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July 29, 2014

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The Honorable Jack Mariano, Chairman, and
Members of the Board of County Commissioners
Pasco County Board of County Commissioners
8731 Citizens Drive
New Port Richey, FL 34654

Dear Chairman Mariano and Members of the Board:

Enclosed is Audit Report 2014-03, an Audit of the Iron Ranger Program. The purpose of this audit was to assess the internal controls over the Iron Ranger Program's revenue collection and cash processing activities.

The audit contained the following findings:

1. Periodic reviews of processing activities were not conducted by management on a consistent basis.
2. Reconciliation of pay station cash revenues was not performed.
3. Key control was not adequate.
4. Cash processing documentation was not adequate.

The audit contained the following observations:

1. Cash and coins were removed from VenTek insert units and delivered to the processing site in unsecured bags.
2. Cash processing rooms were not properly secured during processing activities.
3. Funds were collected at pay stations, delivered to designated processing sites, and transported to the bank by one person.
4. Cash handling operations were conducted in the presence of a non-county employee.
5. Policies and procedures did not include a requirement for employees to sign a cash-handling responsibilities acknowledgement form.

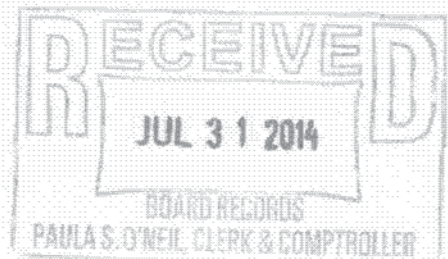
We appreciate the cooperation and professional courtesy received from the management and staff of the Parks and Recreation Department during this audit. Please let us know if you wish to discuss any findings and/or recommendations.

It is our request that the Board receives this report for filing, and directs the County Administrator to implement the recommendations made within this Audit Report.

Sincerely,

Paula S. O'Neil, Ph.D.
Clerk & Comptroller

PSO/pm



*Office of Paula S. O'Neil
Clerk & Comptroller
Pasco County, Florida*

**Pasco County Board of County Commissioners
Iron Ranger Program Audit**

July 29, 2014



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Report No. 2014-03

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Executive Summary

This audit originated as a project from the Fiscal Year 2014 Audit Work Plan and Risk Assessment.

Background Information:

On September 7, 2010, the Board of County Commissioners approved Resolution No. 10-375, adopting a revised Parks and Recreation Facility Use and Programs Fee Policy. Part of this revised fee policy included parking fees for 11 park sites by means of an "Iron Ranger" collection device. Parking fee collections officially began in November 2010. There was a \$2 charge for car parking and a \$5 charge per day for boat ramp parking. The Board had statutory and home rule authority to adopt a fee for parking within its County parks, in accordance with Section 125.01 (1) (m), Florida Statutes.

The Parks and Recreation Department was responsible for revenue collections from 14 pay stations¹. Twelve pay stations were utilized for the collection of car parking fees and two were for the collection of boat ramp parking fees.

Two types of collection devices were used at the parking pay stations. Six pay stations had non-automated iron rangers, which were metal cylinders anchored to the ground. The iron rangers were capable of accepting only cash and coins as payment. The parking fee was placed in an envelope and dropped into a slot at the top of the cylinder. Eight pay stations had automated VenTek machines, which accepted both cash and credit card cards as payment.

Objectives:

The overall objective of this audit was to assess the internal controls over pay station cash collection and cash processing activities. Specifically, the objectives were to:

- Determine if controls over revenue collection and cash processing activities for pay stations were adequate and effective
- Determine compliance with applicable laws, regulations, rules, contracts, and County/Department policies and procedures for pay station cash collections and cash processing activities
- Determine if proper reconciliation was performed to ensure the accurate reporting of revenue from pay stations

Scope and Methodology:

The audit period was February 20, 2014 through May 29, 2014. The nature and scope of this audit was intended to provide objective and relevant assurance, and to contribute to the effectiveness and efficiency of governance, risk management, and control processes of the Iron Ranger Program. The audit was neither designed nor intended to be a detailed study of every relevant system, procedure or transaction.

¹ The term "pay stations" refers to all pay stations and includes both automated and non-automated pay stations for the collection of parking fees.

