



Charles County, Maryland

Internal Audit Office

AUDIT OF DEPARTMENT OF RECREATION PARKS AND TOURISM: CASH MANAGEMENT

Report Number:
2023-RPT-001

DRPT Director, Internal Audit Oversight Committee, County Administrator & Deputy County Administrator:

Report Date:
03/31/2023

In accordance with the Internal Audit Charter, SOP# CPCAD.04.001, the Internal Audit Office (IAO) performed an audit of the Department of Recreation Parks and Tourism: Cash Management Function from 1/01/2022 through 09/30/2022. This audit was conducted as part of the IAO's risk-based Annual Audit Plan approved by the Internal Audit Oversight Committee for FY23. Internal Audits are designed to add value and improve operations.

The audit's objectives were to: **1.** Determine that processes and procedures are in place to fulfill the cash management objective of DRPT. Determine that DRPT Standard Operating Procedures are updated to include changes to the business unit operations. **2.** Determine how MyRec recreation management software is utilized in point-of-sale transactions and how reports generated from MyRec are produced and used for daily reconciliation purposes. **3.** Determine if the internal controls system for cash receipts is adequately designed and operating effectively. **4.** Ensure monthly bank reconciliations between the cash records, the Munis enterprise resource planning system, and bank statement/records are completed. **5.** Search for value-added recommendations to improve efficiency and effectiveness in this business unit.

The results of the audit, findings, and recommendations are detailed in this final report. DRPT Management was provided with an opportunity to respond to the findings and recommendations and their responses are included. Also included in this report are the results from the IAO's 6-month follow-up to determine the status on the implementation of recommendations and observations presented.

Sincerely,
Johnnie Coleman, Senior Internal Auditor

CONCLUSIONS

Based on evidence gathered and interviews performed pursuant to the cash handling process for DRPT, the IAO determined that the overall effectiveness of the Cash Management operation for DRPT is **SATISFACTORY**.



**Internal Audit Report
Department of Recreation Parks and Tourism
Cash Management**

03/31/2023

**Internal Auditor
Johnnie Coleman**

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OVERVIEW

Background

The Department of Recreation, Parks, and Tourism (DRPT) is responsible for providing recreational programs, services, and facilities that serve the recreation and leisure needs of Charles County residents. Parks and recreation programs offset a significant portion of program operating costs with the revenue generated from registration fees and facility use charges. Estimated revenue from registration fees and facility use charges for the period of this review is \$1.55M and golf course revenue is an estimated \$519K.

Fee Collection:

DRPT currently uses a recreation software called MyRec to manage its recreation activities and facilities including program and activity registrations, customer account management, and point of sale transactions. Residents can access MyRec to sign up for activities that are offered through the Charles County Department of Recreation Parks and Tourism. Utilization of the online system requires payment for fees to be made electronically. In person registration is available at the Port Tobacco Registration Office and other locations throughout the county. All forms of payment, including cash and credit card, are accepted.

The DRPT also offers county residents a variety of adult and youth drop-in programs at community and recreation centers. Drop-in programs currently include swimming admission, basketball, futsal, volleyball, pickleball, and table tennis. Program offerings vary based on location. Payments can be made to these facilities on a per visit basis as drop-in locations are staffed to accept payments. Annual membership (RecPASS) may also be purchased which allows unlimited visits to any drop-in location at school-based community centers. Annual pool memberships may also be purchased for unlimited use at DRPT operated aquatic facilities.

The Recreation Division oversees the operation of ten school-based Community Centers, the Port Tobacco gymnasium, three year-round school-based indoor community pools, three seasonal outdoor public pools, the Waldorf Senior and Recreational Center and Elite Gymnastics and Recreation Center.

The Parks Division manages the county's 31 parks, an 18-hole golf course, a skateboard park, and numerous boat launch facilities. Golf course revenue is received from green fees, golf cart rentals, and concessions. Parks revenue is received from gate fees, pavilion rentals, boat rentals, concessions, and merchandise sales.

EXECUTIVE SUMMARY

Purpose

The purpose of this audit was to evaluate the effectiveness and adequacy of key processes and control functions for cash handling within a specific department and assess compliance with applicable County policies and procedures. Areas of focus included: fee generation areas and the controls over cash and cash equivalents.

