

**Nassau County
Office of the Comptroller
Field Audit Bureau**



**Nassau County Department of
Parks, Recreation and Museums
Financial Review of
Revenue Collections**

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NASSAU COUNTY
OFFICE OF THE COMPTROLLER

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EXECUTIVE SUMMARY

Background

The Nassau County Department of Parks, Recreation and Museums (“department”) oversee approximately 5,600 acres of parkland and preserves that draw an estimated eight million visitors annually. The nineteen department parks impose user fees for some of the following recreational facilities: golf courses, driving ranges, outdoor pools, an indoor ice rink, miniature golf, campgrounds, an aquatic center, beaches, athletic fields and museums. The department also sponsors a wide array of free cultural and recreational programs. Its 2002 budgeted expenditures were \$64.7 million, including \$22.7 million in debt-service costs. In 2002, \$16.1 million in revenues was collected through user fees associated with recreational facilities and services. The actual number of employees as of January 1, 2003 was 270 full-time employees, 273 part-time employees and 276 seasonal employees in the department.

In the past, the comptroller’s office conducted surprise visits to various department locations, including Sands Point Preserve, and found that inadequate procedures were in-place for cash-collection and reporting. These examinations also revealed a lack of internal controls over both cash receipts and the museum collections-inventory. These internal control weaknesses and inadequate procedures prompted a comprehensive audit of how the department collects and reports cash and controls its museum inventory.

Scope and Methodology

This audit was undertaken to review the effectiveness of the department’s operation and assess internal controls over cash collections. In order to accomplish our goals, we conducted tests of transactions -- including examinations of the recording and the reporting of revenues to management. We also reviewed relevant policies, procedures, and internal-control guidelines and standards.

This audit was conducted in accordance with generally accepted government auditing standards. These standards require the audit be planned and performed to obtain reasonable assurance that the audited information is free of material misstatements. An audit includes examining documents and other available evidence that would substantiate, the accuracy of the information tested, including all relevant records and contracts. It includes testing for compliance with applicable laws and regulations, and any other auditing procedures necessary to complete the examination. We believe that the audit provides a reasonable basis for the audit findings and recommendations.

Internal controls serve as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. A proper internal control-structure can provide reasonable, but not absolute, assurance that the objectives of the department relative to the collection and reporting of revenues are being met; that the transactions are being executed in accordance with management’s authorization, and that they are being properly recorded. A major component of an internal-control-system is that the life cycle of all cash receipt transactions needs to be clearly documented and included in the department’s administrative directives.

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Major Findings and Recommendations

Our audit found a general lack of compliance with the department's administrative directives, as well as weaknesses in internal controls. We found that the department's park directors' procedures covering revenue transactions generally did not incorporate the entire life-cycle of the transactions -- from the collection of receipts to the reporting of revenues -- including the titles of the individuals who perform each step/function. These procedures also were not reviewed or approved by management. We recommend that the department clearly document all of these processing steps. Compliance with the process should provide reasonable assurance that all the revenues received have been properly recorded and reported.

Proper segregation of duties requires that functions be assigned to minimize the likelihood of embezzlement by necessitating that two or more individuals approve transactions. Our audit found that in many instances, cashier supervisors closed the registers, prepared the daily closeout summaries and daily/weekly revenue reports, and had access to cash. These duties are not properly segregated and, based upon this lack of segregation; any theft or embezzlement of cash by cashier supervisors would not be detected in the normal course of operations. This situation poses a serious internal-control weakness. We also found that the administration is not performing audits of the daily and weekly revenue-reports provided by the parks facilities. We recommend that such audits be conducted frequently, especially in those facilities where a cost-benefit analysis indicates that a proper segregation of duties is not practical.

The audit found consecutive, non-resettable, sequential numbers for each transaction recorded by cash registers are not being reported on the daily/weekly revenue reports provided to the Administration's accounting unit. The integrity of the sequential numbering is essential to ensure that there have been no unauthorized alterations. We also found that the cash registers have an inception-to-date revenue total, which is not being recorded on the weekly reports; nor are they periodically reconciled with the reported revenues. This tool is useful in that a review of the cash register tapes -- which record the transaction numbering and inception-to-date revenues -- will strengthen controls without the need for additional personnel.

The audit found that the inventory at the department's warehouse -- where more than 600-recorded stock items are stored -- is not computerized and is, instead, maintained manually. In addition, management is not provided with meaningful monthly reports concerning the value of both its current inventory and the monthly usage by various cost centers. These reports would provide management with the ability to track usage, identify waste and determine optimum supply-levels. We recommend that the department install a computerized inventory-control system that would provide the appropriate reports to ensure optimal inventory-control and use.

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Department's Response:

The matters covered in this report have been discussed with officials from the department during, and at the conclusion of this audit. On April 3, 2003, we submitted a draft report to department officials with a request for comments. We received a written response from the department on May 16, 2003. The department agrees with the majority of our audit findings and recommendations. The full text of the department's responses and our comments to their responses are included as an addendum to this report.

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Introduction

Background

An estimated eight million people annually visit the department's 19 parks and 10 preserves, which cover 5,600 acres. The department's properties include: a rifle range, a marina, two campgrounds, seven golf courses, 10 museums, driving ranges, miniature golf courses, an aquatic center with exercise rooms, seven outdoor pools, tennis courts, indoor ice rinks and a beach. The operations also include approximately 100 athletic fields in 13 parks. In fiscal year 2002, the department collected more than \$16 million in user fees; golf greens fees accounted for \$4.8 million of the total. The following schedule lists the department's major sources of revenue:

	Parks Revenues (In Thousands)		
	2000 <u>actual</u>	2001 <u>actual</u>	2002 <u>actual</u>
Greens Fees	\$4,481	\$4,759	\$4,844
Golf Carts	681	752	799
Driving Range Fees	607	635	724
Concessions	902	1,398	1,652
Special Sports	422	430	515
Leisure Passes	433	445	513
Cabana Rentals	709	814	811
Old Bethpage Village	353	404	349
All Other	<u>5,497</u>	<u>5,566</u>	<u>5,893</u>
Total	<u>\$14,085</u>	<u>\$15,203</u>	<u>\$16,100</u>

The Nassau County Legislature establishes the park fees, and has promulgated the regulations governing the use of recreational facilities. The department has established written administrative directives setting forth the policies and procedures for the parks' management.

Cash registers, computer systems and pre-numbered forms are used to record transactions and process receipts. It is essential that payments are properly recorded and reported as revenues into the department's records. Employees of each collection location are responsible for depositing the daily receipts into a bank account and providing management with a weekly report summarizing collections. The administration is responsible for the recording of the collections into the county's accounting system and for preparing various reports on the revenues collected. The county treasurer is responsible for the bank accounts and the reconciliation of same.

Objectives of Audit

Our objectives in performing this audit were to examine the adequacy of the internal controls in place over the operations -- including the receiving, recording, depositing and reporting of cash collected.

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Scope and Methodology

The scope of this audit -- which covered the period from January 2001 through August 2002 -- included examination, on a test basis, of evidence to support transactions recorded in accounting and operating records. Other auditing procedures deemed necessary under the circumstances also were applied. To accomplish our objectives, we reviewed applicable laws, departmental policies and procedures; interviewed management and staff; reviewed relevant accounting records; observed operations, and tested transactions. We considered the materiality of revenues collected in selecting locations to be examined.

Any material matters that came to our attention during our examination that were not initially included in our audit objectives, were, nevertheless, investigated and any material findings have been included in this report.

A proper system of internal controls should provide reasonable assurances that the organization will achieve its objectives and mission. Some examples of control activities are: (1) physical control over vulnerable assets (2) segregation of duties (3) proper execution of transactions and events (4) accurate and timely recording of transactions and events (5) access restrictions to, and accountability for, resources and records and (6) appropriate documentation of transactions and internal control.

Management must establish and maintain an internal-control structure to provide reasonable, but not absolute, assurance that the objectives of the department are being met. Management must also verify that transactions are properly authorized, recorded, and reported. Internal controls will not guarantee success or eliminate the possibility of fraud, but should certainly minimize it.

