

# **CITY AUDITOR'S OFFICE**



## **Audit of Parks, Recreation, and Neighborhood Services - Management Controls over Deposits from Drop Safes**

**Report No. CAO 1605-1314-08**

**May 12, 2014**

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**CITY AUDITOR**

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**AUDIT OF PARKS, RECREATION, AND  
NEIGHBORHOOD SERVICES -  
MANAGEMENT CONTROLS OVER DEPOSITS FROM  
DROP SAFES  
CAO 1605-1314-08**

**BACKGROUND**

Remote Parks Recreation and Neighborhood Services (PRNS) locations handle cash collection independently. These remote locations perform the required cash handling functions as defined and regulated by the City of Las Vegas Cash Handling Policy FN302, Cash Handling Procedure FN302a, and Department of Leisure Services Standard Practice Class Cash Drawer Procedures No: 1.21.

When cash is receipted typically the location has 24 hours to deposit funds in the bank. Deposits are secured in a safe or other secure place. The safe or other secure place should have a log used to record activity. The safe log is used to reconcile and document other control activities.

The City Auditor's Office was provided information concerning a PRNS employee who failed to deposit monies in the bank from Floyd Lamb Park. Finance Department personnel completed a report with the Deputy Marshal Unit advising of the missing cash deposits, and a follow-up criminal investigation was conducted. The investigation determined eight deposits totaling \$2,770 had been taken by an employee. Criminal prosecution is being pursued under NRS 205.0832.

The City Auditors Office subsequently performed an audit of the management controls over the deposits from drop safes in PRNS. The drop safes are located at 13 PRNS community centers and at the 2 year-round pools.

**OBJECTIVES**

The audit objectives were to determine:

- If existing controls over deposits from drop safes are adequate to protect the City's funds;
- If PRNS employees are properly trained on cash handling procedures; and
- If existing controls provide timely identification of missing deposits

## SCOPE AND METHODOLOGY

The scope of this audit was limited to the review of management controls over drop safes located at 15 PRNS community centers and at the municipal pool which is used by the three seasonal pools without drop safes. Our audit methodology included:

- Research of policy and procedures and applicable department guidelines,
- Interviews of PRNS personnel,
- Observations of work processes, and
- Analysis and detail testing of available data.

We conducted this audit in accordance with generally accepted government auditing standards except for the requirement for an external peer review every three years. 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The exception to full compliance is because the City Auditor's Office has not yet undergone an external peer review. However, this exception has no effect on the audit or the assurances provided.

## CONCLUSIONS, FINDINGS, AND RECOMMENDATIONS

The following conclusions were noted:

### **Existing Controls over deposits from drop safes are adequate.**

Existing Controls over deposits from drop safes appear to be adequate; however, procedures are not always being followed.

- Cash receipts are not always being provided to customers when the receipting system was inoperative. (Finding 1)
- Deposits were not always made within one business day. (Finding 2)
- Safe log sheets are not always being completed properly. (Finding 3)
- Safe combinations are not being changed according to policy. (Finding 4)

### **PRNS employees are properly trained on cash handling procedures.**

- As indicated in several recommendations included in this report increased efforts regarding training are urged.

**Existing Controls provide timely identification of missing deposits.**

- Use of the Daily Cash Balancing Report Column was deleted from Deposit Log Sheet. (Finding 5)

Further information is contained in the sections below. While other issues were identified and discussed with management, they were deemed less significant for reporting purposes.

## **1. Customer Receipts Not Provided**

### **Criteria**

The City's Cash Handling Procedure, FN 302a states: "Provide a receipt to the individual making the payment. Include the city name, the department name, and customer name and address on all receipts".

PRNS Class Cash Drawer Procedures, No. 1.21 states: "If the Class Software System goes down and is unavailable, or money needs to be taken in a location other than the front counter a manual system of cash receipting must be adhered to."

### **Condition**

- When performing a site visit to Carlos L. Martinez and Darrio J. Hall (CMDH) Family pool on 7/31/2013, a cash drawer countdown was completed and there was \$98.75 while RecTrack showed receipts of \$67. A total of \$31.75 was not recorded into RecTrack.
- On July 25th, 2013 when conducting a site visit to the Doolittle pool a cash countdown showed that there was \$44 that had not been recorded in RecTrack. There were also coins, mostly pennies in the lock box.
- The pool sites are not preparing or giving receipts to customers.

