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April 20, 2015

The Honorable Toni Preckwinkle, President
And Forest Preserve District Board of Cook County Commissioners
118 N. Clark Street, Room 537
Chicago, Illinois 60602

Dear President Preckwinkle and Board of Commissioners:

We have conducted a District-wide Cash Management Audit of the Forest Preserve District of Cook County (District) in accordance with the Cook County Auditor Ordinance.

Our audit objectives were to evaluate the design and operating effectiveness of controls surrounding the cash management process.

Please refer to the following audit report for the results of the audit. The specific audit findings were provided to the relevant departments. The audit report contains six (6) audit findings. The Executive Summary provides an overview of the audit with the main finding areas.

We express our appreciation for the assistance of all department staff extended to Ms. Tameika McDonald during the course of our audit. We have discussed our findings with the management team and would be pleased to discuss our recommendations in greater detail in order to assist management with their implementation of our recommendations.

Respectfully Submitted,

Shelly Banks

Shelly A. Banks, CPA
Cook County Auditor

cc: Arnold Randall, Superintendent FPDCC
Stephen Hughes, Chief Financial Officer FPDCC
Timothy Hicks, Comptroller FPDCC

COOK COUNTY GOVERNMENT

OFFICE OF THE COUNTY AUDITOR

Cash Management Audit of the Forest Preserve District of Cook County

Internal Audit Report

Report Date: April 2015

Issued By:
Shelly A. Banks, County Auditor

Audit Conducted By:
Tameika McDonald, Field Auditor IV
Nancy Campanella, Audit Supervisor

EXECUTIVE SUMMARY

The Office of the Cook County Auditor has completed our audit of cash handling activities in accordance with generally accepted government auditing standards for District locations responsible for cash handling activities for the ten month period ended October 31, 2014. The overall objectives of the audit were to evaluate internal controls surrounding the cash management process in order to ensure that District assets were adequately safeguarded against misappropriation, misuse, loss and theft.

The results of our audit indicated internal control weaknesses in the areas listed below:

- Finance Administration has not established finalized written policies and procedures to provide District departments with a framework for executing streamlined cash handling activities.
- Increased management oversight is needed throughout the District at an appropriate level to continuously monitor established cash handling internal control procedures.
- Financial records documenting the creation, use, and need for change funds should be maintained by the Finance Administration and periodic evaluations should be conducted to ensure change fund amounts remain at appropriate levels for operational needs.
- There is an absence of segregation of duties, due to staff limitations, over key cash handling processes.
- Safeguards over cash assets should be improved at multiple cash handling sites.
- Employees are not properly trained in cash handling responsibilities.

The findings noted were presented to the management team of the respective departments. Please refer to the Findings section for more detail on the findings with the management responses, corrective action plans and estimated completion dates.

BACKGROUND

The Cook County Forest Preserve District was founded in 1914 to acquire, restore and manage lands for the purpose of protecting and preserving public open space. Today, the District accounts for 11% of Cook County, nearly 69,000 acres, and is the largest Forest Preserve District in the United States.

The District accepts payments for items and services such as permits, fines, facilities use, recreation programs, admission to aquatic centers and nature center donations. Payments are received in person, by mail, or online. Cash handling operations range from sites that handle a high volume of cash to those that receive an occasional check or cash donation. Within the span of our audit period, the District received more than $1.9 million in revenue from the cash handling sites.

Cash handling sites are located throughout the following four District departments:

1. Finance Administration - Responsible for all financial and administrative functions.
2. Conservation and Experiential Programming (CEP) – Operates six Nature Centers, three Aquatic Centers, manages the Youth Education Outreach Team and provides programs for citizens to take advantage of natural resources and recreational opportunities.
3. Permits, Concessions, and Volunteer Resources – Issues permits for public use of District properties such as picnic groves, campsites, off-leash dog areas, equestrian activities, soccer and baseball.
4. Law Enforcement - Patrols all District properties and enforces all State, County and District laws and ordinances.

