

FINAL

CASH HANDLING AUDIT REPORT

OF

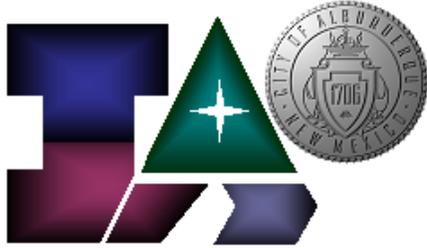
CULTURAL SERVICES DEPARTMENT

BIO PARK DIVISION

REPORT NO. 02-128



*City Of Albuquerque
Office Of Internal Audit*



Internal Audit

City of Albuquerque
P.O. BOX 1293 ALBUQUERQUE, NEW MEXICO 87103

September 3, 2003

Internal Audit Committee
City of Albuquerque
Albuquerque, New Mexico

Audit: Cultural Services Department
BioPark Division
Cash Handling Audit
02-128

FINAL

INTRODUCTION

The Office of Internal Audit performed surprise cash counts of the imprest funds held at the Cultural Services Department (CSD), Albuquerque Biological Park Division (BioPark). The BioPark consists of the following facilities: the Rio Grande Zoo, the Albuquerque Aquarium and the Botanic Gardens. The Department of Finance and Administrative Services (DFAS), Treasury Division (Treasury) records show that there are two petty cash funds and one change fund assigned to the BioPark. Surprise cash audits are made as a means of testing and reviewing internal control procedures over cash.

The two petty cash funds have authorized balances. The change fund has a maximum floating balance approved by Treasury. The floating balance is authorized because of fluctuations in attendance at the BioPark. At times, more money on-site is required to make change for visitors paying admissions to the BioPark. Admission revenues for the BioPark facilities totaled more than \$2.2 million in fiscal year (FY) 2002.

SCOPE

Our audit did not include an examination of all the functions, transactions and activities related to BioPark cash handling. Our test work was limited to the following areas.

- Verify the existence and the amount of the cash funds audited.
- Reconcile the cash to the appropriate control account.

- Evaluate the internal control procedures used to safeguard and control cash.
- Check compliance with applicable laws, policies, and regulations.

The audit was conducted in accordance with Government Auditing Standards, except Standard 3.33, which requires an external quality review. Some dollar amounts have been omitted from the report.

FINDINGS

The following findings concern areas, which we believe would be improved by implementing the related recommendations.

1. CSD SHOULD ENSURE THAT THE BIOPARK RECONCILES CASH FUNDS.

The imprest funds and all other cash on hand were counted on two separate occasions, once in September 2001 and again in June 2002. The results of the counts are summarized below.

- Change Fund and Daily Receipts

In September 2001 the change fund was counted. Cash and credit card receipts from the weekend were also counted. There was an \$8 shortage in the receipts.

In June 2002, the change fund was counted and money for a change order on hand was counted. Cash and credit card receipts from the previous day were also counted.

There is disagreement between Treasury and BioPark personnel as to the approved balance for the BioPark change fund (see finding number 3). Treasury records indicate that the change fund has an approved maximum balance. On both occasions, the total change fund on hand was in excess of the approved maximum balance.

- Petty Cash Funds

First Petty Cash Fund

	September 2001	June 2002
	Over/(Short)	Over/(Short)
Custodian	\$9.92	\$1.30
Sub custodian	(\$19.83)	-0-

* On June 11, 2002, the \$400 sub-fund had been advanced in its entirety for a “Zoo to You” trip.

Second Petty Cash Fund

	September 2001	June 2002
	Over/(Short)	Over/(Short)
Custodian	\$6.79	\$.33
Sub custodian 1	-0-	(\$.25)
Sub custodian 2	\$10.00	-0-
Sub custodian 3	\$14.67	-0-

The custodians and sub-custodians could not determine why some of the funds were out of balance at the time of our cash counts. According to Treasury’s Cash Handling Manual, it is required that “Funds are in balance at all times.” According to Treasury’s Cash Handling Manual, custodians assigned to the fund are required to verify the funds “. . .at least weekly for petty cash funds.” It does not appear that this practice is being followed. As a result, funds are not in balance at all times and overages and shortages in the funds are not promptly detected.

