



Internal Audit

Parks and Recreation

July 2011

Bernalillo County Internal Audit Parks and Recreation

Executive Summary

SUMMARY OF PROCEDURES

REDW performed an internal audit of the Bernalillo County Parks and Recreation (P&R) Department. Our internal audit focused on determining if reasonable internal controls are in place to track and safeguard the County's recreational supplies and equipment and its cash receipts.

We performed a variety of procedures, including:

- Obtaining an understanding of the policies and procedures surrounding the cash receipts and daily reconciliation process, and recreational supplies and equipment tracking, at each Community Center.
- Testing a sample of equipment items to ensure that each item was in use and in proper working condition at the location indicated on the fixed asset list.
- Testing a sample of supply items to ensure each item was on site, properly safeguarded, and properly tracked.
- Testing a sample of stolen supply items to ensure a report was filed with Risk Management.
- Performing cash counts at County pool facilities, testing a sample of daily reconciliations, and testing to ensure that any variances or discrepancies were reported in accordance with Administrative Instruction No 57, Collection of Monies and Handling Requirements (AI 57).

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

We found some areas during the course of the audit where controls were functioning properly and established procedures were followed. All fixed asset items tested were on site and lists were well maintained.

Significant medium or high risk observations are presented below:

- **Supply tracking process** — We found several issues with the supply tracking process, including new supply items not added to the list in a timely manner, stolen or missing items not removed from the list, supply items not tagged, and serial numbers of electronics or

larger items not documented. All locations should update their lists regularly as items are purchased and remove items that are no longer in service. They also should tag supply items and maintain a list of serial numbers to help identify the item if stolen.

- **Cash handling and compliance with AI 57** — We found instances of noncompliance with AI 57 and other deficiencies with the cash handling processes. Variances found during cash counts were not reported at the end of the day and checks were not restrictively endorsed. All variances should be documented, and any variance over \$5 should be reported in writing to the Accounting Director. Each location should endorse checks immediately upon receipt with the designated stamp.
- **Supplies on hand** — We found instances of supplies not being found at the specified location, and one instance of an item being taken home without proper approval, which is against County policy. Thorough supply counts should be performed to identify any items that may have been misplaced and supply lists should be updated accordingly. Any items taken home should have proper advance approval and documentation to support take-home use.
- **Accuracy of supply lists** — Supply lists are not being properly updated. New replacement items are not added as separate line items. Instead, the description of the original item is changed but no other information, such as the date of purchase, is updated. All lists should be updated to show new items and reflect that old items are no longer used at the Center. Purchase dates and other information (i.e. quantities, unit costs, and item descriptions) should be entered correctly and lists should be checked for any items that may have been excluded.

Other lower risk observations are included in the attached detailed report.

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Further detail of our purpose, objectives, scope, procedures, observations, and recommendations is included in the internal audit report. In that report, management describes the corrective action being taken for each observation.

REDW LLC

October 5, 2011

Bernalillo County Internal Audit Parks and Recreation Department

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Bernalillo County Internal Audit Parks and Recreation Report

INTRODUCTION

We performed the internal audit services described below solely to assist the Bernalillo County Parks and Recreation (P&R) Department in evaluating and testing controls in place to track and safeguard County equipment and recreational supplies. Additionally, we performed procedures to determine if proper cash receipt controls are in place at County pool facilities. Our services were conducted in accordance with the Consulting Standards issued by the American Institute of Certified Public Accountants, Generally Accepted Government Auditing Standards, and the terms of our contract agreement for internal audit services. Since our procedures were applied to samples of transactions and processes, it is possible that significant issues related to the areas tested may not have been identified.

We held an entrance conference on June 27, 2011, with management to discuss the timing and scope of the audit. We also held an exit conference on August 1, 2011, to discuss the observations and recommendations. Management responses were due and received on August 12, 2011.

Although we have included management's responses in our report, we do not take responsibility for the sufficiency of these responses or the effective implementation of any corrective action.