FPDCC Revenues for the Period of January 1, 2014 – October 31, 2014 by Transaction Site

Transaction Site	Included in Audit	Total Revenue
General Headquarters (River Forest)	YES	$ 703,067.29
Internet Site	YES	$ 545,150.00
Law Enforcement	YES	$ 219,054.00
Whealan Aquatic Center[1]	NO	$ 196,255.00
Cermak Family Aquatic Center[1]	NO	$ 130,576.00
Greenlake Family Aquatic Center[1]	NO	$ 67,035.00
Matthew Bieszczat Volunteer Resource Center	YES	$ 33,560.00
Sagawau Environmental Learning Center	YES	$ 41,614.00
TOTAL		**$1,936,311.29**

In 2014 the District implemented a new reservation system, ActiveNet, to facilitate the centralization of the permits issued and also, the monies that are collected throughout the District to achieve more accurate and detailed reporting and accounting of revenue. The amounts presented above were taken from the ActiveNet - Cash Distribution by Account Summary Report, with the exception of Law Enforcement which operates on a separate point of sale system. In the table, the amounts are reported by transaction site as displayed on the ActiveNet report. During our audit we noted that because ActiveNet utilizes a drop down box for selecting the location where payment is being collected there is an opportunity for reporting errors to occur if cashiers mistakenly select the incorrect transaction site. However, we have deemed such errors as immaterial and have recommended that management review system controls to determine if cashiers can be restricted from processing transactions outside of their designated transaction site to improve the accuracy of internal reports. Please refer to the Opportunities for Improvement section for more details on this recommendation.

[1] Due to the timing of this audit, we excluded the review of Aquatic Center revenues. The Aquatic Centers are opened for business from May 31 – September 1. Therefore, these sites will be reviewed in a subsequent audit.

AUDIT SCOPE AND OBJECTIVES

The scope of this audit was to assess the adequacy and effectiveness of internal controls throughout various cash handling sites across the District. Our audit consisted of an evaluation of the policies and procedures used by District employees related to the collection, receipting, recording, depositing, transporting, and safeguarding of District assets. Due to the timing of this audit, we excluded the evaluation of Aquatic Center cash management policies and procedures. Aquatic Center locations will be reviewed in a subsequent audit.

Our audit of District-wide cash handling operations focused primarily on the following audit objectives in determining that:

- Written policies and procedures for the cash management process have been developed.
- All cash is collected, receipted, deposited, and reconciled accurately and in a timely manner.
- Segregation of duties exists for the collection, receipt, deposit, and reconciliation of cash.
- Cash is adequately safeguarded against misappropriation, misuse, loss, and theft.
- Access to computer systems involving cash is monitored and restricted to authorized employees.
- Employees are adequately trained in cash management responsibilities.
- The District is in compliance with the Forest Preserve Ordinance Chapter 1 Fee Schedule.

AUDIT RESULTS

We conducted this audit in accordance with generally accepted government auditing standards which require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit findings and recommendations. In conducting this audit, we employed a number of audit techniques to ensure that the evidence obtained provided a reasonable basis for our audit findings and recommendations based on the audit objectives. We reviewed relevant literature on cash handling best practices, requested and reviewed written policies and procedures from all departments with cash handling responsibilities, interviewed District management and staff, and observed cash handling activities at multiple sites throughout the District. Therefore, we believe that the evidence obtained provides a reasonable basis for the recommendations and findings resulting from our audit testing.

Based on our analysis and evaluation of the internal controls and operations of the cash management process, we found a number of areas where cash handling practices could be improved by strengthening existing policies and procedures; developing policies and procedures where they are lacking; improving management oversight of cash handling activities; and providing training for employees and managers responsible for cash.

While we found no instances of loss, misuse or misappropriation of District assets, since cash receipts exceed $1.9 million with improvements to internal controls needed, the risk for possible errors or misappropriations increase. We have made a number of recommendations to ensure District assets are properly safeguarded and best practices for cash handling activities are followed by all District employees. Such recommendations are detailed in the findings section below.

FINDINGS

Finding #1

The Finance Administration has not finalized written policies and procedures to provide District department employees with a framework for executing cash handling activities. As a result, we noted that check handling activities were not executed in a consistent manner across the District. Checks were not stamped with a restrictive endorsement immediately upon receipt and mail logs were not prepared to list all checks received by mail.

