



Internal Audit Department

Clerk of the Circuit Court • County Court • Board of County Commissioners

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March 14, 2012

Ms. Wendy Breeden, Director
Public Resources Department
Post Office Box 7800
Tavares, FL 32778-7800

Dear Ms. Breeden:

We have concluded an internal audit of the Parks and Trails Division of the Lake County Board of County Commissioners Public Resources Department, as scheduled per the Clerk's Annual Internal Audit Plan. Responses to our recommendations were received from Bobby Bonilla, Parks and Trails Division Manager, and are included in the report after each finding and recommendation.

We appreciate the cooperation and assistance provided by the Parks and Trails Division and also other local county and governmental entities contacted during the course of this internal audit.

Sincerely,

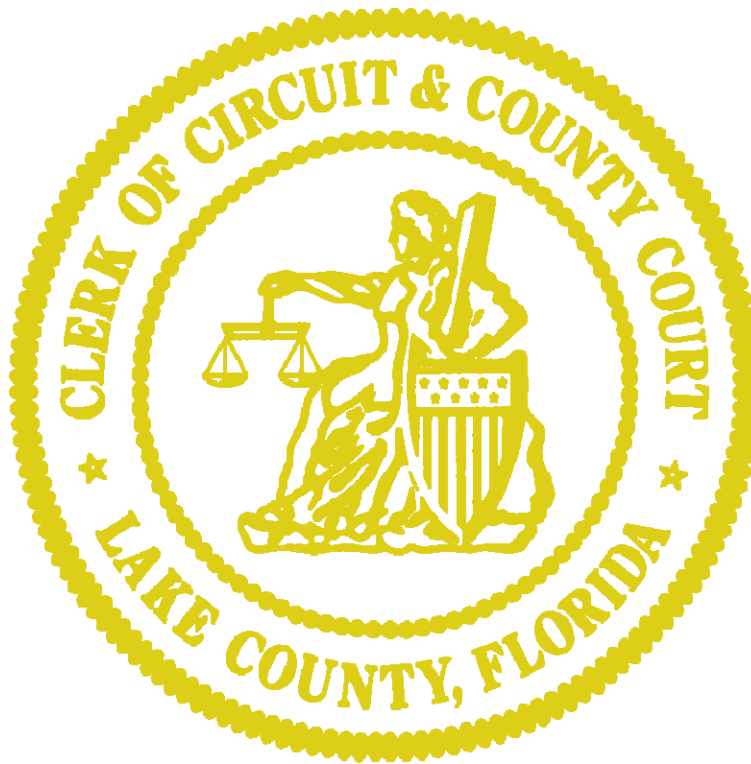
Jeremy Martin, CPA
Internal Audit Director

JM/cm

cc: Honorable Neil Kelly, Clerk of Circuit & County Court
Board of County Commissioners
Darren Gray, County Manager
Bobby Bonilla, Parks and Trails Division Manager

Neil Kelly

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**Internal Audit Department
Final Audit Report**

**BCC 2011-08, Parks & Trails Division
Public Resources Department
Lake County Board of County Commissioners
March 14, 2012**

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EXECUTIVE SUMMARY

OVERVIEW

As requested by the Board of County Commissioners, Lake County, Florida and scheduled as part of the Annual Audit Plan, an internal audit was performed of the Parks and Trails Division of the Public Resources Department.

The mission of the Parks and Trails Division is to provide a clean, safe, and attractive parks and trails system for the health and enjoyment of Lake County residents and visitors alike, while preserving and protecting our natural resources. To support their mission, the Parks and Trails Division develops and maintains more than 900 acres of parks, 15 boat ramps, 14.5 miles of paved recreational trails, over 2,000 acres of public lands, and more than 138 miles of blueway trails, i.e. marked trails on the waterways, for the citizens of Lake County. The division also has responsibility for the maintenance of seven cemeteries across the county totaling over 15 acres.