Internal controls governing transactions and other significant events need to be clearly documented, and the documentation -- in the form of management directives and operating manuals -- should be readily available for examination. All documentation should be properly managed and maintained. Management should design and implement internal controls based on related costs and benefits.

Employees can deliberately defeat a system of internal controls. For example, a manager can override a control activity because of time constraints, or employees can act together in collusion to circumvent established internal-control systems. To avoid these situations, the department should continually monitor employee activity and emphasize the value of internal controls.

Segregation of duties, an essential internal control, is the division of key tasks and responsibilities among various employees. No one employee should control all the key aspects of a transaction or event. By separating key tasks and responsibilities, management can reduce error, waste or fraud. It is not always cost-effective to separate key tasks and address control weaknesses with more personnel. Management must identify those areas with weak internal controls and either strengthen the controls with

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additional personnel or frequently monitor in instances in which hiring additional personnel is not cost-effective.

This report was prepared on an exception basis, commenting on areas needing improvements and not addressing those areas that are functioning properly.

Department's Response:

The matters covered in this report have been discussed with officials from the department during, and at the conclusion of this audit. On April 3, 2003, we submitted a draft report to department officials with a request for comments. We received a written response from the department on May 16, 2003. The department agrees with the majority of our audit findings and recommendations. The full text of the department's responses and our comments to their responses are included as an addendum to this report.

FINDINGS AND RECOMMENDATIONS

Written Procedures/Administrative Directives

Background:

A proper system of internal controls requires that transactions and other significant events be documented and available for examination. It also requires that procedures be incorporated into administrative directives and/or operating manuals. The implemented system design should be based on related costs and benefits. Park Administrative Directive 407A requires that each park director be responsible for developing written procedures covering all aspects of the collection fees for each specific purpose or activity of the facility. The department's guidelines require that procedures be submitted to the deputy commissioner for review and approval. Stamped, approved copies are returned to the park directors.

Audit Finding (1):

We found a general lack of compliance with the administrative directives; the majority of the procedures provided by the park directors were not comprehensive or approved by the deputy commissioner. The procedures failed to incorporate the entire life cycle of a transaction, including the titles of personnel who perform each step/function, forms used and backup procedures to be used in the event of a collection-system breakdown. The procedures should identify the titles of the personnel responsible for preparing the deposits, depositing receipts and preparing the daily/weekly reports for management. Proper written procedures are necessary for the implementation of internal controls. For example, improper segregation of collection duties and the reporting process could result in the misappropriation of cash receipts. Failure to provide written procedures decreases the likelihood that adequate internal controls can be implemented or maintained.

In addition, we found many administrative directives currently in use by the department were written in the 1970s and 1980s.

Recommendation:

To ensure the integrity of cash receipts reporting, areas in which weaknesses in internal controls exist should be remedied. The department must comply with internal-control guidelines by documenting all transactions to provide assurance that revenues collected from the public have been accurately reported. Written procedures must be comprehensive. They should include the entire life cycle of the various types of revenue transactions including -- but not limited to -- the opening, daily operation, and closing procedures of cash registers; the preparation of the daily/weekly reports of the revenues collected; and the preparation and deposit of the revenues. The department should conduct frequent reviews and audits. The cost of any control activity should be weighed against the cost that would be incurred if the undesired event occurred.

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The department should insure that procedures prepared by the park directors are reviewed and approved prior to being promulgated.

The department's administrative directive manual should be reviewed, and updated where appropriate. We also recommend that it be computerized so that future updates can be created with minimal effort.

Weekly Reporting of Revenues and Internal Audits

Audit Finding (2):

The audit found the daily and weekly revenue-collection reports lack pertinent information for review and audit purposes. For example, although the weekly reports show the amounts collected daily, the dates of deposit are not shown. This is necessary to assure management that when significant amounts of cash have been collected, the monies have been deposited promptly. The county charter requires cash receipts to be deposited within five business days (once a week); however, a proper system of internal controls requires that deposits be made sooner when large sums of cash are on hand.

We found that most of the locations with cash registers lacked proper segregation of cash handling and record-keeping duties. Employees who supervise the cashier oversee the daily cash register closeout, have access to both the cash register and safe where the daily receipts are stored, prepare and make the deposits, and prepare the daily and weekly revenue reports. Examples of this lack of segregation of duties were found at Eisenhower Park's driving range and miniature golf/batting cage, Wantagh Park's marina and Cantiague Park's pool and ice skating rink.

The audit found that cash registers -- including the computerized register system for the golf courses -- record a consecutive, non-resettable, sequential number for each transaction. However, these daily sequential numbers are not being reported on the daily/weekly reports. This is an essential internal control to ensure that the information being reported is sequential and can be relied upon when performing an audit of the reported revenues. Our review of the cash register-manual revealed that the registers have inception-to-date revenue totals, which are not being reported and reconciled with the reported weekly and/or monthly revenues. This reconciliation would reduce the significance of the internal-control weaknesses arising from the lack of segregation of duties, without the need for additional personnel.

We found that the department is not performing internal audits of the daily and weekly reports submitted by personnel at each location.

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Recommendation:

Management should design and institute internal controls based on related costs and benefits. No one employee should control the entire function of cash handling and reporting except in instances in which a cost/benefit analysis shows segregation of duties is not feasible. In order to strengthen internal controls when the cost/benefit of adding more personnel is not reasonable, we recommend:

- When a cashier counts out the cash collected at the end of his/her shift and the supervisor has verified that the amount collected is correct, the date, time and the amount collected should be posted to a schedule which includes the cashier's and supervisor's signatures and printed names. Any amounts collected by supervisors should be verified by another employee and be included on this daily schedule. The amounts collected daily -- in accordance with the schedule -- should be reconciled to the revenue reports and submitted to the administration.
- Because of the lack of segregation of duties, the reporting of the cash register and/or computerized sequential-transaction numbers on the daily/weekly reports would provide management with a tool for monitoring and auditing the reported revenues. The department should also require that the cash register inception-to-date revenue totals be summarized and reported on a monthly basis, along with a reconciliation of the monthly inception-to-date totals to the reported revenues for the month. Parks management should perform the following steps in its audits of cash collections:
 - (1) Verify that any voids have been properly explained and authorized;
 - (2) Verify that there are no unexplained entries;
 - (3) Verify that there are no unexplainable summary totals included on the internal tapes;
 - (4) Reconcile total revenues collected in a period (e.g., monthly or weekly) using inception-to-date revenue totals from the cash register to the comparable period of daily/weekly reports, investigating any differences. In other words, printing inception-to-date totals on the first of each month and performing a reconciliation of the reported revenues to the change in the inception-to-date revenues and;
 - (5) Secure the internal register tape for future audits purposes.

We also recommend a complete review of the cash-register manual to determine whether any other features are available that could be used to enhance internal controls, to prepare reports or to perform audits.

All deposit dates should be recorded on the daily/weekly reports and reviewed to ensure that deposits are made on a timely basis.

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Monitoring of Revenue Reports

Audit Finding (3):

Although the department's accounting unit prepares a summary of the weekly revenues reported by location and by type, we found that there is no formal written analysis of weekly revenues presented to management with explanations for material fluctuations in these reported revenues. This is a tool management could use to determine whether any changes in weekly revenues warrant more than a desk review due to unexplained variances in revenues when compared to prior periods or years. Proper analysis would alert management to perform a site review to explain any differences.

Recommendation:

The department should identify requirements that would enhance its ability to monitor revenues reported by each park and/or revenue source and seek explanations for material, unexplained variances.

The department is working towards cost-center reporting. We recommend that the department identify the resources and funds required for accurate preparation and accumulation of timely expenditure and revenue reports for each location and/or revenue source. This would include support from our Department of Information Technology in the development of a reporting system. An example would be a labor distribution system to account for the use of indirect labor by location/revenue source (maintenance and lawn care, etc.).