We employed various audit procedures to accomplish our objectives, which are summarized below:

- Conducted meetings and interviewed management regarding the Department's system of internal controls over the Iron Ranger Program
- Reviewed Department policies and procedures for revenue collections and cash control of iron ranger and VenTek funds
- Conducted site visits to park facilities and observed pay station collections and cash processing procedures
- Tested automated pay station machines for change-giving configuration
- Interviewed Department management, supervisors, and staff responsible for pay station collections and cash processing activities
- Examined cash processing documentation for each pay station collection that was observed
- Reviewed pay station revenue reconciliation methods

Overall Evaluation:

The Division of Inspector General would like to express our gratitude for the cooperation and professional courtesies extended to our audit team by the management and employees of the Parks and Recreation Department. We would also like to commend management and park staff for their responsiveness in taking corrective action for findings that were brought to their attention during the audit.

The following table summarizes the Findings and Observations contained within this report.

Finding	Description	Page Reference
1	Periodic reviews of cash processing activities were not conducted by management on a consistent basis.	5
2	Reconciliation of pay station cash revenues was not performed.	6
3	Key control was not adequate.	7
4	Cash processing documentation was not adequate.	9
Observation	Description	Page Reference
1	Cash and coins were removed from VenTek insert units and delivered to the processing site in unsecured bags.	10
2	Cash processing rooms were not properly secured during processing activities.	10
3	Funds were collected at pay stations, delivered to designated processing sites, and transported to the bank by one person.	11
4	Cash handling operations were conducted in the presence of a non-county employee.	11
5	Policies and procedures did not include a requirement for employees to sign a cash handling responsibilities acknowledgement form.	11

Overall Conclusion:

Except as noted in our report, we concluded that internal controls over the Iron Ranger Program's revenue collection and cash processing activities were adequate with opportunities for enhancement. The recommendations noted in this report are offered to strengthen the control environment.

Findings & Recommendations

Compliance: Since compliance with agreements, contracts, laws, rules, regulation, policies and procedures is expected, recommendations were not provided.

Finding 1

Periodic reviews of processing activities were not conducted by management on a consistent basis.

As stated in the Pasco County Parks and Recreation Department Iron Ranger and VenTek Funds Policy on page 1:

"Administration will conduct periodic reviews of its Iron Ranger/VenTek processing activities to determine that all systems are functioning as intended and that all applicable County policies and procedures are being followed."

According to management during an interview, a few counting sessions were observed at the sites and two Park Managers participated in counting sessions with their respective sites as a means to review procedure. However, periodic reviews and monitoring of iron ranger and VenTek processing activities were not being conducted on a consistent basis and were not documented.

Management's ability to detect and correct noncompliance is diminished when reviews and monitoring activities are not documented and performed on a consistent basis.

Management Response:

Management provided a corrective action plan to address noncompliance in an email on 5/27/14. *"We will immediately initiate a written check list to use as a guide when conducting audits/reviews of Iron Ranger/VenTek procedures. Also, a written schedule will be created at the same time to ensure routine reviews are being completed."*

Corrective Action Plan:

Management provided the following update to their corrective action plan in an email on 7/24/14. *"Administration Staff has developed a check list to be used as a guide for conducting audits and review of Iron Ranger/Ven Tek procedures. It is currently being modified to include additional recommendations of this audit. Also, a schedule to ensure review of processing activities will be implemented which will comprise of no less than 3 inspections annually by accounting staff and managers."*

Target Completion Date:

August 1, 2014

Control Activities: Listed below are findings that represent opportunities to strengthen the internal controls. For each finding, a recommendation has been included.

Finding 2

Reconciliation of pay station cash revenues was not performed.

During an interview, a park administrative employee stated that cash reconciliations for VenTek pay stations were discontinued in April 2013. The employee presumed that the VenTek pickup tickets used by park staff to reconcile cash collections during processing provided sufficient accountability for cash.

Recommendation:

Establish reconciliation procedures that require weekly reconciliations of cash revenues from VenTek pay stations. Procedures should reflect the proper segregation of duties, which dictates that reconciliations must be performed by an employee who does not have custody or access to cash and who does not record cash receipts (i.e. Park Administrative Services staff, Parks & Recreation Managers). Reconciliation is a critical internal control practice that provides timely identification of errors.

Amend the current Iron Ranger/VenTek Funds Policy to include a requirement that designated processing sites send the following documentation to the reconciler the same day that cash is processed:

- Copies of VenTek pickup receipts (pickup tickets) for each collection
- Copies of validated bank deposit slip(s) for each collection

For each VenTek pickup ticket, the reconciler should:

- (1) Compare cash revenues reported in the VenTek online reporting system to VenTek pickup tickets and validated bank deposit slips. Check for inconsistencies in reported cash totals.
- (2) Review the "pickup" numbers listed on VenTek pickup tickets for each pay station and check for missing ticket numbers or any breaks in sequence.

