

**MARYLAND-NATIONAL CAPITAL PARK & PLANNING COMMISSION**

**Internal Control Report  
Prince George's County Department of Parks and Recreation  
Sugar Ray Leonard Boxing Center – Cash Handling Procedures**

**Report Number: PG-015-2015-B**

**April 30, 2015**

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## **A. Background**

The Sugar Ray Leonard Boxing Center (SRLBC) is a co-ed facility offering amateur and professional training as well as boxing shows. Customers sign up for quarterly memberships in order to utilize the facility. The SRLBC accepts cash, checks and credit card payments. The facility falls under the aegis of the Commissions Prince George's Department of Parks and Recreation, Sports, Health and Wellness Division. The day-to-day operations of the facility are overseen by an intermittent manager and part-time assistant.

On February 10, 2015, the Sports, Health and Wellness Division Chief contacted the Office of Internal Audit (OIA) in response to a customer complaint questioning the facility's cash handling procedures. [REDACTED]

[REDACTED] the OIA also identified opportunities to strengthen internal controls at the SRLBC. The following report includes our recommendations and management's responses to the recommendations.

## **B. Scope of the Audit**

The purpose of the review was to determine if the cash handling procedures at the SRLBC were in compliance with Commission Administrative Procedure No. 1-01 – *Cash Receipts and Related Cash Transactions*. Audit testing was also designed to determine if SRLBC personnel committed fraud, waste, or abuse as defined by Commission Practice No. 3-31 – *Fraud, Waste, & Abuse*.

The scope of the review included, but was not limited to, the following audit procedures:

- interviewing SRLBC personnel to gain additional information regarding cash handling procedures;
- initiating a cash deposit, testing full cycle of cash handling controls;
- conducting un-announced counts of cash receipts; and
- comparing customer receipts to SMARTlink cash receipt reports and bank deposit slips.

The period covered in this review was February 9, 2015 – March 17, 2015.

This audit was conducted in accordance with *Generally Accepted Government Auditing Standards (GAGAS)*.

### C. Overall Conclusions

The results of our evaluation and testing procedures indicate significant deficiencies in the design or operation of internal controls for the SRLBC, please see definition below.

We believe all weaknesses identified and communicated are correctable and that management's responses to all recommendations satisfactorily address the concerns. It is the responsibility of management to weigh possible additional costs of implementing our recommendations in terms of benefits to be derived and the relative risks involved.

We wish to express our appreciation to the Sports, Health, and Wellness Division management and staff for their cooperation and courtesies extended during the course of our review.



Renee M. Kenney, CPA, CIA, CISA  
Chief Internal Auditor

April 30, 2015

### Conclusion Definitions

<b>Satisfactory</b>	No major weaknesses were identified in the design or operation of internal control procedures.
<b>Deficiency</b>	A deficiency in the design or operation of an internal control procedure(s) that could adversely affect an operating unit's ability to safeguard assets, comply with laws and regulations, and ensure transactions are properly executed and recorded on a timely basis.
<b>Significant Deficiency</b>	A deficiency in the design or operation of an internal control procedure(s) which adversely affects an operating unit's ability to safeguard assets, comply with laws and regulations, and ensure transactions are properly executed and reported. This deficiency is less severe than a material weakness, yet important enough to merit attention by management.
<b>Material Weakness</b>	A deficiency in the design or operation of an internal control procedure(s) which may result in a material misstatement of the Commission's financial statements or material impact to the Commission.

## D. Detailed Commentary and Recommendations

### 1. Strengthen Procedures Over Cash Receipts

**Issue:** The OIA identified several instances where errors in cash handling occurred at the SRLBC:

- The cash deposit for the week of January 2 – 8, 2015 was overstated by \$10.00. SRLBC management could not provide a reasonable explanation for the overage.
- A February 2015 customer payment of \$60.00 was not deposited until April 11, 2015, after inquiry by the OIA. The customer was not provided a receipt.
- The SRLBC should have had [REDACTED] cash on hand for transactions processed between February 6 – 12, 2015. During an un-announced visit by the OIA on February 13, 2015, the manager did not have the second key to open the safe, as he/she left it at home. The OIA was unable to verify the cash on hand.
- There is no reconciliation of the paper receipt book to SMARTlink. If a customer pays when SMARTlink is down, they are provided a paper receipt. SRLBC personnel must remember to go into SMARTlink once it is activated and input funds received while the system is down.
- The March 17, 2015 cash drawer was short [REDACTED] SRLBC management could not provide a reasonable explanation for the shortage.
- There is no independent verification of cash received. The assistant and manager both accept cash throughout the day, one cash drawer is utilized. There is no cash count at the end of the assistant's shift. The manager accesses the drawer independently the following day.

**Risk/Criteria:** Weak or inefficient handling of cash increases opportunities for fraud, waste, and abuse.

**Recommendation:** We recommend that management and staff at the SRLBC receive additional training on cash handling to assist them in their day to day activities. In addition, anyone responsible for accepting cash should have his/her own cash drawer. The drawer should be counted at the end of each shift. If this is not possible, controls should be put in place that require a cash count/verification of the drawer when the assistant leaves the facility.

**Issue Risk:** High

**Management Response:** Concur. The following improvements to internal controls will be implemented:

- All staff dealing with money and transactions will be required to take SMARTlink level 1 training again; before June 1, 2015.
- All transactions will be handled by only (1) staff person per shift until a second drawer gets installed or a cash count is verified.
- The drawer will be counted after each shift before the staff leaves.
- The drawer will be counted and reconciled at the end of each night.
- All keys to the safe will be [REDACTED]
- Cash handling training will be completed for management and staff.
- Create another SMARTlink station in the future.
- Reconcile paper receipt book to SMARTlink when SMARTlink is down. Enter customers' information in the system and input funds when the system is reactivated.

**Expected Completion Date:** Immediately

**Follow-Up Date:** June 2015

**2. Expedite Weekly Bank Deposits**

**Issue:** The OIA reviewed bank deposits for funds received between December 26, 2014 and February 5, 2015. The following table depicts the timing of each deposit:

Date of Activity	SMARTlink Receipts	Amount of Deposit	Date of Deposit	# Days from Thursday to Date of Deposit
12/26 – 1/1	██████	██████	1/12 (Mon.)	11
1/2 - 1/8	██████	*██████	1/15 (Thurs.)	7
1/9 – 1/15	██████	██████	1/21 (Wed.)	6
1/16 – 1/22	██████	██████	1/28 (Wed.)	6
1/23 – 1/29	██████	██████	1/29 (Friday)	0
1/30 – 2/5	██████	██████	2/10 (Tues.)	5

\*Reconciling Item, Center management working with Administrative Services to Resolve

**Issue:** The SRLBC manager typically completes the deposit ticket each Friday for the preceding week (Friday - Thursday) and deposits the funds the following week.

**Risk/Criteria:** Commission Administrative Procedure No. 01-01, *Cash Receipts and Related Cash Transactions* states, “Bank deposits will be made whenever cash on hand exceeds ██████ or once per week, whichever comes first.”

**Recommendation:** Deposit cycles close on a Thursday. Deposits should be made by Friday of the current week, and no later than the following Monday if staffing levels impact management’s ability to go to the bank.

**Issue Risk:** Medium

**Management Response:** Concur. The following improvements to internal controls will be implemented:

- A weekly deposit will be made on each Friday.
- Weekly deposit checks by managers.

**Expected Completion Date:** Immediately

**Follow-Up Date:** June 2015