Storage Warehouse at Eisenhower Park

Audit Finding: (4)

The department maintains a warehouse that houses more than 600- stock items that are distributed throughout the park system. We found that the inventory is not computerized. Instead, a manual ledger sheet shows additions and distributions of each stock item. This system is inefficient. In addition, management is not presented with reports that identify the inventory's current value on a continuous basis, costs of the stock items distributed monthly and use by location/cost center. In addition, the warehouse issues a manual report to management on a quarterly basis showing usage for about 300 stock items without assigned values. We were informed that only 50% of the stock items have monthly activity. The audit found that many items stored in the warehouse -- such as pool, plumbing and carpentry supplies -- are not even inventoried.

department management has not conducted an independent physical inventory of the warehouse, nor made any surprise counts. Internal-control standards require inventories to be independently verified at least once a year. We tested 10 stock items from the inventory for accuracy and found that three of them exceeded counts noted on the

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inventory records. The warehouse supervisor indicated that he checks the inventory records occasionally but does not share the results with his superiors.

The audit found that warehouse personnel distributed cash-receipts books out of numerical sequence to the accounting unit – a discrepancy that had gone unquestioned. Failure to distribute cash-receipt books in numerical sequence could increase the risk of misappropriations.

Recommendations:

We recommend that the department consider implementing a bar-coding system or another computerized system to maintain the warehouse inventory. This would reduce the labor-intensive cost of maintaining the inventory and, more importantly, would provide meaningful monthly reports to management in a timely manner on the value of inventory on hand, the cost of merchandise distributed and its use by location/cost center. The perpetual inventory system should also automatically generate orders when supplies are reduced to a defined re-order quantity. This would result in a more efficient operation of the warehouse and ensure that a sufficient amount of supplies are on hand. The department should also evaluate whether additional stock items that are currently not included in the inventory system warrant inclusion.

We also recommend that the department comply with internal-control standards by conducting an independent physical inventory at least once a year. This should include -- on a test basis -- verification that materials received in the period were properly posted to the inventory system or records.

Management should ensure that cash-receipts books are issued and used in sequence and that any discrepancies are promptly investigated, reported, and resolved.

Grant Activity

Audit Finding (5):

As we found in a limited review audit conducted in 1996, no individual is assigned the task of providing a full accounting of monthly grant revenues and expenditures to ensure revenues have been maximized.

This failure to monitor grant activity has resulted in two grants having expenditures of \$114,903 for the period 1997 through 1999 (GRT86-Welyn Tennis Building for \$15,302 and GRT83-Roslyn Grist Mill for \$99,601), with no apparent revenues to cover these expenditures.

1. In a previous audit conducted in 1996, we had found that grant revenues of \$211,284 received for the Welyn Tennis Building were posted to the general fund, rather than to the grant fund. At that time, \$155,872 in revenues was transferred from the general

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fund to cover these grant expenditures through 1996. The additional \$15,302 of expenditures noted above was incurred in 1997 (and the department failed to transfer the appropriate revenues).

2. In 1998 and 1999, the department incurred expenditures of \$99,601 with no apparent revenues to cover these expenditures. Although we had found that the department had made many attempts to secure funds, we could not find evidence that any funds were forthcoming. This matter was discussed with a Department of Public Works' official, who advised us that the costs incurred in 1998/1999 should be charged to capital project #41420-Roslyn Grist Mill Restoration.

We also found two grants having additional revenues available with no activity for two or more years. The grants were the Faith Laursen Preserve (GRT88), which has available resources of \$2,184, (its' last activity was in 1999) and Cedarmere Historical Maintenance (GRT81), that has available resources of \$17,564, (its last activity was in August 2000).

Recommendations:

The department must initiate procedures to monitor grant activity on a regular basis, including a requirement that senior management be provided quarterly and yearly reports covering grant activity. This should at least include, a review of revenues and expenditures that would allow for prompt remedial action for any shortfalls or overages.

The department must transfer \$15,302 in revenues from its funds to cover the Welyn Tennis Building grant-expenditure. The matter concerning the Roslyn Grist Mill was brought to the attention of management.

Concessionaires

Audit Finding (6):

In our review of concession revenues, we found that one concessionaire, Quick Snack, has been operating under an emergency waiver of the public bidding requirements to provide food services and vending machines at county parks since January 2000. According to an undated memorandum from Stuart Held, executive director of sports, entertainment and tourism for Nassau County, this agreement has been extended until September 30, 2003. Before the extension, Quick Snack was paying \$3,500 a month from October through June and \$14,083.34 a month from July through September. The extension increased the monthly fee from \$3,500 to \$4,250; however, the extension does not appear to address the fees for the summer months -- July, August and September. We have been advised that Quick Snack, as of June 2002, was paying the new monthly fee of \$4,250, and the vendor continued to pay this monthly fee through the summer months, which resulted in a reduction of revenues to the county. In addition, the undated extension does not indicate an effective date for the start of the new fee.

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The emergency waiver is in violation of General Municipal Law §103, which states: “there must be a present, immediate, and existing condition which is creating a imminent threat or danger which require such immediate action that a further delay to comply with the competitive bidding requirement is detrimental to the public interest that it overcomes the strong policy in favor of bidding.” The initial waiver was granted because the previous vendor had defaulted on payment and it was estimated that three months was required to properly complete the bidding and contractual process. The documents provided did not explain the justification for the additional extension of more than a year.

We found no documentation requiring Quick Snack to provide monthly reports of gross revenues to management. This type of information would aid management in making an accurate determination as to whether the current monthly fees paid are reasonable.

Quick Snack has not paid the county a required monthly fee of \$150 for the three vending machines located at the Aquatic Center since September 2001, which -- based on documents in department files -- are not part of the initial agreement. We also observed, in August 2002, that there were two additional vending machines at the aquatic center for which there is no agreement. The vendor owes the county at least \$1,650 for the three vending machines, plus the cost for the two additional machines (installation date unknown). In addition, four of the five machines are refrigerated; this results in significant electrical use that may not be taken into consideration in the fees charged.

We also found that Quick Snack has only paid \$3,500 of the \$14,083.34 required monthly fee for September 2001. In August 2000, the prior administration had rejected a Quick Snack request to reduce the monthly fee for September from \$14,083 to \$3,500.

Our audit found that Stick Sports, the concessionaire for the Indoor Ice Skating Pro-Shop at Cantiague Park, has not paid the June 2001 installment fee of \$3,133.33 required by its contract with the county. The monthly installment is 1/12 of the total yearly bid. The concessionaire has claimed that the rink was closed in June 2001 for repairs; however, the contract requires the payments regardless of repair requirements. The previous administration had made it clear that the county’s operating procedures have not changed since the concessionaire won the bid and that the concessionaire was aware of the operating procedures -- including time periods required for repairs -- before bidding on the contract. We were also told that Stick Sports has not paid its June 2002 installment.

Our audit found that the monthly payments from Richard Bonifazio, the concessionaire who operates the Golf Pro-Shop at Eisenhower Park, are usually late by anywhere from a few days to several weeks. We also found that the department assesses a late charge on its worksheets but fails to invoice the concessionaire for these late charges. The department dismissed these late charges although the last payment for 2001, according to parks records, was received on February 17, 2002 and the contract clearly states that a late fee of 2% will be assessed for all late payments.

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The agreement with Carlton on the Park (Carlton) the restaurant in Eisenhower Park provides that the county will provide gas, electric and water to the contractor at no cost. Therefore, Carlton has no incentive to control these costs. In addition, there are no separate electric and water meters to measure the actual consumption used by Carlton, resulting in department's inability to calculate Carlton's energy and water usage.

Our audit found that the department has not established any written procedures for the distribution of bills to concessionaires (pre-numbered), when to send past due notices, and for the submission of monthly reports to the administration.

Our audit found that concessionaires Richard Bonifazio and Keith Miller, the concessionaire for the driving range and mini-golf at Cantiague Park, have not complied with the contractual requirements to submit annual gross receipts and profit and loss statements.

