entrance fee to enter the Park. An entrance fee may be issued in one of three ways:

- Daily Individual Vehicle Entry Permit (Daily Individual Permit);
- Group Vehicle Entry Permit (Group Permit); or
- Annual Vehicle Entry Pass (Annual Pass).

The Park has five entrances. The two main entrance booths are located on the north and south side of East Spring Street. The other three booths are used during busy days, such as weekends and holidays. A gate attendant mans each open entrance booth during operating hours. Each gate attendant is issued a cash box containing entrance ticket booklets, change fund and a Daily Ticket Receipt (DTR) which details beginning and ending ticket inventory and a calculation of total sales. Entrance tickets and DTRs are sequentially numbered. Annual Passes can be purchased at both the Nature Center and Registration Center. Group Permits are processed and billed by the Registration Center.

Section 16.20.020 of the Long Beach Municipal Code addresses Park Entrance Fees as follows:

“The Commission shall establish the fee or fees at such amount or amounts as will enable the City to recover its costs of operation, maintenance, management, supervision, development and promotion of use by the public of El Dorado Park East.”

Currently, Park entrance fees are set at the amounts listed in Table 2:

**Table 2
Park Entrance Fees**

Vehicle Entry Fee	
Weekdays	\$5
Weekends	\$7
Holidays	\$8
School Buses	\$27
Other Resident Buses	\$32
Non-Resident Buses	\$37
Annual Pass	
General Public	\$52
Seniors/Disabled	\$31

Park entrance fees generate a significant amount of revenue, with the majority collected in cash. Revenues for the past two fiscal years averaged approximately \$829,000. Due to the high volume of cash transactions, effective controls are critical to ensure the City receives all entrance fee revenue collected.

Internal Controls

Internal controls are policies, procedures and practices established to safeguard an organization's assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies. There are three types of controls: preventive, detective, and corrective. Preventive controls are designed to discourage errors or irregularities from occurring. Detective controls are designed to find errors or irregularities after they have occurred. Corrective controls are designed to fix errors or irregularities after they are detected. Table 3 provides examples of the three types of controls.

Table 3
Examples of Internal Controls

Preventive	Detective	Corrective
Separation of duties	Reconciliations	Budget variance reports
Proper authorization	Supervisory review	Re-training employees
Tone at top	Physical inventories	Adjusting journal entries
Physical control over assets	Audits	Process redesign

In particular, preventive controls are essential, because they are proactive and can prevent the mistake, error or fraud from occurring in the first place. As such, costly investigations and corrections may be avoided.

Audit Objectives, Scope, and Methodology

The purpose of our audit was to determine the adequacy, effectiveness and timeliness of actions taken by management to address the findings discussed in the audit report issued on February 9, 2005. Additionally, we examined the Park's current internal controls over its collection process and deposit of entrance fee revenues.

While conducting the audit, we used the following methodology and performed the following tasks:

- Obtained and reviewed the prior audit report of El Dorado East Regional Park dated February 9, 2005 (2005 Audit Report);
- Conducted interviews with Park management to determine the status of issues and recommendations identified in the 2005 Audit Report. For those issues where it was represented that corrective action had occurred, we confirmed implementation of those recommendations;
- Conducted interviews with Park management to gain an understanding of their involvement with the revenue collection process, including physical access and security surrounding cash areas;
- Conducted interviews with appropriate employees and observed the following processes to gain an understanding of the controls in place:
 - Cashiering function, including receipt of payments through the Park's gates;

- Counting of cash at day's end and reconciliation to the Daily Ticket Report; and
- Preparation of gate revenue deposit;
- Obtained and reviewed Administrative Regulation 21-1 (AR21-1), Procedure for Deposition Monies with the Financial Services Division, Central Cashiering Section and identified the fiscal impact of revenues not deposited in compliance with AR21-1;
- Identified the number of days between bank deposit dates and post dates in the City's financial system;
- Interviewed appropriate employees to gain an understanding of controls surrounding the credit card machine at the Nature Center and the Registration Center;
- Performed a detailed analysis of DTRs from May 21, 2009 through July 9, 2009;
- Performed an analysis of gate attendant time records to corresponding DTRs;
- Obtained and reviewed Section 16.20.020 of the Long Beach Municipal Code and reviewed Entrance Fee adjustments for FY 2005 through FY 2010;
- Obtained and reviewed the Park's revenues and expenditures for FY 2004 through FY 2009;
- Conducted a surprise cash count of both the cash drawer and safe; and
- Observed the physical access to areas involving cash or cash related activities.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Issues and Recommendations

ISSUE #1 – There is a Prevalent Lack of Separation of Duties, Causing a High Risk of Fraud.

Separation of duties is one of the key concepts of a strong internal controls system. In any organization, business-critical duties are categorized into three types of functions:

1. Custody of assets;
2. Authorization of transactions related to those assets; and
3. Recording the transactions related to those assets.

As a preventive control, no one person should handle more than one type of function. *By separating the performance of these critical functions, the organization helps ensure that no single individual is in a position to both perpetrate and conceal irregularities.* Examples of critical functions that should be separated and the potential consequences of a lack of separation of duties are depicted in Table 4 below.

Table 4
Examples of Critical Functions

Critical Functions	Potential Consequences
Accepting payments from customers and recording of cash receipts	Stealing cash and falsifying accounts receivable records
Verifying of cash receipts and recording of revenue deposits	Fictitiously adjusting transactions and stealing cash
Purchases inventory and custody of inventory	Stealing inventory and falsifying inventory records
Access to cash/safes and records of cash	Stealing cash and cash records

During our audit, we found serious deficiencies in the separation of duties surrounding cash and related processes creating opportunities for employees to commit undetected errors or fraud. Specifically:

- ***The Park's Recreation Assistant continues to have access to three critical business functions that should be segregated between different employees (Repeat finding from the 2005 Audit Report)***

The Recreation Assistant (RA) has access to three critical areas – custody of assets, recording of transactions, and approval of transactions. These areas include the following activities:

- 1) Custody of assets
 - a. Physical access to cash receipts;
 - b. Physical access to entrance ticket and annual pass inventory; and
 - c. Performing bank deposit.
- 2) Recording of transactions
 - a. Reconciles cash receipts to the DTR and prepares deposit receipts.

