

**Beaver County
Baden Economy
Swimming Pool**

**Audit Report for the Period
January 1, 2004 through August 19, 2004**

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RICHARD W. TOWCIMAK
CONTROLLER



VINCENT LaVALLE
DEPUTY CONTROLLER

JOHN P. DOHANICH
SOLICITOR

BEAVER COUNTY COURTHOUSE
THIRD STREET - BEAVER, PENNSYLVANIA 15009-2196
TELEPHONE: Area Code 724-728-5700

August 23, 2004

Mr. Bill Marvin
Old Economy Park
Economy Pa

Dear Mr. Marvin:

We have audited the financial records of the Old Economy Swimming Pool for the period January 1, 2004 through August 19, 2004. Based upon the audit we have issued our report thereon dated August 23, 2004, the last day of fieldwork.

We conducted our audit in accordance with generally accepted governmental auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial records are free of material misstatement.

Based upon our review of the Old Economy Swimming Pool records, we have made findings, observations and recommendations as detailed in this report.

Richard W. Towcimak
Beaver County Controller

SCOPE:

The scope of this audit encompassed the period from January 1, 2004 to August 19, 2004.

OBJECTIVES:

Through the completion of internal control questionnaires, control tests, substantive tests, and observation, the following audit objectives were accomplished for this audit:

- Prepare a financial statement for each year reviewed
- Evaluate controls over the office checking accounts and change fund
- Ensure that funds are deposited timely
- Ensure that funds received are disbursed to the proper payees
- Ensure that funds held in escrow are adequate
- Ensure that costs are properly applied
- Ensure that void receipts are voided for a valid reason
- Evaluate the controls over cash
- Evaluate the controls over purchasing and the administration of the budget
- Evaluate controls over general procedures

**The Old Economy Swimming Pool
Statement Of Receipts And Disbursements
January 1, 2004 Through August 19, 2004**

Beginning Balance January 1, 2004\$1,493.16

Receipts:

Pool Gate Receipts28,426.99
Refreshment Stand9,474.03
Total Receipts37,901.02

Adjustments:

Start up Cash (100.00)
Missing Funds or Incorrect Receipt Totals .. (533.09)
Total Adjustments (633.09)

Cash Disbursements:

Fax Machine (200.00)
Medical Supplies (20.00)
Cash Expense (220.00)

Total Deposits37,047.93

Disbursements:

Total Expenses (0.00)

Adjustments:

Interest4.98
NSF Checks (102.00)
Total Adjustments (97.02)

Ending Balance August 19, 2004\$38,444.07

The accompanying notes are an integral part of these financial statements.

Old Economy Swimming Pool
Notes to the Statement of Cash Receipts and Disbursements
For the period ending August 19, 2004

Note 1: Summary of Significant Accounting Policies - The Old Economy Swimming Pool reports on the cash basis of accounting. Under the cash basis of accounting revenues are recognized when received and expenses recognized when the disbursement is made.

Note 2: County of Beaver Pool Account 70 - Sky Bank Account 60016936 is maintained by the county Treasurers Office. This account is used for deposits only. Once deposited the staff at the pool no longer have access to pool receipts. The pool staff does not maintain or distribute any checks from this account.

Note 3: Register Receipts - Cash register slips do not support bank deposit slips. The cash register used for gate receipts does not work properly and some small errors have occurred. However, it would appear that some funds were not deposited and remain unaccounted for. The total amount in question is 533.09.

Note 4: Concession Receipts - The cash register used for the concession stand does not track transactions and is therefore no more than a cash box. Cash from concession sales are counted at the end of each day however because individual sales are not tracked there is no way of confirming sales totals. There are currently no controls in place to prevent the misuse of county funds.

Note 5: Cash Purchases - Contrary to county policy some items have been purchased on a cash basis. These items include a fax machine (\$200.00) and medical supplies (\$20.00) which are located in the pool office. These items do not represent significant purchases but they should be purchased according to county policy.

Note 6: Start up Cash - Funds that were necessary for the operation of the swimming pool on a daily basis were withheld from the first week's deposits (\$100.00). These funds were added to the start up cash provided by the county for a change fund. These funds will be deposited with the final deposit of the swimming season.

Note 7: Daily Deposit - Deposits are made to the bank on a daily basis, unless there is a lack of activity in which case funds may be deposited with the following day's receipts.

Note 8: Un-receipted Funds - Deposits for pool parties are not receipted through the cash register

until after the party takes place. It is possible therefore that some funds may be receipted but remain undocumented for a period of time. No such receipts were present at the time of this audit.