Performance bonds or the equivalent required by the contracts with Keith Miller, Richard Bonifazio, Stick Sports and Quick Snack were not provided when requested, and the department indicated that some of these performance bonds have expired.

Recommendation:

The department should confer with the County Attorney about the proper use of emergency contract procedures and the terms of the Quick Snack emergency contract, which appear to reduce the summer rates from \$14,083 to \$4,250.

Under the emergency contract, Quick Snack should have been required to provide monthly statements -- certified by an independent auditor -- on gross revenues. We recommend that the department initiate an amendment to the emergency contract to require such reports.

The department should implement procedures concerning the preparation of monthly invoices, past-due statements, assessment of late charges and the provision of monthly reports to management noting concessionaires that are in violation of their contracts. The procedures should include requirements concerning when the monthly billing and past-due statements should be remitted to vendors, along with actions to be taken by management if a concessionaire becomes seriously delinquent.

The department should initiate appropriate action to obtain compensation from Quick Snack for the additional vending machines at the aquatic center and the additional amount owed for September 2001. The previous administration had made it clear that the vending machines at the center were not included in the agreement. The county should determine whether the fee should be increased to cover the additional cost of electricity.

The department should ensure that outstanding balances due are collected in a timely manner from concessionaires.

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The department should reinstate the assessment of late charges to ensure that the amounts due the county are paid promptly.

The department has been seeking to collect past-due amounts from Stick Sports. The department should consult with the County Attorney concerning potential contractual remedies.

To ascertain the actual profit or loss the county is realizing through its contract with Carlton, the department should install sub-meters at the restaurant to measure the electric and water consumption. We had made the same recommendation to the prior administration, and also advised that the department prepare monthly profit and loss statements, including any repair costs borne by the county. However, to date, our recommendations have not been implemented. The department should ensure that there is no wasted use of gas, electric and water.

The department should maintain a checklist of items required by contract to be submitted by concessionaires.

Accounts Receivable

Audit Finding (7):

The department has no written policies and procedures regarding accounts receivable, including the extension of credit to various organizations for use of the parks facilities. In addition, the parks facilities managers do not provide monthly accounts receivable reports to department management. Examples of open accounts-receivable were as follows:

Friends for Long Island's Heritage (Friends), a not-for-profit corporation, which manages the rental units within the county's landmark preserves, for many years has been in arrears in its payments for telephone and energy use at the rental units. As of August 1, 2002, the amount outstanding was \$45,312. In the past, Friends had agreed to reimburse the county at an accelerated pace (i.e. two payments a month); but has only sporadically complied with this schedule. In addition, pursuant to section three of its January 1986 agreement with the county, Friends is required to pay all telephone bills for its Muttontown preserve office. However, the county has never billed the organization for these expenses. Although this finding, like others, had been brought to the attention of the prior administration, no action was taken. The yearly cost for telephone use in Muttontown is approximately \$7,000.

In addition to being continuously behind in its payment of utility charges Friends, as well as other organizations, is allowed to maintain open accounts-receivable for visits to the Old Bethpage Village Restoration. The organizations generally provide a purchase order that authorizes future payment to the county. The accounts receivable for Friends as of

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June 30, 2002, was \$1,990, of which \$1,709 was more than 120 days old. The department's failure to monitor accounts receivable has resulted in the inappropriate granting of credit to Friends, which owes the county more than \$40,000.

Various groups are not required to pay in advance for the monthly use of the ice-skating rinks. These groups, which account for a significant portion of hockey revenues, include Midnight Hockey and the Cantiague Figure Skating Club (CFSC). CFSC paid the November 2001 bill of \$8,740 on December 31, 2001 and Midnight Hockey paid the November/December bill of \$3,990 on January 3, 2002. Management of this park and the others tested do not report their monthly accounts receivables to the department's administration.

There are minimal accounts receivable at Wantagh Park for the issuance of open-air permits (\$25 for non-profit organizations, \$50 for for-profit organizations) totaling about \$1,000 per year, which are billed at the end of the season. These are repeat patrons that have a good payment history; however, the department has not authorized this extension of credit.

Recommendations:

The department should implement procedures for the handling and reporting of accounts receivable. Specific procedures must include: persons authorized to extend credit, patrons authorized to have credit with the department, credit limits, terms of payments, and the types and timeliness of reports to be provided monthly to management for review. The department should request collection locations to identify vendors, organizations and individuals who have, in the past, been allowed to pay after services are rendered.

The department should closely monitor Friends to ensure that all outstanding debts are paid promptly, including the cost of telephone charges incurred by the county.

Internal Control Weaknesses Identified at Old Bethpage Village Restoration's Long Island Fair

Background

The Old Bethpage Village Restoration (OBVR) holds an annual Long Island Fair in October during which more than \$100,000 in admission fees is collected. At this Fair up to a maximum of seven cashiers are responsible for collecting the fees, issuing individual tickets, or, in the case of large groups, issuing a cash receipt (from a cash-receipt book) that indicates the number of attendees and the amount paid. Visitors take either the ticket or receipt to one of three attendants at the entrance for admittance to the fair grounds. The cash in the registers is counted daily, and the supervisor and/or park director verifies the amount of tickets sold by category and cashier. At the end of the weekly event, the park director takes an inventory of the rolls or partial rolls of tickets remaining.

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Audit Finding (8):

Our review of the internal controls with respect to the collection of OBVR L.I. Fair admission fees disclosed the following three weaknesses in the current procedures that reduced assurances that all cash collected from the visitors has been accounted for:

- 1) Cash-receipt books used are not authorized; they are not the books issued and controlled by the Eisenhower Park accounting unit but are, instead, purchased by the OBVR park director from petty cash for this event.
- 2) The ticket inventory taken by the park director did not include the ticket numbers, only the number of rolls. As a result, we are unable to compare the total tickets sold during the event to the net change in inventory from year to year.
- 3) The department does not independently verify the ticket inventory as required by internal-control standards. A proper system of internal controls requires documents used in the collection process to be controlled and counted independently to ensure accountability.

Recommendations:

The use of cash registers, rather than tickets, should be evaluated. Cash registers not in use at other facilities at the time of the event could be used to accumulate revenue receipts, rather than tickets. The attendants could place a mark on the receipt in order to eliminate the possibility of another visitor using the receipt. The cash register would also indicate the number of paying customers, enhance the ability to audit the revenues reported, and provide greater assurances that the cash receipts have been properly accounted for.

If the department chooses not to use cash registers, the receipt books should be those issued by the Eisenhower Park accounting unit. The accounting unit should record the numbers of the receipt books issued to Old Bethpage Village Restoration and require that all unused books be returned at the end of the Fair. This would provide for independent verification of sales and allow for the reconciliation of sales to cash receipts.

Field Coordinator-Leagues-Internal Controls

Background

Sports teams using county athletic fields for softball, baseball, soccer, etc., must annually submit a team registration and roster application. The roster application must include a list of the team members and leisure pass numbers for a majority of each team. The field coordinator is responsible for determining the total fee due (based on a fee schedule),

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billing and collection of field fees, assignment of county fields at all county parks facilities (except Mitchell Field), and issuance of permits after all permit requirements are met. Each team renting a county field must be comprised of a minimum of 75% Nassau County residents, each of who must have a valid leisure pass. The field coordinator collects more than \$200,000 per year in revenues for use of county athletic fields.

Audit Finding (9):

Our review of the athletic field-coordinating function disclosed the following internal-control weaknesses:

- A lack of segregation of duties. One employee, with no managerial oversight, controls the entire process. This employee receives the application, assigns the available fields, determines the amount due, collects and deposits funds, issues permits, and informs the appropriate park directors of field assignments. We found that the determination of the total fee, which is based on the number of sessions required in accordance with the application, is not reviewed by a supervisor for accuracy, as evidenced by his/her signature before the leagues/teams are told of the total fees due.
- The permits are not pre-numbered. The field coordinator assigns a number to each application; however, the numbers assigned are not sequential. The official athletic field permits remitted to the park directors do not indicate the amounts and dates paid, nor do they require a supervisor's signature to ensure all parties that the teams have paid for use of the fields and have met the permit requirements.
- The cash receipts (generally checks) are not secured in a safe; instead, they are kept in the coordinator's desk drawer. We also observed that several checks had not been restrictively endorsed upon receipt as required by the department's administrative directive and proper internal controls.
- Deposits of cash receipts were not made within five business days, as required under the county charter.
- Rather than computerizing the records of the field assignments by location, the field coordinator maintains voluminous manual records.

