

MARYLAND-NATIONAL CAPITAL PARK & PLANNING COMMISSION

**Montgomery County Department of Parks
Public Affairs & Community Partnership Division
Park Permit Office**

Report Number: Cash - MC-001-2016

October 6, 2015

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**Park Permit Office
Cash Audit**

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I. EXECUTIVE SUMMARY

A. Background

Surrounded by parkland and various park amenities, Montgomery County parks offer affordable activity buildings, which are available for public rental for social and business events. Conveniently located throughout Montgomery County in the Maryland-National Park and Planning Commission (M-NCPPC) park system, the buildings provide amenities such as kitchen and restroom facilities, and some provide remote keyless entry. The park system also offers park shelters/picnic areas throughout the county for groups to host picnics and athletic events. Some of them feature available restrooms.

Customers are required to apply for permits to rent park activity buildings and park shelters/picnic areas. The Montgomery County Park Permit Office offers five ways to apply: 1) online, which requires a ParkPASS account number; 2) in person at the Park Permit Office window; 3) mail in; 4) fax; and 5) telephone.

Activity buildings are available for public rental year round on weekdays and weekends. Park shelters/picnic areas are available on weekdays and weekends from April 1 through October 31.

During daily operations, the Park Permit Office assists customers with applying for permits, completes rental agreements and processes cash receipts for rental payments and key deposits.

B. Scope, Objective, and Methodology of the Audit

Objective: The purpose of the audit was to perform a limited review and evaluation of the system of internal controls for cash.

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

- Reviewed applicable Commission practices, policies and procedures;
- Performed surprise cash count and cash reconciliation;
- Reviewed security over cash receipts and key deposits;
- Reviewed ParkPASS reports and cash receipt bank deposits; and
- Interviewed staff about cash handling and cash related operations (e.g., window transactions).

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

The audit covered the period from 01/02/15 through 06/30/15.

C. Major Audit Concerns

The results of our evaluation and testing procedures indicated the following major audit concerns:

- Strengthen internal control procedures over cash.

Additional details can be found in the Detailed Commentary and Recommendations section.

D. Overall Conclusions

The results of our evaluation and testing procedures indicate deficiencies in the design or operation of internal control procedures over cash at the Montgomery County Department of Parks Permit Office, as noted in the Major Audit Concerns section of the report. See the 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 Montgomery County Department of Parks Permit Office management and staff for their cooperation and courtesies extended during the course of our review.



Wanda King
Senior Auditor



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

October 6, 2015

Conclusion Definitions

Satisfactory	No major weaknesses were identified in the design or operation of internal control procedures.
Deficiency	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.
Significant Deficiency	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.
Material Weakness	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.

II. DETAILED COMMENTARY AND RECOMMENDATIONS

1. Develop and Implement Procedures for Key Deposits

Issue: The Park Permit Office does not have formal operating procedures for securing and recording customer cash deposits paid for the use of facility keys. As a result, a customer's refundable key deposit and copy of the customer's driver's license were misplaced and unaccounted for in the office.

On April 30, 2015, a customer completed the forms at the office window to rent an activity building for an event. The customer chose to preview the activity building and, as required, left a \$25.00 key deposit and a copy of her driver's license. The following exceptions occurred:

- Instead of securing the cash, the attending staff person inserted the cash and driver's license copy into the pocket of a notebook binder that was kept inside the office near the window.
- The attending staff person did not record receipt of the cash and driver's license copy.
- The customer returned the key on the same day as required, but did not receive the refundable deposit and copy of the driver's license.

Criteria/Risk: Commission Practice 3-13, *Cash Receipts and Related Transactions*, was implemented "to prescribe the proper policies and procedures for the secure handling of cash and cash records of the Commission." The practice references security measures for cash safekeeping, indicating that cash necessary for facility operations must be kept in a cash register, cash drawer, safe or other secured locations, and also states that excess cash must be secured at all times. Failure to adequately safeguard cash and record key deposits increase the risks of misappropriation and fraud. Failure to return or destroy copies of identification documents increases the potential for customer identify theft.

Recommendation: The Office of Internal Audit recommends the following:

- The office should develop and implement written procedures for safeguarding customer key deposits and identification documents. Written internal procedures should assist the office with adherence to Commission cash handling practices.
- Reinstate the former procedure requiring all key deposits to be recorded in the office Key Log.

- A possible solution may be to transition all activity buildings and park shelters/picnic areas to keyless access, where feasible. Keyless access will mitigate the risk of unreturned or lost keys and eliminate the need for tracking physical key inventory. An additional advantage is that access codes can be programmed to automatically expire after the end of each rental event.

Risk: High

Management Response: The Key Deposit Log Book has been reinstated. Staff are now completing the required customer information and names of requested facilities in the log book, when keys are picked up by customers for viewing during office hours. Cash key deposits are kept in the safe cabinet. Customers are required to sign out when the keys are returned and their key deposit is received. Staff initial their names next to customer information to show who served the customer. The Permit Office is also working with Facilities Management to install keyless locks at other park activity buildings and picnic shelters with outside restrooms that require key pick up.

