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Internal Auditor's Report

The County Council and County Executive of Wicomico County, Maryland:

Pursuant to Section 305(D) of the Wicomico County Code and Council Resolution No. 120-2015, the Office of the Internal Auditor (IA) has conducted an Audit of the Wicomico County Box Office System. A report is submitted herewith. The purpose of the audit was to determine the adequacy of procedures and controls along with the level of compliance with those procedures and controls for the process of maintaining the box office located at the Wicomico County Youth and Civic Center.

IA conducted the audit with due professional care, and IA planned and performed the audit to obtain reasonable assurance about whether the current box office practices comply with applicable policies and procedures and to determine if those policies and procedures are adequate to obtain an acceptable level of control.

IA extends our appreciation to Management and Staff from Recreation and Parks, Tourism, the Civic Center, Finance, Administration, and the Department of Law for their timely assistance, cooperation, and candid assessment of the Box Office System.

Respectfully submitted,

J. Stephen Roser, CPA
Internal Auditor

Contents

Internal Auditor’s Report	1
Audit Report.....	3
Background	3
Wicomico County Box Office Program.....	3
Journal Entries.....	3
Checking Account Practices	3
Audit Objective	3
Scope of the Audit.....	3
Conclusion.....	4
Schedule of Findings and Recommendations	4
Written Procedures.....	4
Multiple Journal Entries	5
Interaction with County Finance.....	6
Credit Card Deposit Accounts	6
Auditor’s Closing Remark.....	6

Audit Report

Background

Wicomico County Box Office Program

Wicomico County maintains a box office in the lobby of the Wicomico County Youth and Civic Center. The County remodeled the box office due to flooding approximately one year ago caused by a bursting water pipe. We have evidence of robust attention to detail in design by box office personnel relating to efficiency, effectiveness, and security. The box office provides services to the following County Departments:

- Wicomico County Youth and Civic Center performances and other activities
- Wicomico Parks and Recreation including team sports
- Wicomico County Tourism

Journal Entries

IA expanded the scope of the audit to include an analysis of journal entries created and posted by Civic Center personnel. We determined that the nature and number of journal entries seems excessive. Additionally, many of the journal entries including the creation of new general ledger accounts and funds within the Munis system did not involve the County Department of Finance.

Checking Account Practices

As mentioned in the Banking Practices Audit (report dated April 9, 2015), IA recommended management review the scope and number of banking accounts belonging to the County. Five accounts belonging to Recreation and Parks along with the Civic Center scored highest for risk among the 22 banking accounts within the County. After subsequent reductions in account balances and separation of duties, IA scored these same accounts in the satisfactory range (memo dated August 25, 2015). Further testing related to the scope of the Box Office Audit revealed additional concerns related to current practices.

Audit Objective

The objectives of the audit were to:

1. Gain an understanding of the box office operation
2. Evaluate cash handling procedures
3. Evaluate efficiency and effectiveness of current practices
4. Make recommendations (if appropriate)

Scope of the Audit

Objectives and methodology were adjusted as information was gathered. The audit period examined on a test basis was FY 2015 to date. The Scope was open ended. Observations, interviews, and Inquiries with appropriate personnel were conducted. IA performed inspections of box office operations including interviews with management and box office personnel. Additionally, IA examined various documents (subject to change based on preliminary surveys and interviews) pertaining to the following:

- Banking records including reconciliations, statements, cancelled checks, and check registers
- Written box office procedures
- Munis data including budget information and journal entries
- Other records and documentation determined during the audit testing

Conclusion

Based on the information gathered in this process, IA is of the opinion that internal control over the box office program for Wicomico County is at an adequate¹ level to its stated purposes. We understand that Management is looking into alternatives to our current system. Alternatives include more County Finance involvement in box office operations, a new system for booking Recreation and Parks activities, and changes in checking account protocols (including the number of accounts).

Schedule of Findings and Recommendations

The findings listed below represent some key issues that bear discussion as an added feature to the audit process. The findings are both positive and negative, and they do not rise to the level of concern that material weakness would garner.