Due to the lack of internal controls and proper segregation of duties, we were unable to determine that revenues have been maximized and properly collected and reported.

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Recommendations:

The department must establish and promulgate written procedures that address the lack of proper segregation of duties and the weaknesses in internal controls. The procedures must include oversight (checks and balances) within certain phases of the process: the fee calculation should be reviewed and approved in writing by a supervisor prior to a league/team being apprised of the total fee due; the permits should be pre-numbered for control purposes; and both the field coordinator and his supervisor should sign the permits to certify that the fees due have been paid, accounted for, and that all permit requirements have been fulfilled. The total fee collected should also be shown on the permit, along with the date collected. The field coordinator should establish a checklist for each application to verify its completion. The field coordinator's supervisor should review this checklist before signing the permit.

The manual records of athletic field assignments should be computerized. These field assignments should be e-mailed to each location on a weekly basis so that each park director has the most up-to-date records. These records should indicate both the teams and their respective permit numbers. The park directors would be able to compare the approved permits to the field assignments and question any discrepancies.

Checks and cash must be secured in a safe and checks should be restrictively endorsed immediately upon receipt.

The matter of timely deposits has been addressed by the administration.

Field Coordinator-Leisure Pass Requirements

Audit Finding (10):

The audit disclosed that not all leisure pass numbers listed on team registration and roster applications are verified for accuracy. We were told that time constraints prevent all team rosters from being checked. We selected one league application that was reviewed by the field coordinator and one that was not reviewed and found the following:

In the league application reviewed by the field coordinator, the field coordinator had found 77 leisure pass numbers that did not exist and/or did not match the name provided on the permit application. He informed the league of his findings and requested that it provide the proper leisure pass numbers or pay a penalty of \$30 for each team member with an invalid number. The field coordinator initiated the \$30 penalty fee (which to our knowledge, has not been authorized by the legislature) for any resident lacking a leisure pass. The coordinator was unable to provide evidence that the league fully complied with the request. Our review of the files found that some additional payments were received and that some team members' names were removed from the roster. We were unable to verify that the league provided a full reconciliation for the 77 discrepancies. The amount of unrealized revenue from leisure pass fees is unknown.

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Four of 18 team rosters on the league permit application not reviewed by the coordinator also were tested. The audit found that of 55 players, 26 did not have a valid leisure pass number. On one of the rosters tested, all 13 players listed had invalid leisure pass numbers. This roster with zero compliance was replaced with another roster for audit statistics. This test revealed a 25% non-compliance rate, excluding the roster that was totally invalid. This could equate to additional sales of leisure passes of approximately \$800 for one league permit application or additional fees if penalties were also imposed for non-compliance for field use only.

Recommendations:

To ensure compliance with the application requirements, the department should require that a copy of each team member's valid leisure pass be provided as part of each team's roster. The permits should not be issued until all issues are resolved. The field coordinator must discontinue the practice of imposing a penalty fee that has not been authorized by the county legislature.

The county could consider affording leagues/teams that do not fulfill the residence requirements access to its athletic fields at an additional fee to be set by the legislature. Field assignments should first be allocated to those that meet the requirements. Suffolk County offers an annual tourist reservation key for \$35. The department could consider requesting the legislature to consider charging a fee for each team member who does not have a valid leisure pass or is not a county resident.

Ice Skating Cantiague Park-Internal Controls

Audit Finding (11):

Our review of the internal controls concerning the issuance of permits for ice-skating disclosed a weakness in the segregation of duties; one individual with very little managerial oversight performs many of the billing and collection steps. This employee issues the permits (which are not pre-numbered), determines the amount of the fee due based on the number of dates requested and the fee schedule, and receives the funds either in-person or by mail. Upon receiving the funds, the employee brings the checks or cash to the office where a receipt is prepared. Proper internal controls require that the mail be opened at the office and that any checks received should be immediately endorsed and a cash receipt completed, with a copy of the receipt provided to the ice-rink manager. In accordance with requirements, forms used in the collection of revenues should be pre-numbered and an independent party should control distribution of the forms for use by a location. The employee created this form, which had the approval of the prior administration. Since the forms are not pre-numbered, we do not know how many permits were issued and that all revenues due have been properly determined and received.

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Ice-skating groups that charter rink time account for more than \$400,000 of ice-skating revenues. These groups are not required to provide the leisure pass numbers for individuals in their groups. The ice hockey regulations state that the organization must be Nassau-based, and its membership must be comprised of at least 75% county residents. The ice-skating supervisor expressed concern that some charter business could be lost to other rinks if the department was to strictly enforce the leisure pass requirements.

Recommendation:

The permit/application should be pre-numbered and the distribution of the pre-numbered permit forms should be controlled by the administration at Eisenhower Park. A supervisor should be required to sign the permit, certifying that the total fee due has been properly calculated. Since a few organizations are permitted to pay the fee after their use (i.e., Midnight Hockey), the administration should occasionally review the permits issued to verify that the cash was received and deposited. The office should open all mail and promptly endorse all checks and also prepare a cash receipt. The current practice of attaching a copy of the cash receipt to the permits to enable verification at a later date should be continued. A log of all permits issued also should be maintained for audit purposes.

The administration should establish and promulgate its policies and procedures related to ice charters and determine whether each member should be required to have a leisure pass, taking into consideration the possibility of lost business.

Sands Points Preserve-Revenue Collections

Audit Findings (12):

The department currently collects revenues at four different locations within the Sands Point Preserve and issues pre-numbered tickets to the visitors as a receipt. The locations are as follows: (1) Gate for admission into the park (weekends only); (2) Castle for admission into the exhibit; (3) On the shuttle bus for admission to the Falaise House, (4) Hempstead House. We found the use of tickets to be outdated and believe that four –fee-collection sites is unnecessary and weakens internal controls.

The facility takes an annual inventory of the tickets. In our review, we found that the ticket inventory was extensive. It consists of more than 16 different types of tickets, accounting for which is extremely difficult. We observed approximately 30 different types of ticket rolls (the total inventory exceeded 200 rolls) in storage that are currently not being used, appear obsolete and are not included in the inventory. The park director had conducted an inventory of the tickets in January 2002, but it was not independently verified as required by internal-control standards, nor was it kept current.

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Recommendation:

The department should reduce the collection locations to two; at the Castle for the exhibits, Falaise and Hempstead House; and at the gate on weekends for the entrance fee to the park and Hempstead House. The department should use cash registers, rather than tickets, to issue receipts for entrance into the exhibit and the two houses. Appropriate signs can be posted to advise the public where to pay for entrance into the various venues. Signs should be posted at the collection locations, advising the public to secure receipts. These revisions would strengthen the internal controls currently not in place, remove unnecessary cash-handling locations and simplify the accounting for cash receipts.

The department should review the ticket inventory and properly dispose of obsolete tickets.

Museums Division-Collections

Audit Finding (13):

A limited review of the museums division's collections inventory record-keeping and accountability of its extensive "Collections" inventory was previously conducted in June 2001. We had found that the inventory was manually maintained on catalog cards that are kept in two fireproof file cabinets. A microfilm of the inventory was made, with a duplicate on file at Hofstra University's Axinn Library; however, this had not been updated for 10 years. We also found that neither an internal nor independent physical inventory had been taken of the collections, as required by internal-control standards. The museum curators informed us that Sands Point Preserve was going to obtain a computer system specifically designed for the accounting of museum items with funds provided by Friends for Long Island's Heritage. We had conveyed our concerns to the previous administration that an independent inventory had not been taken and that theft of material items was possible. We now find that the inventory has still not been fully computerized.

