



**ANNE ARUNDEL COUNTY
OFFICE OF THE COUNTY AUDITOR**

February 23, 2016

The Honorable Members of the County Council
The Honorable County Executive Steven R. Schuh
Mr. Rick Anthony, Director of Recreation and Parks
Ms. Julie Mussog, Controller
44 Calvert Street
Annapolis, Maryland 21401

Dear Members, Mr. Schuh, Mr. Anthony, and Ms. Mussog:

We have reviewed the cash collection and deposit procedures at Downs Park. The objective of our review was to determine whether the Department of Recreation and Parks has adequate internal controls to ensure that County receipts are collected, deposited, and recorded in the County's general ledger accurately and timely. In this report, the term "cash" refers to both cash and checks.

To accomplish our objectives, we met with the Downs Park staff to discuss, observe, and document the procedures they use to collect and deposit receipts. We also analyzed balances and tested cash receipt transactions. We conducted our review from March 2015 to September 2015.

We did not conduct our review in accordance with *Government Auditing Standards* or standards issued by the American Institute of Certified Public Accountants, and our review was more limited than would be necessary to express an opinion on the system of internal controls over the processing of cash receipts at Downs Park. Accordingly, we do not express an opinion or any other form of assurance on the system of internal controls over the processing of cash receipts at Downs Park.

Our findings and recommendations address controls in place during fiscal year 2015, and management's response to our recommendations is attached to this report. This report is intended solely for the use of the County Council and the management of Anne Arundel County. However, this report is a public document that may be obtained from the County Auditor's Office.

BACKGROUND

Patrons entering the park by vehicle must pay a daily entry fee at the gatehouse, or they may purchase an annual or senior park permit that they display upon entry. Park permits may be purchased at the gatehouse or in the Information Center. Patrons may pay by cash or check. Pedestrians and patrons entering by bicycle, skates, etc. do not have to pay to enter the park. During fiscal year 2015, the park collected approximately \$120,000 from entry fees, the sale of park permits, and facility rentals. The park's cash receipt process is described in Attachment A.

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PROCEDURES AND FINDINGS

During our review, we selected 25 days during fiscal year 2015 and obtained the daily cash receipt records from the Downs Park staff. We reviewed the documentation to determine whether the staff processed the cash receipts in accordance with the procedures described in Attachment A from the point of receipt to deposit and recordation in the general ledger. We also selected 25 postings from the general ledger and traced the transactions back to the park's daily cash receipts documentation.

In our testwork, we noted the following:

- The staff could not provide all three X-tapes for 46 of the 50 days tested. Retaining the X-tapes is an important internal control that allows management to determine which attendant or office staff is responsible for the receipts that correspond with each X-tape, allowing management to evaluate discrepancies.
- On six days, the Z-tapes total from the Gatehouse and Information Center did not agree to the total on the Downs Park Daily Cash Report due to voided transactions. In each case the Gate Attendant or office staff prepared and retained a void slip that explained why the transaction was voided, but no supervisor documented review and approval of the voided transaction. According to the Park Superintendent, the Park Ranger reviews the voids at the end of the day, but the ranger does not document this review.
- For eight days the total transactions from the Gatehouse X-tapes did not agree to the total per the respective Z-tapes. This was because attendants recorded additional transactions after the afternoon Gate Attendant ran the X-tape, but before the attendant ran the Z-tape. In all cases, we noted that the amount on the Z-tape less the amounts on the void slips was deposited.
- For 36 days, the Park Rangers did not initial the Gatehouse Attendant & Cash Report Record to indicate they verified the cash counts, the sequential numbering of permits, and the number of permits sold.

Despite the lapses in controls noted above, we were able to determine that all receipts per the Z-tapes less the voided transactions were deposited into County accounts and recorded in the general ledger. We also noted that the rangers made the deposits timely, and there was no significant delay in posting the receipts to Enterprise One. However, we recommend that management consider strengthening controls as noted below.