The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. These 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 does provide a reasonable basis for our findings and conclusions based on our audit objectives.

Results in Brief

Overall, adequate controls existed for the cash management process; Areas of improvement to strengthen controls and mitigate risk include:

- Review all departmental standard operating procedures (SOPs) to include any new procedures related to the business process and update those procedures that have changed or have been deleted.
- Review all SOPs to ensure reference and report generation are based on the recreation software currently being used. MyRec recreation management software replaced RecTrac (the prior recreation management software).
- Facility management should take advantage of training opportunities to ensure staff members are following steps outlined in the SOP. Emphasis should be placed on the importance of the daily reconciliation and review process as well as refresher training in cash handling procedures.
- Enhance segregation of duties related to cash management responsibilities. Two team members should verify transactions.
- Make timely deposits. The sooner cash/checks can be deposited the less exposure to theft or loss of funds.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The following were the objectives of the audit:

1. Determine that processes and procedures are in place to fulfill the cash management objectives of the Department of Recreation Parks and Tourism. Determine that DRPT Standard Operating Procedures are updated to include any changes in the business unit operations.
2. Determine how MyRec recreation management software is utilized in point-of-sale transactions, how reports generated from MyRec are produced and used for daily reconciliation purposes at the various community center locations, and if report utilization is comparable at all community center locations.
3. Determine if the internal control systems for cash receipts are adequately designed and operating effectively.
4. Ensure monthly bank reconciliation between cash records, the Munis enterprise resource planning system, and bank statement/records are completed.
5. Search for value-added recommendations and suggestions to improve the efficiency and/or effectiveness of the function under review.

Scope

The Internal Audit Office conducted an audit of the DRPT Cash Management function per the FY 2023 Audit Plan. The period in scope for the review was January 1, 2022, through September 30, 2022.

Methodology

We applied various methodologies during the audit process to gather and analyze information pertinent to the audit scope and to assist with developing and testing the audit objectives. The methodologies included the following:

- Interviewed key personnel for insight on how county funds are secured, deposits are completed and transported, reports generated, and the reconciliation process completed.
- Reviewed policies and procedures for cash management and compared actual practices.
- Assessed controls related to the recreation management software system, MyRec.
- Documented how cash receipts are tracked at the 6 different locations selected for walkthrough during this review. The review included the reports utilized and the identity of bank accounts used by the different business units.
- Selected a sample of payments received and verified the existence of those payments on the cash receipts journal, MyRec point of sale reports, bank deposits, and recorded in the proper GL accounts in the monthly journal entry.

AUDIT RESULTS

Based on evidence gathered and interviews performed pursuant to the cash handling process for DRPT, the Internal Audit Office determined that the overall effectiveness of the Cash Management operation for DRPT is satisfactory. Controls are in place to ensure segregation of duties between those who have access to the cash receipts and those who record the transaction to the general ledger. Transactions and monetary amounts are verified by two different people and secured in safes until deposits are made. Electronic reports from MyRec are reconciled to manual cash counts and deposits are reviewed and reconciled prior to being taken to the bank. Bank reconciliations are completed by the Fiscal and Administrative Services Accounting department and all reconciling items are cleared in the succeeding month.

The auditor found three issues which can be found on the next page, along with the auditor's recommendations.

The Internal Audit Office appreciates the assistance and cooperation of the Department of Recreation, Parks, and Tourism personnel during the performance of this audit.

ISSUES AND RECOMMENDATIONS

Issue #1 / Risk	Internal Audit Recommendations	Management Comments
<p>The Standard Operating Procedures does not include utilization of the current Management software MyRec. DRPT began using MyRec in July of 2020.</p> <p>SOP #: DP.RPT.03.001 specifically mentions the prior registration database program.</p> <p>Risk: Policies and Procedures Risk</p>	<p>SOPs in all areas of this audit unit should be reviewed and revised to reflect current business processes.</p> <p><i>Effective policies and procedures are living documents that must grow and adapt with the organization</i></p>	<p>RPT will review all internal cash handling Standard Operating Procedures to update and be reflective of current processes by June 30, 2023. SOP's will be reviewed annually and updated as needed.</p>