RICHARD W. TOWCIMAK
CONTROLLER



VINCENT LaVALLE
DEPUTY CONTROLLER

JOHN P. DOHANICH
SOLICITOR

BEAVER COUNTY COURTHOUSE
THIRD STREET - BEAVER, PENNSYLVANIA 15009-2196
TELEPHONE: Area Code 724-728-5700

August 23, 2004

Mr. Bill Marvin
Old Economy Park
Economy Pa

Dear Mr. Marvin:

Report on Internal Control Structure

We have audited the records of the Old Economy Swimming Pool for the period January 1, 2004 to August 19, 2004, and have issued our report thereon dated August 23, 2004.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial records are free of material misstatement.

In planning and performing our audit of the Old Economy Swimming Pool for the period January 1, 2004 to August 19, 2004, we considered the internal control structure to determine our auditing procedures for the purpose of expressing our opinion on the financial records and the office's compliance with applicable regulations and not to provide assurance on the internal control structure. The management of the Old Economy Swimming Pool is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation

structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with prescribed policies. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, future reliance on any evaluation of the structure, past or current, is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation. Additionally, we assessed control risk for the internal control structure except for matters of compliance. Compliance with applicable laws and regulations was considered when assessing control risk for the internal control structure.

There were several matters noted involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the county office's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial records.

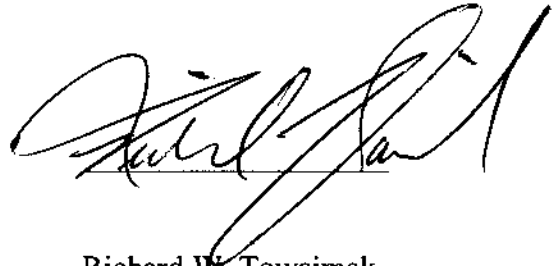
A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements do not reduce, to a relatively low level, the risk that material errors or irregularities affecting the financial records being audited may occur and not be timely detected by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses as defined above.

For further elaboration on weaknesses of a material value, refer to the "Findings and Recommendations" section of this audit report.

This report is intended solely for the information and use of the Office of the Controller,

management, and others within the administration. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

A handwritten signature in black ink, appearing to read "Richard W. Towcimak", written over a horizontal line.

Richard W. Towcimak
Beaver County Controller

FINDINGS AND RECOMMENDATIONS

Finding 1: Cash Register Receipts Do Not Match Deposits

Cash register receipts were compared to daily work sheets and daily bank deposits. It was noted that gate receipts for the audit period did not match deposits for the same period. It was also noted that the cash register used for gate receipts is old and does not function properly. It would appear that this has resulted in some minor calculation errors that represent a small portion of the discrepancy. A cash register receipt for 6/29/04 shows gate receipts of \$242.00, these funds do not appear to have been deposited to the bank. The park supervisor and the pool manager were unable to explain this discrepancy. Gate receipts and refreshment sales for 6/30/04 totaled \$1,386.10 however the deposit for this dated was \$1,265.00. The daily worksheet and the gate receipt for this day did not balance. The deposit for this day was \$121.10 less than funds received; the pool manager stated that errors could have occurred at the cash register however she could not explain the shortage. Further miscellaneous errors of \$169.99 also occurred during the audit period.

Audit Recommendation:

It is recommended that gate receipts be balanced with both the daily worksheet and the deposit slip to insure that all receipts are deposited to the bank. It is also recommended that the cash register be either repaired or replaced.

Finding 2: Excessive Returns Noted

It was noted that the return of funds occur on almost a daily basis. Discussion with the pool manager revealed that all employees can make returns. Returns occur when the pool closes early or when swimmers are asked to leave for other reasons. It was also stated that the returns are done in place of voids. There is no documentation required for the return of funds or voiding of receipts. The register does record when items are either voided or returned but no explanations are provided to explain why. Over the period of 5/29/04 to 8/19/04 there were \$10,239.18 for returns, of this amount \$9,035.00 occurred on 7/28/04. Discussion with the pool manager revealed that the \$9,035.00 amount was actually a void for an incorrect entry and not a return. The remaining \$1,204.18 was a series of daily returns. Excess returns present the possibility for the misappropriation of county funds.

Audit Recommendation:

It is recommended that all voids and returns require the approval of the manager or an assistant manager and that they are properly documented. This is necessary to prevent the misappropriation of county funds.

Finding 3: Concession Stand Controls Non-Existent

Funds for the concession stand are received through a cash register, however the cash register does not function properly and no cash totals can be determined. The cash register is no more than a cash box at this point. The money is counted at the end of every day and added to gate receipts for daily deposits. It is currently impossible to properly track funds due to the lack of controls over the receipting of cash including the broken register. A full audit of purchases and stock would be necessary to determine if any problems exist within the concession stand sales.

