



Parks, Open Space & Cultural Arts

Internal Audit Report

November 8, 2019

Adams County, Colorado

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EXECUTIVE SUMMARY

Eide Bailly LLP performed internal audit procedures surrounding cash management, cash handling, inventory controls and operational efficiencies and effectiveness of the Adams County Parks, Open Space & Cultural Arts Department (the Department) based upon risks requested to be addressed as part of the 2019 audit plan and internal audit risk assessment process. Our evaluation included the Department's processes and controls over the above-mentioned areas specifically surrounding special events held at County facilities and the liquor sales occurring at those events. This internal audit of the Department was performed on the current processes in place at the time of the internal audit, during the period from October 1, 2018 to September 30, 2019.

During the internal audit, we interviewed that Department's staff and determined they were very knowledgeable about their processes and procedures and attentive to any improvements that may be needed or suggested. We learned the Director has only been in his position for less than a year, and other key personnel that work on special events and liquor sales have been in their positions no more than three years. While the staff involved are somewhat new to their respective positions, the team has extensive knowledge about special event coordination and liquor sales as well as the Department's operations, cash management, cash handling and operational efficiencies.

During our internal audit, we identified recommendations that would improve the Department's controls over cash, inventory and operations which are discussed in detail in the Results and Recommendation section below.

BACKGROUND

The Adams County Parks, Open Space & Cultural Arts Department provides planning, management and maintenance of the County parks system that includes: developed parks, lake areas, open space, public park buildings, regional park / fairgrounds, and trails. Adams County provides a variety of parks and open spaces. These include: City View Park, Lowell Street Trailhead, Coronado Parkway, Rotella Park, Elaine T. Valente Open Space, Sandhofer Lake, Engineer Lake, Siegrist Lake, Jim Baker Reservoir, Steele Street Park, Little Dry Creek Lake, and Twin Lakes Park. This Department also maintains two golf courses as well, Riverdale Dunes and Riverdale Knolls.

There are numerous events held at the County's various parks locations. The largest being the County Fair held in late July/early August of each year. The focus of the internal audit was specific to cash management, cash handling, liquor inventory controls and operational efficiencies and effectiveness of the Department as it pertained to special events and liquor sales at these events.

OBJECTIVES AND SCOPE

Eide Bailly LLP performed internal audit procedures surrounding cash management, cash handling, inventory controls and operational efficiencies and effectiveness surrounding special events held at the fairgrounds and liquor sales based upon risk determinations performed with the Department in May 2019. The overall objective of the internal audit was to identify potential opportunities to strengthen internal controls related to the above areas at special events held at County facilities.

The scope of our procedures included the following:

- Inquiring and documenting policies and procedures within the Department
- Cash handling processes and procedures related to special events and liquor sales and facility rentals for special events that occurred from October 1, 2018 to September 30, 2019

- Cash management and the depositing and reconciling processes and procedures within the Department and within the accounting function of the office for these events
- Safeguarding of the cash within the Department
- Safeguarding of the liquor inventory within the Department
- Operational effectiveness and efficiencies surrounding the internal controls for these special events.

Procedures performed during this internal audit included the following:

- Interviews with Department staff to identify key risks within the operations as identified above
- Review of processes with key staff related to the identification of key controls of the operations
- Interviews with key staff to review the responsibilities of the Department related to the identified business objectives of each event and process
- Assessment of the key controls over each cash handling, cash management and safeguarding of cash
- Walkthrough of selected transactions within each business process to determine if identified key controls were in place and operating as designed and communicated to us
- Assessment of the inventory processes surrounding liquor inventory.

INTERVIEWS CONDUCTED

A key component of our procedures involved interviewing key personnel of the Department and of those that oversee the operations of the Department. Group interviews as well as individual interviews were conducted to obtain an understanding of the processes, key controls and key risks. These interviews were important for us to identify the key controls of the Department and to identify any opportunities for improvement. The personnel we interviewed were as follows:

- Parks, Open Space & Cultural Arts Director
- Fair & Special Events Manager
- Event Services and Beverage Supervisor
- Facilities and Special Events Coordinator
- Parks & Open Space Administrative Supervisor
- County Finance Director

PROCEDURES PERFORMED

We evaluated the adequacy of controls and processes related to cash management, cash handling, inventory controls and operational efficiencies and effectiveness in place through the following procedures:

Facility Rentals

Adams County Parks, Open Space & Cultural Arts rents facilities for various events. The locations of these rentals are; the arena grandstands, 4-H arena, indoor arena, sale barn, Al Lesser Building, Waymire Dome and Exhibit Hall. There are areas within each of these locations that are available for rental along with general parks pavilions. All facility rental transactions occur at the Department's administration building. We walked through the process of one facility rental transaction. As part of that walkthrough we identified the amount of cash, checks and credit card payments the facility rental. We obtained a copy of the signed contract and ensured it was received within a set timeframe of when the deposit was received (generally 30 days of deposit date). We obtained a receipt of the deposit made and traced to payment summary for that specific customer maintained in EventPro. We traced the deposit received as well as all other funds received to deposit slip submitted to the Treasurer's Office. We compared these to the payment summary report from EventPro indicating these were received timely in accordance with rental policies maintained on the County's website. We noted each receipt was coded with appropriate general ledger account. We traced these into financial records. We noted that funds collected during the week are maintained in a safe until Thursday where they are given to administrative staff for deposit preparation. Once the deposit is prepared, the deposit is sealed in an envelope after the balancing is performed. The envelope is attached to the deposit slip created during the balancing procedures. We observed that deposits are performed weekly (each Thursday) and sent to the Treasurer's Office each Friday. As part of our observation, we also observed the security over cash funds at each location. This security included camera coverage adequacy and access to safes.

We understand and observed that refunds are given to customers after an event takes place. Generally, these refunds are made less than a week after the event. We observed the receipt from the original deposit printed and coded with proper general ledger account. We observed these were sent to the County's Finance Department for the issuance of the refund check. Through further discussions with Department personnel, the Department has received approval to discontinue the collection of deposits for smaller events. This is because the Department rarely keeps refunds. Because of this, the Department feels the large upfront payment that is received upon the signing of the contract, eliminates the need for any deposit.

Liquor Sales

We obtained an understanding of how liquor sales are managed at each event. We selected one transaction relating to liquor sales for a smaller event and performed a walkthrough of this transaction. We obtained an Event Service Liquor/Bar Service Order Form completed by the customer for an event which was held on August 31, 2019. The order form indicated the event was to take place between 5pm and 11pm at the Exhibit Hall with an estimated attendance of 500 people. This order form also indicated that this will be a cash and hosted bar meaning the host will pay for beer kegs and any other drinks will be paid for with cash or credit card by the attendees. The form also indicated the host's special request of specific types of beer in each keg. We also obtained an Event Services Set Up Sheet agreeing what was on the Order Form agreed to Set Up Sheet.

We then selected a specific event and walked through the cash close out for that event. EB obtained a cash float worksheet for a reunion which occurred on July 20, 2019. We noted the Square reader identification was identified on the cash float worksheet. This cash float worksheet indicated the names of the two bartenders that worked the event which corresponded to the County's Event Services Sign In/Out worksheet showing the bartenders signed in at 5pm and signed out at 9:30pm with the total amount of cash and credit tips received from the event. From the cash float worksheet obtained, we noted at the beginning of the night there was \$300 as the beginning bank (10x\$10s, 20x\$5s, and 100x\$1s) which is standard for these events. EB also noted that a total cash at end of night was \$389 (4x\$20s, 11x\$10s, 21x\$5s, and 94x\$1s) meaning total cash sales totaled \$89. We also obtained a download from Square noting that total cash sales were \$91, indicating a \$2 shortage, and that the Square device used matched the identification number. Further, we observed that all tablets and credit card readers associated with the County's point-of-sale system were maintained in the Department's offices in a locked cabinet.

We also evaluated the adequacy of controls and processes related to inventory processes in place through the following procedures:

Liquor inventory is purchased through a blanket purchase order and is purchased from only five distributors. Open and unopened liquor inventory is kept in two 'liquor rooms', which is a walk-in closet that is secured by a lock. These liquor rooms are located at the fairgrounds. Distributors deliver the liquor to these locations. Inventory is counted monthly but not maintained for recordkeeping. We did note the last count was performed in August 2019. During slower times, counts are limited to quarterly. Before each event, as noted above, the Department has created an Event setup sheet where inventory is pulled from the location and tracked on this listing. At the end of the event, the bartenders place all the unused liquor and beer in a box and Department staff will compare to sales transactions to help ensure adequacy of what was poured. We toured and performed a walk-through of this process of the liquor storage rooms and noted all the liquor and beer inventory were in two storage rooms. There were several boxes that contained some partial boxes representing liquor used at events the prior evening. We noted that that last inventory count was performed in August 2019. Through our procedures we noted that the Department does not have formal written procedures surrounding its liquor inventory nor does it have necessary software to track its inventory.

Reconciliations and Bookkeeping

We obtained an understanding of the processes surrounding depositing funds received from facility rentals and liquor sales at events. We then performed a walkthrough over this process. We obtained deposit reports for an event occurring on July 2, 2019. Total cash deposits from this event totaled \$3,048. We then obtained cash receipts ledger report totaling \$5,925.50 and a credit card deposit slip totaling \$2,877.50. We recalculated the total cash by determining the difference between credit cards and total transactions. This recalculation resulted in a difference of \$3,048 which is the total cash collected per deposit slip. Finally, we examined a receipt completed by the Department and signed by a representative of the Department and its armored delivery service that agreed to total deposits to be delivered to the County Treasurer.