RECOMMENDATIONS

Cash Register Procedures

At the beginning of each shift, the cashier and Park Ranger should count and document the amount of cash in the register. At the end of each shift, the cashier should run an X-tape, count the cash and checks in the register, prepare a deposit slip, put the cash and deposit slip in a locked bank bag, and complete the related section of the Gatehouse Attendant & Cash Report Record or Transaction Ledger. The cashier should give the locked bank bag and X-tape to the Park Ranger. At the end of the last shift for the day, the cashier should also run a Z-tape and give it to the ranger.

Reconciliation and Review

The staff should retain both the X-tapes and the Z-tapes. The Park Rangers should sign the daily reports

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indicating they reconciled the number of permits sold to the sequential permits on hand, agreed the X-tapes to the collections shown on the daily reports, and agreed the X-tapes to the Z-tape total. Additionally, the X-tapes and Z-tapes include a sequential transaction number, and the ranger should compare the ending transaction number from the previous tape to the beginning transaction number of the subsequent tape to ensure no other transactions were processed since the shift or register was closed. The rangers or the Office Support Specialist should continue to match the X-tapes to the validated deposit slips from the bank.

With any cash receipt operation, there is a risk that the cashier could embezzle funds by accepting a payment without recording it in the register. For this reason, management should consider installing cameras that watch the cashiering process and posting a sign that says "Please ask for a receipt." Another inexpensive control that will prompt the cashiers to run all transactions through the cash register would be for management to install a sign that informs patrons they will receive a free annual permit if the cashier does not give them a cash register receipt. Finally, management could strengthen the internal controls by periodically performing surprise cash counts.

Accountability for Information Center Collections

The Information Center staff does not count cash and prepare daily reports in the presence of the Park Ranger. We recommend that the office staff and Park Rangers follow the same opening and closing procedures for the office register as they do for the gatehouse register.

Voided Transactions

During our review we noted that when the staff voided a transaction that had been recorded in the cash register, the staff completed a void slip that includes the staff person's name, the void amount, and an explanation for the void. We recommend that a supervisor who has no cash receipt or review duties review and approve all voided transactions, initialing the void slip to document approval. Additionally, management should periodically analyze the voided transactions to look for unusual patterns or unexpected amounts of voids.

Access to Safe and Deposits

Seven employees have the combination to the safe. The safe is unlocked during the day while the Information Center is open, and several days' receipts may accumulate before the Park Ranger makes a deposit. Also, unissued park permits, radios, and a money box belonging to the Friends of Downs Park, a nonprofit organization that supports the park and its activities, are retained in the safe. To mitigate the risk that those with access to the safe could misappropriate these assets, we recommend management limit access to the safe to the park rangers who transport the cash to and from the cash registers.

The Friends of Downs Park

In our review, we noted that the Downs Park staff has access to moneys that belong to the Friends of Downs Park (Friends). We also noted Friends' literature instructing donors to mail their contributions directly to Downs Park staff.

Allowing staff to collect money on behalf of the Friends or retain it in the County's safe gives the Downs Park staff the ability to steal the Friends' money and have the theft go undetected. Accordingly, we recommend that the park staff post a sign advising the public that the County staff may not accept contributions or other moneys on behalf of the Friends. Further, the Friends should modify its literature to remove the park's address and include only

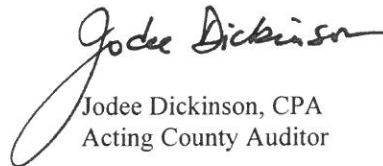
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the Friends' address.

The Friends organization may wish to provide the park staff with preaddressed envelopes that patrons could use to mail their donations directly to the organization. The Friends could also install a locked drop box at the park that only the Friends can open into which patrons could place their donations.

We thank the Downs Park staff for their courteous cooperation. Please call me at (410) 222-1138 if you have any questions regarding our findings and recommendations.

Sincerely,



Jodee Dickinson, CPA
Acting County Auditor

ATTACHMENT A

CASH RECEIPTS PROCESS

The staff processes all cash receipts using cash registers located in the gatehouse and in the Information Center. The registers generate "X-tapes" summarizing the transactions for a shift and "Z-tapes" summarizing the transactions for the day. The Z-tape for each register should equal the sum of the X-tapes for that register for the day.