Expected Completion Date: Completed

Follow-Up Date: November 2015

2. Ensure Cash Deposited Timely and Reconciled Daily

Issue: The Office of Internal Audit (OIA) Reviewed ParkPASS Reports and bank deposit tickets for the months of April, May and June 2015. The OIA noted the following:

- The OIA was unable to determine if daily cash receipts generated from permit revenue were deposited timely in the bank.
- Cash receipts are not reconciled daily.

The dollar amounts on most of the bank deposit tickets exceeded [REDACTED]. The OIA was unable to determine when cash receipts accumulated to [REDACTED] or more, because the office did not prepare the ParkPASS Bank Deposit Log, a spreadsheet which automatically calculates daily cumulative cash receipt totals. ParkPASS Administration informed the OIA that facilities/offices were no longer required to prepare the log.

Criteria/Risk: Commission Administrative Procedures No. 01-01, *Cash Receipts and Related Cash Transactions*, states “Bank deposits will be made whenever cash on hand exceeds [REDACTED] or once per week, whichever comes first.” Failure to deposit daily cash receipts timely increases the risks of misappropriation and fraud. In addition, as a best practice, cash receipts should be verified and reconciled daily.

Note that the Park Permit Manual, Section IV, provides guidance related to daily preparation of bank deposits and updating the ParkPASS Bank Deposit Log. The manual states that “bank runs should be made when there is more than [REDACTED] cash in the safe.” While the Park Permit Office may follow the stricter internal policy, the office is required to follow Administrative Procedures No. 01-01, unless granted an exception by the Commission Secretary-Treasurer.

Recommendation: The OIA recommends the implementation of enhanced cash handling procedures. Such procedures would mitigate inherent risks related to cash, and should help strengthen cash security. Procedures may include, but not necessarily be limited to, the following:

- At the end of each day, a staff person should count and reconcile cash receipts, and verify the change fund has the expected [REDACTED] balance.
- To ensure adequate segregation of duties, a second staff person should count the day’s cash receipts, review the cash receipts reconciliation and verify the change fund balance.
- Although ParkPASS Administration indicated that completing the ParkPASS Bank Deposit Log was no longer required, the Park Permit

Office should resume preparing the log until ParkPASS Administration issues a comparable control procedure. The spreadsheet provides a visual tool that should prompt staff to make bank deposits when in house cash receipts accumulate to [REDACTED] or more.

- The office should update the Custodian Form with the Department of Finance to show that it has a [REDACTED] change fund. The current Custodian Form shows that the office has a [REDACTED] petty cash fund. However, the office uses the [REDACTED] to make customer change during daily operations.

Risk: High

Management Response: Park Permit staff and supervisors complete a daily cash and check reconciliation before the close of business. This practice allows staff to easily identify payment mistakes and make corrections before the close of each business day. Staff and supervisors are also tracking the amount of cash received multiple times a day to ensure collections do not exceed [REDACTED]. Bank deposits are made more than once a day if necessary.

The supervisor will contact the Department of Finance to update the Custodian Form to show that the Permit Office has a [REDACTED] change fund, and not a petty cash fund.

Expected Completion Date: October 30, 2015

Follow-Up Date: November 2015

3. Ensure Custodian Follows Commission Practices

Issue: During 2014, the Custodian, [REDACTED] did not report two separate incidents of missing cash to the Division Chief. In both instances, the Custodian made the sole decision to replace the cash out of his/her pocket.

Criteria/Risk: Commission Practices 3-11, *Administration of Cash Funds*, and 3-13, *Cash Receipts and Related Transactions*, provide guidance on the administration of cash, custodial duties, and the management of cash receipts. Although neither practice specifically speaks to a Custodian's duty to report missing cash, it can be reasonably inferred from the practices that appropriate cash administration, cash management and safekeeping would require a Custodian to do so.

Although a Custodian may conclude that replacing missing cash is the most expedient solution, the decision may prevent timely development and enhancement of operating control procedures. In addition, failure to report missing cash may give the erroneous impression of wrongdoing on behalf of the Custodian.

Recommendation: The Office of Internal Audit recommends management review applicable Commission practices on cash administration, cash receipt management and custodial duties with the Custodian.

Risk: Medium

Management Response: Park Permit staff and the Custodian previously attended a Petty Cash Refresher training class, which reviewed Commission Practice No. 3-11, *Administration of Cash Funds*, facilitated by the Office of Internal Audit. Commission Practices on cash administration, cash receipt management and custodial duties will be reviewed with Park Permit personnel. The Park Permit supervisor will ensure adherence to Commission cash handling practices.

Expected Completion Date: Completed

Follow-Up Date: November 2015