Recommendations:

The department should establish and promulgate written procedures concerning the maintenance, accountability and security of its collections throughout the county. The department should have independent physical inventories of the collections taken yearly and should complete the task of computerizing its collection inventory in an expeditious manner.

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Control of Pre-Numbered Forms

Audit Finding (14):

Our audit found that pre-numbered forms used to collect fees are not being controlled adequately. There is no perpetual inventory kept of these forms and not all forms are included in the records that are maintained. We did find that the distribution of forms controlled by the administration requires signatures from the various facilities and that a copy of the signed distribution is forwarded to the administration's accounting unit. Forms not distributed by Eisenhower Park administration include the campground applications and pool applications at the aquatic center. In addition, the department does not take a yearly independent inventory-sequential count of the pre-numbered forms used. To ensure a proper accounting for the use of these forms, a proper internal-control system requires that there be periodic accounting of these forms by personnel who are independent of the revenue-collection reporting and form-distribution process. We were also shown a large quantity of obsolete tickets stored in the warehouse (with values of \$2, \$1, .25, etc.)

Many of the forms used by the department are printed by the county's printing and graphics shop. Before forms are printed, the form sequences requested by the department are compared to Printing and Graphics' records. Neither the print shop nor the administration was able to provide a listing of all forms printed for the department.

Recommendations

The department should implement procedures for centrally controlling pre-numbered forms used to collect fees. Procedures should include the establishment of a perpetual inventory that accounts for the sequential numbering of all forms. At a minimum, a yearly physical independent inventory of these forms should be taken, including verification that the receipt of new forms has been properly accounted for in the inventory. The department should have a listing of all forms printed by the print shop and outside vendors, including the receipt date and sequence numbers printed. Forms no longer required should be destroyed, and their destruction recorded.

Eisenhower Park Golf Course

Audit Finding (15):

In our review of the cash collections at the Eisenhower Park Golf Course facility, we found that cashiers will sometimes issue cash receipts from a pre-numbered cash-receipt book for golf fees although a receipt has already been recorded by a cash register. This improper use of the cash-receipt books could result in an improper conclusion that cash collected has not been deposited and that cash collections exceed the actual revenues.

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The back-up records from the computerized cash registers are not properly safeguarded. The back up is kept on location. If there were a fire, the history of transactions necessary for audit purposes would be lost. In addition, no user manual was available for review of the system.

In our review of revenues for tournaments and outings, we found that the facility maintains a manual schedule of the date of the event, group name, course and time. The schedule does not provide information necessary to substantiate that the funds due were received and deposited such as the total fee due, amount paid and the date of deposit. There is also no indication of a supervisory review of the correctness of the tournament listings, charges, and revenues collected. The monies are received and secured in a safe before the tournament or outing takes place; however, they are deposited after the fact, in case the tournament or outing is canceled due to inclement weather.

Recommendation:

Cash-receipt books should only be used for receipts not entered into cash registers. If a patron requests a receipt, the department should provide a copy of the register receipt marked as a copy.

The system's back-up tape should be saved off-site.

The tournament summary-schedule should be expanded to include fee due, amount paid, date paid and date deposited. Supervisors should review the correctness of fees charged, and that the funds have been received and deposited in a timely manner. The fees should be deposited before the event and any refunds due can be processed after the date the tournament or outing is cancelled.

Eugene Nickerson Beach (Formerly Known as Nassau Beach) - Parking

Background

Procedures were set up by the park director to ensure that all vehicle operators entering the facility pay the parking fee, even those who claim they are just there to purchase a parking decal or leisure pass, or for any other reason. To ensure that all cars entering the facility are accounted for, the parking attendants are required to record on a log sheet any vehicles that pass through the booth that are not required to pay a fee. These include vehicles with parking decals and those owned by employees or used for maintenance. The tollbooth operator gives customers who want to purchase a seasonal parking decal a green card as proof of payment of the daily parking fee, which will be deducted from the cost of the parking-decal fee at the office. These cash receipts are not entered into the cash register that were installed this year but are accounted for at the end of the day. The park director disclosed that not all customers who are provided with a green card at the tollbooth come to the office or -- if they do -- they do not have the required

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documentation to purchase a parking sticker and are advised to return with the green card and the requisite documents.

Audit Finding (16):

The procedures were discussed with the director prior to our test of transactions, which would have disclosed that the fees collected from green-card sales reported on the facility's daily reports were not deposited. These fees are not deposited because the customer would be refunded the fee when the green card is turned in to purchase a parking decal. We found that as of July 22, 2002, the park director had \$1,073 cash on hand related to this matter. The park director has records showing that 225 green cards that were issued at the tollbooth were not turned in. We also found that there is no reconciliation showing additions and subtractions from the cash collected to account for the balance on hand.

Recommendation:

The park director has agreed that this procedure is unnecessary since the tollbooths now have cash registers. When a customer purchases a seasonal parking decal in the future, that day's parking fee will be deducted from the seasonal fee. The voided receipts should be maintained with the daily records and the pre-numbered parking sticker sold should be indicated on the receipt. The director had agreed to promptly deposit the cash on hand and include it in the weekly report.

Eugene Nickerson Beach - Tollbooth Controls

Audit Finding (17):

The park has three tollbooths with no gates; each has a new cash register that was purchased for operations beginning in 2002. The parking revenues in 2002 totaled approximately \$175,000. We found a weakness in internal controls in that the logs maintained by the tollbooth operators of vehicles not required to pay a fee cannot be verified for accuracy. The operator must account for all vehicles based on number recorded on the vehicle counter at each tollbooth, which is reconciled by the office to the register tapes, sequential count and log. This log includes employee vehicles, customers with parking stickers and maintenance vehicles. The number of daily purchases and the number of entries on the vehicle log must equal the number that appears on the vehicle counter for the day. Although a sign is posted requesting visitors to secure a receipt, the system could be compromised by those who fail to do so, since this would enable an operator to pocket the cash receipt and then post any parking sticker number onto the log, thereby accounting for all of the vehicles in the daily count.

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Recommendation:

The department should review the cost-benefit of better controls at the tollbooth. Cameras could be used to monitor the operators' activity. Stickers could be issued with UPC labels that permit entrance into the facility through a tollbooth with an automated gate. Employees and maintenance -vehicle operators also could be provided with parking stickers with UPC labels. This would greatly reduce the number of vehicles entering the facility that must be logged in and increase the efficiency of the operators because they would only service customers paying a parking fee. In addition, if the administration were to improve the conditions at the facility, resulting in an increase in daily attendance, the operators would be able to handle the additional workload.

Eugene Nickerson Beach-Cabana Renters and Use of the Pool

Audit Finding (18):

In our review of the controls relating to pool use by documented cabana renters, we found that renters are provided with up to four pre-numbered pool tags – depending on family size. We were informed, however, that under current procedures there is no way to restrict use of the pool tags to renters and unused tags are often lent to guests. As a result, while the pool at times appears to be well used, only a few daily pool passes are being sold. The reported pool revenues in 2001 were approximately \$4,000. The cost of labor to operate these pools far exceeds the total revenues collected from admissions.

Recommendation:

If the department wants to collect more revenue for use of the pools, controls over pool entrance must be changed. The parks director suggested requiring documented cabana renters up to a limit (four or more) to purchase leisure passes (adults and children) and incorporate a pool pass within the leisure pass. The leisure pass, rather than a tag, would be used to gain entrance into the pool. All others would be required to purchase daily pool passes.

Wantagh Park - Collection of Boat Launch Fees & Daily Reports

Audit Findings (19):

In our review of boat launch fee collections at Wantagh Park, we found that, at times, the attendant collects the \$20 fee from patrons without seasonal launching passes. Contrary to proper internal controls, however, attendants do not issue pre-numbered cash receipts but instead later enter the sale into the cash register at the administration building.