Failure to identify overages and shortages in a timely manner could lead to losses of City funds. By performing weekly reconciliations, losses could be limited and the appropriate action taken to ensure that such occurrences do not routinely happen.

During our surprise cash counts, we identified petty cash funds that were over and short of their authorized balances. According to Treasury’s Cash Handling Manual, “Overages/shortages are recorded in the appropriate **valid** account and activity using Form F4-362.” However, none of the overages and shortages identified was recorded to the general ledger as required.

Overages and shortages in cash funds should be properly recorded to assist management in identifying problems in administrating the funds. Trends may remain undetected and expose the City to unnecessary risk of losses.

RECOMMENDATION

CSD BioPark management should ensure that petty cash custodians and sub-custodians follow City policies and reconcile their petty cash funds at least weekly.

CSD BioPark should require that overages and shortages in petty cash funds are reported and recorded in the appropriate general ledger account.

EXECUTIVE RESPONSE FROM CSD

“The BioPark concurs. The recommended procedural changes have already been implemented.”

2. CSD SHOULD ENSURE THAT TRAINING AND CERTIFICATIONS FOR ALL CASH HANDLERS ARE CURRENT.

City policies require that training and certification be current for all cash handlers. According to the Treasury Cash Handling Manual, “The individual must have a current cash handling certification.” According to Administrative Instruction No. 2-6, “Those individuals not certified by the Treasury Division will not be recognized as official cash handlers and shall not handle City monies until completing the training course and receiving certification.”

As of July 28, 2003, the BioPark had 24 employees involved in cash handling. Twelve of the employees are City employees and twelve are temporary agency contract employees. Our review of training and certification status for the employees handling the BioPark’s three imprest funds showed that either the employees had not received the required training or had certifications which were not current. The results are summarized below:

	<u>Certification Current</u>	<u>Certification Expired</u>	<u>Never Certified</u>
<i>City Employees</i>	6	5	1
<i>Contract Employees</i>	2	-	10
<i>Total</i>	8	5	11

Bio-Park management has not monitored cash training and certification to ensure that all cash handlers have current cash handling certification. As a result, the BioPark has allowed individuals, who are not certified, to handle City monies. The BioPark is not in compliance with the training requirements of the Administrative Instruction and Treasury’s Cash Handling Manual. These cashiers handle more than \$2.2 million in BioPark admissions revenues each year. Having individuals who have not received training in cash handling positions exposes the City to unnecessary risk. Also, these individuals are operating without the benefit of knowing what the City requires in handling items such as checks, making change and recording transactions.

The Cash Handling training offered by Treasury covers a variety of topics. The training includes accounts receivable, deposit preparation, recording of revenues on City accounting systems, and petty cash funds. Many of the BioPark cash handlers are cashiers and are not involved with any other aspects of cash handling. Many of the cashiers are temporary agency contract employees. It may not be necessary or practical for these individuals to attend the standard cash handling training. With Treasury's approval, the BioPark could develop cashier training that is specific to the BioPark facilities. Individuals who attend the BioPark cashier training could have a restricted certification, as cashiers only. BioPark staff with the approval of Treasury could present the training.

RECOMMENDATION

CSD BioPark management should ensure that all individuals handling City monies have received the required cash handling training and are certified as City cash handlers.

CDS should consult with Treasury regarding the feasibility of having BioPark cashier training with a certification that is restricted to cashier responsibilities.

EXECUTIVE RESPONSE FROM CSD

“The BioPark concurs and will work with DFAS/Treasury Division to have all permanent City cash handlers certified as soon as training can be scheduled.”

“The BioPark will consult with DFAS/Treasury Division regarding a certification course for contractual and temporary cashiers that would be limited to cashier responsibilities.”

3. CSD SHOULD DETERMINE A REASONABLE AMOUNT FOR THE CHANGE FUND BASED ON THE TYPICAL TRANSACTION VOLUME AT THE BIOPARK FACILITIES.