- 3) Authorization of transactions
 - a. Ability to edit and delete DTRs; and
 - b. Verifying and validating cash collections.

The ability to perform all three of these critical functions increases the risk of undetected fraud and errors. The RA has access to the daily cash receipts, entrance ticket inventory, office safe, all three copies of the DTR submitted by the gate attendants, and performs reconciliation procedures and deposit functions without witnesses. This level of access to cash is unnecessary and is incompatible with the authorization and reconciliation duties required by the position. It is unlikely that fraud or errors committed by the RA would be uncovered through normal procedures currently in place at the Park.

- ***Two Employees Perform Both the Custody of Assets and Authorization Functions***

Our audit identified two employees that have physical access to cash and entrance ticket inventory and also have the ability to edit and/or delete revenue records. Because there are no mitigating controls to detect misappropriations, an individual has the opportunity to steal cash and then alter or remove the corresponding DTR. For example, we noted a supervisor who prepared, operated, and checked-in his/her own cash box without evidence of independent review. Detection of any fraud is unlikely due to the lack of mitigating controls.

- ***Current Cash Handling Procedures Lack Appropriate Accountability***

The nature of cash transactions increases the inherent risk of loss or opportunity for personal gain, making the need for sound internal controls essential. During our audit, we found several instances where the lack of proper internal controls has resulted in a lack of accountability, jeopardizing City revenues.

- The Nature Center has two cashiers sharing one cash register during its daily operating hours without evidence of each cashier counting and reconciling their cash at the end of each shift. Additionally, the Nature Center cash register does not have a log-in feature to identify each cashier. As such, there is a lack of transfer accountability between cashiers. **(Repeat finding from the 2005 Audit Report);**
- The RA has full access and custody of Nature Center cash and records. Also, Nature Center management is fully dependent on the RA for cash preparation, DTR issuances, reconciliations, annual pass replenishments, cash deposits, and revenue monitoring;
- Multiple gate attendants share one DTR without evidence of any transfer of accountability; and
- The Weekend Supervisor relieves all gate attendants during their breaks without any record of transfer of accountability on the DTR.

- ***Weak Controls Surrounding Physical Access and Security (Repeat finding from the 2005 Audit Report)***

Access to department safes should be limited to only a select few. Open access to assets stored in department safes increases the risk of theft. During our surprise cash and safe count, we noted that security and control of department safes was lax.

- The Registration Center safe containing petty cash of \$100 and annual passes was unlocked during our site visit allowing access to everyone in the office;
- An employee was storing personal Series EE Savings Bonds totaling \$23,800 in the Park's Operations Office safe; and
- All five cashiers at the Nature Center have access to the Nature Center's office safe where blank gift certificates, entrance tickets, and bus passes are kept.

Recommendations to Issue #1 (Recommendations from the 2005 Audit Report are noted with an asterisk)

There is a need for a comprehensive system of internal controls surrounding the cash collection and depositing process that establishes proper segregation of duties. Management needs to ensure the City's assets are adequately safeguarded. However, under the current operational procedures, there continues to be a high risk of fraud. We recommend management immediately begin implementing the following controls to reduce the potential of theft and errors:

- 1) * Develop a system of checks and balances so that each individual does not have the ability to perform more than one type of critical business function. In 2005, management was moving the review of deposits and ticket inventory to an Administrative Aide, but this position remains open.
- 2) * Use pre-numbered DTRs and entrance tickets sequentially, and monitor to ensure forms or tickets are not missing.
- 3) Develop and implement a written policy addressing cash handling functions surrounding gate entrance revenues.
- 4) * Institute procedures to maintain cashier accountability at the Nature Center by issuing a separate cash drawer for each cashier. Each cashier should be identified on the cash register with his/her own login code.
- 5) * Institute procedures to adequately limit access to office safes and their contents to a minimum number of personnel. Safe combinations should be periodically changed, particularly when authorized personnel leave their duties.
- 6) * Post a hotline sign at the entrance booths notifying visitors that they should receive a ticket upon entry. Although management agreed in 2005 to post the signage, it has not been implemented.

- 7) * Develop a policy that requires the duties of individuals with cash handling and deposit responsibilities to be fulfilled by an independent employee for at least one continuous week per year.
- 8) * Develop and implement a system where gate attendants submit one of the DTR copies in a locked container to be collected by PRM Accounting, allowing PRM Accounting to reconcile the deposited cash to the DTR. In 2005, management stated that pink copies of the DTR would be submitted to PRM Accounting regularly for reconciliation. However, this was never done.
- 9) * Institute a process where the Recreation Assistant Supervisor or the Park Superintendent performs reviews of the Park's revenue reconciliation, supporting documentation, and the City deposit receipt.
- 10) Perform surprise cash counts by personnel independent of cash handling functions, such as the Park's Superintendent or PRM Accounting Staff.

ISSUE #2 – Significant Discrepancies Were Identified During Review of the Park's Revenue Records.

As a result of the lack of separation of duties and mitigating controls identified in Issue #1, we expanded our audit procedures. We audited the Daily Ticket Reports during the period of May 21, 2009 through July 9, 2009, and reviewed the associated deposit receipts and employee time records to ensure the following:

- DTRs are used sequentially, accounted for, and properly completed;
- All gate entrance tickets are accounted for;
- Timeliness of bank deposits;
- Timeliness of revenue posting into the City's accounting system; and
- Corresponding DTRs exist for each gate attendant who reported hours worked.

This additional test work resulted in significant documentation discrepancies as a result of inadequate controls and processes.

- ***Controls over Daily Ticket Reports are Inadequate***

Total sales figures, which are determined by the total number of tickets sold, are documented on the DTRs and matched against cash collections. During our review, we found controls over DTRs to be lax with no supervisory review. Because management does not actively track issued DTRs and reconcile their daily return, there is limited accountability for gate attendant activity.