In addition to the development and maintenance of parks, the division's staff regularly leads scheduled nature hikes and bird and butterfly surveys at parks across the county such as Twin Lakes Park, Pine Forest Park, Lake Idamere Park, P.E.A.R. Park, and Ferndale Preserve. The staff also participates with other area government entities in their nature events and paddling adventures on Lake County's blueways.

SCOPE

Management desired to know whether controls were in place for the effective and efficient use of resources. Tests of transactions included the time frame of July 1, 2010 through June 30, 2011. This audit included the Parks and Trails functions only and did not include the Public Lands Program section. Additionally, the review of the Parks and Trails Division's contracts did not include an assessment of vendor compliance.

OBJECTIVES

The objectives of the audit were to:

1. Determine whether cash receipts processes are operating efficiently and have adequate controls.
2. Determine whether vendor contracting is in compliance with county policies and procedures and has adequate controls.
3. Determine whether procurement cards are used in compliance with county policies and procedures.
4. Determine whether grant requirements are being satisfied and the use of funds is consistent with any funding restrictions.
5. Evaluate department staffing and outsourcing resources.

OVERALL EVALUATION

During the course of the audit, we found the division staff was very forthcoming with information and willing to assist the auditors. We were met with a spirit of openness and enthusiasm. We observed

the staff during the normal course of their work and found that they appeared to work well together and focus on their duties. When items arose during the audit, the employees were responsive and worked quickly to correct them. Management has addressed several areas where improvements were recommended in a previous audit and we commend them for doing so. The controls implemented are essential to improved accountability over the division's operations.

The courtesies and cooperation extended by the Parks and Trails Division and the Public Resources Department staff during the audit were sincerely appreciated.

OPINION

Based on the results of our audit testing, except as noted in our findings, we have determined that controls in place over cash receipts, vendor contracting, and procurement cards are effectively designed and operating as intended. We also concluded that the grant requirements have been satisfied and the use of funds was consistent with the funding restrictions. We concluded that although the division has additional resources through outsourcing, our evaluation of the overtime supported the possible addition of a part-time position. Our evaluation of the overtime also showed that if furloughs are reinstated in the future, County management should consider exempting the division as the furloughs increased the cost of overtime to a level commensurate with a staff position. We have included some additional areas for improvement in our audit findings and recommendations.

AUDIT BY:

Jeremy Martin, CPA, Internal Audit Director
Cindy McLaughlin, CPA, CIA, Senior Internal Auditor

AUDIT METHODOLOGY AND DISCUSSION

The purpose of this section is to provide management with a summary of the procedures performed to achieve each stated objective and to provide a description of the overall results.

Determine whether cash receipts processes are operating efficiently and have adequate controls.

The division receives payments of rental fees for various park facilities, such as pavilions and athletic fields. We observed and documented the cash receipts and deposit process. We evaluated the internal controls to determine their effectiveness. We found that while the written procedure was followed, the procedure itself did not contain adequate segregation of duties as all the steps in the receipting process were performed by one employee. As this lack of segregation of duties resulted in a lack of internal controls, we did not perform testing of this portion of the cash receipts process. A finding related to this is discussed in the Findings and Recommendations section of this report.

As part of the cash receipts process, we selected and tested a sample of the deposits. We compared a sample of the deposit amount generated by the division with the amount in the accounting system. No differences were noted. We found that there is adequate evidence of this portion of the cash receipts process to support proper segregation of duties and review.

Determine whether vendor contracting is in compliance with county policies and procedures and has adequate controls.

The Parks and Trails Division contracted with vendors for various rentals and services, from design and construction to maintenance of park facilities and grounds. We reviewed the county's purchasing and contracting procedures. We discussed the bidding process with the Office of Procurement Services. We obtained and reviewed a listing of the contracts within the audit scope time frame. This listing was compared to the accounting system to determine if any other contracts should have been included in the listing. We also reviewed the accounting system to determine if any purchases outside of a contract should have been made under a contract. We selected a sample of contracts from the listing and reviewed the contract documentation to ensure that the bidding procedures were followed. We found evidence during our review of the vendor contracting to support adequate internal controls and compliance with county policies and procedures.

