

**COUNTY OF MILWAUKEE
Inter-Office Communication**

Date: December 8, 2014
To: John Dargle, Director, Department of Parks, Recreation & Culture
From: Jerome J. Heer, Director of Audits
Subject: Unannounced Parks Cash Counts

Background

The Department of Parks, Recreation & Culture has 61 cash register points of sale throughout the County. Revenues for these sites are generated by a variety of sales activities, most notably rounds of golf, food and gift concessions, admissions to pools and horticulture locations, and parking revenues. According to Parks fiscal staff, the bulk of their revenues are keyed through cash registers, as noted in **Table 1** below:

Table 1 Percentage of Parks Revenues Recorded By Cash Registers 2012 – 2013		
	<u>2013</u>	<u>2012</u>
Total Actual Revenues	\$17,800,802	\$18,365,048
Amount Recorded via Cash Registers	\$15,261,658	\$16,252,443
Percentage of Total Revenues Rung Through Cash Registers	85.7%	88.5%
Source: 2012 & 2013 Adopted Budgets & Parks fiscal staff		

Revenues not accounted for by cash registered sales are primarily related to vendor contract payments, revenues collected by other departments and credited to Parks via journal voucher entries (such as state grant funds received by the Treasurer's Office), and administrative invoice payments.

Results of Site Reviews

Each of the four sites we visited (Currie, Greenfield, Hansen and Whitnall Parks) had golfing operations for which sales were recorded. Three sites (Currie, Greenfield and Whitnall Parks) also operated food and beverage concessions areas. We counted all sales activities up to the point of our arrival, including applicable start-up cash and change funds. We also counted the small petty cash funds used to make minor purchases as needed at Currie, Hansen and Whitnall Parks.

Though the actual monetary discrepancies noted during our review were minimal, observations of cash handling procedures and discussions with staff indicated areas where internal controls could be improved.

Count of Sales Activity

Our cash counts were limited to sales recorded for golf activity, since at the time of our reviews food and beverage concessions had not yet begun. We did, however, verify the amount of startup cash and change funds associated with concessions sales, as well as petty cash funds maintained in the site safes. **Table 2** summarizes the results of our counts.

Table 2									
Results of Cash Register Counts									
<u>Per Audit</u>									
<u>Location</u>	<u>Cash</u>	+	<u>Gift Cards & Credit Cards</u>	=	<u>Total</u>	-	<u>Per Register</u>	=	<u>Over (Short)</u>
Currie Park	\$82.82		\$410.91		\$493.73		\$493.75		(\$0.02)
Greenfield Park	\$218.34		\$376.50		\$594.84		\$594.86		(\$0.02)
Hansen Park	\$120.50		\$147.50		\$268.00		\$268.00		\$0.00
Whitnall Park	<u>\$150.70</u>		<u>\$563.02</u>		<u>\$713.72</u>		<u>\$713.83</u>		<u>(\$0.11)</u>
Totals	<u>\$572.36</u>		<u>\$1,497.93</u>		<u>\$2,070.29</u>		<u>\$2,070.44</u>		<u>\$(0.15)</u>

Source: Audit Services Division cash counts

Count of Prior Days Revenues Still On Hand

The safe at Greenfield Park also contained two locked deposit bags containing the sales for the four days immediately prior to our review. One bag, containing \$2,180.76, represented the revenues from the prior weekend (Friday, June 20 through Sunday, June 22). The other bag, containing \$412.05, was from Monday, June 23. This is in violation of Parks procedures, which state **“If total daily revenue collected is over \$100, a deposit must be done that same day if possible.** 48 hours is the maximum acceptable amount of time the deposit may be left on site.” The emphasis comes directly from the Parks cash handling procedures manual, signifying the importance of this basic internal control. According to the person responsible for making deposits, he was on vacation on the days involved. He said he normally asks another trusted person to make the deposits in his absence, such as his supervisor, but was unable to in this case.

Count of Change Funds

Our cash counts included authorized start-up and change funds of \$5,000 related to golf and concessions operations. We noted only one small discrepancy at Hansen Park, where one of the bundles of 50 one dollar bills was short by one dollar. Staff on site suspected that the bank may have inadvertently shorted the bundle, as this particular batch of start-up cash had not been used since obtaining it from the bank.

Count of Petty Cash Funds

We also counted \$100 petty cash funds at Hansen and Whitnall Parks. The Hansen Park fund was short by \$3.70. Staff authorized to make purchases from the fund were not aware of the shortage.

Internal Control Weaknesses

Best practices relating to point of sale operations incorporate several important controls to help reduce the ability for staff to improperly record sales and subsequently remove cash without the theft being detected. They include:

- Providing receipts to customers for all sales transactions.
- Offering incentives to customers for reporting instances in which receipts were not provided.
- Having cash registers with visible displays that show the sales transaction to the customers.
- Limiting a cashier's ability to open the cash drawer without a transaction being recorded.
- Installing video cameras that record the cash register area to deter improper recording of sales.
- Independently counting revenues without knowledge of actual recorded sales totals, thereby removing the ability to cover up revenue overages and shortages.

Ignoring or overriding one or more of these control features creates the opportunity for sales to go unreported and cash to be subsequently stolen without easy detection. In response to prior audit recommendations, Parks management over the past few years has taken steps to implement these controls to prevent potential revenue loss. Signs stating "If you aren't given a receipt we will give you \$5" were installed, and associated procedures were established to make and record the payments. Video cameras were installed in 18 sales locations to monitor cashier activity and improve point of sale security. Outdated cash registers were replaced with modern point-of-sale (POS) cash registers at about 40% of the Parks sales points. These POS cash registers provide online, real time information on sales activities for management review. In addition, new safes with programmable electronic keypad locks were installed at Parks revenue-generating facilities to replace previous generation safes using combination locks.

