



Mecklenburg County
Department of Internal Audit

Park and Recreation Department
Sugaw Creek Recreation Center
Cash Collection
Investigation Report 1288

August 24, 2012

Internal Audit's Mission

Through open communication, professionalism, expertise and trust, Internal Audit assists executive management and the Audit Review Committee in accomplishing the Board's objectives by bringing a systematic and disciplined approach to evaluate the effectiveness of the County's risk management, control and governance processes in the delivery of services.

Internal Audit Contacts

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Staff Acknowledgements

Crystal Turner, Auditor-In-Charge

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MECKLENBURG COUNTY Department of Internal Audit

To: James Garges, Director of the Park and Recreation Department

From: Joanne Whitmore, Director of Internal Audit

Date: August 24, 2012

Subject: Sugaw Creek Recreation Center Cash Collection Investigation Report 1288

On February 20, 2012, the Park and Recreation Department informed the County Human Resources Department that a staff member at the Sugaw Creek Recreation Center had been arrested for embezzlement at a second job. Following standard protocol, Human Resources informed a member of the County Attorney's Office.

After an evaluation of the circumstances, the Mecklenburg County Office of the County Attorney contacted the Department of Internal Audit on February 22, 2012 and requested an investigation into the staff member's handling of cash transactions at the staff member's Park and Recreation Department job to determine whether there was any indication of potential fraud or mismanagement of funds. In the meantime, the staff member was suspended pursuant to County policy. The staff member was subsequently terminated, successfully appealed the termination and was reinstated.

The Department of Internal Audit reviewed Sugaw Creek Recreation Center cash collection activities and facility bookings for all staff that occurred between April 1, 2009 and March 31, 2012 to determine whether controls effectively manage key risks inherent to those processes and to identify any indicators of potential fraud. Auditors reviewed a sample of daily cash reconciliations, supporting documentation and bank deposits processed by the Park and Recreation Administration Office Building to assess controls over cash collections. Internal Audit also observed processes and conducted interviews with Department management, information technology analysts and other staff.

Internal Audit conducted this audit under the guidance of 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 provides a reasonable basis for our findings and conclusions based on our audit objectives.

OVERALL EVALUATION

The Park and Recreation Department's Sugaw Creek Recreation Center cash collection controls were generally acceptable to manage key risks associated with cash collections and no apparent evidence of fraud or fund mismanagement was identified. Some exceptions, however, were noted. The Department

does not have formal, documented policies and procedures for youth program fee waivers and Class system access rights. Further, the Department does not monitor fee waivers as part of its daily reconciliation process. Management does not periodically review Class system access rights to ensure they align with job duties. Last, the Class system data input controls allow users to override or select reduced fee options without proper management authorization. The facility booking fees recorded during the review period, however, appeared appropriate.

The issues listed below, as well as recommendations and management's responses, are discussed in detail in the attached document. Internal Audit will conduct a follow-up review at a later date to verify that recommendations are implemented and working as expected.

ISSUES

1. The Department does not have formal, documented policies and procedures for youth program fee waivers and Class system access rights.
2. The Department does not periodically review fee waivers.
3. The Class system does not provide adequate input control for booking options.
4. The Department does not periodically review Class system access rights.

We appreciate the cooperation you and your staff provided during this investigation. Please feel free to contact me at 704-336-2575 if you have any questions or concerns.

c: Harry Jones, County Manager
Michelle Lancaster, General Manager
John McGillicuddy, General Manager
Bobbie Shields, General Manager
Leslie Johnson, Associate General Manager
Dena Diorio, Finance Director
Chris Peek, Director of Human Resources
Tyrone Wade, Deputy County Attorney
Robert Thomas, Senior County Attorney
Board of County Commissioners
Audit Review Committee

BACKGROUND

The Sugaw Creek Recreation Center (the “Center”) offers a variety of programs and services for families, such as fitness, sports, cultural arts and youth development. Youth sport programs include teeball/baseball, basketball and track and there are also adult and senior citizen activities. The Center also allows customers to rent the gymnasium or multi-purpose rooms. The Center is staffed by seven people, including one facility manager.

Class System

The Park and Recreation Department uses Class software to manage recreation registration and payment activities. Staff enters the initial cash collections into Class, which can calculate each customer’s total fees due based on the programs or rentals requested. Each customer completes a manual form at the time he or she registers for a program or reserves a facility. Sign-in sheets are used to track attendance at the various activities. Center staff enters data from these source documents into Class to update customer accounts. Staff records cash, credit card, money order and check payments into Class to maintain individual customer account balances.