In our review of collection fees at Wantagh Park, we performed a test comparing the amounts collected as shown in the weekly collection report to the daily bank deposits. For the period tested, July 12-18, 2002, we found that deposits did not agree with the

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weekly collection report for four of the seven days. Three of the deposits were higher than the weekly report by a total of \$25, while one day it was under by \$85. Although the park director advised us that he investigates the discrepancies, there were no explanations for the differences shown on the report.

Recommendation:

To establish better control over boat launch fee revenues, the department should direct patrons desiring to purchase daily \$20 boat launch permits to do so at the administration building, rather than at the boat launch. A sign advising patrons where to pay the daily launching fee should be installed at a conspicuous spot. The sign should also warn patrons that park rangers would ticket those without permits, which will result in a heavy fine for failure to pay the launching fee.

The park director should determine the reasons for the discrepancies between the weekly collection report and the bank deposits and initiate and document the appropriate action to correct the situation.

Cantiague Park – Cash-Receipt Books

Audit Finding (20):

Cantiague Park uses cash-receipt books for many different cash-collection functions. The facility did not maintain a perpetual inventory of the books on hand and in use that would identify the collection function of each book.

Recommendation:

We recommend that a perpetual inventory of cash-receipt books be maintained and that as a book is assigned to a particular type of fee collection, the inventory should reflect its assigned use. This use of cash-receipt books is a common practice at other locations and the entire process should be reviewed.

Proof of Payment at Fee-Collection Locations

Audit Finding (21):

The department's Administrative Directive 407 requires that all fee-collection locations display, in public view, a sign advising the public that they are to receive some form of proof for having paid the required fee. In our review for compliance with this directive we found that a sign was not present at the Cantiague Park pool/ice rink location, mini-golf/batting range, the aquatic center, and driving range at Eisenhower Park, Eugene Nickerson Beach pool and other locations.

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Recommendation:

The department should review all cash-collection locations to ensure that a sign or signs are present and in public view advising park visitors to receive proof of payment. Payment receipts should be pre-numbered and have the park's name imprinted on them.

Changing of Safe Combinations

Audit Finding (22):

The department's Administrative Directive 401 requires that safe combinations be changed at least once every 18 months, or sooner when there is a change in responsibility or transfer or termination of personnel. In our review for compliance with this directive, we found that the safe combination at all locations examined in this report have not been changed as required. In addition, a written record of employees with access to the safes and when the combination was last changed is not maintained.

Recommendation:

The department should comply with this directive. We recommend that the department advise all park directors of the proper procedures and have all safe combinations changed.

Restrictively Endorsed Checks

Audit Finding (23):

In our review of controls concerning check endorsements, we found that cashiers receiving checks at Cantiague Park and the Aquatic Center at Eisenhower Park do not have a stamp to immediately endorse checks when received. We also observed that checks were not endorsed at the Eisenhower Park's golf facility.

Recommendation:

The department must inform all collection locations that the employees who receive checks or open the mail with checks enclosed must adhere to the internal-control requirement to promptly restrictively endorse the checks.

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Petty Cash

Audit Finding (24):

The accounting unit at Eisenhower Park controls the distribution of petty cash to all facilities and prepares a collective summary by facility, which is reconciled in total to the county's financial records (NIFS). Our review of this reconciliation on June 4, 2002, found an overage of \$32.46. A reconciliation performed on December 17, 2001 by the comptroller's office, found an overage of \$42.51. The department could not explain the difference.

Our review of the department's petty cash counts/reconciliation found that they are performed infrequently, and are signed neither by the preparer nor a supervisor. We also found that the department is not conducting independent counts of petty cash as required by a department administrative directive that requires this function be performed at least once a year. Proper internal controls require more frequent verification.

Recommendation:

The department should resolve the discrepancies; counts should be performed weekly, and both the preparer and supervisor should sign and date the count/reconciliation. Unannounced independent counts of the petty cash/reconciliations should also be conducted at least semi-annually.

Appendix

Department of Parks, Recreation and Museums Response to the Audit Report

Executive Summary - Department Response:

The Department of Parks, Recreation and Museums is currently updating the Department's Administrative Manual to include all directives involving fees, rules and regulations. The manual will also include specific procedures involving cash collections and internal control. A comprehensive employee organization chart is also being prepared.

The Department is currently implementing credit cards to increase revenue and prevent fraud. In addition, e-mail is being expanded to improve communication between the various parks/facilities and the administration.

The Department has recently started using scanners for leisure pass purposes, which enable the computer to automatically charge the accurate fee(s). This should eliminate several criticisms cited in the audit regarding leisure passes.

The Department of Parks and Recreation is currently seeking to add a full-time Field Auditor, possibly through re-deployment, to perform the necessary on-going audits of each cash-collecting facility.

AUDIT FINDING (1) – WRITTEN PROCEDURES/ADMINISTRATIVE DIRECTIVES

Dept. Response:

All Park Directors are currently detailing the daily procedures involved regarding cash collections and will be conducting any re-training deemed necessary. The Deputy Commissioner will review each and these, along with an updated organization chart, eventually will be incorporated into a current operating manual. All employees involved in the cash collection (transaction) cycle are currently following these basic guidelines:

OPENING SUPERVISOR:

1. Opens safe and counts all change banks and cash draws to make sure all monies are accounted for.
2. Checks all tickets to make sure that all starting numbers are correct with what is on the opening revenue sheet.
3. Checks each cash register by running a summary tape to make sure register was closed out from the night before.
4. Checks revenue deposit from previous night's paperwork to make sure it is correct.

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DAILY CASHIERS:

1. Each cashier counts their cash drawer prior to work-shift and both the supervisor and employee sign off that it is the correct amount.
2. At the end of work-shift, employee verifies revenues taken in with supervisor, who in turn, has closed out the cash register to insure correct monies have been collected.

CLOSING SUPERVISOR:

1. Records all closing ticket numbers on daily revenue close out sheet.
2. Counts all revenues taken in for the day.
3. Verifies that closing numbers/revenues balance out with cash register tape.
4. Closes out cash register.
5. Makes out bank deposit/verification forms and places with daily revenues.
6. Counts all change banks and cash drawers to insure that they are correct and ready for the following morning.
7. Secures all tickets, banks, and revenues in safe and locks safe.
8. Records starting numbers on next day's daily revenue sheet, which morning supervisor must check.

Auditor's Comment:

We agree with the corrective action being taken by the department.

AUDIT FINDING (2) – WEEKLY REPORTING OF REVENUES AND INTERNAL AUDITS

Dept. Response:

Each employee responsible for weekly revenue reporting has been directed to include additional pertinent information previously omitted.

Park Directors have been instructed on the correct steps to follow to ensure proper segregation of duties and verification of receipts.

Auditor's Comment:

We agree with the corrective action being taken by the department.

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AUDIT FINDING (3) – MONITORING OF REVENUE REPORTS

Dept. Response:

Monthly revenue reports do include analysis of fluctuations. However we are in the process of enhancing the report to include more detail.

Auditor's Comment:

We agree with the corrective action being taken by the department.

AUDIT FINDING (4) – STORAGE WAREHOUSE AT EISENHOWER PARK

Dept. Response:

Updating the Warehouse at Eisenhower to include a computerized inventory system is one of the Administration's goals. Progress has been made since the warehouse supervisor has recently received a computer and has been given e-mail access.

Auditor's Comment:

We support the department's efforts to incorporate a computerized inventory system for the warehouse. However, the department's response did not address the lack of an annual independent verification of the physical inventory and the distribution of cash-receipt books out of numerical sequence. We reiterate our recommendations that the department conduct an independent physical inventory at least once a year and ensure that cash-receipt books are issued and used in sequence.

AUDIT FINDING (5) – GRANT ACTIVITY

Dept. Response:

The Department is taking an active roll in working with the newly formed Office of Grants Management. In the past the individual supervisors applying for grants were solely responsible for writing, submitting and tracking the grant. Since the new Office of Grants Management has been established, very specific procedures have been put in place to monitor a grant from its application inception through full funding, and staff involved with grants has been trained in these procedures. Mistakes and oversights of the past will not be possible.