Written Procedures

Box Office management and personnel provided documentation containing numerous written procedures for various functions including:

- Safety and security
- Reporting
- Setup and closeout
- Payment of invoices
- Sales reports
- Attendance reports
- Ticketing
- Daily procedures for cashiers
- Field, pavilion, and slip rentals

All written procedures reviewed were thorough and unambiguous. We recommend additional written procedures for handling cash payments related to performances and other bookings.

Management Response

Management will work to get the noted box office area procedures documented in a written form.

¹ According to IPPF Practice Guide issued March 2009: "Adequate system of internal control means that findings are subject to reservations. A number of findings, some of which are significant, have been raised. Where action is in progress to address these findings and other issues known to management, these actions may be at too early a stage to allow a satisfactory audit opinion to be given."

Multiple Journal Entries

We expanded the scope of the audit to test journal entries created by Civic Center management. For the period July 16, 2015 to January 16, 2016, IA discovered the following:

Number of journal entries ²	170
Number of individual transactions	2816
Total debits/credits	\$ 5,703,945
Posted to control accounts (net)	\$ (880,409)
Number of individual accounts	254
Number of due to-from accounts	20
Number of transfer accounts	8
Number of funds involved ³	22

Breakout of journal entry types involved:

Accounts Payable Invoice Maintenance	25
Posted Payments & Reversals	120
General Journal Entry	25

Interviews revealed that the box office and Civic Center accounting employs software that is isolated requiring manual entry in order to book transactions to the countywide Munis system. We recommend that management devise a way to enter transactions directly to the Munis system without the creation of manual journal entries.

Management Response

The journal entries created in MUNIS have multiple types that include: general journal entries, accounts payable, invoice maintenance and posted payments (or cash receipts). Management believes that the largest volume of such entries entered by the Department relate to cash receipts. The Box office receives receipts on a daily basis and posts directly into MUNIS. It is believed that these transactions make up the majority of entries noted.

The Department also utilizes outside software to track registrations that are converted into a cash receipt transaction each month as well. Management will investigate options for external software to avoid hand-keying transactions into MUNIS.

² Please note that IA continues to study and investigate Munis protocol and reporting platforms related to journal entries

³ Note: the entire County has 81 total funds

Additionally, Management recognizes the large number of transfers historically made across funds within the Department. The Department, in conjunction with Finance, will be consolidating from 18 funds to three funds in FY17 within MUNIS that should greatly reduce the number of internal transfers.

Interaction with County Finance

Testing revealed the creation of numerous general ledger accounts and the creation of numerous funds within Munis at the department level. The addition of hundreds of general ledger accounts and funds adds unreasonable complication to the county accounting system triggering additional fees from our external financial auditing firm. We recommend that the creation of general ledger accounts and funds take place exclusively within the Department of Finance. The required cost accounting needed by the Civic Center, Recreation and Parks, and Tourism could be located outside the countywide financial records. Alternatively, cost accounting may be accomplished through project functions within Munis. IA further recommends that the Department of Finance signoff on all journal entries and maintain proper documentation related to signoffs.

Management Response

Management has already implemented changes, in conjunction with the County's Department of Finance, such that Finance creates all general ledger accounts. Additionally, procedures have been established to ensure that the person creating an entry is not the person who posts the entry. This ensures segregation of duties. The Finance Department has also assumed duties to perform bank reconciliations each month.

Credit Card Deposit Accounts

Interviews and testing revealed that the box office uses more than one account to deposit credit card receipts. We recommend consolidation and the reduction of the number of banking accounts.

Management Response

The Department is working to reduce the number of bank accounts that are maintained. To accomplish this, Management will work to move the credit card deposits from their current accounts to one central account.

Auditor's Closing Remark

The Wicomico County Office of the Internal Auditor would like to thank management and staff from the Department of Law, the Department of Finance, the Civic Center, Recreation and Parks, and Administration for their timely cooperation and assistance during the audit.