



**SUFFOLK COUNTY
OFFICE OF THE COMPTROLLER
AUDIT DIVISION**

**John M. Kennedy, Jr.
Comptroller**

**An Audit of the
Suffolk County Department of Parks, Recreation and Conservation's
Departmental Bank Accounts
For the Period
January 1, 2015 through December 31, 2015**

**Report No. 2017-08
Date Issued: September 6, 2017**

**SUFFOLK COUNTY
OFFICE OF THE COMPTROLLER**

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EXECUTIVE SUMMARY

Introduction:

The Suffolk County Comptroller's Office has reviewed all known departmental bank accounts of the Suffolk County Department of Parks, Recreation and Conservation (Department) for the period January 1, 2015 through December 31, 2015.

Purpose:

The purpose of our review of the Department's departmental bank accounts was to determine if the Department complied with certain requirements of laws, regulations and Suffolk County Standard Operating Procedures (SOP) applicable to departmental bank accounts and to review and test internal controls applicable to those bank accounts.

Summary of Significant Findings:

- The petty cash fund established for the Department to function as a change bank for cashiers at park entrances was short \$1,350.
- We were unable to determine if the amount of revenue reported by the Department was accurate.
- The Department did not request written approval from the Department of Finance and Taxation (Finance and Taxation) to obtain credit cards, as required by SOP D-08. (Effective 1/1/16 the Department of Finance and Taxation became the Division of Finance and Taxation under the Department of Audit and Control in accordance with Resolution 517-2015.)
- There is a lack of segregation of duties related to the Department's credit card use, approval and payment processing; resulting in an increased risk that defalcation could occur without detection.
- The Department did not always comply with the purchasing procedures contained in SOPs D-02 and I-12.
- The Department did not comply with the procedures contained in SOP D-08 for disbursing funds through electronic funds transfers (EFT).
- Revenues were not always submitted to the Department of Audit and Control's Division of Finance and Taxation (Finance and Taxation) ten days after the end of the month or sooner, as required by SOP D-08 (Resolution 517-2015 abolished the County Treasurer and transferred the functions of the Department of Finance and Taxation to the Department of Audit and Control).

- The Department did not comply with the provision contained in SOP D-08 which requires departments to deposit all proceeds within twenty-four hours of receipt.
- The Department did not always comply with the internal control requirements contained in SOP D-08 pertaining to reconciling bank accounts, resulting in an increased opportunity for errors or fraud to go undetected.
- The Department did not always comply with the requirements of SOP D-03 pertaining to reimbursement of travel expenses, resulting in an increased risk of the Department reimbursing improper travel expenses.
- The Department's "Petty Cash Record Form" did not always contain all information required by SOP D-03.
- The Department did not submit their petty cash receipts to Audit and Control in a timely manner.
- Six of twelve park sites (50%) visited did not have any signage to alert park patrons that they should receive a receipt for all transactions, resulting in an increased risk that defalcation could occur without detection.

Summary of Significant Recommendations:

- The Department should maintain an accurate accounting of the petty cash fund established for the Department to function as a change bank for cashiers at park entrances and should ensure that all funds are accounted for properly.
- The Department should periodically perform surprise cash counts at the various park sites to ensure funds from the change bank petty cash fund have not been misappropriated.
- The Department should document the details of any adjustments made to the revenue reported on the Monthly Summary Reports generated by the Point of Sales (POS) system used by the Department.
- The Department should always request written approval from the Department of Audit and Control prior to obtaining any credit cards.
- The Department should ensure that the duties related to the Department's credit card use, approval and payment processing are properly segregated in accordance with the procedures pertaining to check issuance contained in SOP D-08.
- The Department should comply with the purchasing procedures pertaining to equipment purchases contained in SOPs D-02 and I-12.