Recommendation

We recommend that the Finance Administration implement written cash handling policies and procedures District-wide. Each department responsible for cash handling activities should collaborate with the Finance Administration to develop additional policies and procedures that are specific to the collection and accounting of their business operations. We created a flowchart (See Page 13) which illustrates sound check handling procedures observed in the Finance Administration Department. As detailed in the flowchart, the District-wide policies and procedures should also include the control that individual departments have a process that includes maintaining a mail log to reconcile checks received to checks deposited per the bank deposit confirmation. Such reconciliation will strengthen internal controls over check handling procedures by providing further assurance that all funds have been accounted for.

Once policies and procedures are finalized, we recommend the Finance Administration work with each department to develop a repository of all written policies and procedures that can be accessed by employees and audit personnel. The repository can be used as a reference to employees and management to ensure proper controls are in place.

Management Response

Finance Administration has drafted the *Cash Handling Policies and Procedures* and will submit them to the Policy Committee for approval. Once the policies and procedures have been approved, Finance will work with each department to implement the policies and procedures as well as conduct training to ensure that the policies are understood and implemented timely. Upon finalization of the policies and procedures, all employees that handle cash and their supervisors will be required to attend annual training to be conducted by Finance.

Estimated Completion Date

Finance Administration estimates that the final version of *Cashing Handing Policies and Procedures* will be finalized and submitted to the Policy Committee by June 30, 2015. Implementation and training will be completed by September 30, 2015.

Finding #2

Management oversight should be increased to ensure adherence to the cash handling internal control processes.

Monitoring by management ensures that internal controls continue to operate effectively. This process involves assessment by appropriate personnel of the design and operation of controls on a timely basis and taking necessary actions to correct weaknesses. Circumstances may change causing internal controls to be less capable of identifying risks. It is management's responsibility to review and determine whether existing internal controls continue to be effective.

We noted the following exceptions specific to the identified department:

Law Enforcement

Finding #2a

Pursuant to the Forest Preserve Ordinance, (Chapter 4, Section 3-4-1), the owner of any motor vehicle that is in violation of any of the qualified offences for impoundment as set forth in Chapter 4, Section 3-4-2 shall be liable to the District for an administrative penalty of $500.00. Cash bonds are collected from vehicle owners and pre-numbered bond receipts are issued to indicate that the fine has been paid and their vehicle is authorized for release.

We randomly selected a 10% sample of bond receipts that were issued during our testing period. We noted exceptions in 5 out of 24 or 20% of the bond receipts tested. Four bonds did not appear in sequence on the Item Summary Report. Although further investigation proved that bond receipts for three of those exceptions were issued and a cash bond was collected and deposited, data input errors into the POS system was deemed the cause of the error. Additional documentation reviewed for the fourth exception noted that the bond was voided after the vehicle owner was found not liable. For the final exception, we noted a cash bond was identified as deposited through a SmartSafe vault drop which was not captured on the courier's deposit pickup receipt. Therefore, in order to ensure that the cash was properly deposited we reviewed the written log maintained by the Records Office Clerk and noted the date of the courier pickup that included that bond receipt. The deposit was then able to be traced to the bank statement obtained from the Finance Administration.

Recommendation

In order to ensure all cash bond funds are accounted for, we recommend that management review and approve:

- the Item Summary Report generated from the POS system to ensure accountability of all pre-numbered bond receipts;
- all voided administrative tow bond receipts;
- all manual vault drops deposit slips that accompany the cash funds; and
- system access to the SmartSafe vault to ensure only authorized personnel has entry access to the vault.

We also recommend that on a monthly basis there is an accounting for the sequencing of all cash bonds and that those bonds issued are reconciled to the cash received and deposited.

Management Response

Finance Administration reviewed the audit finding with the Chief of Police who has designated the Deputy Chief of Police as the management person who would review and approve the items indicated in the recommendation to include:

- management review of the Item Summary Report generated from the POS system to ensure accountability of all pre-numbered bond receipts;
- management review of all voided administrative tow bond receipts;
- management review of all manual vault drops deposit slips that accompany the cash funds;
- management review of system access to the SmartSafe vault to ensure only authorized personnel has entry access to the vault; and
- monthly accounting for the sequencing of all cash bonds and procedures to reconcile bonds issued to cash received and deposited.

Finance Administration will work with the Law Department to develop and implement the proper controls necessary to mitigate the risks identified.

Estimated Completion Date
June 30, 2015

Permits Department
Finding #2b
We randomly selected 20 days within our audit period and performed testing which verified that cash collected from permit cashiers was properly receipted, deposited, and reconciled. We noted 8 out of 20 or 40% of the overage/shortage forms were not reviewed or approved by management.