- Three gate attendants reported hours worked without corresponding DTRs and no subsequent corrections were made on the gate attendants' payroll records. This possibly indicates either the gate attendants reported hours they did not work, or they did not turn in their receipts at the end of the day. **(This type of situation was previously reported in the 2005 Audit Report.)**
- A gate attendant submitted a DTR without reporting hours worked;
- Gate attendants and supervisors do not properly fill out the DTR, leaving several mandatory fields blank, such as the name of the gate attendant checking in the cash box, cash box check-in date and the cash box issued amount. **(Repeat finding from the 2005 Audit Report.);**
- The Park's system of preparing cash boxes in advance negates the control of sequentially numbered DTRs. The Park maintains 16 cash boxes that all contain a change fund and a DTR, although only four cash boxes are used per day. Seventy-one (71) out of 198 (or 36%) of the cash boxes were used five or more days after cash boxes were prepared. Two of the 71 cash boxes had lag times greater than 30 days, one of which was not used for 40 days; and
- Three DTRs were missing. We estimated that two of those DTRs should have been used during the Memorial Day weekend. Each DTR that was accounted for during the weekend averaged approximately \$2,300.

- ***Controls over Ticket Inventory are not Sufficient***

Similar to the issues with DTRs, there is little oversight over the monitoring of ticket inventory to ensure all tickets issued have been sold or returned at the end of the day.

- An entrance ticket with the same serial number was sold twice on two separate dates;
- Missing entrance tickets were identified at the end of the gate attendant's shift. Gate attendants and Supervisors are required to verify the number of tickets issued at the beginning of their shift;
- We identified 154 missing entrance tickets during the period reviewed. Management was unable to account for the missing tickets with a total value of approximately \$1,000 **(This type of situation was also reported in the 2005 Audit Report.);** and
- On average, the probability of a gate attendant selling the last ticket at the end of each shift is two percent. Four gate attendants significantly exceeded this expected probability. This raises concerns whether a gate attendant would finish selling their tickets and then continue accepting money. **(This situation was also reported in the 2005 Audit Report.)**

- **Deposits are not Accounted for Timely**

Numerous gate receipts were not deposited per the time requirements outlined in the City's AR21-1. In addition, deposit receipts were not entered timely into the City's Accounting System (FAMIS).

- AR21-1 requires all monies received on weekends of greater than \$100 be deposited on the next workday. However, during the seven-week period reviewed, we found that all cash receipts received on Thursdays were not deposited until the following Monday, four days after cash was received. Additionally, during three of the seven weeks reviewed (43% of the time), cash receipts received on Wednesdays were not deposited until the following Monday, five days after cash was received. Daily receipts averaged greater than \$1,000. Further, the RA is the only employee that prepares the bank deposits. As such, no deposits are made during the RA's days off although other individuals, such as the Recreation Assistant Supervisor, are capable of performing this function; and
- Several batches of the Park's deposit receipts are accumulated at PRM Accounting before revenues are entered into FAMIS. Of the 25 bank deposits reviewed, 22 (88%) deposits were entered (initiated) into FAMIS one week or more after the deposit date. Twelve (48%) deposits were initiated into FAMIS greater than two weeks after the deposit date. Table 5 provides an illustration of the FAMIS initiation lag times.

Table 5
FAMIS Initiation Lag Time

Lag Days	< 7 Days	7 - 13 Days	14 - 20 Days	21 Days and Over
Number of Instances	3	10	4	8
Total Value of Deposits	\$18,286	\$80,860	\$18,307	\$59,403

Recommendations to Issue #2 (Recommendations from the 2005 Audit Report are noted with an asterisk)

- 11) * Enter DTR information in an electronic format such as a spreadsheet or database and have independent personnel review and follow-up on inconsistencies. This process would allow management to identify unusual trends or discrepancies such as missing entrance tickets or DTRs, cash box overages and shortages and calculation errors in addition to facilitating the ticket reconciliation process. In 2005, management agreed to have an Administrative Aide perform this function, but this position remains open.

- 12) * Perform periodic inventories of the Park's entrance tickets. Personnel independent of Park's cash handling procedure should perform the inventory, compare the physical inventory results to the original inventory records (ticket order invoice count), and conclude on any discrepancies noted. In 2005, management indicated this function would be performed in the future by an Administrative Aide; however, this position remains open.
- 13) Deposit Park's revenue timely as required by City Policy AR21-1.
- 14) Develop and enforce procedures to post revenues into the City's accounting system timely and have management reconcile the revenue information.

ISSUE #3 – The Park is Not Financially Self-Sustaining as Required by the City's Municipal Code. (Repeat finding from the 2005 Audit Report)

The City's Municipal Code 16.20.020 states that a vehicle entry fee should be established at such an amount as will enable the City to recover its costs of operation, maintenance, management, supervision, development and promotion of use by the public. The Department has made minimal increases to fees since FY 2005; however, the fees are not sufficient to cover the Park's operating costs as required by the Municipal Code. Table 6 below shows the Park's revenues and expenditures during fiscal years 2004 through 2009.

**Table 6
Park Revenues and Expenditures**

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Revenues	\$ 623,617	\$ 648,306	\$ 738,696	\$ 760,861	\$ 787,175	\$ 869,968
Expenditures	1,428,600	1,597,142	1,299,678	1,487,125	1,332,379	1,349,863
Revenues Less Expenditures	\$ (804,983)	\$ (948,836)	\$ (560,982)	\$ (726,264)	\$ (545,204)	\$ (479,895)

When reviewing appropriate revenues and expenditures attributed to El Dorado Park, we noted the following:

- The Park has been operating at a deficit for the past six fiscal years. We also found that management does not record significant Park-related expenditures to the proper user code which would increase the department's deficit position. For example, ground maintenance costs associated with the Park were not reflected in Park expenditures during the six fiscal periods reviewed and Park Ranger costs were included in the Park's expenditures during FY 2004 and FY 2005, but not in subsequent years; and
- Gates are left open and unattended for gate attendant weekday breaks, every Monday from November through March, and on rainy days.