Issue #2 / Risk	Internal Audit Recommendations	Management Comments
<p>Exceptions noted where cash counts were performed by the same person at one of the satellite locations. <i>IA notes it was mentioned to IA during the walkthrough that it is difficult to find and maintain suitable staff.</i></p> <p>Fraud Risk and Separation of Duties Risk</p>	<p>Determine if cross training employees who work at different satellite locations might be a viable option. Provide training and stress the importance of having another team member verify cash counts and related deposits.</p> <p><i>Inadequate segregation of duties may allow employees to divert cash receipts without timely detection.</i></p>	<p>The RPT registration office will provide updated cash handling training to all staff involved.</p> <p>Facility Managers are now required to monitor/check cash and reconcile daily with each daily worksheet requiring two different staff signatures for verification.</p>

Issue #3 / Risk	Internal Audit Recommendations	Management Comments
<p>Exceptions are noted where cash deposits exceed the SOP required \$500 threshold which requires bank deposits no less than twice weekly. Exceptions are also noted to the SOP requirement that deposits be made weekly.</p> <p><i>Fraud/Theft Risk</i></p>	<p>Deposits should be made more frequently for those locations that have seasonal or weather-related (WPGC) increases in activities and thus higher revenue days. Facilities that have areas which only receive cash, such as gate fees (Gilbert Run Park), should research automation, electronic payment systems and surveillance cameras. <i>IA notes the restrictions to Wi-Fi Access in this area.</i></p> <p><i>Timely deposits mitigate loss to theft or loss of funds.</i></p>	<p>Recreation Facility Managers are required to complete deposits on Wednesdays between 1pm-4pm weekly or if the \$500 cash threshold has been reached.</p>

Observation	Internal Audit Recommendations	Management Comments
<p>When satellite centers access MyRec to utilize Point of Sale transactions, a drop down with all locations is displayed requiring the attendant to scroll through the list to get to his/her location.</p>	<p>Determine if MyRec can be set up to only access the center location of the attendant.</p>	<p>MyRec procedures are being researched for individual logins for all staff.</p>

Observation	Internal Audit Recommendation	Management Comments
<p>Gilbert Run Park uses a MyRec report titled the ‘Point of Sale Payment Summary Report’ to break out sales for a month-end report in terms of merchandise, concessions, and boat rentals. This is a manual process completed by the Park Manager.</p>	<p>Request the MyRec software provider to provide a report that could be used for this purpose or provide data in a format that could be queried for specific output.</p>	<p>RPT is working towards moving all of Gilbert Run Parks revenue activities through the MyRec system which will eliminate the need for the Park Manager to complete these monthly reports.</p>

FOLLOW-UP REPORT

Background

The Internal Audit Office (IAO) conducted an audit on Recreation, Parks & Tourism (RPT) cash management between December 2022 to March 2023. On March 31, 2023, the IOA provided RPT management with the report’s issues, observations, and recommendations. RPT Management provided written corrective actions to address each finding.

Objective

The primary objective of the IAO's follow-up is to verify whether RPT Management has taken appropriate actions to address the issues, observations and recommendations identified during the audit. This is a vital part of the internal audit lifecycle as it helps to ensure Charles County Government is effectively managing its risks, improving its processes, and maintaining compliance with relevant standards. It also demonstrates Charles County Government’s commitment to addressing shortcomings and continuously improving operations.

Procedure:

The IAO conducted phone interviews with key personnel in September 2023 to determine the status of management’s corrective actions.