- The Department should properly segregate the duties of authorizing and executing electronic funds transfers in accordance with SOP D-08.
- The Department should comply with all requirements pertaining to collecting and depositing funds, remitting revenues to Finance and Taxation and reconciling bank accounts contained in SOP D-08.
- The Department should comply with all requirements contained in SOP D-03, including timely submission of petty cash receipts to Audit and Control.
- All park locations that collect fees should have signs posted that state, "Please call (631) 853-5018 if you do not receive a receipt."

BACKGROUND

The Suffolk County Department of Parks, Recreation and Conservation (Department) was created by Local Law No. 1 of 1966 and Article XXVIII of the Suffolk County Charter. The Department is responsible for ensuring the safety and enjoyment of all visitors to Suffolk County parks, preserves and historic sites.

The Department manages nearly 50,000 acres of parkland. The acreage under the Department's jurisdiction includes fourteen major parks, four golf courses, four marinas, eleven campgrounds, bay and ocean-front beaches, boating facilities, nature trails, bird sanctuaries and nature preserves.

The Department maintained twenty (20) departmental bank accounts during the audit period. The primary purpose of the accounts is for depositing and remitting departmental revenue.

SCOPE AND METHODOLOGY

The scope of this audit is all departmental bank accounts maintained by the Department during the period January 1, 2015 through December 31, 2015.

We conducted our performance audit in accordance with generally accepted government auditing standards, except for the external peer review requirement. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

- Reviewed relevant Suffolk County, NYS General Municipal, County and Public Officers Laws, Suffolk County Resolutions and Suffolk County Standard Operating Procedures (SOPs).
- Sent bank and credit card account questionnaires to the Department and performed an analysis of the Department's responses.
- Conducted interviews of Department personnel as deemed necessary to obtain an understanding of the procedures used to record and process revenue remittances to the Department of Audit and Control.
- Interviewed Department personnel responsible for the duties related to the Department's credit card use, statement reconciliation and approval and payment processing to obtain an understanding of the processes and internal procedures employed by the Department.
- Performed an analysis of the activity recorded on the monthly bank statements to gain an understanding of the revenue processing procedures for the various departmental accounts.
- Interviewed personnel from Audit and Control who are responsible for reviewing the Department's petty cash accounts.
- Interviewed personnel from Finance and Taxation Division who are responsible for maintaining the Department's financial accounts.
- Obtained a Quarterly Status Report of Departmental Financial Accounts and a Petty Cash Balances Report as of December 31, 2015, from Finance and Taxation.
- Performed an analysis of the bank accounts to determine the amount of starting drawer cash on deposit as of December 31, 2015.

- Performed an analysis to determine the locations and amounts of starting drawer cash maintained during the off-season.
- Conducted surprise cash counts of the starting drawer cash maintained at various park locations.
- Performed a reconciliation of the starting drawer cash maintained in the bank accounts and actual cash on hand to the petty cash fund amount authorized by Resolution No. 412-2009.
- Performed an unannounced cash count and reconciliation of the Department's petty cash funds.
- Performed testing procedures as deemed necessary for a random selection of revenue transactions processed from January 1, 2015 through December 31, 2015.
- Performed testing procedures as deemed necessary for a random selection of revenue remittances submitted to Finance and Taxation from January 1, 2015 through December 31, 2015.
- Performed one bank reconciliation for each account maintained by the Department.
- Obtained and reviewed invoices for all credit card purchases and created a schedule of large or unusual purchases.
- Performed testing as deemed necessary for all large or unusual credit card purchases in order to determine if the credit cards were used for purchases that were not in accordance with SOP I-12, "Direct Purchase Procedures."
- Determined if the Department complied with all requirements of SOP D-08.