Determine whether procurement cards are used in compliance with county policies and procedures.

The Parks and Trails Division uses procurement cards as payment for operating and office supplies, rentals, services, and repairs and maintenance. We reviewed the county's procurement card procedure. We obtained a listing of the procurement cardholders in the Parks and Trails Division and compared this listing to the procurement card system. We then generated a report from the procurement card system, which contained the transactions for the audit scope time frame, and reviewed the cardholder use. We selected a sample of transactions to determine whether controls

were in place and operating as intended. Two findings related to procurement cards are discussed in the Findings and Recommendations section of this report.

Determine whether grant requirements are being satisfied and the use of funds is consistent with any funding restrictions.

Florida Communities Trust Grants

Grants were awarded by the Florida Communities Trust for the purchase of the Ferndale Preserve and the P.E.A.R. Gateway Park properties. The grant agreements detailed the conditions that must be met to be in compliance with the grants. We reviewed the management plan and the annual stewardship reports required under the agreements. We also reviewed the grant conditions in the grant agreements and tested them for compliance. During the testing, we held discussions with staff, researched statements made in the stewardship reports, and made firsthand observations during site visits. Our review found the grants to be in compliance.

U.S. Fish & Wildlife Cooperative Extension Agreement

The U.S. Fish and Wildlife Cooperative Extension awarded a grant for materials and contracted services for the Ferndale Preserve. The grant agreement detailed the conditions that must be met to be in compliance with the grant. We reviewed the grant conditions in the grant agreement and tested them for compliance. During the testing, we reviewed the project plan, held discussions with staff, and made firsthand observations during a site visit. Additionally, we reviewed the request for reimbursement under the grant and conducted research in the accounting system. We found the grant to be in compliance.

Vessel Registration Fees

Under Florida Statute 328.72(15), funds were received from the county portion of the vessel registration fees based on the recreational vessels registered. As required, the county reported the revenues, and the expenditures which used the funds collected, to the Fish and Wildlife Commission. We reviewed the statute, the report, and the report instructions. We compared the data in the report to the accounting system. We found the report to be timely filed and the expenditures to be in compliance. A finding related to the reporting of the revenues is discussed in the Findings and Recommendations section of this report.

Evaluate department staffing and outsourcing resources.

Overtime

We obtained and reviewed the organization chart, job descriptions, and work schedule. We obtained and reviewed an overtime report from the accounting system for the audit scope time frame. We obtained the fiscal impact for the relevant positions. We compared the cost of the furloughs to the cost of the overtime. Our evaluation of the overtime showed that if furloughs are reinstated in the future, County management should consider exempting the Parks and Trails Division as the furloughs increased the cost of overtime to a level commensurate with a staff position resulting in no net savings. After adjusting for the overtime attributable to the furloughs, we concluded that, although the division has additional resources through outsourcing, our analysis of the overtime supported a possible addition of a part-time position.

Outsourcing/Contracted Activities

We reviewed and compared the contracts for restroom cleaning and landscape maintenance services of the parks, trails, ball fields, and cemeteries to the job functions of employees. We totaled the annual cost of the contracts and compared that to the fiscal impact of relevant employee positions. Although the hours involved in completing the contracted functions were not available, we determined the number of additional employees that could be hired in place of the annual cost of the contracts. Using the relationship of three or four Park Attendants reporting to a Park Trades Crew Leader, our calculation resulted in two Park Trades Crew Leaders and almost seven Park Attendants. In addition to the employees, equipment would need to be purchased to provide the services. Other costs would include fuel and the storage, transportation, and maintenance of the equipment. We suggest that the Parks and Trails Division evaluate the cost of the contracted activities in conjunction with the time involved in fulfilling the activities in comparison with the fiscal impact of employees.