Audit Recommendation:

It is recommended that the cash registers at the pool be replaced or repaired to allow the proper tracking of funds. It is also recommended that procedures be established for the receipting of funds to establish a means of tracking cash transactions. Beginning and ending balance should be tracked each day so sales totals can be determined.

Finding 4: Cash Purchases Were Made From Daily Receipts

Discussion with the Economy Park supervisor revealed that several items were purchased using cash from daily receipts. A receipt for all cash purchases should have been attached to the daily cash receipts. A fax machine was purchased for approximately \$200.00, no receipts were provided to support this purchase. The fax machine is located in the pool office and is used to fax bank items to the county treasurer. The supervisor also stated that medical supplies were purchased and that these purchases totaled approximately \$20.00. Once again there were no receipts to support these purchases. The supervisor also stated that other items have been purchased on a cash basis in emergency situations, although he could not recall any other cash purchases this year.

Audit Recommendation:

It is recommended that no items be purchased on a cash basis and that all items are purchased according to county policy. All invoices for items purchased should be submitted for payment through the Controller's office. Receipts should be kept for all purchases.

Finding 5: Bank Deposits Do Not Match Deposit Slips

Entries made by the Treasurer's office into the JD Edwards system did not match the deposit slips presented by the pool manager. Adjustments were made to deposit slips at the bank and the pool manager was unaware of these changes. In at least one case it was unclear whether the deposit slip was changed by the bank or prior to deposit. The pool manager does not receive certified copies of bank deposit slips or copies of bank statements. These items are sent to the Treasurer and they balance the bank statements.

Audit Recommendation:

It is recommended that the pool manager review all deposit to insure that they are correct and that any difference between cash receipts and cash deposits can be explained. It is also recommended that copies of bank statements be sent to the pool manager for this purpose. The manager should also request that the bank send her a copy of certified bank deposit slips.

Finding 6: County Budget Not Reviewed.

Discussion with the Economy Park supervisor revealed that he does not have access to the JD Edwards accounting system and does not review his budget. He was not aware of account balances and does not check to see if he is within budget. He stated that if there is a problem with his budget someone from DPW or the county will call and let him know. He was unaware of the availability of funds to purchase office and medical supplies. He does not review his account to insure the proper payment of invoice. He is only aware of a problem with invoices if one of his providers calls to say an invoice has not been paid. He does not review charges for utilities since these bills are sent directly to DPW or the county. This presents the possibility of erroneous charges being applied to the pool account. In fact this happened when phone charges totaling \$1,637.35 belonging to Friendship Ridge were inadvertently applied to the pools telephone

account.

Audit Recommendation:

It is recommended that the Economy Park supervisor review his county budget to insure it is correct and that all accounts are properly funded. It is also recommended that all invoices submitted for payment be reviewed to insure proper payment. It is also important to review these accounts to insure that only authorized charges are being paid through the pool accounts.

Finding 7: Deposits For Pool Parties Not Receipted Properly

It was noted that the pool manager is accepting deposits without receipting the funds through the cash register. She stated that the funds are reimbursable, per county commissioners, up until the day the party is to be held. She also stated that since all funds receipted through the cash register are deposited to the bank and that she would no longer have access to them for reimbursement she keeps the deposit separate so she can give cash refunds. The funds are kept in the pool safe and deposited with the balance due when the party is held.

Audit Recommendation:

It is recommended that all funds including pool party deposits be receipted through the cash register and that these funds be deposited on a daily basis. All refunds should be requested through the Controller's office. This will insure that all receipts and reimbursements are properly tracked.

Finding 8: Employee Training Needs Improvement

As noted in previous findings there appear to be problems in the areas of receipting, refunding and depositing of funds. Managers and employees do not appear to completely understand the process of receipting funds and balancing receipted funds with bank deposits.

Audit Recommendation:

It is recommended that procedures be put in place to control the receipting and depositing of funds. All employees involved in the receipting of funds should receive appropriate training that would allow them to properly receipt funds.

Managers and assistant managers should be further trained in the recording of receipts and the depositing of funds along with county reporting requirements.

Finding 9: JD EDWARDS ENTRIES ARE MADE IN TOTAL

All Receipts from the Baden Economy Swimming Pool are entered into the JD Edwards accounting system as a single item. Funds are received for gate receipts and for concession stand sales.

Audit Recommendation:

It is recommended that entries into the JD Edwards system identify the type of funds being deposited. These items should be broken down into gate receipts and concession stand sales receipts.