Recommendations to Issue #3 (Repeat recommendations from the 2005 Audit Report)

- 15) Continue to pursue the installation of electronic gates at the entrance booths. This equipment will allow the Park to collect revenue during off-season periods and rainy days. Ensure comprehensive operational procedures with appropriate controls are completed at time of implementation.
- 16) Perform a detailed analysis of Park revenues and expenses, including general overhead and expenditures relevant to the Park, to determine an accurate net operating figure. Increase revenues or decrease expenditures accordingly to comply with Section 16.20.020 of the City's Municipal Code.

ISSUE #4 – Inappropriate handling of credit card transactions and cardholder information.

The handling of customer credit card information and transaction processing is extremely lax and exposes the City to fraud and cardholder identity theft. Specifically,

- The department has elected to store full credit card numbers, expiration dates, and customer addresses into its Registration Center's point of sale system, even though the information is not used for recurring payments. This information may be viewed and accessed by the Supervisor and all five Registration Center cashiers; and
- At the Nature Center, supervisors do not approve or review credit card voids and credits made by Nature Center personnel. Currently, 37 Park employees and anyone with unsupervised access to the facility may perform credit card voids and credits. Without pass codes or proper authorization, any Park personnel with access to the credit card machine may issue credits to their card without detection. **(This situation was reported in the 2005 Audit Report.)**

Recommendations to Issue #4

- 17) By accepting credit card payments and then electronically storing the information, the City has an obligation to protect the cardholder data by restricting access and ensuring system firewalls are in place and periodically tested and updated. The City should work with the Class System vendor to eliminate the storage of full cardholder information in the system and refer to the Payment Card Industry guidelines on responsibility of accepting credit card payments.
- 18) Install a pass code feature on the credit card machine at the Nature Center or consider purchasing credit card machines that allow customers to swipe their own cards.
- 19) Require supervisory approval and review for processing credit card voids and credits. In 2005, management agreed that, at a minimum, supervisors should be reviewing credit card voids and credits; however, this function is still not being performed.

Appendix A

Prior Audit Report Issued February 9, 2005

**OFFICE OF THE CITY AUDITOR**

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City Auditor

February 9, 2005

Phil Hester, Director
Department of Parks, Recreation and Marine

We have reviewed the El Dorado East Regional Park's system of internal controls over the collection and deposit of entrance fee revenues. The purpose of the review was to evaluate the adequacy of existing policies and procedures and internal controls to ensure that all revenues due are collected and properly deposited to the City's treasury.

The scope of our review was for fiscal year 2003. However, the scope for certain procedures was extended into fiscal year 2004, as is detailed in the accompanying report. Our procedures included:

- Interviewing park staff regarding revenue collection and deposit policies and procedures;
- Touring the park facilities and observing operations and the revenue collection process;
- Agreeing deposit receipts to supporting documentation on a sample basis;
- Performing detailed analysis of Daily Ticket Reports for six months of fiscal year 2003;
- Reviewing employee time records in comparison to deposit amounts; and
- Conducting unannounced cash counts and safe audits.

February 9, 2005

Based upon the results of the procedures performed, we have identified several weaknesses in the current system of internal controls. Details on all issues and corresponding recommendations are attached. Below is a brief summary of certain significant issues:

- Gate revenues and annual pass sales are insufficient to meet operating expenses. Expenses exceeded revenue by \$466,650 (75%) in fiscal year 2003. The municipal code requires the fee to be sufficient to recover operating and other costs. We recommend that management perform an expense versus revenue analysis of current operations and increase the entry fees accordingly.
- There is a lack of segregation of duties pertaining to cash receipts, cash deposits, ticket inventory, and responsibilities for reconciliation. We recommend that management revise staffing responsibilities to properly segregate duties or institute other mitigating controls, including monthly physical inventories and reconciliation by independent personnel.
- Several issues in this report were also cited in our previous report, El Dorado Regional Park Revenue Control Review, dated November 12, 1998. These issues were either never corrected, or were corrected for only a period of time, after which corrective procedures lapsed. We recommend that management periodically review the implementation of corrective actions from this report, to ensure employees have not reverted to previous practices.

We would like to thank you and your staff for the cooperation and prompt responses to our requests.

Sincerely,

Gary L. Burroughs, CPA
City Auditor

By


Sam A. Joumbat, CIA
Deputy City Auditor

cc: Janet Day-Anselmo, Bureau Operations Manager, Parks, Recreation and Marine
Diane Lewis, Community Enrichment Programs Bureau Manager,
Parks, Recreation & Marine

Background

El Dorado East Regional Park (the Park) is located on approximately 401 acres in east Long Beach. Park amenities include an archery range, barbeque grills, bicycle trails, a campground for youth groups, stocked fishing lakes, radio-controlled glider flying and model sailboat areas, a nature center, picnic areas, playgrounds, and a physical fitness course. Train rides, pony rides, hayrides, pedal boat rentals, food and catering, and a petting zoo are also available. In addition to Park facilities, the P.D. Pitchford Companion Animal Village (Animal Village) is located within the Park. The Park is open from 7:00 a.m. until dusk every day and charges a vehicle entry fee for use of its facilities. Vehicle entry fees may be paid in one of three ways: individual daily vehicle entry permit, group vehicle entry permits, or annual vehicle entry pass.

Individual Daily Vehicle Entry Permit

Vehicle Entry Fee

The Long Beach Municipal Code states that a vehicle entry fee should be established at such an amount as will enable the City to recover its costs of operation, maintenance, management, supervision, development and promotion of use by the public. The Park charges three separate rates for individual vehicle entry:

- \$10 for buses
- \$5 for passenger vehicles on weekends and holidays
- \$3 for passenger vehicles on weekdays

Below is a brief summary of Park revenues and expenses for fiscal year 2003. Although the Department of Parks, Recreation and Marine (PR&M) incurs certain other costs associated with the operation of the Park (e.g. accounting services), an allocation of those expenses and general overhead has not been included in this summary.