Treasury records indicate that the BioPark is authorized to have one change fund, which is used for all facilities. The Custodian Statement of Responsibility is dated July 16, 1998 and was signed and notarized by a Treasury employee. According to the statement, the authorized change fund consists of:

“A Permanent Change Fund of [amount deleted]. This fund remains at the zoo at all times.

“A Seasonal Change Fund of [amount deleted]. This fund is needed at certain times during the calendar year when the need for the fund ends, a deposit of these monies are made to the City’s fiscal agent bank.

“An Intermediate Change Fund of [amount deleted]. At any time during the year, additional funds are required for the aquarium to operate, these funds are also deposited into the City’s fiscal agent bank when not needed.

“Authorized change fund is not to exceed [amount deleted].”

The BioPark has a second Custodian Statement of Responsibility on file for the aquarium. The language is the same as above, with the exception that the statement indicates that the “fund remains at the aquarium.” The second Custodian Statement of Responsibility is also dated July 16, 1998, and is signed and notarized by the same Treasury employee. Based on the two Custodian Statements of Responsibility, it appears that the BioPark is authorized to have a maximum change fund at the zoo and another at the aquarium, for a total change fund of twice the amount shown on Treasury’s records.

The amount of the change fund held at the BioPark appears to be excessive. The purpose of a change fund is to provide money for cashiers to complete transactions. Both times that the cash was counted at the BioPark, the amount of the change fund was approximately three times the previous day’s (or days’) transactions. This indicates that the current change fund balance may not be necessary.

Holding a large amount of cash as a change fund increases the City’s exposure to loss of monies. According to the Treasury Cash Handling Manual, “. . . the **custodian** is accountable for the fixed amount of all funds in their custody to the City Treasurer.”

RECOMMENDATION

CSD should determine a reasonable amount for the change fund based on the typical transaction volume at the BioPark facilities.

CSD BioPark management should deposit excess change fund monies with the City’s fiscal agent bank.

CSD should seek approval from Treasury for the change fund balance and ensure that the Custodian Statement of Responsibility reflects the approved balance.

EXECUTIVE RESPONSE FROM CSD

“The BioPark concurs and will work with DFAS/Treasury Division to determine an appropriate change fund based on transaction volume.

“The BioPark currently has a verbal policy that requires excess change funds be deposited at the bank. The verbal policy will be incorporated into the written procedures.

“The BioPark concurs and will contact DFAS/Treasury Division for change fund balance approval and update the custodian statements of responsibility as necessary.”

4. CSD SHOULD ENSURE THAT RESPONSIBILITY FOR THE CHANGE FUND IS FORMALLY TRANSFERRED TO THE NEW CUSTODIAN

The previous change fund custodian resigned from her position at the BioPark effective May 16, 2003. Custody of the change fund was turned over to another BioPark employee. The BioPark did not complete a new Custodian’s Statement of Responsibility for the change fund when the custody of the fund was transferred. As a result, the new fund custodian has not formally accepted responsibility for the fund.

When a fund is transferred from one custodian to another, the money should be counted and a new Custodian’s Statement of Responsibility should be completed, signed and notarized. This ensures accountability for the fund and protects both the former custodian and the new custodian.

RECOMMENDATION

CSD should ensure that responsibility for the change fund is formally transferred to the new custodian. A Custodian’s Statement of Responsibility should be completed, signed and notarized. The new Custodian’s Statement of Responsibility should indicate the locations where the fund will be held and its uses.

EXECUTIVE RESPONSE FROM CSD

“The BioPark concurs. This recommendation has been implemented.”

5. CSD SHOULD FORMALLY ADOPT MANDATORY CONTROLS TO REDUCE THE RISK OF THEFT OF CASH.

The BioPark change fund is kept in a locked safe in a locked room. The fund is divided into several smaller funds to allow assignment of a “bank” to each cashier. At the time of our audit, the change fund custodian and four supervisors had keys to the locked room and the combination to the safe. This allowed these five employees to access the change fund and all un-deposited cash receipts at any time.

It would be possible for one of the five employees to access the funds without the knowledge of anyone else. If funds were missing, it would be difficult to determine which of the five employees might have been involved. This puts both the City and the employee at risk.