### **Cause**

- The laptop was shut down and not restarted to see if it was operative.
- The cashier could not give a reasonable answer for the overage of \$44.
- Staff failed to follow the manual receipt procedures

### **Effect**

- Possible cash skimming
- Cash is at risk for theft or fraud.

## **Recommendations**

- 1.1. PRNS Management should implement a manual cash receipting system at the pools.
- 1.2. PRNS Management needs to document and implement procedures to ensure paper receipts are available to customers.
- 1.3. PRNS Management should provide additional cash handling training to their staff.

## **2. Deposits Not Made Within One Business Day**

### **Criteria**

The City's Cash Handling Procedure, FN 302a states: "All revenue collections, regardless of amount, shall be deposited intact within 24 hours." "The designated employee deposits all revenue collections within 24 hours of receipt."

### **Condition**

- Deposits were not made within one business day of receipt.
- One site had 31 deposit bags in the safe with revenues from 4/22/2013 thru 5/1/2013.
- One site had three instances where there was no date of deposit removal, the staff name, or the witness.

### **Cause**

- Failure of PRNS staff to comply with Cash Handling Policy/Procedure

### **Effect**

- Funds are at risk for theft or fraud

### **Recommendations**

- 2.1 PRNS Management should document and implement procedures to verify that all deposits are delivered to the bank within 24 hours of receipt.
- 2.2 PRNS Management should require that two employees are present when transporting and making deposits.

### **3. Incomplete Deposit Log Sheets**

#### **Criteria**

According to the Cash Handling Procedure, FN302a: “If an error is made when completing cash handling documents, the person who made the error draws a single line through the mistake followed by initials and writes the correct information next to the information stricken.”

PRNS CLASS Cash Drawer Procedures states: “The monies must balance to the Daily Cash Balance Report and be verified by another staff member.”

The column heading required the employee name(s) versus their initial(s).

#### **Condition**

- Staff members are using initials instead of their full names on the deposit log sheets.
- Entries on the deposit log sheets were found scribbled over, crossed out, or overwritten.
- Sites have modified the deposit log sheet by deleting the Daily Cash Balance Report column which can be used to reconcile the deposit to the amount in RecTrack.

#### **Cause**

- Failure to follow the cash handling procedures.
- Lack of training on cash handling.
- Staff altered the deposit log sheet without approval.
- Failure of staff to completely fill out the deposit log sheet.

#### **Effect**

- Incomplete and unreliable deposit log sheets.
- Deficient audit trail

#### **Recommendations**

- 3.1 PRNS Management should document and implement procedures to ensure that staff are signing rather than initialing the deposit logs.
- 3.2 PRNS Management should document and implement procedures to ensure the "DCBR" or the RecTrack equivalent is on the deposit log sheets and that the staffs are verifying the amount against deposit bags.

- 3.3 PRNS Management should document and implement procedures to ensure coordinators/supervisors access the bank's online website and verify that deposits are received by the bank within one business day. If deposits are not made on time, PRNS management should follow-up with the appropriate staff and take corrective action.

## **4. Safe Combinations**

### **Criteria**

The City's Cash Handling Procedure, FN 302a states: "The department changes the safe combination(s) yearly or when an employee with safe access separates from employment."

The City's CLASS Cash Drawer Procedures No. 1.21 states: "The safe combination should be changed whenever there is a staff change (that knows the combination), a breach of security or once a year, whichever is soonest."

### **Condition**

Safe combinations are not being changed when key personnel have departed, yearly, or when there has been a breach of the combination. This is evidenced by the following:

- Out of the 15 sites with safes, 8 sites didn't know when the combination had been changed.
- Five sites knew the year and some thought it was 3-4 years ago, 9 sites had key personnel depart from that unit.
- There were 2 sites that had the combination changed and no key staff departed.

### **Cause**

- Staff is not following the safe combination change requirements within the City's Cash Handling Policy and Procedures

### **Effect**

- The contents of safes can be compromised.
- Unauthorized personnel could obtain access to safes contents.