PURPOSE AND OBJECTIVES

Our internal audit focused on equipment, supplies, and cash handling processes within the P&R Department to determine if reasonable internal controls are in place to track and safeguard the County's recreational supplies and equipment and its cash receipts. We also determined if P&R follows proper cash handling procedures in accordance with AI 57, including the prevention of cash receipts theft.

SCOPE AND PROCEDURES PERFORMED

In order to gain an understanding of the processes and operations of the Parks and Recreation Department, we interviewed the following personnel:

- Corina Cortez, Parks and Recreation Budget Officer

- Wendy Griego, Manager, Los Padillas Community Center
- André Dickson, Manager, Los Vecinos Community Center
- Anabel Cadena, Manager, Mountain View Community Center
- James Wolfel, Assistant Manager, Mountain View Community Center
- J.R. Laberge-Esparza, Center Manager, Paradise Hills Community Center
- Bunny Martinez, Manager, Raymond G. Sanchez Community Center
- Johnny J. Armijo, Manager, Westside Community Center
- Greg Coon, Manager, Vista Grande Community Center
- Alex Garcia, Manager, Los Padillas Pool
- Jennifer Garcia, Manager, Rio Grande Indoor Pool
- Vanessa Armentha, Manager, South Valley Pool
- Michael Fahey, Manager, Paradise Hills Pool
- Nick Grado, Manager, Alameda Spray Park
- Monique Griego, Clerk Specialist
- Corine Ruiz, Administrative Officer

In order to understand P&R policies and procedures:

- We read Administrative Instruction No. 57, “Collection of Monies and Handling Requirements.”
- We read Administrative Instruction No. 24, “Fixed Assets.”
- We read internal standards and guidelines from the P&R Department regarding cash handling and supplies.
- We obtained an understanding through discussions with various P&R employees of the internal controls surrounding cash receipts and the daily reconciliation process, and recreational supplies and equipment tracking.

We performed the following testwork:

- Obtained the fixed asset lists by location for each P&R location and judgmentally selected a sample size of 49 items (based on a 95% confidence level (CL) and 5% tolerable deviation (TD)). For each item in the sample we observed that the asset was in proper working condition and in use at the indicated location.
- Obtained the most recent fixed asset count sheets from the count performed between February and April 2011 from all P&R locations and examined them to ensure changes, including transfers, disposals, corrections, and additions, were made to the master at the County Fixed Asset Department.
- Obtained the most recent supply list from each P&R location and judgmentally selected a sample of 113 items (based on a 97% CL and 3% TD) that appeared to be more susceptible to theft and loss. We visited the various locations to ensure the items were on site and properly safeguarded.

- Obtained a list of supply expenditures charged to P&R from July 2010 through June 2011. We scanned the list for items that should still be in use and selected all 16 items identified to trace to the supply lists and locations.
- Judgmentally selected a sample of nine stolen items from the fiscal year-end 2011 supply lists and tested whether a report was provided to Risk Management.
- Selected a sample of three P&R locations and compared their supply lists from February 2011 to those from June 2011 to ensure the lists are consistent and items on prior lists were properly reflected on the most recent.
- For each pool location, selected a sample of five days from the month of June 2011 and tested to ensure the daily cash reconciliation process was completed properly and documented.
- Performed two surprise cash counts at each pool location. During each count we tested to ensure that:
 - Cash per the register tape corresponded to actual cash on hand;
 - Checks per the register tape corresponded to actual checks on hand;
 - All checks received and on hand were restrictively endorsed;
 - The site had a clearly visible receipt sign; and,
 - Any discrepancy identified during the surprise count was properly documented on the daily cash reconciliation at the end of the day.

OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

We identified the following weaknesses relating to the Bernalillo County Parks and Recreation department.

1) Supply Tracking Process

We found the following issues regarding the supply tracking process:

- a. Stolen or missing items are not removed from the supply list;
- b. Items are not tagged which makes it difficult to identify multiple items or ensure a specific items is located;
- c. There is no list of manufacturer serial numbers for electronics or bigger items that have serial numbers; and
- d. Six of the 16 recently purchased supply items tested were not properly added to the supply list, but these items were in use.

