



Oregon Parks and Recreation Department: Cash Controls Audit

Summary

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Secretary of State Audit Report

PURPOSE

The audit was conducted to determine if the Oregon Parks and Recreation Department (department) established and implemented adequate controls over cash handling, receipting and disbursing.

RESULTS IN BRIEF

We found the department documented and implemented appropriate controls over cash disbursements. We did, however, identify opportunities for the department to improve controls over cash receipts to ensure cash received is appropriately recorded, deposited and safeguarded from loss or theft.

RECOMMENDATIONS

We recommend department management:

- Provide training to park managers regarding how to implement effective internal controls over the cash receipting process; and
- Ensure cash is appropriately safeguarded by implementing adequate physical controls, depositing receipts timely, and performing timely cash reconciliations.

AGENCY'S RESPONSE

The Oregon Parks and Recreation Department generally agrees with the recommendations.

Introduction

In 1990 the Oregon legislature created the Oregon Parks and Recreation Department (department). The department operates the state's system of 231 parks and related recreational programs. These parks occupy more than 94,000 acres throughout the state and include 53 campgrounds and 173 day-use areas.

The department established a call center, "Reservations Northwest", which provides reservation services for state parks throughout Oregon. Of the total \$33.2 million collected during the 2003-2005 biennium, \$19.4 million (58 percent) was from parks, and \$13.8 million (42 percent) was from the reservation center.

The department uses a decentralized approach for collecting receipts and making disbursements. Department management created guiding policies and procedures and gave park managers responsibility for implementing and maintaining effective and efficient internal controls over financial assets.

The department, including all individual parks, utilizes an automated data capturing system, the Financial Management System (FMS), to record financial transactions such as sales for overnight camping, day-use passes, and firewood. The system is also capable of tracking the inventory of controlled items such as day-use passes and check stock.

Audit Results

We found the department implemented appropriate controls over cash disbursements and the controls are working as intended. Specifically, we found:

- Recorded transactions were valid and supported by appropriate documentation.

- Transactions were properly authorized, calculated, and recorded in the accounting system.
- Transaction input and approval duties were properly segregated.

We did, however, identify opportunities for the department to improve controls over cash receipts as outlined below.

Insufficient Cash Receipting Controls

From July 2004 through February 2005, the department recorded sales of firewood, soft drinks and bags of ice, and day-use passes totaling \$364,675, \$31,071, and \$1,254,875, respectively. Due to poor inventory and cash controls, however, we were unable to determine if revenue and cash account balances were complete and accurate in regard to these revenue sources.

To prevent loss or errors involving inventory and cash, state policy and best practices require:

- Cash receipts be reconciled with daily cash reports prepared from pre-numbered receipts, permits, cash register tapes, and similar documents;
- Periodic reconciliations between inventories and accounting records;
- Two people be present during the transfer of monies into and out of safes whenever possible; and
- Safe logs or control receipts be utilized to monitor custody of assets.

The department assigned responsibility for implementing internal controls to managers of the individual parks. However, the department provided only minimal training on implementing the necessary controls. Based on our audit procedures, we found the required cash and inventory

controls were not present or functioning at all parks.

For example, the parks visited did not effectively inventory firewood, bags of ice or day-use passes, and did not always issue receipts for items sold. In addition, during walkthroughs of cash handling procedures we found that only one person was present during the deposit and removal of cash from the safe. We also found some safe logs, used to monitor the exchange of cash, to be inaccurate.

Adequate inventory and cash controls are necessary to ensure accounting records, including cash receipts, are complete and accurate, inventory sold is for the appropriate sales price, and monies received are appropriately recorded and deposited. In addition, effective controls enhance management's ability to assign responsibility in the event of a loss.

We recommend department management provide training to park managers regarding how to implement effective internal controls over the cash receipting process.

Agency's Response:

We generally agree. Training is scheduled in late February/early March 2007 for field staff and managers and will include best practices for cash management, a review of OPRD policies that govern internal controls, and training specifically targeted to managers.

The cost of implementing a detailed inventory system for firewood, soda, and ice outweighs the potential risk of cash losses under our current systems. These items are an expected service of the camping experience. At some parks, firewood is purchased through a vendor, at others, dead and dying trees, limbs and trees that have been cut for forest improvement purposes are retained at the parks and sold as firewood.

Soft drinks are not necessarily bottles that are easily inventoried, but include canisters of soda syrup that produce soft drinks through a water connection. The ice may not be bags purchased from a vendor, but rather produced through a machine owned by the department. Whereas some items may be relatively easy to inventory, the effort required to inventory and control the remainder imposes a management control that exceeds the potential loss. Where feasible and practical, procedures will be established to maintain records of inventory for these items.