These procedures ensure the accuracy of reported cash collections and the completeness of receipts.

Discrepancies in reported cash totals and breaks in sequence of pickup ticket numbers should be investigated immediately. Discrepancies should be documented and reflect their disposition and resolution. Maintain copies of all reconciliation documentation. This documentation serves as a "reconciliation package" and provides an audit trail for each pay station collection.

Scope Limitation:

Iron ranger pay station transactions could not be tracked. As a result, park staff could not perform reconciliations to support and ensure full and true reporting of all funds.

Consequently, we were not able to provide assurance on the accuracy or completeness of iron ranger cash collections.

Management Response:

"Management discontinued cash reconciliations after reporting requirements were modified by the Finance Department. However, we agree with the Division of Internal Services of the importance of this internal control function."

"As recognized in the audit report, tracking Iron Ranger transactions do pose a challenge for staff. The subsequent goal of the department is to replace all Iron Rangers with automated machines."

Corrective Action Plan:

"The current policy will be amended to include cash reconciliation as part of the daily/weekly reconciliation process. All processing sites will submit to the LOL administration office the Ven Tek sequential receipt and a copy of the respective daily spreadsheet. Sequential transaction numbers will be tracked and discrepancies will be promptly investigated."

Target Completion Date:

August 1, 2014

Finding 3

Key control was not adequate.

As part of our review, we observed the revenue collection process at six pay stations. We also observed cash processing activities at all three designated processing sites.

During interviews with park staff, we discovered that the keys to the main door of VenTek machines and the keys to the bill acceptors were universal. Each VenTek bill acceptor had two keys. One key was for detaching the bill acceptor from the inside of the VenTek machine and the second key was for opening the bill acceptor to remove the cash. At one park office, we observed a new bill acceptor still in the box. It appeared that two keys were included with the shipment of the bill acceptor.

We observed that Park Operators had custody of the VenTek keys that unlocked the bill acceptors, giving them access to the cash collections, which was inconsistent with policies and procedures. In addition, formal inventory of keys and insert units was not maintained. At the six locations where we conducted site visits, there was no indication that an inventory of keys or insert units existed.

Recommendation:

Ideally, for purposes of safeguarding cash assets, the universal VenTek keys that open the bill acceptors should be in the custody of the Park Site Supervisors at the designated processing sites. If this is not operationally feasible due to exceptional² events, we recommend that exception procedures are established to address those situations.

² "Exceptional events" are unplanned events at the automated pay stations which can cause the pay station to go out-of-service. For example, Park Operators indicated that bill jams occur fairly often. Additionally, when the bill acceptor is full the pay station will not accept cash payments. Both of these exceptional events may require the Park Operator to open the bill acceptor to remove the cash.

Every spare set of universal keys that are shipped with the bill acceptors should be in the custody of management to ensure that key control policies and procedures can be followed.

Establish a formal inventory (i.e. spreadsheet) of all keys and pay station insert units (bill acceptors, coin bags, and iron ranger insert cylinders) to ensure accountability and document a chain of custody for these items. The inventory should be updated on a regular basis, and should include, but not be limited to, the following:

- Designated custodian
- Date that the insert unit or key was assigned
- Park location
- Quantity
- Type of insert unit (bill acceptor, coin bag, cylinder)
- Serial number (bill acceptors)
- Key identification number

Exception procedures in conjunction with a formal inventory improve key control without hindering operations at the pay stations.

Management Response:

This finding was communicated to management on 4/30/14 so prompt action could be taken to correct or mitigate the consequences of this control weakness. A corrective action response was received in an email from management on 5/06/14. *"Effective immediately we will be collecting all spare keys and keeping them secured in the LOL administration office but for now the Park Operators will need to keep one as well as the recreation complex."*

Corrective Action Plan:

Management provided the following update to their corrective action plan in an email on 7/24/14. *"All spare sets of keys have been gathered and secured in the LOL administration office as of May 2014. In addition, keys have been reassigned so that Park Site Supervisors in the collector sites only have custody of one key for detaching the insert units and Park Site Supervisors in the processing sites only have one key for opening the insert units (bill acceptors) to remove the cash."*

"Furthermore, all Ven Tek sites have been equipped with additional bill acceptors so canisters can be easily replaced when out of service or full thus precluding collector sites from the need to open bill acceptors to remove the cash."

