

July 2017

## LANE COUNTY PARKS CASH HANDLING

Lane County Parks made efforts to improve cash handling practices to safeguard cash receipts. However, control weaknesses increase the Division's risk for cash losses



Office of the Performance Auditor  
Report Number 2017-03

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# About the Lane County Performance Auditor's Office

The Lane County Performance Auditor's Office conducts audits to help improve the performance, accountability, and transparency of Lane County government.

The County Performance Auditor reports to the Board of County Commissioners and is independent of other departments within Lane County government. An audit committee provides oversight and was established to promote the independence of the performance audit function.

The performance audit function provides the Board of County Commissioners, the County Administrator, and all levels of management with relevant timely analysis and information so the county can continuously improve its services and build public trust.

## Audit Team

Shanda Miller, CIA, MPA, County Performance Auditor

The courtesies and cooperation extended by officials and employees of Lane County Parks and the Lane County Department of Public Works during the course of this review were commendable and sincerely appreciated.

Lane County Performance Auditor's Office

125 East 8th Avenue

Eugene, OR 97401

(541) 682-6267

[lanecounty.org/laneaudits](http://lanecounty.org/laneaudits)

[@LaneAudits](https://twitter.com/LaneAudits)

# BACKGROUND

## About This Report

The purpose of this audit was to review Lane County Parks' cash handling practices and determine if adequate cash controls were in place to safeguard cash receipts. The County Performance Auditor identified this audit topic during a county-wide risk assessment conducted in spring 2015. In July 2016, the Board of County Commissioners approved the audit as part of the Annual Audit Plan.

## Lane County Parks Operates and Maintains 70 Park Facilities

Lane County Parks is part of the Division of Parks and Animal Services within the Public Works Department. The purpose of Lane County Parks is to provide safe, clean, and well-maintained parks and natural resource areas for a diversity of high-quality recreational experiences.

Lane County Parks operates and maintains 70 park facilities throughout the county, and provides a variety of recreational experiences. The County has five campgrounds, eight parks with day use and picnic areas, three marinas, and Camp Lane, a large group camp for retreats, reunions, and weddings. Additional parks offer hiking, access to waterways, and boat landings. There are 56 parks across Lane County that require a day or annual parking pass. The last fee increase occurred four years ago, effective July 2013. Fees increased from \$3.00 to \$4.00 per day, and annual pass fees increased from \$30.00 to \$40.00.

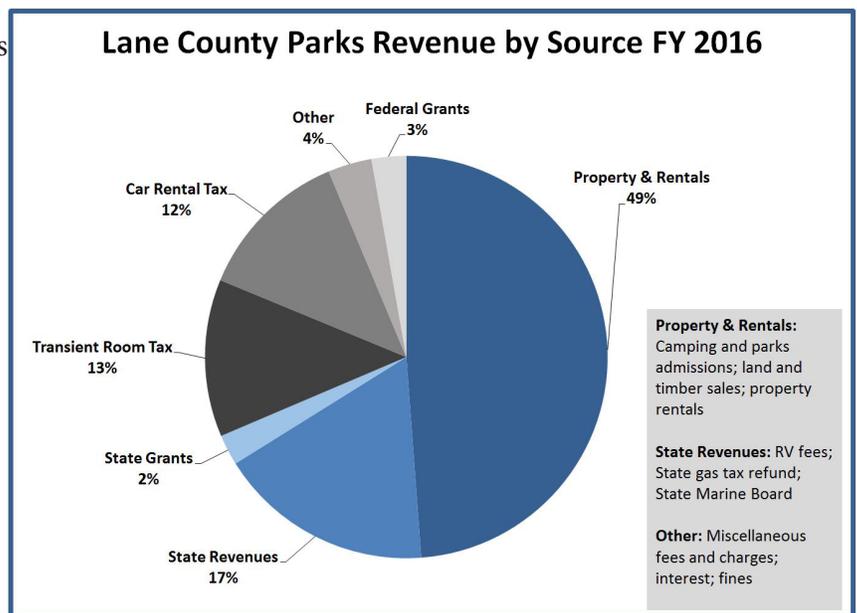
Lane County Parks has 15.5 full-time equivalent (FTE) employees and contracts with 5 campground caretakers.

## User Fees and Tourist Taxes Fund Lane County Parks

Lane County Parks does not receive any property tax support, but is funded by park user fees, tourist taxes, and state and federal grants.