Recommendation
We recommend that management review all cashier overage/shortage forms included within the daily cash drawer balancing reports and monitor for any reoccurring discrepancies making the cashiers accountable for continued errors.

Management Response
As of December 2014, all close out documents must be reviewed and signed off by the Permits Manager or Permit Coordinator before filing away. Finance will conduct spot checks to monitor compliance with the new procedure.

Estimated Completion Date
Completed; Process started in December 2014

Finding #2c
The snowmobile decal process lacked accountability and internal controls over cash handling procedures. Snowmobile pre-numbered decals are sold on a seasonal basis at a flat rate of $25 (residents) and $50 (nonresidents). During the winter season of 2013-2014, the snowmobile decal inventory was not reconciled to cash received. Management informed us that the process is currently under review and will be revamped for the 2014-2015 winter season to ensure there is a one-to-one correspondence between cash received and decals sold.

Recommendation
In order to prevent theft, loss or misuse of cash and snowmobile decal inventory, we recommend with the conclusion of each winter sports season, management reconcile the cash received to snowmobile decals sold. Unsold decals should be returned to General Headquarters.

Management Response
The Permits Department assigned each division specific decal numbers. A tracking sheet that logged every sale was maintained by each division to aid in the reconciliation process. Each division was assigned unique deposit location IDs and made the cash deposits instead of transporting the cash to General Headquarters. All transactions were entered into the ActiveNet system for better accountability. Permits management will complete a reconciliation of the snowmobile decals to the cash deposited by each division and review the results with Finance Administration.

Estimated Completion Date
April 30, 2015

Finding #3

Financial records documenting the creation, use, and need for change funds should be maintained by the Finance Administration and periodic evaluations should be conducted to ensure change fund amounts remain at appropriate levels for operational needs. A change fund is a specific amount of cash kept by departments and used to make change for cash transactions.

We noted the following exceptions specific to the identified department:

- The Permits Department established a change fund which totaled $220 on the day of our walkthrough. We were informed by the Permits Manager that random audits are conducted on the change fund balance. Upon review of the supporting audit documentation, there was only a cash count performed to verify the expected total but no reconciliation was performed against authorized change fund limits which should be established by the Finance Administration.
- During our audit we recognized a need for change funds at nature center locations, specifically Sagawau Environmental Learning Center. We were informed that on occasion, staff uses personal funds to create change needed to pay customers.

Recommendation

We recommend that the Finance Administration implement the following improvements to strengthen the process and controls:

- Establish policies which would include reviewing the operational needs of each department for a change fund and set authorized limits for those funds deemed necessary.
- Create and maintain a complete and accurate list of all change funds assigned to each department and properly document the creation of change funds and subsequent increases or decreases in amounts in the general ledger.
- Establish a formal process for management random audits of change fund balance to include: reconciliation to the authorized amount set by Finance Administration; documentation to note the date of the review, amount of change fund, discrepancies identified, and management's signature; and submittal to Finance Administration to maintain in their records.
- Develop a procedure requiring cashiers to verify the amount of their assigned cashier bank at the opening and closing of each day of operation. Each assigned cashier bank should include a verification form that allows cashiers to note the cash amount included in the bank at opening and the amount included in the bank at closing. Discrepancies should be documented and immediately reported to management. The verification form should be initialed by the cashier for each day their bank is used for business operations.

Management Response

Finance Administration has reviewed the operational needs of each department to determine the need for a change fund. As a result, each Nature Center was given $100 (except Sagawau which was given $150) as Cash on Hand to maintain for operations and special events. The Nature Centers were given policies and procedures to follow which state that the Cash on Hand is to be maintained specifically for operations and special events and not to be used as petty cash.

Finance Administration will incorporate the Change Fund recommendations into the final *Cash Handling Policies and Procedures*.

Estimated Completion Date

June 30, 2015

Finding #4

During our audit we recognized that staff limitations resulted in one person being charged with the responsibility of collecting, depositing, and reconciling cash activity. In cases of limited staff, appropriate mitigating controls must be established to minimize the risk of misappropriation, misuse, loss and theft of District assets.