Testing

In order to test the above processes and controls over special events, liquor sales and facility rentals, we obtained from Department staff a listing of all events held between October 1, 2018 through September 30, 2019 that had liquor sales. This information was obtained through EventPro that tracks all events held at the facilities. We noted, from this time frame, there were 43 events held that included alcohol sales. From this listing, we haphazardly selected 10 events to test.

We also selected two additional large events to test. As these larger events cover multiple days, we selected one day's liquor sales at the County Fair held on July 31, 2019 to August 4, 2019. We also selected one day's sales at Pumpkin Nights held in October 2018. See below for the results of our testing and any recommendations developed from our testing.

RESULTS AND RECOMMENDATIONS

Following are our testing results and recommendations along with management's action plan to address these issues.

Recommendation #1

During our discussions with the Department's director and staff, we determined that written transactional policies and procedures do not exist. Overall County policies exist for those renting facilities that include rules and pricing, but no internal written processes exist for the Department. This was corroborated through our internal audit testing of selected special events. Through that testing we noted the following results which are directly associated with the lack of written policies and procedures:

- For two of the special events tested, we noted the deposit received was more than what was required based on the pricing indicated in the County's policy
- For one event tested, we noted the signed contract was received 9 months after deposit was received which exceeded the 30-day limit indicated in the County's policy.
- For 5 out of ten events tested, there was supporting documentation that was not maintained by the Department. This missing information is as follows:
 - 2 instances of missing event set up sheets and inventory logs
 - 2 instances of completed Cash Float worksheets indicating cash counts performed by the bartenders for the event
 - 1 instance of a missing report from the point-of-sale system that reconciles to Cash Float worksheet
 - 1 instance of missing completed Treasurer's Deposit Form that agrees to credit card and cash receipts ledgers from the County's general ledger
- For both the Fair and Pumpkin Nights events, there was supporting documentation that was not maintained by the Department. This missing information is as follows:
 - There were no completed and signed Event Service Liquor/Bar Service Order Forms
 - There were no Event Services Set Up Sheets and as such, for these instances, there was no inventory logs provided showing inventory needs, relief of inventory and returned inventory.

Risk

Without specific written transactional (cash collections/depositing and disbursement) policies and procedures, it's difficult to hold staff accountable to County and Departmental expectations and best practices for internal controls over cash collection or handling, cash management, efficient and effective operations or reconciliation processes.

Recommendation

We understand the Director is new to the County and the related position and other key staff have been with the County for only a couple of years. While they are very knowledgeable about the procedures to be performed, we recommend that the Department document, distribute and consider training to the County's over-arching policies and procedures for cash collection and handling, cash management, efficient and effective operations/disbursement and cash/revenue stream reconciliations in the Department. Additionally, should the Department desire more specific policies addressing specific operational needs, these policies and procedures should be included within the policies, mentioned above, and tailored to the Department's needs.

Action Plan

Person Responsible	Melany Davidson	Estimated Completion Date	February 1, 2020
<p>The Parks, Open Space & Cultural Arts Department (Parks) will continue to work with members of the County Finance Department (Finance) on already-drafted policies and procedures addressing cash handling. Finance will be able to help Parks design these specific policies around the County's over-arching policies and procedures.</p>			

Recommendation #2

During our discussions with Department staff, we noted that there is no security camera coverage at each bar location nor where cash is counted at the end of each event. As part of our observations, we noted that there are cameras that exist; however, the camera placements do not provide adequate coverage to show processing and cash handling.

Risk

While the existence of security cameras acts as a deterrent, cameras should be placed in such a manner that cash handling activities can be fully observed and/or reviewed.

Recommendation

We recommend the Department consider designating certain areas for cash handling and processing and move or add security cameras to those locations to adequately monitor such activities.

Action Plan

Person Responsible	Byron Fanning and Casandra Vossler	Estimated Completion Date	Spring 2020
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We feel the best solution for this would be to create a central cash handling room. This room could be equipped with a camera, as well as, allow a more secure way for the employees to handle cash during reconciliation of banks, deposits, etc. We would also request that a computer could be in this room so staff could enter deposits in to JD Edwards without having to leave the cash handling room to go back to their desks.

In the plans of the new Indoor Arena, a designated space has been reserved for all liquor storage and cash handling. This area will be locked off from the rest of the building and access to this area will be limited to essential staff only. We will request cameras to cover this entire area.