Each day the Gate Attendants and office staff who collect receipts document the beginning and ending cash in the drawer for each shift, the cash collected during the shift, the beginning and ending numbers of annual and senior park permits on hand, the number of annual and senior park permits sold, and the daily attendance.

Gatehouse

At the beginning of the first gatehouse shift, a Park Ranger retrieves a cash register drawer with \$150 from the safe. The ranger and the Gate Attendant count the \$150 together, but they do not document their count. The attendant logs into the cash register.

Throughout the shift, the Gate Attendant collects park entry fees and sells permits, recording the transactions in the cash register. At the end of the shift, the attendant runs an X-tape and logs out of the register. The attendant and a Park Ranger count the cash in the drawer, and together they complete and sign the Attendant #1 section of the Gatehouse Attendance & Cash Report. The ranger places the X-tape and the cash receipts collected from the first shift in the safe.

In the warmer months, the park has two gatehouse shifts. When the second Gate Attendant arrives, the ranger and the second attendant count the \$150 together, but they do not document their count. The second attendant collects receipts throughout the second shift. At the end of the day, the second attendant runs an X-tape and a Z-tape, and the second attendant and the ranger count the receipts together and complete the remainder of the Gatehouse Attendance & Cash Report.

Information Center

The office staff at the Information Center also collect receipts during the day for park permits and facility rentals. The Office Support Specialist, Seasonal Office Receptionist, and two additional weekend Office Receptionists operate the cash register. The Park Ranger retrieves a cash drawer with \$100 from the safe each morning and gives it to the Office Support Specialist or Seasonal Office Receptionist; however, the office staff and the ranger do not document the accuracy of the beginning cash or count it together.

At the end of the day, the office staff person runs X- and Z-tapes, counts the daily collections, completes a Transaction Ledger report and the "Office" section of the Downs Park Daily Cash Report, and places the drawer in the safe. The Park Ranger is not present for this process.

Park Rangers and Office Support Specialist

At the end of the day, a Park Ranger completes the "Gate" section of the Downs Park Daily Cash Report. The ranger totals the receipts from the "Gate" and the "Office" sections of the report and compares the total to the cash and checks collected. The ranger then completes a County cash receipt form and deposit slip, puts the deposit slip and cash receipts into an unlocked bank bag, and places the bag in the safe. The ranger places the Gatehouse Attendance & Cash Report, Transaction Ledger, Downs Park Daily Cash Report, any void slips, and County cash receipt form in the Office Support Specialist's mailbox.

A Park Ranger retrieves the cash receipts from the safe twice a week and deposits the receipts at the bank. Upon return, the ranger gives the validated deposit slip to the Office Support Specialist. The Office Support Specialist verifies that the amount on the validated deposit slip agrees to the amounts on the Downs Park Daily Cash Report; however, she does not document this review.

The Office Support Specialist sends two copies of the cash receipt form and a copy of the validated deposit slip to the Office of Finance. The Office of Finance records the receipts in the MUNIS cash receipt system, which updates the Enterprise One general ledger.

STEVEN R. SCHUH
County Executive



RICK ANTHONY
Director

February 18, 2016

Jodee Dickinson
Acting Auditor
44 Calvert Street
Annapolis, MD 21401

Re: Recommendations and Report - Downs Park - Cash Collection and Deposits

Dear Ms. Dickinson:

This is in response to County Auditor Teresa Sutherland's letter of February 10, 2016 to the Members of the County Council, the County Executive and the Controller regarding her findings and recommendations for cash collection and deposit practices at Downs Park.

As a result of our my recent meeting to discuss the findings and recommendations, we have determined that the suggested changes in procedure specified in her letter of February 10 will provide a more secure process for all involved in processing the cash collection and deposit practices at Downs Park. Therefore, we agree to all of the recommendations in the letter, including the use of the "bag system" for collection and deposits, and we intend to implement the changes as soon as possible.

If you have any questions or need anything further, please feel free to contact me.

Sincerely,

Rick Anthony
Director

RA/lw

Attachment