**THE BADEN ECONOMY SWIMMING POOL
AUDIT RESPONSES
FOR THE PERIOD JANUARY 1, 2004 THROUGH AUGUST 19, 2004**

**The Baden Economy
Swimming Pool
Audit Responses
January 1, 2004 Through August 19, 2004 Audit**

Summary Of Findings:

Finding 1: Cash Register Receipts Do Not Match Deposits

Cash register receipts were compared to daily work sheets and daily bank deposits. It was noted that gate receipts for the audit period did not match deposits for the same period. It was also noted that the cash register used for gate receipts is old and does not function properly. It would appear that this has resulted in some minor calculation errors that represent a small portion of the discrepancy. A cash register receipt for 6/29/04 shows gate receipts of \$242.00, these funds do not appear to have been deposited to the bank. The park supervisor and the pool manager were unable to explain this discrepancy. Gate receipts and refreshment sales for 6/30/04 totaled \$1,386.10 however the deposit for this dated was \$1,265.00. The daily worksheet and the gate receipt for this day did not balance. The deposit for this day was \$121.10 less than funds received; the pool manager stated that errors could have occurred at the cash register however she could not explain the shortage. Further miscellaneous errors of \$169.99 also occurred during the audit period.

Audit Recommendation:

It is recommended that gate receipts be balanced with both the daily worksheet and the deposit slip to insure that all receipts are deposited to the bank. It is also recommended that the cash register be either repaired or replaced.

Date Corrective Action Implemented: 05/14/05

Corrective Action Implemented: First training session for managers. Suggest Chuck Gibbons be involved before opening.

**The Baden Economy
Swimming Pool
Audit Responses
January 1, 2004 Through August 19, 2004 Audit**

Finding 2: Excessive Returns Noted

It was noted that the return of funds occur on almost a daily basis. Discussion with the pool manager revealed that all employees can make returns. Returns occur when the pool closes early or when swimmers are asked to leave for other reasons. It was also stated that the returns are done in place of voids. There is no documentation required for the return of funds or voiding of receipts. The register does record when items are either voided or returned but no explanations are provided to explain why. Over the period of 5/29/04 to 8/19/04 there were \$10,239.18 for returns, of this amount \$9,035.00 occurred on 7/28/04. Discussion with the pool manager revealed that the \$9,035.00 amount was actually a void for an incorrect entry and not a return. The remaining \$1,204.18 was a series of daily returns. Excess returns present the possibility for the misappropriation of county funds.

Audit Recommendation:

It is recommended that all voids and returns require the approval of the manager or an assistant manager and that they are properly documented. This is necessary to prevent the misappropriation of county funds.

Date Corrective Action Implemented:05/14/05

Corrective Action Implemented: Training session.

**The Baden Economy
Swimming Pool
Audit Responses
January 1, 2004 Through August 19, 2004 Audit**

Finding 3: Concession Stand Controls Non-Existent

Funds for the concession stand are received through a cash register, however the cash register does not function properly and no cash totals can be determined. The cash register is no more than a cash box at this point. The money is counted at the end of every day and added to gate receipts for daily deposits. It is currently impossible to properly track funds due to the lack of controls over the receipting of cash including the broken register. A full audit of purchases and stock would be necessary to determine if any problems exist within the concession stand sales.

Audit Recommendation:

It is recommended that the cash registers at the pool be replaced or repaired to allow the proper tracking of funds. It is also recommended that procedures be established for the receipting of funds to establish a means of tracking cash transactions. Beginning and ending balance should be tracked each day so sales totals can be determined.

Date Corrective Action Implemented:05/14/05

Corrective Action Implemented: Two programmable registers.

**The Baden Economy
Swimming Pool
Audit Responses
January 1, 2004 Through August 19, 2004 Audit**

Finding 4: Cash Purchases Were Made From Daily Receipts

Discussion with the Economy Park supervisor revealed that several items were purchased using cash from daily receipts. A receipt for all cash purchases should have been attached to the daily cash receipts. A fax machine was purchased for approximately \$200.00, no receipts were provided to support this purchase. The fax machine is located in the pool office and is used to fax bank items to the county treasurer. The supervisor also stated that medical supplies were purchased and that these purchases totaled approximately \$20.00. Once again there were no receipts to support these purchases. The supervisor also stated that other items have been purchased on a cash basis in emergency situations, although he could not recall any other cash purchases this year.

Audit Recommendation:

It is recommended that no items be purchased on a cash basis and that all items are purchased according to county policy. All invoices for items purchased should be submitted for payment through the Controller's office. Receipts should be kept for all purchases.