Recommendation #3

During our internal audit procedures, we noted no documented policies and procedures for the handling of liquor inventory within the Department. It was also noted that the Department does not have an inventory tracking system to adequately track the movement of the liquor inventory for events. While each event tracks what beverages are issued and returned, there is no tracking of that inventory as it is returned to the storage rooms. It was also noted that staff perform inventory counts throughout the year of the liquor storage rooms, however there is no real time listing of how much liquor is maintained.

Risk

Failure to have adequately documented policies and procedures for the handling of liquor inventory may lead to the inability to properly reconcile inventory. While there are some tracking mechanisms, those relate to specific events only and not overall inventory maintained at the Department’s storage location.

Recommendation

We recommend the County develop policies and procedures surrounding the proper handling of liquor inventory and to identify an inventory tracking system to help staff maintain more accurate inventory listings to be able to record liquor inventory and reconcile timely for valuation and monitoring purposes.

Action Plan

Person Responsible	Casandra Vossler and Melany Davidson	Estimated Completion Date	January 31, 2020
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We will continue working on policies and procedures and creating a written document for the beverage division. Each event will have a beginning and ending inventory that will be reconciled against the liquor room inventory monthly and all inventory documents will be filed electronically in the liquor file on the server. Please see recommendation #4’s response to how the Department plans to incorporate an electronic way of record keeping and reconciling liquor inventory.

Recommendation #4

During our discussions with Department staff, we noted that there are multiple software systems used to handle events (EventPro for venue management) and cash handling (Square for sales transactions). The Department has used two different point-of-sale systems within the year. It was also noted that these systems are not integrated.

Risk

Using various software systems to perform cash collections as well as credit card transactions at various events causes confusion and making uncertain and manual reconciliations more tedious for Department personnel. This lack of integration and multiple reconciliation processes could allow for more human errors in the cash management and reporting process.

Recommendation

While we understand the newest point-of-sale system the Department is using is an upgrade to the prior system, we recommend the Department continue to evaluate its software systems to find a system that will provide the ability to be more effective and efficient by combining all aspects of event reporting and cash handling processes. Included in our contract with the County is a consultation with an Eide Bailly data analytics team to assist in building a data analytics model to allow for easier access to and monitoring of current data in a dash board type of reporting or recommending software that would benefit the Department and the County. A cost benefit analysis of the process should be evaluated to determine if there's a more efficient way to gather current data and utilize it to institute best practices in collecting event transactions and reporting on them.

Action Plan

Person Responsible	Casandra Vossler, Melany Davidson and Ryan Modica	Estimated Completion Date	Summer 2020
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We have met with the current software developers and they have begun researching a code to have Square and EventPro communicate. The intention of this update would be to have each event's sales and inventory logged by Square into EventPro, after each event. This will allow any pre-sales of kegs or wine to be in EventPro, as well as, all sales and inventory used per event. Once this program is built, the beginning and ending inventory will be easier to track as it will be pulling every event's sales into one central software. We will also be able to maintain Fair inventory by recording the Fair as one event in EventPro. Until this system is built, we will be manually entering these items in each event's profile, along with the plan under Recommendation #3.

Recommendation #5

During our internal audit procedures, we noted that amounts classified as cash over and short were discovered, most of which were insignificant amounts. However, when testing of liquor sales at the Fair for August 2, 2019, we noted that there was an overage of \$421, meaning the amount of the total deposit was greater than what was on the sales report from the point of sale system. While there are varying reasons why there could be such overage, we noted there was no reason given nor any documentation supporting the reasoning.

Risk

While the amounts are not significant to the County or the Department, by not providing any documentation supporting the reasoning of these overages or shortage, the County nor the Department is able to identify ways to reduce these in the future causing potential errors in its financial reporting of these transactions.

Recommendation

While we understand there are often amounts reported as over and short and various reasons why this may occur, we recommend that the County, including the Department, determine specified amounts of such overages or shortages that would require further documentation and understanding of the reasoning behind such overage or shortage. By providing documentation of the reasons for these, the County and the Department will be able to identify ways to assist its bartenders and improve its cash handling procedures. Also, the establishment of an over/short contra account to post and report the over/short amounts, would be helpful in monitoring the specific source of the over/short amounts and be able to pinpoint certain repeat offenders and be able to properly train those in need.

Action Plan

Person Responsible	Melany Davidson	Estimated Completion Date	Ongoing
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The Parks, Open Space & Cultural Arts Department will continue its current process. The current limit is \$20 over or short. Any shortage or overage of over \$10 for a business day will be reported to the Manager and Director and will be tracked on a spreadsheet of each of these falling within the range. The spreadsheet includes reasoning for the over/short. Inventory is also checked against sales to see if there was a WIFI issue or power issue or something else out of their control. If a variance of \$20 or greater in either direction, the banks are recounted and 99% of the time, the money is located or explained. While the Finance Department handles the cash during the County Fair, this same policy will need to be maintained.