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Auditor's Comment:

We agree with the corrective action being taken by the department.

AUDIT FINDING (6) – CONCESSIONAIRES (LATE FEES AND OWED CONCESSION REVENUE)

Dept. Response:

Bills and Past due notices are sent monthly to concessionaires. Any fee issues still outstanding have been turned over to the County Attorney for review.

Auditor's Comment:

The department's response did not address our finding that written procedures have not been established for the distribution of bills to concessionaires (pre-numbered), when to send past due notices, and for the submission of monthly reports to the administration. We reiterate our recommendation that the department establish these procedures. The department also did not address our recommendation to install sub-meters at the Carltun on the Park restaurant in Eisenhower Park to measure electric and water consumption to ascertain the actual profit or loss the county is realizing through its contract with this concessionaire.

AUDIT FINDING (7) ACCOUNTS RECEIVABLE

Dept. Response:

Policies and Procedures regarding the extension of credit and credit limits are currently being incorporated into a Department manual.

Auditor's Comment:

The department's response did not address our concern about Friends outstanding debt to the department. We reiterate our recommendation that the department should closely monitor Friends to ensure all outstanding debts are paid promptly.

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AUDIT FINDING (8) - OLD BETHPAGE LONG ISLAND FAIR

Dept. Response:

In the past, cash registers were tried at the Fair and deemed to be cumbersome, prone to break-down and too slow for the long lines of families and children.

As recommended, at the 2002 LI Fair we did use receipt books issued by our Accounting Unit – Books 003401 – 005600.

In addition, for the first time, and in an attempt to double check attendance figures, in 2002 we used turn styles and hand-counters for children in strollers and those in wheelchairs.

Auditor's Comment:

We agree with the corrective action being taken by the department.

AUDIT FINDING (9) - FIELD COORDINATOR INTERNAL CONTROL WEAKNESSES

Dept. Response:

Field Coordination will soon be reorganized with a proper segregation of duties to be performed. Cash receipts will be kept in a safe and deposited timely. Computerization and E-mail are a continuous work in progress within the Department.

Auditor's Comment:

We agree with the corrective action being taken by the department.

AUDIT FINDING (10) - FIELD COORDINATOR-LEISURE PASS REQUIREMENTS

Dept. Response:

Leisure Pass inadequacies are being addressed throughout the Department. The Field Coordinator has been instructed to discontinue the imposition of a penalty fee not authorized the County Legislature.

Appendix

Auditor's Comment:

We agree with the corrective action being taken by the department.

AUDIT FINDING (11) - ICE SKATING CANTIAGUE PARK- INTERNAL CONTROLS

Dept. Response:

The Cantiague Park Director will be instructed on the correct steps to follow to ensure proper segregation of duties and Leisure Pass enforcement.

The Administration will include policies relating to ice charters and Leisure Passes in the operating manual.

Auditor's Comment:

We agree with the corrective action being taken by the department.

AUDIT FINDING (12) - SANDS POINTS PRESERVE-REVENUE COLLECTION

Dept. Response:

At first glance, reducing the cashier locations from four to two seems prudent, but at this large site with spread out attractions, the system in place is working operationally and with satisfied customers. In addition, this consolidation would not save staff:

- Tickets sold on the Falaise bus assure that the tour is not over sold. Guests buy the ticket and then immediately occupy a seat. When tickets are sold at another location, people tend to wander, miss the bus and then expect to get on the next bus, which then might be sold out.
- At Hempstead House, the person selling tickets also serves as security and guest greeter. If a patron parked at Hempstead House, got out of the car, entered the building and then was told to drive or walk ¼ mile to the ticket booth, they wouldn't be too happy.

We agree that cash registers should be explored and we will do this. We will also review the ticket inventory and dispose of obsolete tickets.

Appendix

Auditor's Comment:

We agree with the corrective action being taken by the department.

AUDIT FINDING (13) - MUSEUMS DIVISION- COLLECTIONS

Dept. Response:

Since early 2002, one of the highest priorities of the Division has been to expedite the Collections inventory process. A grant was received for new specialized computer equipment and a software program specially designed for Museums Collections inventory.

Staff has been reassigned from other facilities to assist in this process and a grant has been applied for to add additional project staff. After the inventory is completed, the Division will follow established procedures recommended by the American Association of Museums regarding Collections management.

Auditor's Comment:

We agree with the corrective action being taken by the department.

AUDIT FINDING (14)- CONTROL OF PRE-NUMBERED FORMS

Dept. Response:

The procedures regarding pre-numbered forms are currently being considered by the administration in an ongoing attempt to institute more efficient internal controls throughout the department.

Auditor's Comment:

We agree with the corrective action being taken by the department.

Appendix

AUDIT FINDING (15) – EISENHOWER PARK GOLF COURSE

Dept. Response:

Back-up records have been transferred to an off-site location. The Department is currently in the process of updating its filing system (regarding revenue for tournaments and outings) into an excel spreadsheet.

Cashiers at the Golf offices will be instructed on the proper procedures regarding cash receipts.

Auditor's Comment:

We agree with the corrective action being taken by the department.

AUDIT FINDING (16) – NICKERSON BEACH – PARKING

Dept. Response:

Facility will comply and voided receipts will be maintained with the daily records and the pre-numbered parking stickers sold will be indicated on the receipt. Any cash on hand will be promptly deposited and included in the weekly report to Administration.

Auditor's Comment:

We agree with the corrective action being taken by the department.

AUDIT FINDING (17) PAGE 31 – NICKERSON BEACH – TOLLBOOTH CONTROLS

Dept Response:

The Department is considering all recommendations including installing cameras to monitor tollbooth operators' activity and issuing stickers with a UPC label for automatic entry.

Auditor's Comment:

We agree with the corrective action being taken by the department.

Appendix

AUDIT FINDING (18) – NICKERSON BEACH – CABANA RENTERS AND USE OF THE POOL

Dept. Response:

The Department has achieved a substantial increase in Leisure Pass sales since requirements have tightened. Therefore, the recommendation of requiring a leisure pass rather than a pre-numbered pool tag is being seriously considered.

Auditor's Comment:

We agree with the corrective action being taken by the department.

AUDIT FINDING (19) – WANTAGH PARK – COLLECTION OF BOAT LAUNCH FEES & DAILY REPORTS

Dept. Response:

Wantagh Park is now under new supervisory control. More efficient procedures are now in place. Pool Revenue is now being separated from regular park revenue. This will aid us in better tracking and monitoring revenue trends. Also the Wantagh Park supervisor has revamped the boat launch procedures to document and track boat launch permits.

Auditor's Comment:

We agree with the corrective action being taken by the department.

AUDIT FINDING (20) – CANTIAGUE PARK – CASH RECEIPT BOOKS

Dept. Response:

A record is kept in Administration as to how many books each facility has been issued and when but not broken down as to the uses of each numbered book. The department is considering several ideas that would identify the function of each book including implementing a color-coded system.

Auditor's Comment:

We agree with the corrective action being taken by the department.

Appendix

AUDIT FINDING (21) – PROOF OF PAYMENT AT FEE-COLLECTION LOCATIONS

Dept. Response:

These, as well as many other procedures/controls, are currently being considered for implementation at the departments many facilities.

Auditor's Comment:

We agree with the corrective action being taken by the department.

AUDIT FINDING (22) – CHANGING OF SAFE COMBINATIONS

Dept. Response:

Park Directors have and will be advised on proper procedures regarding the changing of safe combinations.

Auditor's Comment:

We agree with the corrective action being taken by the department.

AUDIT FINDING (23) – RESTRICTIVELY ENDORSED CHECKS

Dept. Response:

Park Directors have and will be advised on proper procedures regarding the prompt endorsement of checks.

Auditor's Comment:

We agree with the corrective action being taken by the department.

AUDIT FINDING (24) – PETTY CASH

Dept. Response:

Petty Cash reconciliations will be conducted more frequently going forward.

Auditor's Comment:

We agree with the corrective action being taken by the department.