Comparison to Other Counties

We selected other Florida counties for comparison with Lake County. Initially, we selected several counties for comparison based on a population similar to the 2010 census population of Lake County. However, upon review of the parks programs in some of those counties, we determined that selection based strictly on population was not a comparable basis as those counties had very well-developed and diverse parks program which included swimming pools, skateparks, overnight camping, the Sun-N-Fun Lagoon (Collier County), and Digital Domain Park (St. Lucie County), the spring training home of the New York Mets. Other counties also included functions like the county fairgrounds in their parks divisions.

To broaden the review to include counties beyond just county population, we selected the following counties based on the criteria listed.

- Clay County, number of persons per square mile
- Escambia County, 2010 Census/county population
- Hernando County, a similar unincorporated county population
- Leon County, 2010 Census/county population
- Marion County, 1980 Census/county population and close geographic proximity
- Okaloosa County, 1980 Census/county population and size of county in square miles

Of the counties reviewed above, Lake County had the smallest number of total Parks employees and Parks maintenance employees. However, Lake County had a larger amount of acreage and greater number of parks by comparison than most of the other counties. Additionally, Lake County had the largest ratio of acres to Parks employee, well above the ratio recommended by the National Parks and Recreation Association. In the other counties, some maintenance functions were outsourced like Lake County, and one county used inmate labor.

Although each of the counties had multiple funding sources, the actual sources varied. Some common funding sources were the general fund, an MSTU, and impact fees. Other funding sources were various facility and user fees, donations, and tourist development taxes.

FINDINGS AND RECOMMENDATIONS

The cash receipts process lacks segregation of duties.

Criteria: Segregation of duties is an internal control that involves separating the functions of 1) the custody of assets, 2) the authorization or approval of related transactions involving those assets, 3) the recording or reporting of those transactions, and 4) the reconciliation of the asset to the reporting. In the case of cash receipts, segregation of duties includes separating the process duties to ensure that no one person can receive, record, and deposit funds.

Condition: During the course of the audit, we noted that the Parks Cash Receipts Procedure lacked segregation of duties. A single employee received the funds, recorded the receipts, and prepared the deposit before forwarding the deposit for review.

Effect: The procedure provides an opportunity for the misappropriation of assets.

Recommendation: The procedure should be revised to segregate the duties of custody, recording, and deposit preparation as much as possible among the staff. If full segregation of the duties is not feasible, then mitigating review controls should be put into place.

Management Response: Concur. Recognizing that additional financial assistance was needed in the Division, an Accounting Technician Position was requested and approved in the Fiscal Year 2011-2012 budget. This position has now been filled and the person will be in place March 12, 2012. Segregating cash receipt duties will be a priority. The Public Resources Director, Parks and Trails Division Manager, and Financial Coordinator will work with Finance to insure proper separation of duties by April 30, 2012.

The primary Departmental Card Representative (DCR) was issued a procurement card contrary to County Policy.

Criteria: Section 603.20(e) of the Lake County Purchasing Card Procedures states that “No primary DCR may be issued a PCard.”

Condition: At the time of the audit, the Parks and Trails Office Associate IV was both the primary Departmental Card Representative and a cardholder.

Effect: Segregation of duties is absent as the primary DCR is responsible for reviewing transactions and may be reviewing their own transactions.

Recommendation: We recommend that County Policy be followed by providing that the Office Associate IV should either be the primary Departmental Card Representative or a cardholder.

Management Response: Concur. At the time of the audit, pcard transactions made by the Parks and Trails Office Associate IV were approved by the Parks and Trails Division Manager and then forwarded to the Financial Coordinator for review. Upon approval by the Financial Coordinator, those transactions were also approved by the Public Resources Director. In October 2011, this problem was resolved when the Public Resources Administration Office Associate V took over DCR responsibilities for the pcard assigned to the Parks and Trails Office Associate IV. With the addition of the Accounting Technician position in Parks and Trails, the DCR responsibilities will be transferred to the Accounting Technician.