## **Recommendations**

- 4.1 PRNS Management should document and implement procedures to ensure that safe combinations are changed in accordance with the cash handling policy and procedures.
- 4.2 PRNS Management should maintain a log that tracks combination changes by D&E locksmiths.

## **5. Daily Cash Balancing Report Column deleted on Safe Log Sheet**

### **Criteria**

Detective controls included an independent review of the Deposit Log Sheet (DLS) and verification that the Daily Cash Balancing Report (DCBR) matched deposit information. This was attested by a third party who initialed the DLS.

PRNS Deposit Log Sheet Procedures states: "...The following procedures must be followed in order for your deposit to be counted as a valid deposit in case of dispute: ... /w/**DCBR** – This is the person that checked these deposits against the work unit's DCBR for the day. Have them put their initials in this box."

### **Condition**

The following was noted:

- Nine sites did not use the DCBR column.
- Two sites eliminated the DCBR column.
- Two sites used the DCBR column but utilized a check mark instead of initials, contrary to policy direction.
- One site used the DCBR column as instructed but later suspended its use.
- Fourteen out of fifteen (93%) of the sites did not use the DCBR column as instructed in the policy.

### **Cause**

- PRNS employees responsible for deposits have eliminated this control.

### **Effect**

- Lack of this control makes it possible for a fraud to occur and be perpetuated without detection for a longer time.

**Recommendations**

- 5.1 PRNS Management should ensure the "DCBR" or the RecTrack equivalent is on the deposit log sheets and ensures the staff is checking that amount against deposit bags as part of their internal control.
- 5.2 PRNS Management should require each site coordinator to check deposits daily through Bank of America's Cash Pro website to reconcile what was recorded on the Deposit Logs.
- 5.3 PRNS Management should provide additional cash handling training to their staff.

## MANAGEMENT RESPONSE

### 1. Customer Receipts Not Provided

**Recommendation 1.1:** PRNS Management should implement a manual cash receipting system at the pools.

**Management Response:** Section K of the department's Cash Handling Procedures (PRNS - 0005) addresses manual cash receipts for the entire department including the pools.

**Estimated Date of Completion:** December 2014

**Recommendation 1.2:** PRNS Management needs to document and implement procedures to ensure paper receipts are available to customers.

**Management Response:** Section E of the department's Cash Handling Procedures (PRNS - 0005) contains language referring to providing a receipt to customers. In addition, signage will be placed at each site stating the customer is entitled to a receipt.

**Estimated Date of Completion:** December 2014

**Recommendation 1.3:** PRNS Management should provide additional cash handling training to their staff.

**Management Response:** Training is being scheduled for all department staff responsible for handling tender including supervisors and managers and will address the department's updated Cash Handling Procedures.

**Estimated Date of Completion:** December 2014

### 2. Deposits Not Made Within One Business Day

**Recommendation 2.1:** PRNS Management should document and implement procedures to verify that all deposits are delivered to the bank within 24 hours of receipt.

**Management Response:** The department's Cash Handling Procedures (PRNS - 0005) contains language referring to bank deposits and verification procedures to ensure deposits are done within 1 business day. It is not feasible for some sites to make a bank deposit within 24 hours after a facility closes (i.e., after hours, weekends, holidays). PRNS has included procedures to ensure deposits match the daily Cash Journal Report from RecTrac

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and dated on the Deposit Log under dual control. All deposits are locked in the facility safe until removed the next business day for bank deposit. The community program supervisor will be required to access the bank's website using CashPro on a daily basis to verify bank deposits are made and match the Cash Journal Report.

**Estimated Date of Completion:** December 2014

**Recommendation 2.2:** PRNS Management should require that two employees are present when transporting and making deposits.

**Management Response:** It is not practical with our current facility staffing levels to allow two employees to leave the site and transport deposits to the bank. There are procedures to ensure deposits are logged on the daily Deposit Log and deposit bag under dual control, and address verification of deposits in the Cash Handling Procedures (PRNS – 0005). The community program supervisor will be required to access the bank's website using CashPro on a daily basis to verify bank deposits are made and match the Cash Journal Report.