"The administration office is currently updating the key inventory to include all the key control recommendations in the Inspector General Audit Report."

Target Completion Date:

August 8, 2014

Finding 4

Cash processing documentation was not adequate.

A basic principle of accountability is that the identity of all individuals involved in a process or transaction should be readily determined to isolate responsibility. Documentation establishes a specific chain of accountability and verifies that cash processing activities were conducted by at least two people.

Several documents were utilized by park staff during pay station cash processing activities:

- a) Pasco County Daily Receipts Spread Sheet
- b) VenTek "Pickup" Receipt (for VenTek collections only)
- c) Iron Ranger Envelope Collection Form (for iron ranger collections only) **See note below
- d) Pasco County OD Receipt (for iron ranger collections only)
- e) Bank Deposit Ticket

However, key information was not recorded together on one document: 1) the signatures of all park staff that processed (counted/verified) the cash, and, 2) the total dollar amount of cash that was counted and verified.

Recommendation:

Create a uniform document to record the identity of the employees who performed cash processing duties. This new document should include the following information:

- Signatures of each person who processed cash funds
- Capacity in which each person participated (i.e. counted, verified)
- Dollar amount of cash counted/verified
- Date of cash processing
- Pay station site location
- Pay station type (VenTek or iron ranger)
- Collection dates: start/end

Amend the current Iron Ranger/VenTek Funds Policy to include a requirement that this new document be completed and forwarded to the person responsible for reconciling pay station collections. The reconciler should retain the document in the reconciliation package as described in the recommendation for Finding Two.

**Note: Management indicated that the Iron Ranger Envelope Collection Form was not being used on a consistent basis. Subsequent to the implementation of this recommendation, a uniform document would supersede the need for the Iron Ranger Envelope Collection Form. The Iron Ranger Envelope Collection Form would become obsolete.

Management Response:

"Management agrees with the Division of Internal Services Audit Report on the importance to create a uniform document identifying and recording all employees who perform cash processing duties."

Corrective Action Plan:

"The LOL Administration office is initiating procedures to identify and record all staff performing cash processing duties as recommended in this report."

Target Completion Date:

August 1, 2014

Observations: Listed below are items we observed during the audit that were outside the scope of our audit, but were worthy of being brought to the attention of management.

Observation 1

Cash and coins were removed from VenTek insert units and delivered to the processing site in unsecured bags.

According to policy and procedures, "The Park Operator (or his designee) will deliver the locked metal box and red change bag to the designated processing site for handling."

Recommendation:

Pay station funds should be kept locked in insert units until they are processed at the designated processing sites. The practice of removing cash from insert units in public view increases the risk of external theft and exposes park staff to serious risk events such as robbery and bodily harm.

Observation 2

Cash processing rooms were not properly secured during processing activities. At two of three processing sites, the door to the cash processing room was not closed and locked during cash processing.

Recommendation:

Doors to cash processing rooms should be closed and locked during cash processing activities.

Observation 3

Funds were collected at pay stations, delivered to designated processing sites, and transported to the bank by one person.

A single employee observed performing these tasks creates a personal safety risk for that individual.

Recommendation:

Two people should be present during cash collections at pay stations, when transporting cash to the processing sites, and when transporting cash to the bank.

Observation 4

Cash handling operations were conducted in the presence of a non-county employee.

Pay station collections were transported to the designated processing site along with a passenger who was working at the park as part of an inmate labor program called, "Operation Payback"³.

Recommendation:

Non-county employees should be properly segregated from cash handling operations.

Observation 5

Policies and procedures did not include a requirement for employees to sign a cash handling responsibilities acknowledgement form.

Recommendation:

Amend policies and procedures to include a requirement for park employees who are tasked with cash handling duties to sign an acknowledgement form which clearly states:

- (1) that the employee's position includes responsibility and accountability for handling cash and participating in cash operations, and
- (2) that employees involved in cash operations assume the responsibility for full and true reporting of all funds.

The acknowledgement form should be signed on an annual recurring basis and retained by supervisors for audit purposes.

³ The **Operation Payback Program** is designed to have a defendant, once sentenced, "give back" (community service) to the citizens of this county, for the crime they have committed in our county. This program is designed to have the defendant serve two days a week at a Pasco County Government work site, completing work as directed by the office supervisor.