AUDIT FINDINGS

The petty cash fund established for the Department to function as a change bank for cashiers at park entrances was short \$1,350. The Department is authorized by Resolution 412-2009 to maintain a petty cash account in the amount of \$22,500; however, our unannounced cash counts and reconciliations revealed the following:

- The Department could not provide an accurate accounting of where all funds were physically located. Our summary of the various schedules provided by the Department revealed that \$271 was missing.
- Five of the thirteen (38%) park site cash counts revealed cash differences ranging from \$100 to as much as \$500 in one park, for a total shortage of \$1,104. In addition, there were two attempts to perform a cash count at Montauk; however, on both occasions the cash count could not be performed as the Auditor could not locate any staff at the park during business hours to perform the count. The cash count was subsequently performed by the Department and was deemed to have \$100 less than the amount authorized.
- The cash drawer balance maintained in one bank account was \$25 over the balance that should be maintained and may be attributable to revenue that was not remitted to Finance and Taxation.

We were unable to determine if the amount of revenue reported by the Department was accurate. Our audit testing revealed that eight of the fifteen (53%) revenue remittances selected for testing did not agree to the revenue reported on the Monthly Summary Report generated by the Point of Sales (POS) system used by the Department. Adjustments were made to the revenue on the reports; however, the Department could not provide any details or documentation supporting said adjustments.

The Department did not obtain written approval from the Department of Finance and Taxation¹ to obtain credit cards, as required by SOP D-08. The Department obtained Home Depot and Lowes credit accounts with numerous users on each account, without obtaining prior written approval from the Department of Finance and Taxation.

There is a lack of segregation of duties related to the Department's credit card use, approval and payment processing; resulting in an increased risk that defalcation could occur without detection. Our interviews regarding credit card procedures revealed that one employee is responsible for the issuance of credit cards and for approving the payment of the credit cards. In addition, the same employee has credit cards in her name.

¹ As of January 1, 2016, the Department of Finance and Taxation was merged with the Department of Audit and Control.

The Department did not always comply with the purchasing procedures contained in SOPs D-02 and I-12. Our audit testing revealed seventeen instances in which the Department purchased equipment without obtaining prior approval from the Budget Office as required by SOPs D-02 and I-12. The purchases were made using the Department's credit cards and then incorrectly coded as supplies (3000 object) instead of equipment (2000 object) on the payment vouchers submitted to Audit and Control. Failure to obtain prior approval from the Budget Office can result in misuse of taxpayer dollars for unnecessary purchases of equipment.

The Department did not comply with the procedures contained in SOP D-08 for disbursing funds through electronic funds transfers (EFT). Our audit testing revealed the duties of authorizing and executing EFTs were not segregated; the same staff member authorized and executed the transfer with the bank, resulting in an increased risk that defalcation could occur without detection.

Revenues were not always submitted to Finance and Taxation ten days after the end of the month or sooner, as required by SOP D-08. Untimely submission of revenue, which is comprised of the daily cash deposits, to Finance and Taxation hampers the County's ability to use the funds included in its operating budget. Our audit testing revealed that fifteen of fifteen (100%) revenue remittances tested were not remitted to Finance and Taxation ten days after the end of the month or sooner as follows:

- Revenue remitted via electronic funds transfer ranged from as little as four days late to as many as sixty-four days late.
- Revenue remitted by check ranged from twenty days late to as many as ninety-three days late.

The Department did not comply with the provision contained in SOP D-08 which requires departments to deposit all proceeds within twenty-four hours of receipt. Our audit testing revealed numerous instances in which deposits to the departmental accounts did not take place within twenty-four hours of receipt of funds, resulting in an increased risk that loss or theft could occur.

The Department did not always comply with the internal control requirements contained in SOP D-08 pertaining to reconciling bank accounts, resulting in an increased opportunity for errors or fraud to go undetected. Our audit testing revealed the following:

- Fifteen of the twenty (75%) reconciliations selected for testing were not performed within thirty days as required and some were performed more than five months after the statement ending date.

- According to SOP D-08, reconciliations are to be reviewed and signed by a supervisory employee who is not involved with the collection, deposit and disbursement of funds in order to avoid a conflict of interest; however, the reconciliations were reviewed and signed by a conflicted supervisor who oversees the disbursement of funds.