Total gate revenues, including annual pass sales	\$ 619,906
Total direct expenses, excluding maintenance	(552,910)
Park maintenance	<u>(533,646)*</u>
Estimated excess of expenses over revenues	\$ (466,650)

- * As a result of contracting out maintenance services beginning in July 2004, maintenance expense is expected to decrease approximately \$96,000 per year to an annual amount of \$438,000.

Issue # 1

The current vehicle entry fee has not been increased since 1993 and does not cover the Park's expenses. PR&M increased the annual pass and bus entry fees effective October 1, 2004. However, the estimated revenue increase for fiscal year 2005 related to the rate adjustments is only \$29,610.

Recommendation

Perform a detailed analysis of Park revenues and expenses, including general overhead and other PR&M expenses associated with the Park. Increase Park entrance fees and annual pass fees accordingly.

Management's Response

Public Resource Management Group is initiating a user fee study that will review the Department's fees and determine the costs associated with providing the program or service. We will evaluate our entry fees following the completion of the study. Our fees are traditionally based on market surveys of similar fees in the area. Should the fee study result in a recommended fee that is significantly higher than market rate, we will consider revising the municipal code to allow the consideration of market rates for establishing the El Dorado East gate entry fee.

Cashiering Procedures

The Park has five entrances. The two main entrances are located off each side of Spring Street and are used on a daily basis. Gate 1 is on the south side of Spring Street, located by the Nature Center. Gate 2 is the main Park gate across the street. The Park opens the other three entrances for especially busy days, such as certain weekends and holidays. A gate attendant mans each open gate and issues a daily ticket to each customer in return for the appropriate daily fee. Gate revenue is accounted for by use of these entry tickets. The tickets are colored and use an alphanumeric series for each of the three types of gate entry fees.

The Park Recreation Assistant (RA) maintains several months of daily entry ticket inventory in a locked cabinet in his office, to which he and the Weekend Gate Supervisor have access. The PR&M accounting office maintains the remainder of the daily ticket stock in its warehouse. When the RA replenishes his stock, PR&M accounting issues him new stock, and completes a form indicating the ticket sequences and numbers issued to the RA.

Each alphanumeric ticket series in use is assigned to a numbered cash box that the gate attendants use to collect ticket sales. There are 16 numbered cash boxes, each with a Daily Ticket Report (DTR), beginning change fund and enough entry tickets for one shift. The DTR lists the starting change fund amount for the cash box, and is signed and dated by the clerk preparing the change fund. The report also lists beginning and ending numbers of gate entry tickets issued to the gate attendant and

includes a space for listing beginning and ending numbers of tickets sold, number of tickets sold, and the corresponding cash value.

Issue # 2

DTR's are not pre-numbered. Lack of pre-numbered DTR's does not ensure all DTR's are accounted for.

Recommendation

Obtain pre-numbered DTR forms and use sequentially. Properly accounting for pre-numbered DTR forms will help ensure the completeness of deposit amounts.

Management's Response

We agree that we will order pre-numbered DTR forms and use them sequentially to ensure that all DTR forms are accounted for.

When not assigned to a shift, the cash boxes are stored in corresponding numbered and locked box slots in a safe at the ranger station office. The cash box slot utilizes a two key system, a master key and the individual cash box key. Both keys must be used to retrieve the box. The following people have access to the safe: the Chief Park Ranger, Park Rangers, RA, and Weekend Gate Supervisor. However, with the exception of the Chief Park Ranger, Park Rangers do not have a master key to the locked box slots, and may therefore not access the change funds.

When a gate attendant reports for his shift, he uses his master key in connection with the individual cash box key to remove a cash box from the safe. The supervisor on duty (morning shift Park Ranger, the RA, or Weekend Gate Supervisor) observes this process. The supervisor and gate attendant count the funds in the change box and review the entry ticket series and numbers. After verifying that the same information was recorded on the DTR, both the gate attendant and the supervisor sign off on the DTR. A Ranger then escorts the gate attendant to his or her assigned gate.

Issue # 3

Certain gate attendants signed off on both the cash out and cash in lines of the DTR at the beginning of the shift, rather than only the cash out section. However, when the gate attendants were replaced during their shifts (usually due to illness), the replacement cashier did not sign off on the cash-in line. Further, in many instances, there was no indication that the cash box was properly reconciled at the time of transfer.

Recommendation

Gate attendants should sign on the cash-in line of the DTR when returning the box at the end of shift. Further, the gate attendants should properly reconcile the cash box at the time of transfer and document such on the DTR. This process will ensure proper accountability of funds.

Management's Response

We agree that gate attendants should sign on the cash-in line when returning the cash box at the end of the shift, and that gate attendants should properly reconcile the cash box at the time of transfer and document such on the DTR. We will review these procedures regularly with gate attendants to ensure compliance.

At the end of the shift, a Ranger/Supervisor escorts the gate attendant and cash box back to the ranger station. The gate attendant counts the cash box receipts and records that amount on the DTR, as well as the beginning and ending number of each ticket book series and the calculated ticket sales amount. The supervisor verifies this information and both the attendant and supervisor sign for the closing amount on the DTR. The gate attendant retains the pink copy of the report for his records and places the white and yellow copies of the report in the cash box along with the cash receipts and remaining entry tickets. The supervisor then locks the cash box in its corresponding numbered safe drawer and deposits the drawer key through a key slot into a locked desk drawer.

Issue # 4

We observed that many gate attendants discarded their pink DTR copies by placing them in the Weekend Gate Supervisor's mail slot (accessible to all in the office) or by throwing them away in the office trashcan. Additionally, many gate attendants informed us that they do not retain their pink DTR copies. The gate attendants' discarding their pink DTR copies and that information being widely known increases the risk that one person (either the RA or the Weekend Gate Supervisor) will have access to all three copies of the DTR and could therefore alter or eliminate the DTR's to mask errors or misappropriations.