Recommendation

Stolen or missing items should be removed from the supply list after the next count if they still have not been located. These items should be maintained on a separate tracking sheet so the Center can look back at what has gone missing in the past and when. Supply items should be tagged with the location and an identification number. Items that are not practical to tag should be marked so they can be identified as property of the specific Center. This will aid in the

quarterly count and ensure all items can be located. We also recommend a list of all serial numbers be maintained so if an item is stolen the serial number can be included in the police report and can be used to help locate the item. Items should be added to the supply lists in a timely manner to ensure items are properly tracked.

Management Response

The Parks & Recreation Department is currently working with the Fixed Asset Manager to use a new tag ID system for all items under the current fixed asset amount, with a value of over \$100, or with a life of over a year. The new tags will be purchased and implemented at all Parks & Recreation facilities and the information added to the Inventory Supply List spreadsheets maintained by each facility.

Stolen, lost, or damaged items will be tracked in a separate section at the bottom of the Inventory Supply list spreadsheet and will be kept for a period of two (2) fiscal years.

Specific instructions will be added to the Parks & Recreation Standard & Guidelines requiring new or transferred items be added to the Inventory Supply list spreadsheets at the time of purchase. In addition, the Section Manager, or their designee, will be responsible for tagging applicable items at the time of purchase.

Inventory Supply List spreadsheets will be modified to include serial numbers and ID tag numbers to improve the tracking process.

2) *Cash Handling and Compliance With Ai 57*

We found the following regarding the P&R department's cash handling processes and compliance with AI 57 guidelines at the pool facilities:

- a. In eight of the ten cash counts performed, we found a variance between the cash amount per the register tape and the actual cash on hand. Of these variances, two were shortages of \$1.25 and \$3.30, and six were overages that ranged from \$1.85 to \$25.23. None of the overages and only one shortage were shown on the daily cash ledger at the end of the day;
- b. In four out of ten cash counts performed, checks were not validated "for deposit only" even though the location had a stamp onsite; and
- c. One location did not have a stamp onsite to restrictively endorse checks received.

Recommendation

Discussions with each location indicate there are rarely any variances at the end of the day. In 35 reconciliations tested, only one variance was documented though we found multiple variances during our counts. It appears that the facilities are not depositing the actual cash collected at the end of the day when an overage occurs, but rather only depositing the amount per the cash register tape. We recommend that the actual cash collected be deposited in all instances, including when an overage occurs. All variances should be documented on the daily ledger, and variances over \$5 should be reported immediately in writing to the Accounting Director. Each location should endorse checks immediately upon receipt with the designated stamp.

Management Response

The Parks & Recreation Department realizes cash handling at Aquatic facilities is an area of concern. Aquatics cashiers were re-instructed on proper cashiering procedures such as endorsement of checks upon receipt, and the correct process for documenting variances on a daily basis.

We are researching the following strategies to improve the handling of cash:

- Review the current position qualifications and change hiring strategy to attract individuals with more cashiering experience and skills.
- Purchase and installation of token vending machines to pay for daily admittance
- The promotion of a summer pass card which allows for payment in advance, at a reduced rate, to limit the intake of cash daily.
- The Aquatics Program Manager, or designee, will conduct spot audits throughout the year on a weekly basis.

3) *Supplies on Hand*

Four of 113 supply items tested could not be found at the specified location. One of 113 items tested was not onsite and instead was at the Center Manager's home. There was no documentation on file to support the take home of this item.

Recommendation

Though the most recent count was completed in the prior month, some items could not be located. It appears that the count was not thorough. A thorough supply count should be performed to identify any items that may have been misplaced and lists should be updated accordingly. County policy AI 23 does not allow employees to take items home without documentation. Any items that are going to be taken home should have proper approval and documentation to support take-home use.

Management Response

The take-home of County equipment will be discouraged unless deemed necessary for a County event, function, or purpose. The County's Take-Home Equipment Authorization Form will be used for all County equipment and must be pre-approved by Department Director or designee. A copy of the forms will be kept on file at the Administrative office.

