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COMPTROLLER



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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

June 3, 2016

Ms. Rose Harvey
Commissioner
Office of Parks, Recreation and Historic Preservation
625 Broadway
Albany, NY 12207

Re: Controls Over Cash Advance Accounts
Report 2016-F-3

Dear Ms. Harvey:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we have followed up on the actions taken by officials of the Office of Parks, Recreation and Historic Preservation (Parks) to implement the recommendations contained in our audit report, *Controls Over Cash Advance Accounts* (Report 2014-S-22).

Background, Scope, and Objectives

Section 115 of the State Finance Law authorizes the establishment of cash advance accounts, which State agencies may use for petty cash, travel, and other funding needs such as confidential and change allowances. Advances are issued from agency appropriations, and the cash is transferred from the State Treasury to a local bank account for use by the agency. As of March 31, 2016, Parks was authorized to have three advance accounts with a total value of \$313,090, as follows: Change Fund - \$271,590; Petty Cash - \$40,000; and Confidential Fund - \$1,500.

Our initial audit report, which was issued on December 22, 2014, covering the period April 1, 2011 through June 30, 2014, determined whether Parks needed these accounts and whether the money was properly accounted for and used for appropriate business expenses. We concluded that the accounts received little scrutiny and controls needed to be improved. Specifically, our audit found that:

- Parks had consolidated some of its authorized advance accounts by transferring the funds to an unrelated account, but had not notified the Office of the State Comptroller (OSC) of the change.
- Two funds had shortages that originated prior to 2011, but Parks had not reconciled the

discrepancies or reported them to OSC as required by State law.

- Parks' Petty Cash Account, which had not been reconciled in at least four years, contained \$5,000 more than OSC had authorized. Parks officials were unable to explain or account for the surplus.
- Parks inappropriately used Petty Cash Account funds totaling over \$4,600 for employee payroll advances, which are prohibited by the Comptroller's requirements established under Section 115.
- Parks did not routinely assess accounts for necessity or appropriate fund balances. The \$3,000 Travel Advance Account had been inactive for almost three years, and the Petty Cash Account (with a balance of \$185,000) was significantly overfunded.

The objective of our follow-up was to assess the extent of implementation as of March 31, 2016 of the eight recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

We found Parks officials have made substantial progress in implementing the recommendations identified in our prior audit report. Of the eight prior audit recommendations, seven have been implemented and one has not been implemented.

Follow-Up Observations

Recommendation 1

Establish, and adhere to, consistent accounting policies and procedures for all cash advance accounts, and strengthen the control environment to ensure processes and procedures are in compliance with State regulations and adhere to professional standards.

Status - Implemented

Agency Action - Parks established policies and procedures for its three remaining advance accounts that are in compliance with State regulations. To strengthen the control environment, employees were trained to use the new procedures and bank reconciliations are now performed for each account.

Recommendation 2

Reconcile all accounts monthly, as required by Comptroller guidelines.

Status - Implemented

Agency Action - Parks now reconciles its three advance accounts monthly.

Recommendation 3

Update OSC regarding any changes to cash advance accounts, and annually submit the confirmation of account balances.

Status - Implemented

Agency Action - Parks updated OSC on the changes to its cash advance accounts and submitted its annual Cash Advance Account Confirmation and Reconciliation Form for all three accounts timely.

Recommendation 4

Formally assess the feasibility and benefits of an automated check-issuing process for the Change Fund Account. If appropriate, develop and implement an automated issuing process.

Status - Implemented

Agency Action - Parks formally assessed the feasibility and benefits of an automated check-issuing process for the Change Fund Account but decided not to implement the process because, in its estimation, the cost would exceed the benefits derived.

Recommendation 5

Ensure that advance checks intended for individual parks are made payable to those parks (and not to employees of the parks).

Status - Not Implemented

Agency Action - Parks is still making advance checks payable to employees of the parks. Officials believe that the practice of issuing checks from the Change Fund Account in the name of the Facility Manager is necessary due to local constraints of the banking industry. Parks' staff consulted bank representatives and were told that some banks would not cash checks made payable to a park or regional office.

Recommendation 6

Determine the source of the \$5,000 overage in the Petty Cash Account, and significantly reduce its balance to more closely reflect actual use.

Status - Implemented

Agency Action - Parks' staff performed an exhaustive search of past transactions, but were unable to determine the source of the \$5,000 overage. Parks significantly reduced the balance of the Petty Cash Account, from \$185,000 to \$40,000.

Recommendation 7

With the exception of payroll advances to new employees, discontinue the practice of allowing payroll advances from the Petty Cash Account.

Status - Implemented

Agency Action - Parks discontinued the practice of issuing payroll advances from the Petty Cash Account, except for payroll advances to new employees. This change was included in the new Petty Cash policies and procedures.

Recommendation 8

Close the inactive Travel Account and return the authorized balance to the State Treasury.

Status - Implemented

Agency Action - Parks closed the Travel Account and returned the \$3,000 authorized balance to the State Treasury.

Major contributors to this report were Walter Irving, Heather Pratt, Mike Cantwell, and Mark Womeldorf.

We would appreciate your response within 30 days indicating actions planned to address unresolved issues discussed in this report. We thank Parks management and staff for the courtesies and cooperation extended to our auditors during this process.

Sincerely,

John F. Buyce, CPA, CIA, CFE, CGFM
Audit Director

cc: Division of Budget
Tracy Robbins, Office of Parks, Recreation and Historic Preservation