Recommendation

Implement a system whereby the gate attendant places one of the DTR copies in a locked container to be collected by PR&M accounting. In this way, PR&M accounting may reconcile the deposited cash amount to the amount on the gate attendant's DTR. This process will help ensure the completeness and accuracy of the deposit.

Management's Response

We agree with the recommendation that the pink DTR copies be retained and submitted regularly to accounting for purposes of matching the pink copy to the deposit.

Deposit and Reconciliation

The RA reconciles and deposits all cash receipts. Each morning, the RA retrieves the previous day's cash boxes from the safe, counts the cash receipts, writes down his cash count on the DTR, runs ten-key tape totals of DTR sales and nature center daily transaction sheets, and combines all receipts to prepare the bank and armored carrier deposit slips. After he has removed the day's sales from the cash box, he restores the cash box to the appropriate amount of change fund, ensures there is an adequate amount of entry tickets for the next shift, completes the change fund information on the DTR, and replaces the cash box in the safe.

The RA also completes a City Deposit Receipt (DR). The RA forwards the DR, copies of the deposit slip and armored carrier form, and the yellow copies of the DTR's to PR&M accounting. The RA retains a copy of the DR, bank deposit slip, armored carrier form, and the white copies of the DTR.

Issue # 5

One individual prepares the change boxes, performs the cash deposits and reconciliations, and maintains the inventory stock. As such, segregation of duties is inadequate. Further, we did not see evidence of any supervisory review of daily revenue collected and deposited. Lack of adequate supervision and review of each employee's work fails to ensure that procedures are being properly followed and that revenues are being properly recorded and deposited. The presence of actively involved supervisory personnel in the review process is critically important when segregation of duties is not possible or practical, such as in a small office environment. **This is a repeat issue from the El Dorado Regional Park Revenue Control Review report, dated November 12, 1998 (Previous Report).**

Recommendation

Revise responsibilities within the office and PR&M accounting division to ensure duties are adequately segregated. Alternatively, institute mitigating procedures, such as supervisory approval of deposits and monthly physical inventory and reconciliation procedures of the ticket stock by independent personnel.

Management's Response

We agree that segregation of duties over the deposit function is important. Duties including the review of deposits and inventory of the ticket stock will be performed by the Administrative Aide position. This position is currently being underfilled; however, we are working on permanently filling this position.

Issue # 6

Although the RA previously maintained a manual daily sales ticket log in which he recorded the day's pertinent sales and ticket information (a recommendation from our Previous Report), the log had not been updated since January 2003. Further, there was no independent reconciliation performed of the logged ticket information to the deposit amounts. After this issue was brought to his attention during our audit, the RA resumed logging the ticket information.

However, maintaining the DTR information in a manual log prohibits management from analyzing the data to the fullest extent possible. We input six months of fiscal year 2003 DTR data into a spreadsheet and analyzed the data, including a comparison of daily deposit for gate attendants to time recorded on their respective timesheets. Following are the types of issues we discovered resulting from our analysis:

- There was time recorded on the timesheet, but no corresponding amount deposited. We verified with Park management that these employees were not performing other duties, such as traffic control. Therefore, no explanation was provided regarding what may have caused the discrepancy.
- Missing entry tickets and ticket sequences.
- No supervisor/ranger signature in the cash-in line of the DTR.
- Incomplete or incorrect DTR fields (ending ticket numbers, dates, etc.)
- Math miscalculations (overages or shortages that were not identified because the calculated ticket numbers were incorrect).
- Weekend Gate Supervisor signing her own cash box in and out, without evidence of an independent review.
- At times, gate attendants identified that the last ticket in a book was missing. There are 50 tickets in each book.
- Certain days with an unusual number of DTR's (e.g. only one DTR instead of the normal four).
- An unusual trend of tickets sales for gate attendants (e.g. a disproportionate number of days when the last ticket sold was the last ticket in a book).

Recommendation

Record DTR information in an electronic format (database or spreadsheet). This information should be reviewed and reconciled to sales on a periodic basis by independent personnel. In this manner, statistical information, such as sales per gate, sales on a specific day of the week, and sales per gate attendant would be readily available as a management tool, in addition to facilitating the ticket reconciliation process.

Management's Response

We agree and will assign this function of recording DTR information onto a spreadsheet or database to the proposed Administrative Aide position. This position is currently being underfilled; however, we are working on permanently filling this position.

Park Entry Controls

As signage indicates at the entrance gates, Park policy requires visitors to prominently display their entry ticket on the car dash. This requirement serves two purposes. It alerts the customer that he should receive a ticket upon Park entry, as well as provides a means for Park Rangers to verify that vehicles paid upon entry.

Issue # 7

Although Gate 2 has a paper taped to the entry booth window that requests visitors who paid but did not receive a ticket to phone a hotline number, this sign is out of the customer's direct line of sight. Further, none of the other entry gates displays such a notice.

Recommendation

Prominently display permanent hotline signs in front of the entry booths. This procedure will help ensure customers, especially first-time customers, are aware that they should receive an entry ticket, thereby reducing the risk of misappropriation.

Management's Response

We agree and will follow up to ensure that the hotline signs are prominently posted at both entry gates.

Issue # 8

We noted the following issues regarding enforcement of paid Park admissions:

- Vehicles visiting Animal Village do not pay for Park entry and do not receive entry tickets. However, once the vehicles enter the Park, gate attendants have no means of restricting their visit to only the Animal Village.
- Although Park policy requires visitors to display their entry tickets, the lack of a displayed ticket is not a citable offense under the current municipal code. As such, Park Rangers cannot enforce the Park's ticket display policy. **This is a repeat issue from our Previous Report.**
- Park Rangers rarely conduct spot inspections to ensure that vehicles have properly displayed tickets/passes. Examining vehicles for documentation of paid entry helps ensure that all vehicles pay for entry and helps identify and prevent misappropriations.