The Department did not always comply with the requirements of SOP D-03 pertaining to reimbursement of travel expenses, resulting in an increased risk of the Department reimbursing improper travel expenses. Our audit testing revealed the following:

- There were four instances in which employees were reimbursed for travel expenses which exceeded the \$25 monthly threshold contained in SOP D-03.
- Employees did not submit SCIN Form 89, “Travel Expense Voucher” to the petty cash custodian when requesting reimbursement for travel expenses as required by SOP D-03.
- Reimbursement for travel expenses is limited to once per month, whether through the petty cash fund or submission of the travel voucher to Audit and Control; however, there was one instance in which an employee was reimbursed for travel expenses twice in one month.

The Department’s “Petty Cash Record Form” did not always contain all information required by Suffolk County SOP D-03. Our audit testing revealed fifteen instances in which the Petty Cash Record did not indicate the name of the individual to whom petty cash was paid, resulting in an increased opportunity for fraud to go undetected.

The Department did not submit petty cash receipts to Audit and Control in a timely manner. Our audit testing revealed that as of April 8, 2016 all petty cash receipts pertaining to expenses incurred in 2015 had not yet been submitted to Audit & Control, resulting in an increased opportunity for errors to go undetected.

Six of the twelve (50%) park sites visited did not have any signage to alert park patrons that they should receive a receipt for all transactions, resulting in an increased risk that defalcation could occur without detection.

RECOMMENDATIONS

- The Department should maintain an accurate accounting of the petty cash fund established for the Department to function as a change bank for cashiers at park entrances and should ensure that all funds are accounted for properly. The accounting should be current and include the amount of cash at all park sites and their associated bank accounts.
- The Department should periodically perform surprise cash counts at the various park sites to ensure funds from the change bank petty cash fund have not been misappropriated.
- The Department should document the details of any adjustments made to the revenue reported on the Monthly Summary Reports generated by the POS system used by the Department.
- The Department should always request written approval from the Department of Audit and Control prior to obtaining any credit cards.
- The Department should ensure that the duties related to the Department's credit card use, approval and payment processing are properly segregated in accordance with the procedures pertaining to check issuance contained in SOP D-08.
- The Department should comply with the purchasing procedures pertaining to equipment purchases contained in SOPs D-02 and I-12. Approval from the Budget Office should always be obtained prior to making any equipment purchases and the purchases should be properly coded as equipment (2000 object) on all payment vouchers submitted to Audit and Control.
- The Department should properly segregate the duties of authorizing and executing electronic fund transfers in accordance with SOP D-08.
- The Department should comply with all requirements pertaining to collecting and depositing funds, remitting revenues to Finance and Taxation and reconciling bank accounts contained in SOP D-08.
- The Department should comply with all requirements contained in SOP D-03, including timely submission of petty cash receipts to Audit and Control. Reimbursement of travel expenses through the petty cash fund should only be made once per month, should not exceed \$25 per month and should not be made without submission of a properly completed SCIN Form 89 "Travel Expense Voucher."
- All park locations that collect fees should have signs posted that state, "Please call (631) 853-5018 if you do not receive a receipt."

APPENDICES

APPENDIX A

COUNTY OF SUFFOLK



STEVEN BELLONE
SUFFOLK COUNTY EXECUTIVE

DEPARTMENT OF PARKS,
RECREATION AND CONSERVATION

PHILIP A. BERDOLT
COMMISSIONER

August 17, 2017

Hon. John M. Kennedy, Jr., Comptroller
Suffolk County Comptroller's Office
H. Lee Dennison Building
100 Veterans Memorial Highway
Hauppauge, NY 11788-0099

RE: Audit of SC Parks Departmental Bank Accounts January 1, 2015 - December 31, 2015

Dear Hon. Kennedy:

In response to the Audit of the Suffolk County Department of Park, Recreation and Conservation's Department Bank Accounts For the Period January 1, 2015 through December 31, 2015, I find the following:

- 1) Parks has an established starting bank, and has measures in place to maintain the balance. Cash withdrawal requests are now expedited via the Comptroller's Office in the form of a "Letter of Withdrawal Authorization."
- 2) In 2015, a new revenue recording (POS) system was installed within each Park location that collects revenue. Upon implementation, this new system created issues in regards to revenue recording. Since then, new controls have been put in place. DoIT, in conjunction with the POS vendor, are now working closely with the Parks Department in further developing the program in order to accurately record and report revenue.
- 3) SOP D-08 is recognized by the Parks Department, and will be followed accordingly.
- 4) Home Depot and Lowe's credit cards were issued, as the nature of the Parks maintenance and repair work dictates immediate access to certain items, tools and materials. Monitoring measures are in place, as the Zone Supervisors review all supplies purchased, which is then reviewed and approved by the Senior Parks Superintendent.
- 5) The Parks Accounting Division has put procedures in place in order that the department stays in compliance of SOP D-02 and I-12. Requests for equipment go directly to the Senior Parks Superintendent. The minimum amount required for all Purchase Orders (2000, 3000, and 4000 objects) was decreased from \$500 to \$250, which also helps to monitor equipment purchases.
- 6) The Comptroller's Office now has direct authorizations over all Parks bank accounts. This includes the disbursement of funds via electronic funds transfers (EFT).



- 7) Additional parks accounting staff members were acquired at the end of 2016, and progress has been made to reconcile closer to the time frame required via SOP-08. Upgrades pending the revenue collection system (POS), will hopefully allow for an even better turnaround time.
- 8) Parks Supervisors are now designated to handle the finances within their park location. They are instructed to deposit revenue within 24 hours of receipt, but it understood by this department and Audit and Control that it is unreasonable to expect all park locations countywide to comply. Remoteness of a park to a bank branch location, and the lack of opportunity for a Park Supervisor to leave a busy park unattended (due to staffing schedules) will often cause a delay in depositing revenue. Every attempt is made by Parks Accounting to contact the responsible parties in order to correct the non-compliance of the directive.
- 9) Parks Accounting is in daily contact with Audit & Control, in regards to bank deposits, and is currently in compliance with SOP D-08 in regards to the reconciliation of the bank accounts.
- 10) Parks Accounting has educated employees on travel expense reimbursement policy and procedure, in order that the reimbursement requests comply with SOP D-03.
- 11) Measures are in place to record and submit a compliant "Petty Cash Record Form" according to SOP D-03.
- 12) Effort has been made to comply with county policy in regards to the timely submittal of petty cash receipts.
- 13) The signage regarding receipts states "Please call (631) 853-5018 if you do not receive a receipt." This uniform signage is not appropriate for every cash collection site. The POS system takes an additional 10 to 30 seconds to print a paper receipt. This timing depends on the speed of the network connection (parks currently going through a network upgrade process). When lines for toll booths at Smith Point, Cupsogue, and Meschutt Beach are extended, patrons are asked if they want a receipt, in order to keep the lines moving swiftly. This also keeps the receipts from ending up as litter in the parking lot or on the beach.

In closing, I find that a number of the recommendations made in the audit report have been addressed. Many issues were pinpointed by the Parks Accounting Division, and assigned proper procedure. I will notify you when I find it difficult to follow Standard Operating Procedures, strictly due to the uniqueness of the amenities and services the Parks Department provides its patrons, when compared to other county agencies and their revenue intake.

Respectfully,

Philip A. Berdolt, Commissioner

cc: Frank Bayer, Exec. Dir. Of Auditing Services, Audit and Control
Joseph Pecorella, Chief Auditor, Audit and Control

APPENDIX B

Comptroller Office's Comments on the Department's Response

Auditee: Suffolk County Department of Parks, Recreation and Conservation

The Department submitted a written response to the audit report (Appendix A, p. 12). In its response the Department concurred with the audit findings and stated that it has or will take corrective action in response to our audit. Therefore, no modification of the audit report is warranted.

We extend our gratitude to the personnel at the Suffolk County Department of Parks, Recreation and Conservation for their cooperation during the audit and for taking corrective action to address the deficiencies identified in our report.