4) *Accuracy of Supply Lists*

We found the following discrepancies in comparing the February 2011 to the June 2011 supply lists for three Community Centers:

- a. At all three locations some items from the February list were not shown on the June list;
- b. At one location a whole section of approximately 20 lines was excluded from the June list;
- c. One location had items with purchase dates prior to February 2011. These items should have been included on the old list but were not. This location also had items with purchase dates in the future; and

- d. At one location multiple items listed changed descriptions or brands from one list to the next, but dates of purchase remained the same. Other items showed a lower quantity on the new list, but nothing was written indicating what happened to the rest of the items.

Recommendation

All lists should be updated to show new items and reflect that old items are no longer used at the center. Purchase dates and other information should be entered correctly and lists checked for any items that may have been excluded. This will ensure the lists are accurate.

Management Response

Inventory Supply Lists (ISL) are reviewed at quarterly budget meetings. A new process will be implemented to compare the ISL from the previous quarter budget meeting to the new ISL at the next budget meeting in order to identify changes, discrepancies, or items which may have been excluded without proper documentation. The new process will be implemented for the 1st quarter budget meeting FY 11/12.

Inventory Supply list spreadsheets will be modified to include serial numbers or identifiable manufacturer numbers to improve the tracking process.

Specific instructions will be added to the Parks & Recreation Standard & Guidelines requiring new or transferred items be added to the Inventory Supply list spreadsheets at the time of purchase. In addition, the Section Manager, or their designee, will be responsible for tagging applicable items at the time of purchase.

5) *Reporting of Stolen Supply Items*

Administrative Instruction No. 24A, Loss of County Owned Equipment/Property (AI 24A) requires that any incident involving stolen, lost, missing, or damaged property be reported to the Risk Management department. For seven out of the nine stolen and missing items tested, a report could not be found.

Recommendation

Reports should be filed as required by County policy AI 24A, and the main P&R department, as well as each Center, should keep copies of these reports as it appears Risk Management may not always keep these records.

Management Response

A meeting was held with Risk Management Interim Director on 8/12/2011, and we were informed they are in the process of updating their various forms. A section will be added to the Property / Equipment Damage Loss Report to include identifying information such as serial numbers and fixed inventory tag numbers when applicable. A notation will be included on the form to route to applicable Department Director or Elected Official for record keeping purposes. The Risk Management Department confirmed on 8/12/2011 that all Property / Equipment Damage Loss Report records will be retained through their Department.

A Property / Equipment Damage Loss Report will be required to be submitted for every item on the Inventory Supply List identified as stolen, lost, or damaged.

We are researching the feasibility of purchasing an ID system (similar to the current Sports Program ID system) for the purpose of checking out electronic equipment at the Community Centers.

6) *Facility Rentals and Fees*

There is currently no way to track facility rentals and ensure fees are collected. While this information is recorded in the recTrack system, recTrack does not appear to include a way to extract the data.

Recommendation

P&R management should work with IT to create a monthly report list all rentals and the cost charged including any discounts given. This list should be reconciled monthly to the payments collected.

Management Response

A meeting was held on August 9, 2011, at Raymond G. Sanchez Community Center to review and discuss audit findings. As a result, rental deposits to reserve a rental date will no longer be accepted. Facility rentals must be paid in full in advance. A follow-up meeting scheduled for 8/23/11 with Center Managers will review current procedures, determine best practices, and standardize procedures to verify all fees are collected.

7) *Supplies Not in Use*

A number of items at each location were in working condition but no longer needed by that Center.

Recommendation

P&R should create a list of items that are no longer needed by a particular Center, but that could possibly be used by another. This list should be accessible to all locations and a process for transferring items among Centers should be implemented.

Management Response

A meeting was held on August 9, 2011, at Raymond G. Sanchez Community Center to review and discuss audit findings. A folder was established on pkreports share drive to identify items no longer being used by each facility. If items are not claimed within the Department in six (6) months, they will be made available through the County excess fixed asset program.

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This report is intended for the information and use of Bernalillo County management, the audit committee, members of the board of commissioners of Bernalillo County and others within the organization. However, this report is a matter of public record, and once accepted its distribution is not limited.

REDW LLC

October 5, 2011