In Fiscal Year 2016, Lane County Parks had \$3.4 million in revenue. The chart below shows the revenue sources by percentage. The Property & Rentals revenue category includes camping and parks admissions fees and makes up the largest portion of revenue. State funding and local Transient Room and Car Rental Taxes also make up large portions of revenue.

Customers pay user fees through the online reservation system, at the campground as a walk-in customer, or using a self-pay envelope. Depending on the park, customers can pay user fees with cash, check, or credit card.



# AUDIT RESULTS

The audit found that Lane County Parks has made efforts to improve cash handling controls in recent years and the audit did not identify any instances of theft or abuse. However, the audit identified control weaknesses in the cash handling cycle. The audit also found a lack of written cash handling policies and procedures, and limited supervisory oversight over cash handling activities.

## Cash Handling Controls Safeguard Cash and Prevent Fraud and Theft

There are common cash handling controls that are recognized best practices and that help prevent fraud and the loss of cash from theft. The audit also identified cash handling best practice controls used by other government park operations, including:

- Physical security for cash and physical assets
- Inventory of physical assets
- Beginning and ending of shift procedures
- Logging fees collected in the field
- Providing customer receipts
- Endorsing checks
- Timely processing and deposit of cash receipts
- Timely reconciliation
- Dual custody
- Chain of custody
- Segregation of duties
- Limiting the amount of cash received by providing digital payment options



*Baker Bay County Park on Dorena Reservoir  
by Gary Halvorson, Oregon State Archives*

## Lane County Parks has Made Efforts to Improve Cash Handling Controls

Beginning in 2011, Lane County Parks implemented changes aimed at improving cash handling controls. For example, campground caretakers now bring their deposits to the main office for processing instead of making their own deposits at the bank. A part-time position was added with the sole responsibility of processing and preparing these and other cash deposits. Another example is that management now requires payment upon reservation, which creates a preventive control.

Lane County Parks also recognizes the need to provide more options for customers to pay fees with a credit card. Cash adds to operational costs due to the expense of collecting, storing, safeguarding, and processing it. Lane County Parks implemented a change to its reservation system so that credit cards can now be accepted at campgrounds for walk-in customers. There is a plan to install a new credit card only fee machine this year at Howard Buford Park, and to move its current cash, coin, and credit card fee machine to Richardson Park. Lane County Parks has a goal of adding additional credit card fee machines to additional parks in the future. Ten years ago, Lane County Parks performed a cost-benefit analysis that showed fee machines were more cost effective than manual fee collectors. Lane County Parks sees the benefit of doing a new cost-benefit analysis that will compare credit card fee machines to other fee collection methods.

# AUDIT RESULTS

## Cash Handling Control Weaknesses Identified

The County Performance Auditor conducted surprise visits and cash counts at two Lane County Parks in spring 2017. The auditor also observed and reviewed cash handling practices by park rangers and main office staff. The auditor did not identify any instances of theft or abuse during the audit. However, the audit identified control weaknesses in the cash handling cycle. These weaknesses greatly increase the risk of fraud and theft and should be immediately addressed.



Because of the sensitive nature of the findings, the County Performance Auditor communicated the details of identified weaknesses in a confidential letter to management according to ORS 192.501 (22).

## The County and Lane County Parks Lack Written Cash Handling Policies and Procedures

Neither the County nor Lane County Parks have written policies and procedures for cash handling. Written policies and procedures are necessary to provide consistent guidance to staff and supervisors responsible for various cash handling processes. The absence of written policies and procedures can lead to inadequately planned controls and the risk of missing controls. The absence of written policies and procedures also opens the County up to significant risk of fraud and theft. In addition to county-wide policies and procedures, Lane County Parks should have cash handling policies and procedures tailored to their unique environment and processes.

There are policies and procedures in the campground caretaker contracts, yet these are limited and lack key best practice controls for cash handling. These contracts also state the contractor must comply with Lane County cash handling procedures, yet none exist.

Also absent is a formal county-wide cash handling training program for employees responsible for cash handling. A lack of training can contribute to a lack of awareness and attention to needed internal controls over cash handling activities. Training can provide employees with information necessary to effectively perform their job duties and understand the importance of cash handling controls.