Recommendation

We recommend that the City:

- Perform a cost-benefit analysis of revising the Gate 1 entrance to provide Animal Village with a separate entrance that restricts access to only the Animal Village.
- Consider issuing special passes to Animal Village visitors and other visitors not required to pay gate entry fees (e.g. maintenance workers).
- Revise its municipal code to allow citations for vehicles that do not display their proof of paid Park entry.
- Enforce Park policies through spot inspections and (subsequent to municipal code changes) ticketing of vehicles not displaying their paid admission.

Management's Response

A cost-benefit analysis was performed of reconfiguring the Animal Village so that the Village would have a separate entrance. The analysis determined that a separate entrance to Animal Village is cost prohibitive.

We do provide special passes for visitors to Animal Village; however, it appears that these passes have not been issued consistently. We will train staff to provide these passes to all visitors entering the Animal Village.

We will pursue employee decals for employees entering the gates to the Maintenance Operations Bureau offices and Nature Center facilities.

We agree to pursue the recommendation regarding changing the municipal code to allow for citations of vehicles. Staff levels permitting, we will enforce park policies through spot inspections and ticketing of vehicles that do not display proof of paid Park entry.

Issue # 9

The Park has no revenue control equipment to track and monitor Park entrance activities.

Recommendation

Consider installing revenue control equipment at Park entrances (see also Recommendation for Issue #10). We understand that parking industry standards (the parking industry uses the same type of equipment under similar circumstances) indicate the installation of revenue control equipment increases revenues by approximately 10% – 15%. Further, revenue control equipment provides valuable statistical data, reduces the risk of misappropriations, and facilitates the reconciliation process.

Management's Response

There was no new general fund money available for such a Capital Improvement Project for the current fiscal year. However, we will pursue cost estimates in the event that funding becomes available in future years.

Free Gate Entrance

Issue # 10

We noted the following instances where the entry gates remain open, although there is no gate attendant to receive the entry fee.

- The gates are left open every day when the attendant takes a break. **This is a repeat issue from our Previous Report.**
- The gates are left open every Monday from November through March, as the Nature Center is closed. **This is a repeat issue from our Previous Report.**
- The gates are left open when it rains, although the Park remains open and visitors enter the Park.

Recommendation

Consider installing automated gate entry equipment at one or both main entrances. **This is a repeat recommendation from our Previous Report.** Automated equipment would eliminate the free gate entrance instances mentioned above, as well as significantly reduce operating costs (we noted some daily revenue as low as \$3 per shift).

Management's Response

As indicated in our response to issue #9, we will pursue cost estimates for automated gate entry equipment. We have always been underfunded for gate attendants. Because we are underfunded, we do not staff gates Mondays from November through March, because this day and time period has traditionally been the slowest of the year, and the entry fees collected do not cover the cost of the gate attendant staff. We do not staff gates when it rains, because it is cost prohibitive, e.g. the cost of staff exceeds the revenue that is generated. We do cover gate attendant lunch breaks, however, we have not covered the gate during staff's 15-minute breaks. We will look at options for covering gates during the 15-minute breaks.

Group Vehicle Entry Permit

Group vehicle pass billing for picnics and special events is available for a minimum of 20 vehicles entering the park. Each group is responsible for printing and issuing their own passes, which the Park has previously approved. The gate attendant collects the passes when the vehicles enter and notes the number of group passes on his DTR.

After the event, the Clerk Typist that maintains group billing records invoices the group for the number of passes collected.

Issue # 11

The Park does not issue a daily ticket or other receipt to vehicles that participate in a group billing. Therefore, those vehicles display no evidence of paid entry. **This is a repeat issue from our Previous Report.**

Recommendation

Issue each vehicle that is part of a group billing a daily ticket, or other pass identifying it as a member of a group billing. In this manner, the Park's ticket display policy may be enforced.

Management's Response

We will pursue purchasing a daily group pass that could be pre-purchased for groups.

Annual Vehicle Entry Pass

Annual vehicle entry passes are sold at the Nature Center and at the Registration Center at El Dorado headquarters. There are four types of pre-numbered annual passes, each with a separate fee, as follows:

<u>Pass Type</u>	<u>Price</u>
Regular	\$35
Senior citizen/disabled	\$20
Additional pass for regular passholder	\$15
Additional pass for senior citizen/disabled passholder	\$10

After an annual pass applicant completes (new purchaser) or updates (repeat customer) an information postcard and pays the annual fee, he is given his annual pass, which he affixes to the inside left corner of his windshield. Applicants applying for a second pass must provide proof of vehicle registration, to ensure the same individual owns both vehicles.

Annual pass applicants may pay by cash, check, or credit card.

Issue # 12

We noted that the credit card machines at both the Nature Center and the Registration Center did not have passcodes assigned to prevent cashiers from processing voids and credit transactions, potentially misappropriating funds. In fact, the directions for voiding transactions are written on the credit card machine. We were informed that voided transactions at the Nature Center were numerous, as many schoolchildren began purchase transactions but had insufficient funds,

or elected to return their purchases. Further, there were no procedures in place at the Nature Center for supervisory review of credits and voided transactions.

Recommendation

Activate the passcode procedures on the credit card machines. Supervisory approval should be required for credit and void transactions. Further, implement a periodic review by management of credit and voided transactions to ensure appropriateness and reasonableness.

Management's Response

We will pursue activating the passcodes on the credit card machines. We will look at options for credit and voided transactions. We will determine the feasibility of requiring supervisory approval for credit and void transactions. Our concern is the limited availability of supervisory staff. However, we agree that management should periodically review credit and void transactions for appropriateness.

At the Registration Center, employees who sell annual passes enter the pertinent information from the postcard onto a pre-numbered form for the appropriate type of pass. This procedure creates a log of annual pass sales sequentially by pass number. The information is also entered into the electronic reservations system for informational purposes.

Issue # 13

We noted that the customer information on the numeric log was blank for several pass numbers; however, management did not periodically review the logs and was unaware of the disposition of the passes at the time. Subsequent review of the reservations system indicated that those passes were sold and the related revenues properly remitted; however, the employees neglected to complete the log form.