Conclusion

The Internal Audit Office (IAO) recorded the following observations:

Issue #1 / Risk	Internal Audit Recommendations	Management Comments	Report on Corrective Actions Taken By Management
<p>The Standard Operating Procedures does not include utilization of the current Management software MyRec. DRPT began using MyRec in July of 2020.</p> <p>SOP #: DP.RPT.03.001 specifically mentions the prior registration database program.</p> <p>Risk: Policies and Procedures Risk</p>	<p>SOPs in all areas of this audit unit should be reviewed and revised to reflect current business process.</p> <p><i>Effective policies and procedures are living documents that must grow and adapt with the organization</i></p>	<p>RPT will review all internal cash handling Standard Operating Procedures to update and be reflective of current processes by June 30, 2023. SOP’s will be reviewed annually and updated as needed.</p>	<p>Internal auditor inquired with Management who stated their practices are updated but the departments SOP’s are not yet updated. Management stated they are in the process of being updated as procedures are solidified.</p> <p>Additionally, management is in the process of getting bids for new software.</p>

Issue #2 / Risk	Internal Audit Recommendations	Management Comments	Report on Corrective Actions Taken By Management
<p>Exceptions noted where cash counts were performed by the same person at one of the satellite locations. <i>IA notes it was mentioned to IA during the walkthrough that it is difficult to find and maintain suitable staff.</i></p> <p>Fraud Risk and Separation of Duties Risk</p>	<p>Determine if cross training employees who work at different satellite locations might be a viable option. Provide training and stress the importance of having another team member verify cash counts and related deposits.</p> <p><i>Inadequate segregation of duties may allow employees to divert cash receipts without timely detection.</i></p>	<p>The RPT registration office will provide updated cash handling training to all staff involved.</p> <p>Facility Managers are now required to monitor/check cash and reconcile daily with each daily worksheet requiring two different staff signatures for verification.</p>	<p>Inquired with management who stated that upon hire, staff are trained on current procedures within the SOP.</p> <p>Inquired with management who stated there are two staff members on site who reconcile cash transaction logs. Logs are then verified by a facility manager or program assistant, then scanned to the registration manager.</p>

Issue #3 / Risk	Internal Audit Recommendations	Management Comments	Report on Corrective Actions Taken By Management
<p>Exceptions are noted where cash deposits exceed the SOP required \$500 threshold which requires bank deposits no less than twice weekly. Exceptions are also noted to the SOP requirement that deposits be made weekly.</p> <p>Fraud/Theft Risk</p> <p><i>Timely deposits mitigate loss to theft or loss of funds.</i></p>	<p>Deposits should be made more frequently for those locations that have seasonal or weather-related (WPGC) increases in activities and thus higher revenue days. Facilities that have areas which only receive cash such, as gate fees (Gilbert Run Park), should research automation, electronic payment systems and surveillance cameras. <i>IA notes the restrictions to Wi-Fi Access in this area.</i></p>	<p>Recreation Facility Managers are required to complete deposits on Wednesdays between 1pm-4pm weekly or if the \$500 cash threshold has been reached</p>	<p>Inquired with management of White Plain Golf Course and Gilbert Run Park who stated that deposits from their locations are now made 2 or 3 times per week.</p> <p>The Chief of Recreation also advised that added training to facility managers require weekly deposits and daily deposit if over \$500 threshold.</p>

Observation	Internal Audit Recommendations	Management Comments	Report on Corrective Actions Taken By Management
<p>When satellite centers access MyRec to utilize Point of Sale transactions, a drop down with all locations is displayed requiring the attendant to scroll through the list to get to his/her location.</p>	<p>Determine if MyRec can be set up to only access the center location of the attendant.</p>	<p>MyRec procedures are being researched for individual logins for all staff.</p>	<p>Inquired with management who stated this is something they decided was not feasible due to the nature of temporary staff.</p>

Observation	Internal Audit Recommendation	Management Comments	Report on Corrective Actions Taken By Management
<p>Gilbert Run Park uses a MyRec report titled the 'Point of Sale Payment Summary Report' to break out sales for a month-end report in terms of merchandise, concessions, and boat rentals. This is a manual process completed by the Park Manager.</p>	<p>Request the MyRec software provider to provide a report that could be used for this purpose or provide data in a format that could be queried for specific output.</p>	<p>RPT is working towards moving all of Gilbert Run Parks revenue activities through the MyRec system which will eliminate the need for the Park Manager to complete these monthly reports.</p>	<p>Gilbert Run Park Manager advised that all revenue activities are now completed through MyRec software. The manual spreadsheet is no longer required per the Financial Operations Manager. Gate transactions are also now monitored in MyRec.</p>

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