## Lane County Parks Has Limited Oversight over Cash Handling Activities

Lane County Parks has limited supervisory oversight over cash handling activities. A critical oversight activity is reconciling bank statement deposit totals to the parks management system, and the audit confirmed this is consistently done. However, the audit found other supervisory oversight activities are lacking, including internal control reviews and surprise cash counts. To ensure internal controls are working effectively, they need to be monitored regularly and improved as needed. Best practices indicate surprise cash counts are an important component of effective cash handling oversight. A proactive oversight program will enable Lane County Parks to more quickly identify internal control weaknesses and training needs.

# RECOMMENDATIONS

To ensure that cash receipts are properly safeguarded and accounted for:

- County Administration should develop county-wide cash handling policies and procedures, and develop and provide required training to cash handlers on those policies and procedures
- Lane County Parks should fully and timely resolve the cash handling control weaknesses identified in the confidential management letter
- Lane County Parks should take steps to improve supervisory oversight of the Division's cash handling activities. This should include:
  - Developing and implementing cash handling policies and procedures that take into account the specific processes and environments of the various park sites that collect revenue, and that include supervisory oversight procedures
  - Ensuring all cash handlers take required training on cash handling policies and procedures
  - Regularly evaluating policies and procedures to ensure they are appropriate and properly applied
  - Developing and implementing a monitoring and oversight plan, that includes regular site visits and surprise cash counts



*Triangle Lake*  
by Gary Halvorson, Oregon State Archives

# SCOPE AND METHODOLOGY

The audit objective was to review Lane County Parks' cash handling practices and determine if adequate cash controls were in place to safeguard cash receipts. The scope included a high level review of Lane County Parks' cash handling operations and site visits to two selected Parks in the spring of 2017.

The audit included different audit methodologies to obtain and analyze information related to the audit scope and to support developing and testing the audit objective. The methodologies included the following:

- Researching criteria and best practices for cash handling internal controls
- Interviewing Lane County Parks staff
- Observing cash handling practices at two park sites
- Observing cash handling practices at Lane County Parks' main office
- Evaluating internal controls related to cash handling

The County Performance Auditor conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that the County Performance Auditor plans and performs the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. The County Performance Auditor believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

# DEPARTMENT RESPONSE



## LANE COUNTY ADMINISTRATION

PUBLIC SERVICE BUILDING / 125 EAST 8<sup>TH</sup> AVENUE / EUGENE, OR 97401 / (541) 682-4203 / FAX (541) 682-4616

July 19, 2017

Shanda Miller  
County Performance Auditor  
Lane County  
125 East 8<sup>th</sup> Avenue  
Eugene, OR 97401

Dear Ms. Miller,

Thank you for the opportunity to respond to the audit, titled *Lane County Parks Cash Handling*. We appreciate your thoughtful analysis, and your professionalism and dedication during this engagement. The County welcomes and has embraced the audit process as yet another opportunity to review and improve our practices and procedures. We support and agree with the audit's conclusions and recommendations outlined in the audit and commit to continuing efforts at improving cash handling practices to safeguard cash receipts. Several recommendations are addressed to the Public Works Department. County Administration also has a role in addressing the following recommendation as described below.

***Recommendation - To ensure that cash receipts are properly safeguarded and accounted for:***

- 1. County Administration should develop county-wide cash handling policies and procedures, and develop and provide required training to cash handlers on those policies and procedures***

County Administration agrees with this recommendation. Our Financial Services operation seeks continual improvement to its practices and procedures. Financial Services will prepare a *Cash Handling Standards and Training Guide*, and develop an accompanying training course, as a countywide training and reference tool for proper cash handling techniques. Target Date – January 2018.

The Lane County Treasurer in Financial Services is charged with the responsibility of oversight of proper receipting, disbursement and preservation of County funds. In Lane County the vast majority of employees who handle cash do not work in the central Financial Services office, and cash handling procedures vary greatly from department to department.

The purpose of these new Cash Handling Standards is to provide guidelines for the proper management of cash and cash receipts for those employees responsible for receiving, handling, and safeguarding cash and cash equivalents.

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# DEPARTMENT RESPONSE

Financial Services will seek to achieve four objectives through establishing countywide cash handling standards:

1. Internal controls adequate to protect County assets and protect employees from risk;
2. Cash handler skills and knowledge are improved, and cashiering practices are professional and customer service oriented;
3. Staff safety and accountability is established throughout the cash handling life cycle; and
4. Standardized cash practices and cash handling operations result in compliance with applicable state and federal law and contractual obligations.

In closing, I offer my appreciation for your careful, detailed and thoughtful exploration of the Lane County Parks cash handling procedures. As always, I am happy to answer any questions or provide further clarification to this response.