However, during our on-site discussions with Parks staff and observations of the sales areas we noted several instances where the effectiveness of improved procedures and equipment upgrades have been compromised by not fully implementing one or more of the above controls. Specifically, we noted that:

- The signs offering cash to customers not getting sales receipts were not displayed at three of the four sites (Currie, Greenfield and Whitnall Parks). Staff at Whitnall Park found the sign in a drawer, suggesting it must have fallen off, and attempted to reinstall it during our review. It was unknown how long the sign had been in the drawer, but staff said there had been no push to reposition it.
- None of the locations had displays showing the customer the amount of the sales transactions. This control, along with the issuance of receipts, is important for allowing customers to verify that their sale was properly registered.
- Video cameras were positioned in most instances to record a general sales area rather than how a transaction was recorded.
- Perhaps the most critical control that has been largely ignored is to limit the ability of staff to open the cash drawer with a key, where the action is not recorded on the register. This helps cashiers give customers the appearance that their sale was properly recorded as evidenced by the drawer opening up, allowing the cashier to deposit the cash and provide change. Use of the key is not recorded on the cash register's summary of transactions. Likewise, using it later to remove the unrecorded sale will also go undetected.

Staff at each of the four sites either regularly used the drawer key or had access to it. According to staff at Currie, Greenfield and Whitnall Parks, the key is used routinely to open the register to make change for customers without them having to wait until the next sales transaction. Staff at Hansen Park indicated they had access to the cash drawer key, but that generally the "No Sale" key is used to make change.

Parks management is aware with the need for controls in this area. We were told that the unwritten but spoken policy is that they do not allow the key to be used to open the cash drawer. Staff are allowed to use the "No Sale" key to make change or move excessive cash from the drawer to the safe, but that it should be done as minimally as possible. Drawer keys were kept on site because there was an issue in the past with the POS register software not opening the cash drawer when the "No Sale" key was hit.

We noted that the policy limiting the use of the "No Sale" key is applied to periodic Parks Administration desk reviews of cash register transactions. Each summer an attempt is made to review a sample of cash register transactions for each site to identify potential problems. For 2014, the spreadsheet documenting the results of these reviews contained several notations related to excessive use of the "No Sale" key, as well as other transactions indicating

potential problems, such as canceled and voided transactions. The stated practice is for fiscal staff performing the desk reviews to inform the applicable managers of the situation so that corrective action can be performed. However, based on our discussions with cashiers at the sites reviewed, it appears the message on proper cash register procedures needs to be re-emphasized.

Conclusions and Recommendations

A previous Parks cash handling procedures manual noted "At no time is it permissible to ring \$0.00 or "No Sale." This internal control is not included in the current procedures manual apparently to provide cashiers the ability to make change for customers. It should be noted that none of the staff at the sites visited voiced any restrictions on the use of either the cash drawer key or the "No Sale" key.

Restricting unrecorded access to the cash drawer, while important by itself, becomes more imperative given that some of the other controls previously recommended and implemented are not functioning as intended. We believe that the need for stronger internal controls over sales should supersede any minor benefit that may result from overriding those controls. We therefore recommend that Parks Administration:

- 1. Establish a formal written policy limiting the use of a cash register key to only established special situations.*
- 2. Consider alternatives to using the "No Sale" key for providing change, such as waiting until the next sales transaction. If the delay is not practical, authorize use of the "No Sale" key but document the incident for management review, similar to refunds or similar transactions.*
- 3. Ensure signs offering cash to customers not receiving receipts are prominently displayed at the point of sale.*
- 4. Ensure sites make deposits in accordance with written policies and procedures.*
- 5. Ensure sites with petty cash funds are replenished to their authorized levels, and that staff timely report shortages.*
- 6. Position displays showing how transactions are being entered so that customers can physically see what was entered.*

Audit Scope

We conducted unannounced cash counts at four Parks locations (Currie, Greenfield, Hansen and Whitnall Parks) in late June to test whether proper cash handling procedures were in place and

functioning as intended. We conducted this limited scope audit in accordance with generally accepted government auditing standards. 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. We limited our review to the following:

- Counted cash and other sales (credit cards and gift cards) on hand in registers, as well as start-up cash, change funds and all other cash maintained in locked safes;
- Compared the results of our cash counts with recorded sales and authorized petty cash/startup/change cash funds;
- Observed and interviewed staff on how transactions were recorded;
- Compared actual procedures with those required by the Parks Cash Handling and Reporting Manual;
- Observed security of the sales area and safe locations; and
- Identified procedures performed by Parks Administration management to help provide assurance that controls for safeguarding sales and related revenues were in place operating as intended.

We would like to thank your management and staff for their assistance and cooperation during this review, and for your prompt response to the recommendations noted in this report (attached).



Jerome J. Heer
Director of Audits

JJH/cah

Attachment

cc: Scott B. Manske, CPA, Milwaukee County Comptroller
Chris Abele, Milwaukee County Executive
Marina Dimitrijevic, Chairwoman, Milwaukee County Board of Supervisors
Milwaukee County Board of Supervisors
Don Tyler, Director, Department of Administrative Services
Kelly Bablitch, Chief of Staff, County Board Staff
Josh Fudge, Fiscal & Budget Administrator, Department of Administrative Services
Steve Cady, Research & Policy Director, Office of the Comptroller
Janelle Jensen, Office of the Milwaukee County Clerk