We noted the following exceptions specific to the identified department:

- During our walkthrough of cash handling activities for the Law Enforcement Department we observed that one staff member was responsible for all key aspects of the administrative tow cash bond procedures and one staff member was responsible for all key aspects of the check receipt and deposit procedures.
- Locations that do not make deposits via a SmartSafe lacked dual controls over the collection and deposit of cash.

Recommendation

We recommend that management thoroughly review key cash handling processes in conjunction with employee job duties as it relates to cash management activities *(i.e. collection, receipting, recording, depositing, transporting, reconciling)* in order to properly segregate cash handling duties where resources are available or implement mitigating controls where resources are limited. Mitigating controls may include increased management oversight, random audits of key processes, and IT system controls that limit user roles, actions, and access. Specifically, for locations that do not make deposits via a SmartSafe, we recommend that dual controls over cash deposits be established to allow for two employees to count the cash and sign-off on the deposit slip before cash is transported for deposit.

Management Response

Finance Administration will review the Law Enforcement Department's current operations and implement the policies and procedures necessary to mitigate the separation of duties issues identified in the finding. Additionally, Finance Administration will implement the necessary procedural changes to address the lack of dual controls at locations without a SmartSafe.

Estimated Completion Date

September 30, 2015

Finding #5

We identified the need for proper physical resources for securing cash assets at multiple sites.

We noted the following exceptions specific to the identified department:

- During our observation at the Volunteer Resource Center (VRC) we noted that most payments are made via credit card and that cash and check payments are received occasionally. Because of infrequent cash and check payments, the Facility Supervisor transports such funds to General Headquarters for deposit. Currently funds are transported in an envelope.
- During our observation at the Little Red Schoolhouse Nature Center, we noted that program fees were collected at the front desk and kept in an envelope until transferred to the locked safe at the end of the day.

Where physical security measures are inadequate, cash is at a high risk for loss, theft or misuse.

Recommendation

We recommend that all District locations acquire a locked key bag or concealed tamper proof bag to safeguard and/or transport cash and checks to General Headquarters.

Management Response
Finance Administration has worked with the departments to acquire locked key bags to safeguard funds that are maintained at various locations. Unique Deposit Location IDs has been established for all locations collecting cash and therefore the need to transport cash or checks to General Headquarters has been significantly eliminated.

Estimated Completion Date
May 31, 2015

Finding #6
In the VRC location, checks are not deposited in the most efficient and secure manner. The VRC location is equipped with a bank scanner, which would allow VRC staff to remotely deposit checks. The bank scanner is not being used. According to management this is due to the fact that employees have not been adequately trained on how to use the device.

Recommendation
We recommend the Finance Administration include in the finalized written policies and procedures instructions on utilizing the bank scanner. Training should be provided on all finalized policies and procedures to all employees responsible for cash handling activities, which would include training the employees at the VRC location on how to use the bank scanner in order to eliminate the need to physically transport checks to General Headquarters for deposit.

Management Response
Finance Administration will provide training on final policies and procedures to all employees responsible for cash handling activities. In addition, users of the Remote Deposit Scanner at VRC will be trained on proper usage of the device.

Estimated Completion Date
May 31, 2015

OPPORTUNITIES FOR IMPROVEMENT

Below are recommendations for areas where we identified a potential opportunity for improvement. These recommendations are not a result of an audit finding, but will add value and controls to the cash management procedures of the following District departments:

Finance Administration

- Management should review system controls for ActiveNet to determine if users can be restricted from processing transactions outside of their designated transaction site to reduce potential errors and improve the accuracy of internal reports.