Date Corrective Action Implemented:05/14/05

Corrective Action Implemented: Training session.

**The Baden Economy
Swimming Pool
Audit Responses
January 1, 2004 Through August 19, 2004 Audit**

Finding 5: Bank Deposits Do Not Match Deposit Slips

Entries made by the Treasurer's office into the JD Edwards system did not match the deposit slips presented by the pool manager. Adjustments were made to deposit slips at the bank and the pool manager was unaware of these changes. In at least one case it was unclear whether the deposit slip was changed by the bank or prior to deposit. The pool manager does not receive certified copies of bank deposit slips or copies of bank statements. These items are sent to the Treasurer and they balance the bank statements.

Audit Recommendation:

It is recommended that the pool manager review all deposit to insure that they are correct and that any difference between cash receipts and cash deposits can be explained. It is also recommended that copies of bank statements be sent to the pool manager for this purpose. The manager should also request that the bank send her a copy of certified bank deposit slips.

Date Corrective Action Implemented:05/14/05

Corrective Action Implemented: Training session.

**The Baden Economy
Swimming Pool
Audit Responses
January 1, 2004 Through August 19, 2004 Audit**

Finding 6: County Budget Not Reviewed.

Discussion with the Economy Park supervisor revealed that he does not have access to the JD Edwards accounting system and does not review his budget. He was not aware of account balances and does not check to see if he is within budget. He stated that if there is a problem with his budget someone from DPW or the county will call and let him know. He was unaware of the availability of funds to purchase office and medical supplies. He does not review his account to insure the proper payment of invoice. He is only aware of a problem with invoices if one of his providers calls to say an invoice has not been paid. He does not review charges for utilities since these bills are sent directly to DPW or the county. This presents the possibility of erroneous charges being applied to the pool account. In fact this happened when phone charges totaling \$1,637.35 belonging to Friendship Ridge were inadvertently applied to the pools telephone account.

Audit Recommendation:

It is recommended that the Economy Park supervisor review his county budget to insure it is correct and that all accounts are properly funded. It is also recommended that all invoices submitted for payment be reviewed to insure proper payment. It is also important to review these accounts to insure that only authorized charges are being paid through the pool accounts.

Date Corrective Action Implemented:05/14/05

Corrective Action Implemented: Supervisor to review weekly with the Admin. Asst. the budget for the pool.

**The Baden Economy
Swimming Pool
Audit Responses
January 1, 2004 Through August 19, 2004 Audit**

Finding 7: Deposits For Pool Parties Not Receipted Properly

It was noted that the pool manager is accepting deposits without receipting the funds through the cash register. She stated that the funds are reimbursable, per county commissioners, up until the day the party is to be held. She also stated that since all funds receipted through the cash register are deposited to the bank and that she would no longer have access to them for reimbursement she keeps the deposit separate so she can give cash refunds. The funds are kept in the pool safe and deposited with the balance due when the party is held.

Audit Recommendation:

It is recommended that all funds including pool party deposits be receipted through the cash register and that these funds be deposited on a daily basis. All refunds should be requested through the Controller's office. This will insure that all receipts and reimbursements are properly tracked.

Date Corrective Action Implemented:05/14/05

Corrective Action Implemented: Handle similar to the Recreation Dept. and issue checks through the Controllers office.

**The Baden Economy
Swimming Pool
Audit Responses
January 1, 2004 Through August 19, 2004 Audit**

Finding 8: Employee Training Needs Improvement

As noted in previous findings there appear to be problems in the areas of receipting, refunding and depositing of funds. Managers and employees do not appear to completely understand the process of receipting funds and balancing receipted funds with bank deposits.

Audit Recommendation:

It is recommended that procedures be put in place to control the receipting and depositing of funds. All employees involved in the receipting of funds should receive appropriate training that would allow them to properly receipt funds. Managers and assistant managers should be further trained in the recording of receipts and the depositing of funds along with county reporting requirements.

Date Corrective Action Implemented:05/14/05

Corrective Action Implemented: First training session.

**The Baden Economy
Swimming Pool
Audit Responses
January 1, 2004 Through August 19, 2004 Audit**

Finding 9: JD EDWARDS ENTRIES ARE MADE IN TOTAL

All Receipts from the Baden Economy Swimming Pool are entered into the JD Edwards accounting system as a single item. Funds are received for gate receipts and for concession stand sales.

Audit Recommendation:

It is recommended that entries into the JD Edwards system identify the type of funds being deposited. These items should be broken down into gate receipts and concession stand sales receipts.

Date Corrective Action Implemented:05/14/05

Corrective Action Implemented: Two cash registers.

Signature Of Elected Official: _____

Date: _____