Recommendation

Implement procedures for periodic managerial review of the annual pass logs and immediate investigation of any discrepancies to ensure appropriate sequential use of passes.

Management's Response

We agree with this recommendation and will request that supervisors review the annual pass logs periodically.

The Nature Center maintains the postcards for all annual pass sales. When a customer at the Nature Center who has previously purchased an annual pass wishes to purchase an additional vehicle pass or a subsequent year's annual pass, the Nature Center employee retrieves the customer's postcard from the file box and updates the customer's information, if necessary.

Issue # 14

The Registration Center does not process annual pass applications for additional vehicles from customers who purchased the initial annual pass at the Nature Center. Instead, the Registration Center informs the customers they must return to the Nature Center, as the Registration Center does not have access to the customer's original purchase transaction.

Recommendation

To improve operational efficiencies and customer service, consider maintaining the customer annual pass sales information in electronic format. In this manner, both locations may access the data to process customer applications. Further, the electronic format will facilitate the reconciliation process and provide valuable statistical data to management. Additionally, for control purposes, consider selling annual passes only at the Registration Center, where the bulk of PR&M sales processing is performed.

Management's Response

We will look at the possibility of using the Class system to provide us with information on annual passes sold. We disagree with the suggestion of selling annual passes only at the Registration Center, as we believe this suggestion would be detrimental to customer service.

Cash Drawer Procedures

The Nature Center is open Tuesday through Friday from 10:00 a.m. to 4:00 p.m., Saturday and Sunday from 8:30 to 4:00 p.m., and is closed Mondays. Nature Center revenue includes sales of Park vehicle entry passes, permits, tours and classes, and miscellaneous merchandise and books. Cashiers conduct all sales through the Nature Center's one cash register.

Issue # 15

Cashiers at the Nature Center share one cash drawer. A total of five people (two per shift) have access to the cash drawer. As such, there is a loss of accountability of cash receipts. **This is a repeat issue from our Previous Audit.**

Recommendation

To maintain cashier accountability, a separate cash drawer should be used for each cashier. Each cashier should be identified on the cash register with his or her own login codes. These procedures reduce the risk of misappropriation.

Management's Response

We will pursue login codes and separate cash drawers per shift.

Safe Audits

During our visits to the Nature Center and El Dorado headquarters, we examined the safe contents and safe access procedures.

Issue # 16

We noted the following issues regarding safe contents and safe access procedures:

Reservations Center

- Access to the office safe at the Reservations Center was not adequately restricted or safeguarded. The safe remained open during the day, allowing all personnel in the area access to the safe contents, as well as non-authorized personnel (see second bullet). On the day of our visit, the value of the safe's contents totaled approximately \$1,700.
- The Reservations Center stores funds in its safe for a departmental committee and allows that committee's representative to deposit and retrieve funds from the safe, rather than asking the Reservations Center personnel to do so. Further, there was no documentation of transfer of accountability for those funds.

Nature Center

- Access to the office safe at the Nature Center was not adequately restricted or safeguarded. All personnel with access to the accounting room had access to the lower portion of the safe, which remained open during work hours. The Nature Center maintained a backup reserve of annual vehicle entry passes, as well as a supply of daily vehicle entry permits, in the lower portion of the safe. Further, five individuals had access to the upper portion of the safe, where cash and stamps were kept.

Recommendation

Institute procedures to adequately limit access to office safes and their contents to the minimum number of personnel. This procedure will help ensure accountability of funds and reduce the risk of misappropriation.

Management's Response

An employee committee within the Department was utilizing the Reservations safe. This practice was stopped immediately.

We will evaluate access to the Nature Center safe to determine the level of access necessary for operational efficiency. This includes evaluating access to cash, parking passes and stamps.

Inventory Procedures

When a location needs to replenish its stock of annual passes, the RA personally distributes the passes to the location. The recipient signs a form indicating the number and type of passes received.

Issue # 17

Although they sign the transfer of accountability form, the Nature Center and Reservations Center representatives that receive the annual passes do not count the passes they receive.

Recommendation

Before signing the transfer of accountability form, count the passes received to ensure the accuracy of the information on the form. This procedure will ensure the accuracy of inventory transfers.

Management's Response

We agree with this recommendation and will instruct Nature Center and Reservations staff to count the passes that they receive prior to signing the "Transfer of Accountability" form.

Issue # 18

There are no periodic physical inventory procedures of annual passes at any of the three locations with annual pass inventories.

Recommendation

Implement periodic physical inventory and reconciliation procedures of the annual passes. Independent personnel should perform these procedures to verify inventory accuracy and reduce the risk of misappropriation.

Management's Response

We will assign the inventory of annual passes to the Administrative Aide that we are in process of hiring.

Personnel Observations

We were informed that the RA sometimes came into the office in the morning to prepare the deposit and then took vacation for the rest of the day, as he had accumulated a significant amount of vacation. We examined the City's Time Transaction History report that details the amount of time reported on each day of the employee's timesheet. During the first six months of fiscal year 2004, the RA recorded only one full day of vacation. He recorded 36 days in which vacation was partially used.

Issue # 19

PR&M does not have a policy that requires cash handling and deposit responsibilities to be reassigned for a minimum of one week per year. This policy enables alternative personnel to perform cash handling and deposit responsibilities, thereby identifying unusual variations from the previously responsible individual. PR&M has alternative personnel that are trained to perform change fund and deposit procedures in the RA's absence. However, these individuals are not being utilized.

Recommendation

In addition to properly segregating duties (Recommendation #5), institute a policy that requires the duties of individuals with cash handling and deposit responsibilities to be fulfilled by another employee for at least one continuous week per year.

Management's Response

We agree that segregation of duties over the deposit function is important. Duties including the review of deposits and inventory of the ticket stock will be performed by the Administrative Aide position. This position is currently being underfilled, however, we are working on permanently filling this position. Additionally, we will also ensure the RA's cash handling responsibilities are reassigned for a minimum of one week every calendar year.