Sincerely,



Steve Mokrohisky  
County Administrator

# DEPARTMENT RESPONSE



## Lane County Public Works Department

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July 19, 2017

Shanda Miller  
Lane County Performance Auditor  
125 East 8<sup>th</sup> Avenue  
Eugene, OR 97401

Dear Shanda,

Thank you for the opportunity to comment on the Lane County Parks Division Cash Handling Audit. I greatly appreciate the thorough analysis of Parks Division cash handling practices and methodologies. Public Works Department welcomes and embraces the audit process as an opportunity to review and improve our practices and processes. We generally agree with the findings of the audit and support the recommendations.

In line with the audit report, I will respond to the report findings within this memo and will address the specific weaknesses identified in the confidential management letter in a separate confidential response to the County Administrator.

The Department will address all recommendations, and will take immediate steps where possible. Some of the recommendations will require greater expertise than we currently employ in the Parks Division and may take additional time to develop and implement. At this time, Parks is in the midst of its busy high-volume season and the Department would like to implement some improvements as soon as feasible. Therefore, Public Works is addressing the recommendations in a three step process. These steps are:

1. Immediately following the first feedback discussion Parks began addressing and improving identified weaknesses in the cash control cycle. Several improvements have been identified and implemented for the 2017 season and several more are currently in process.
2. Public Works has determined that an outside consulting firm with cash handling expertise will be recruited to assist the Department in developing Department wide: cash handling; monitoring and oversight policies; and procedures for the numerous fees, collection sites and monitoring methodologies.

3. Training on cash handling; cash policies and procedures; and cash monitoring and oversight will be developed and implemented following the completion of Step two.

The Department is responding to the audit recommendations for Parks cash handling as described below:

***Recommendation - Lane County Parks should fully and timely resolve the cash handling control weaknesses identified in the confidential management letter.***

Public Works will research best practice control options for Parks and various fee collection methodologies and implement improvements as soon as feasible. The Public Works Department has identified an Analyst in our Administrative Division who has a background in developing and implementing cash handling procedures. This analyst, along with an internal committee that has been created to review any physical control weaknesses identified, have been tasked with overseeing this interim effort. New processes and procedures will be documented and reviewed with the cash handling consultants. Any additional improvements will be documented and implemented along with policies and procedures.

***Recommendation - Lane County Parks should take steps to improve supervisory oversight of the Division's cash handling activities. This should include:***

- a) ***Developing and implementing cash handling policies and procedures that take into account the specific processes and environments of the various park sites that collect revenue, and that include supervisory oversight procedures.***

Public Works agrees with this recommendation and in addition to the interim steps mentioned above, will recruit and contract with an outside consulting firm to assist the Department in developing cash handling policies and procedures. Divisional capacity to implement will be reviewed and correlated with staffing levels for each Division.

- b) ***Ensuring all cash handlers take required training on cash handling policies and procedures.***

Public Works agrees with this recommendation and will add cash handling training to the required training program in the County's LEAP training tracking system for all Department employees that handle cash and their supervisors.

# DEPARTMENT RESPONSE

- c) Regularly evaluating policies and procedures to ensure they are appropriate and properly applied.***

Public Works agrees with this recommendation. The Department will utilize continuous process improvement methodologies to review policies and procedures and incorporate best practices for cash handling monitoring and oversight. The Department will assign someone to lead this effort for Public Works, and the Public Works Administration Division will coordinate this as a Department wide review.

- d) Developing and implementing a monitoring and oversight plan, that includes regular site visits and surprise cash counts.***

Public Works agrees with this recommendation and will include this in the Department cash handling policies and procedures. The Public Works Analyst who has been assigned to help develop interim policies and procedures will be assigned this oversight as well. Long-range oversight plans will be developed by the consultant and will be implemented by each Division in Public Works, and reviewed annually by the Public Works Administration Division.

To ensure implementation and accountability, I will make this a standing agenda item in my periodic meetings with the County Administrator and report progress on each of the above items until an item is considered complete.

If Department efforts to develop cash handling policies have not been completed by the start of the 2018 Park Season, I or my designee will meet with staff to review the status of each of these items prior to starting the Park Season and will provide a written report to the County Administrator addressing each item above.

Thank you again for such a thorough analysis of the Parks Division cash handling policies and procedures.

Sincerely,

  
Tim Elsea  
Public Works Director