Law Enforcement

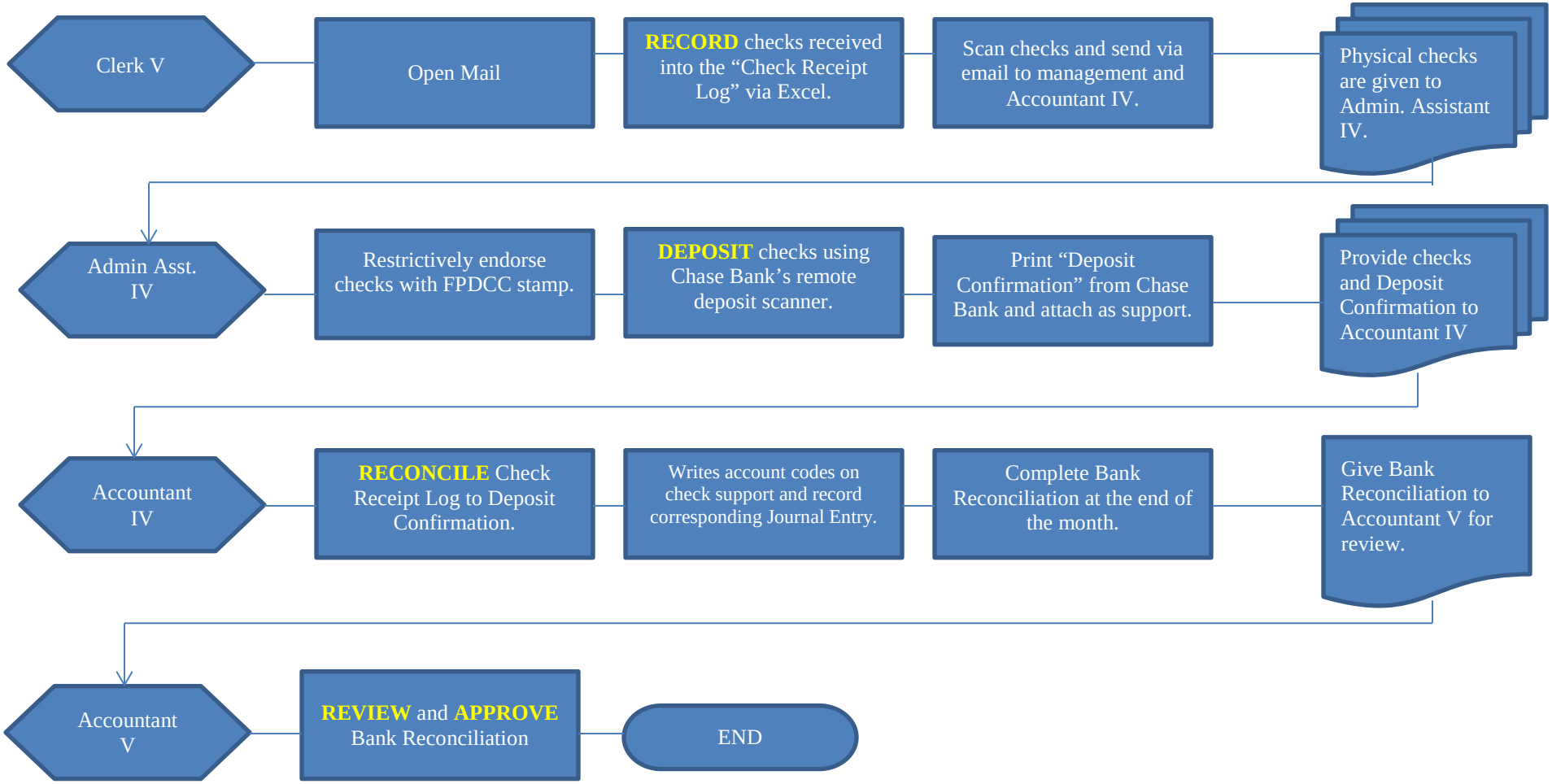
- Law Enforcement management in conjunction with Finance Administration should determine if value can be obtained from accepting debit and credit card payments for administrative tow fines onsite and/or online which will reduce the Department's vulnerability to theft of cash. This may require in-depth review of the FPD Ordinance Chapter 4 Seizures and Impoundments.

CEP Department

- The Sagawau Environmental Learning Center should consider obtaining a donation box to maximize its revenue potential as visitors are moved to donate after they have had a great visitor experience.
- Signage on donation boxes should direct people to the cashier who would provide receipts upon request. Signage should explain to the visitor that receipts can only be provided if requested before a donation is made. While donation boxes are designed for small contributions, some donors may be inclined to give more if receipt for their tax records is provided.
- Donation boxes could be used as a multi-purpose display by attaching brochures to the outside of the box in order to increase the opportunity of more visitors being inclined to donate.

FLOWCHART

Check Receipt & Deposit Process / Finance Administration



1. Payments received by mail should be recorded via a mail log that list the date of receipt, check amount, vendor/payee, etc.
2. Finance Administration should provide restrictive endorsement stamps to all departments that collect money on behalf of the District, and require that departments immediately restrictively endorse checks upon receipt.