Auditor Note: We confirmed this finding was resolved during the course of the audit.

The established purchasing card procedures are not consistently followed.

Criteria: The Lake County Purchasing Card Procedures identify the basic requirements applicable to the Purchasing Card Program. Section 601.41p of these procedures states that "the cardholder shall personally sign each monthly statement acknowledging validity of purchase and receipt of goods." In the case of a department/division that has employees that work primarily out of the office and are typically unavailable to sign the monthly statement, an alternative acceptable to the Office of Procurement Services is that the cardholder sign the individual receipts under the monthly statement.

Condition: A review of a sample of purchasing card transactions during the scope period of July 1, 2010 through June 30, 2011 was conducted. The transactions were reviewed for, among other criteria, the cardholder's signature on the monthly statement, or alternatively the cardholder's signature on the receipt. Two of the 53 transactions in the sample did not have a signature on either the monthly statement or the underlying receipts.

Effect: If the cardholder does not sign his/her monthly statement or alternatively the underlying receipt, the Department Card Representative cannot be certain that the monthly statement is valid.

Recommendation: It is recommended that management put a process in place to ensure that each cardholder either signs off his/her purchasing card monthly statement or the underlying receipts.

Management Response: Concur. This was clearly an oversight by all parties reviewing the purchasing card statements. The new Accounting Technician will add another layer of oversight to insure compliance with all purchasing card procedures. Parties in the review queue will be more alert to this potential problem and always require proper signatures.

The amount of revenue was underreported on the Recreational Vessel Registration Fees Report.

Criteria: Under F.S. 328.72(15), excess vessel registration fees are distributed by the tax collector to the board of county commissioners. The county is then required to provide an annual detailed accounting report demonstrating that the registration fee revenues were spent as provided under the statute. This report is to be provided by the county to the Fish and Wildlife Commission (FWC) no later than November 1.

Condition: During the audit, a copy of the 2010 annual vessel registration fees report was provided for review. Upon review of the report and comparison to the MUNIS accounting system, we found that the total revenue of \$98,625.82 reported did not include the revenue received for the month of September, 2010 in the amount of \$7,057.70. We then requested the 2009 annual report for review which reported total revenue of \$110,489.59. It too did not include the revenue received for the month of September, 2009, or \$4,980.09. We found that the monthly revenues were typically recorded in the accounting system in the latter half of the subsequent month, however, the revenue received for the month of September was not recorded until November 2 in each year. As a result, the September revenue amount was not in the accounting system or included in the report by the submission deadline of November 1.

Effect: The filing of incorrect information could reflect negatively on Lake County.

Recommendation: It is recommended that a plan be put in place whereby the information can be obtained prior to the reporting due date and that sufficient review of the report be performed to ensure information is complete and accurate.

Management Response: Concur. Copies of the annual Recreational Vessel Registration Fees Report are sent to both the County Finance and the Budget Office each year. In August 2011, the Public Resources Financial Coordinator contacted County Finance concerning the timing to the September fees being posted in the accounting system. Since there is no set time when the Tax Collector sends the monthly fees, Finance staff indicated they were willing to contact the Tax Collector's Office to find out September's amount so it could be included in the report prepared in October. The Financial Coordinator also contacted the Florida Fish and Wildlife Commission in

September concerning the revenue reported in previous years. FWC staff member Erica Bradley indicated that a historical spreadsheet is maintained and revised revenues could be submitted for as many years back as Lake County would like, along with the 2011 report due November 1, 2011. She also indicated that the report deadline could be “flexible” if needed. After consulting with the internal auditors, it was determined that corrected information should be provided as far back as the current accounting software would allow. A memo was prepared and submitted with the 2011 Vessel Registration Fees Report and a copy was forwarded to the internal auditors. The Department will continue to work with Finance each year to ensure accurate reporting.

Auditor Note: We confirmed this finding was resolved during the course of the audit.