The department tracks its inventory of day-use passes and other controlled items through the recently implemented Financial Management System (FMS) and audits are conducted of controlled items during periodic reviews performed at the parks. The department has implemented procedures to require a semi-annual inventory of day use passes and other controlled items that will be reconciled against records in FMS. Performance of these inventories will be monitored and verified by responsible managers. This change in procedure will be included in the training scheduled for February/March.

Inadequate Safeguards Over Cash

From July 2004 through February 2005, the department received approximately \$13.7 million in cash, checks, and credit-card transactions. According to our testing and observation, however, the department did not ensure all cash and inventory items were adequately safeguarded.

Department management is ultimately responsible for establishing, maintaining, and improving internal controls to provide reasonable assurance that

assets are safeguarded. To this end, state policies require:

- Physically secured storage devices;
- Timely deposit of receipts; and
- Cash reconciliations between department and bank records.

During our audit, we found these controls were missing or not functioning as intended.

Safes and Locking Cabinets

Oregon State Parks use safes and locking cabinets to secure check stock, change funds, cash, and inventory easily convertible to cash (e.g. day-use passes). However, based on our observation, we found that park management had not limited access to safes or cabinets based on a demonstrated need.

For example, at the parks visited an excessive number of employees had access to the safes, including staff who had check-signing authority. Also, we observed a locking cabinet with the key remaining in the lock.

Failure to limit access to the safes and cabinets increases the susceptibility of assets to loss or theft.

We recommend park management properly safeguard assets susceptible to loss or theft by limiting access based on staff job duties.

Agency's Response:

We generally agree. The department is inventorying safes throughout the department and will replace all older safes with new models that will include an internal locking compartment for storage of cash funds. This will further restrict access to safe contents to authorized individuals. The inventory and replacement process will begin in October 2006 and be completed prior to April 2007. In addition, a more formalized process for identifying those with a

need for safe combinations will be implemented throughout the department by October 2006. Policy has been implemented requiring that all safe combinations be changed during the month of October each year.

Untimely Deposits

Oregon State Parks deposit receipts at local banks in accounts held by the state. Based on testing, we determined that not all deposits are made timely and according to state statute. Oregon Revised Statute 293.265 requires that state agencies deposit cash receipts within one business day. The statute also allows agencies to file exemptions with the Secretary of State's office for legitimate business reasons. Although the department had an exemption on file with the Secretary of State's office, the exemption differed from the department's deposit policy.

Specifically, the exemption on file stated that deposits will be made within 24 hours when the aggregate receipts equal or exceed \$1,200. The department's deposit policy states, however, that from May 1st through September 30th deposits will be made within 24 hours when the aggregate receipts equal or exceed \$3,000. Therefore, some deposits made according to department policy were not made in a timely manner according to the exemption on file.

Making deposits in a timely manner reduces the amount of cash susceptible to misappropriation and maximizes the interest revenue earned.

We recommend department management ensure deposits are processed timely and department policy agrees with the exemption request on file with the Secretary of State.

Agency's Response:

The proper exemption request has been filed with the Secretary of State.

Unreconciled Deposits

An important control to ensure cash account balances are accurately stated is timely reconciliations between department records and bank records. In performing cash reconciliations, agencies should identify reconciling items, such as deposits in transit, and monitor those items to ensure they clear in a reasonable period of time. While the department identified reconciling items, it did not ensure the items cleared timely. In some cases, items were outstanding for more than 12 months. These reconciling items occurred due to deposit input errors.

State policy requires reconciliations be performed timely to reduce the risk that cash may become lost or stolen and to increase management's ability to assign responsibility in the event of a loss.

We recommend department management make the reconciliation of outstanding items a priority and further develop procedures to reduce input errors.

Agency's Response:

Unreconciled deposits have been resolved. There is no item older than the standard of 60 days. The number of unreconciled deposits increased as the agency implemented its new financial management system in 2003. As staff became familiar with the system, and through a concerted effort, this backlog has been resolved. FMS has been enhanced with additional edits to prevent the common errors that were causing a large number of reconciling errors. Training and assistance has been and continues to be provided.

Objectives, Scope and Methodology

The scope and objective of our audit was limited to determining whether controls over cash handling, receipting and disbursing had been established and were performing properly.

We conducted interviews with department staff and management and reviewed department accounting records and other supporting documentation at department headquarters, Reservations Northwest, and two state parks (Detroit Lake State Park and Silver Falls State Park). In addition, on a department-wide basis, we performed tests of controls over cash receipts and disbursements recorded July 2004 through February 2005.

We conducted our fieldwork from March 2005 to July 2005 and in accordance with generally accepted government auditing standards.



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The courtesies and cooperation extended by the officials and staff of the Oregon Parks and Recreation Department were commendable and much appreciated.

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