



# OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

Denny L. Nester, City Auditor  
MBA CPA CIA CFE CGFM

## 17-01 City of Colorado Springs Parks, Recreation and Cultural Services Cash Receipts Audit

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### Purpose

The purpose of this audit was to evaluate whether specific service locations of the Parks, Recreation and Cultural Services department were abiding by the internal cash receipting policies and procedures while adequately safeguarding resources.

### Highlights

We noted the Parks, Recreation and Cultural Services Department (Parks) has made improvements to the general control environment. Controls should be further enhanced to ensure adequate safeguarding of cash receipts. We identified five observations to strengthen internal controls.

Our audit period covered the six months ended July 30, 2016. To offer citizens convenient service, cash receipt activities continued to be decentralized by location and department. We focused the audit on seven deposit locations. The deposit locations were:

Parks and Recreation Deposit Locations	YTD Deposits as of Nov 30, 2016
City Auditorium	\$ 110,453
Deerfield Hills Community Center	\$ 45,349
Hillside Community Center	\$ 88,922
Sertich Ice Center	\$ 321,639
Meadows Park Community Center	\$ 65,835
Pioneers Museum	\$ 145,399
Sports Office	\$ 1,013,025
<b>YTD Totals For Tested Locations</b>	<b>\$ 1,790,622</b>

Source: City Accounts Receivable

Parks had implemented the following improvements to cash handling:

- Department-wide cash handling training for regular and seasonal employees.
- New Cemetery accounting system.
- Armored car service to eliminate employees transporting cash between facilities.
- New chip reader capable credit card machines.

### Management Response

We agree with the recommendations and are in the process of revising policies and procedures to meet compliance requirements.

### Recommendations

1. Improve segregation of duties by removing system access for employees performing review functions. Where possible, remove system access for employees reconciling deposits to support.

City Finance should enter receipts into the City System and review reconciliation packages.

2. Assign the system administrator role to someone who does not have responsibility for transaction entry and deposit custody.

3. City Auditorium and Pioneers Museum transactions should be recorded in a timely manner and management reviews put in place.

4. Issue refunds through City Finance and close the department refund account.

5. Create policy and procedure for write offs. Develop and test a report of adjustments for management review. Provide customers with contact information to report billing or receipting concerns.

City Council's Office of the City Auditor

City Hall, 107 North Nevada Ave. Suite 205, Mail Code 1542, Colorado Springs CO 80901-1575

Tel 719-385-5991 Fax 719-385-5699 Reporting Hotline 719-385-2387

www.ColoradoSprings.gov/OCA

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## **Observation 1**

At some Parks locations receiving cash, duties were not segregated. To help mitigate risk, policy required a second employee be present to verify the deposit.

- Five employees with permissions in the local systems also had system permission to enter transactions in the City's system. This access could allow the employee to make an adjustment, and not record all cash transactions.
- In some instances, the original source documents were not required to be reviewed. Instead, a new report was run.

The second employee review would be more effective if the reviewer did not have access to the deposit, system permissions to enter transactions, and record deposits.

Segregation of duties requires key functions, such as receiving payment, recording transactions, custody of assets, and review, to be performed by separate employees.

## **Management Response**

**Parks, Recreation and Cultural Services** - We agree with the recommendation in that a separation of duties is most secure. Thus, we will revise our processes to eliminate the requirement for Parks Department staff to enter receipts into PeopleSoft. Rather, Parks and Recreation receipts will be sent to City Finance for entry. A meeting was held with City Finance to confirm this process and plan for implementation.

**City Finance** - City Finance agrees with the recommendations. City Accounts Receivable will work with Parks and Recreation personnel to assist with reconciling deposits as well as creating and entering receipts into the City's accounting system. This will require City Finance to have read only access to Parks and Recreation's system.

## **Recommendation**

- Remove City and local system permissions for employees who perform second reviews of reconciliations. Where possible, remove systems access for reconcilers.
- Review original source documents during the reconciliation of deposit process. Require that cashiers sign their original reports.
- City Finance should enter receipts into the City's accounting system. Additionally, City Finance should assist with verification of deposit reconciliations.

## **Observation 2**

The local system administrator created transactions, adjustments, prepared deposits, performed deposit reconciliations, and generated refund checks.

The system administrator for Parks should not have physical custody of assets (deposits), and system access.

## **Management Response**

**Parks, Recreation and Cultural Services** - We agree with the recommendation in that there should be a separation of duties where feasible. The primary System Administrator has been relocated to a different office building so there will be no physical custody of assets going forward. The permissions for the backup System Administrator are being evaluated to determine if there are ways to have increased segregation of duties while still performing necessary functions.

## **Recommendation**

Assign the system administrator role to someone that does not process transactions or have custody of cash.

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## **Observation 3**

Cash receipts were not reconciled to source documentation at two locations.

1. Monies received by the City Auditorium were not reconciled to corresponding contracts.
2. Listings of payments received by the Pioneers Museum staff were not prepared in a timely manner or reconciled to source documentation.

The City Auditorium and Pioneers Museum do not have an automated system to record and report cash transactions. Therefore, monthly review by management should be developed to improve the control environment.

## **Management Response**

**Parks, Recreation and Cultural Services** - We agree with the recommendation and will develop and implement a process for review and cross-checking of contract amounts and cash receipts that incorporates additional reviews.

## **Recommendation**

- Record receipts immediately, such as when mail is opened or lockboxes emptied.
- Reconcile deposits to original records to ensure deposits are complete.
- Parks management should perform a monthly management review of reconciliations and trend analysis of activity.

## **Observation 4**

Parks maintained a separate checking account to issue refunds. The employee issuing refund checks also processed transactions in the system, and prepared deposits. This employee also reconciled the account.

The time to process refunds would not increase significantly if refund checks were issued by City Finance through the regular disbursements process.

## **Management Response**

**Parks, Recreation and Cultural Services** - We agree with the recommendation. The Parks Department has two imprest checking accounts. The account used by the Parks Administration office has been closed and the account used by the Recreation Services Division will be closed within the next two months. Refunds will be processed by City Finance moving forward.

**City Finance** City Finance agrees with this recommendation. City Accounts Payable can complete a refund request within one week of receiving the request. City Finance believes this should be done immediately and City Finance will assist in any way possible.

## **Recommendation**

The Parks refund account should be closed. City Finance should issue refund checks based on a report generated from the Parks system.

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## **Observation 5**

We noted the following related to adjustments and write off of accounts:

- There was not a policy in place related to customer balance write-offs. Employees could write off overdue customer account balances without managerial approval.
- A report used to identify and review receipt adjustments did not accurately list all adjusting entries.

Employees with access to cash should not be able to write off account balances without management approval.

Overall controls would be enhanced if the public was able to report billing or receipting concerns to staff who did not handle cash.

## **Recommendation**

- Create a policy and procedure requiring managerial approval before writing off customer account balances.
- Develop and test a report listing all voids and adjusting transactions. Management should review the adjustment report to detect errors or unusual entries.
- A sign near the cashiers station should state the phone number and department to contact for billing or receipting concerns.

## **Management Response**

**Parks, Recreation and Cultural Services** - We agree with the recommendation. A policy will be developed and implemented to address the process for writing off customer accounts. Additionally, our current Voids Form will be revised to include space for documentation of adjustments. The Parks and Recreation Department will develop a standard sign package for locations that receive cash which provides the front desk number of the headquarters office for questions or concerns regarding payments or invoices.