Cash Collections

At the end of their shift, Center staff records total cash collected on a Collected Revenue Reconciliation form and an independent staff person reviews and signs the form to acknowledge his or her review. Staff then reconciles the day’s total cash and cash equivalents received against the Class Daily Cash Balancing Report. The Facility Manager reviews both the reconciliation form and the balancing report before making the daily bank deposit. The bank deposit and supporting documentation are maintained in a locked safe until the armored car picks up the deposit to take to the bank. The Department sends all daily cash receipt supporting documentation, along with the reconciliation form and balancing report to the Administrative Office Building (AOB). The AOB prepares the accounting detail for the Department of Finance to process the final deposit for recordation into Advantage, the County’s financial system.

Fee Adjustments and Waivers

Mecklenburg County residents may qualify for and receive assistance with a portion of the youth sport program fees. Further, some volunteers can receive waivers for certain fees. For example, a coach volunteer can receive a fee waiver for his or her child’s participation on the coach’s team or the coach can give the fee waiver to another participant. All volunteers receive only one program fee waiver each season for one child.

On rare occasions, fees and charges may be reduced or waived when such action is determined by the Park and Recreation Department Director “to be in the best interest of the Mecklenburg County Park and Recreation Department and the service applicant”. In addition, weekday rental fees for open-air shelter rentals are automatically waived for Charlotte-Mecklenburg Schools and private schools located in Mecklenburg County. The Department Director or designee may also give approval for staff to waive fees for local non-profit organizations through accomplishment of a special park project.

ISSUES, RECOMMENDATIONS AND MANAGEMENT RESPONSES

County Manager's Overall Response to the Recommendations

The management responses are appropriate and consistent with the Internal Audit Department's recommendations.

Issue 1: The Department does not have formal, documented policies and procedures for youth program fee waivers and Class system access rights.

Sugaw Creek staff members do not have policies and procedures to provide guidance over youth program fee waiver qualifications and supporting documentation requirements. Further, management does not have system administration policies and procedures in place to ensure Class system access rights are granted to staff members based on current job roles and responsibilities and log-in names and passwords are not shared.

Without written policies and procedures to guide staff, management will not have reasonable assurance that staff duties are carried out in accordance with management expectations.

Recommendation

Internal Audit recommends the Department develop and implement formal policies and procedures for youth program fee waivers and Class system access. We further recommend management train staff on the new policies and procedures.

At a minimum, the fee waiver policy and procedure should include review and approval requirements for fee waivers and supporting documentation requirements.

In addition, the Class system administration policy and procedure should include allowed access levels based on staff roles and responsibilities, review requirements and frequency and deactivation requirements for staff no longer with the Department.

Management Response

Agree. The Department will develop and implement formal policies and procedures for youth program fee waivers which will clearly outline waivers qualifications and the procedure for proper review, approval and outline the supporting documentation requirements. The policies and procedures will become part of the new employee orientation training as well as mandatory training updates with all programming staff on an annual basis.

The formal policies and procedures for youth program fee waivers will be completed by August 17, 2012 and training of all current programming staff on the new policies and procedures will be completed by September 28, 2012.

Issue 2: The Department does not periodically review fee waivers.

Risk Observation

Between April 1, 2010 and March 31, 2012, Center staff waived fees totaling \$1040 for 36 customers. Based on the supporting documentation required to qualify customers for fee waivers, 25 or 70% did not qualify and should have paid the fees. Without conducting a periodic review of customer fee waivers to ensure they are appropriate, revenues could be lost and could provide an opportunity for theft.

Recommendation

Internal Audit recommends the Department re-emphasize with staff the qualifications and documentation requirements to waive customer fees. In addition, management should conduct periodic reviews of fee waivers and support documentation.

Management Response

Agree. The Department will develop the periodic review schedule noting the appropriate level of supervisor/manager to conduct the reviews as part of the policies and procedures for youth program fee waivers. The Department will provide mandatory training of all new programming staff and current programming staff on an annual basis to review policies and procedures for youth program fee waivers which will also outline the periodic review schedule of fee waivers with support documentation and note level of staff required to conduct the reviews.

The formal policies and procedures for youth program fee waivers which will include the periodic review schedule and requirements will be completed by August 17, 2012 and training of all current programming staff on the new policies and procedures will be completed by September 28, 2012.