**Estimated Date of Completion:** December 2014

### 3. Incomplete Deposit Log Sheets

**Recommendation 3.1:** PRNS Management should document and implement procedures to ensure that staff is signing rather than initialing the deposit logs.

**Management Response:** The Department's Cash Handling Procedures (PRNS - 0005) contains language that requires signatures instead of initials on all deposit forms. Examples are provided in the procedure.

**Estimated Date of Completion:** December 2014

**Recommendation 3.2:** PRNS Management should document and implement procedures to ensure the "DCBR" or the RecTrack equivalent is on the deposit log sheets and that the staffs are verifying the amount against deposit bags.

**Management Response:** Section M of the department's Cash Handling Procedures (PRNS - 0005) contains language requiring the principal community program specialist verify the daily Deposit Log and deposit bag matches the Cash Journal Report from RecTrac.

**Estimated Date of Completion:** December 2014

**Recommendation 3.3:** PRNS Management should document and implement procedures to ensure coordinators/supervisors access the bank's online website and verify that deposits are received by the bank within one business day. If deposits are not made on time, PRNS management should follow-up with the appropriate staff and take corrective action.

**Management Response:** Section F of the department's Cash Handling Procedures (PRNS - 0005) contains language that requires the community program supervisor to access the bank's website using CashPro on a daily basis to verify bank deposits are made and match the Cash Journal Report. Allowances for after hours, weekends and holidays will be considered for any variances for deposits made outside the 1 business day requirement. The community program supervisor will address any discrepancies with bank deposits with the appropriate staff and take corrective action as necessary.

**Estimated Date of Completion:** December 2014

#### **4. Safe Combinations**

**Recommendation 4.1:** PRNS Management should document and implement procedures to ensure that safe combinations are changed in accordance with the cash handling policy and procedures.

**Management Response:** Section L.8 of the department's Cash Handling Procedures (PRNS - 0005) contains language that addresses facility safe combinations specifically requiring the principal community program specialist change the facility safe combination a minimum of once a year, when there is a staff change, and/or when the combination is considered compromised.

**Estimated Date of Completion:** December 2014

**Recommendation 4.2:** PRNS Management should maintain a log that tracks combination changes by D&E locksmiths.

**Management Response:** Section M of the department's Cash Handling Procedures (PRNS - 0005) contains language that requires the principal community program specialist develop and maintain a log of all facility safe combination changes completed by the D&E Locksmiths. The principal community program specialist will follow appropriate records retention procedures to track the work requests sent to and completed by the D&E Locksmiths.

**Estimated Date of Completion:** December 2014

## **5. Daily Cash Balancing Report (DCBR) Column deleted on Safe Log Sheet**

**Recommendation 5.1:** PRNS Management should ensure the "DCBR" or the RecTrack equivalent is on the deposit log sheets and ensures the staff is checking that amount against deposit bags as part of their internal control.

**Management Response:** Section I of the department's Cash Handling Procedures (PRNS - 0005) addresses deposit logs, bank bags, and deposit slips and requires dual control for matching the Cash Journal Report from RecTrac to the amount stated on the deposit bag.

**Estimated Date of Completion:** December 2014

**Recommendation 5.2:** PRNS Management should require each site coordinator to check deposits daily through Bank of America's Cash Pro website to reconcile what was recorded on the Deposit Logs.

**Management Response:** Section F of the department's Cash Handling Procedures (PRNS - 0005) contains language that requires the community program supervisor to access the bank's website using CashPro on a daily basis to verify bank deposits are made and reconciles to the Cash Journal Report from RecTrac. The Deposit Log is onsite at the facility and is already reconciled under dual control by the principal community program specialist prior being deposited at the bank.

**Estimated Date of Completion:** December 2014

**Recommendation 5.3:** PRNS Management should provide additional cash handling training to their staff.

**Management Response:** Training is being scheduled for all department staff responsible for handling tender including supervisors and managers and will address the department's updated Cash Handling Procedures (PRNS - 0005). The principal community program specialist will provide training for all new employees upon hire. Any additional training may be held in conjunction with the annual review of the department's standard operating procedures.

**Estimated Date of Completion:** December 2014