Additionally, internal audits by the Park and Recreation fiscal section will also now include CLASS system audits and will include reviews of fee waivers.

Issue 3: The Class system does not provide adequate input control for booking options.

Risk Observation

The Class system permits users to select booking fee options that do not comply with Park and Recreation policies. The system also allows users to override or select reduced fee options without proper management authorization. Inadequate system input controls may result in staff erroneously applying fees and provides an opportunity for potential fraudulent acts.

Recommendation

Internal Audit recommends the Department work with the Class vendor to provide system data edit checks to ensure correct program and facility rental fees are calculated and to prevent unauthorized fee changes. Management should also test the system after vendor changes are made to ensure they are working as expected prior to putting the changes into production. Further, we recommend management

conduct periodic reviews to ensure all fee overrides are authorized and system notes are provided to support the changes.

Management Response

Agree. The department has taken steps to help ensure accurate fees are charged. First, the 0.0\$ fee is no longer an option in CLASS facility booking. This was removed immediately during the employee incident investigation and will continue to be implemented. Only CLASS users with Override privileges will be able to change a set fee.

Date recognition: currently the CLASS system is not set up to automatically recognize the date and apply via default the correct weekday or weekend rental fees. This is being changed. Within four weeks, all facilities will be changed and only the correct default fees will show during a booking. This means it will no longer be possible to charge a patron a weekday rental fee for a weekend rental (or vice versa).

Additionally, all fees are being checked and where needed corrected in CLASS. This will be reviewed yearly (fees are changed once per year) and updated as necessary.

When the above changes to the CLASS system are in place, they will be tested to ensure accuracy and that the system is charging the correct rates.

Monthly reviews of Override, Administrative Holds, and Temp Holds on facilities will be performed. These will be printed and reviewed at the end of each month by the IT Business Analyst and reviewed with Division Directors as necessary depending on the facility. This will begin on September 3, 2012 and will continue on the first working day of each month.

Finally, levels of access by all current CLASS users are currently being reviewed. Many will change, with the goal to “tighten up” users and limit the number of users overall, as well as the number of Override and Administrative users. In addition, the “Frontline” user access level will be changed to “Frontline – Facility”, “Frontline – Program” and regular “Frontline.” This will enable the department to limit some staff to only Program or Facility reservation, not both as the system is currently set up. This will be completed by August 31, 2012 and will be reviewed and updated at least yearly.

Issue 4: The Department does not periodically review Class system access rights.

Risk Observation

The Department does not periodically conduct Class system access rights reviews to ensure staff rights are appropriate based on job roles and responsibilities. In 2010 a facility manager was out on extended leave and two staff members were granted temporary override access to provide the facility manager’s role. This capability allowed staff to register participants into programs after the registration deadline and to override fees. Staff was also given the manager’s log-in name and password.

- Because management did not conduct periodic reviews of Class system access rights, the manager’s temporary override access was not removed until Internal Audit brought it to the Departments attention. Inappropriate access could result in loss of revenue, invalid fee waivers and undetected errors and omissions.
- Unauthorized use of the facility manager’s Class log-in name and password occurred 21 times between October, 21, 2010 and February 21, 2011. Unauthorized log-in is against the intent of the

County information security policy that establishes unique login identifications for each employee or other authorized individual to hold him or her accountable for all activity performed under that identifier.

Recommendation

Internal Audit recommends the Department require management to conduct periodic Class system access rights reviews and modify access as necessary. We also recommend management re-emphasize with staff the County Information Security policy addressing system access control and requirements to use only their own log-in identifications and passwords.

Management Response

Agree. The department's IT Section is currently developing a protocol for routine audits of the CLASS system and access rights of employees. All user access levels are currently being reviewed. This list will be reviewed and updated yearly. Additionally, the system is currently set up to print all past and present county employees who have ever had access to CLASS when requested to list CLASS users. This makes reviewing access levels by current staff onerous. The system is being changed and previous staff will become "inactive" in the system, allowing for more efficient regular audits of current CLASS users and access levels in the future. This change will be implemented by August 31, 2012.

Additionally, unauthorized use of CLASS log-in names and passwords will be included in the revised CLASS training currently being developed. Development of the new training will be completed by September 28, 2012 and will be implemented starting in October 2012. Current CLASS users will be required to attend a refresher course (with the new training materials/info) and all new employees will be required to attend the training prior to being provided CLASS access.