To ensure accountability, no one employee should be able to access the funds alone; it should take two employees to access the cash. However, because of staff levels and immediate needs for cash it is not always possible to have two people present when accessing the vault. The BioPark has implemented some compensating controls to reduce the risk of funds being stolen. For example, cash drawers and deposits are currently verified daily by two people. These procedures have not been put in writing and formally adopted to make the controls mandatory. As a result, the controls could easily be abandoned if there were changes in personnel.

RECOMMENDATION

CSD BioPark should formally adopt compensating controls to reduce the risk of theft of cash. CSD should ensure that BioPark procedures are in writing and controls are mandatory. Whenever possible, access to funds should require the presence of two persons.

EXECUTIVE RESPONSE FROM CSD

“The BioPark concurs and will develop written in-house procedures. Two employees will be used whenever practical.”

6. CSD SHOULD PREPARE WRITTEN CASH HANDLING PROCEDURES SPECIFIC TO THE BIOPARK

The BioPark facilities collected more than \$2.2 million in admission revenues in FY2002. The BioPark also receives cash and cash equivalents for donations, animal adoptions, educational activities and other services. There are many aspects to the BioPark's cash handling that are unique to the division. However, the BioPark does not have written cash handling procedures for its facilities. The BioPark uses Treasury's Cash Handling Manual, which explains basic City policy and provides general procedures to be used Citywide.

Many of the BioPark cashiers work for a temporary employee agency under contract with the City. As a result, there is frequent turnover in these positions. This results in frequent training of cashiers. If the BioPark had written cash handling procedures, they could be used as a training manual for new cashiers. A written procedures manual would also help ensure consistency in cash handling, regardless of who trained individual cashiers.

RECOMMENDATION

The CSD should develop a written cash handling procedures manual for the BioPark.

EXECUTIVE RESPONSE FROM CSD

"The BioPark concurs and will develop a written cash handling procedures manual within the next twelve months."

7. CSD BIOPARK SUPERVISORS SHOULD IDENTIFY AND RESOLVE ERRORS MADE ON THE POS AND MANUAL RECAP SHEETS.

The BioPark uses a POS (Point of Sale) System to record monies collected for admissions and sales of memberships. At the end of each shift, the POS produces reports that summarize results of operations for that day for each cashier. The items shown on the reports include the number of admissions sold, amounts collected for admissions, and the amount of payments by credit cards.

During their shifts, the cashiers each maintain a manual recap sheet. They record items related to admissions, sales counts, and cash register voids. When cashiers make an error, they must record a "void" to undo the error. The void is recorded both on the POS

and on the manual recap sheet. Voids require the approval of the supervisor. A cashier is not authorized to void transactions on his or her own.

At the end of each cashier's shift, the monies in the drawer are counted. The monies are reconciled to the POS report. The sales counts from the POS are reconciled to the sales counts on the recap sheet. If transactions have been processed correctly, all of the amounts will agree. There should be no differences between what is entered on the recap sheet and on the POS system.

A. Voids and Sales Count Variances

We compared POS reports and recap sheets during the September 2001 cash count and identified differences. The amount shown for voids on the POS did not agree with the amount shown on the recap sheets. For one cashier, the POS report showed ten voids and the recap sheet showed six. Another recap sheet showed three voids, but the POS indicated there were four. There were also discrepancies in the number of support group memberships sold. A June 2002 recap sheet showed 14 memberships sold, but only 13 were recorded on the POS.

Discrepancies in the number of voids could indicate carelessness or intentional manipulation of cash register data. BioPark supervisors should investigate these discrepancies promptly when they are identified and keep a record of the resolution of the discrepancies.

B. Attendance Variances

There were variances in numbers reported for multi-facility tickets purchased (zoo & aquarium/botanic gardens). One POS report indicated one multi-facility ticket was sold, but on the recap sheet there were none recorded. In some cases, the cashier had not recorded on the recap sheet the detail for admissions sold, such as sale of multi-facility tickets, reciprocal admission discounts and other categories of admission. In another case, the POS did not have seven attendees recorded that were recorded on the recap sheet. We could not determine which of the counts was correct when the discrepancy was identified.

According to one POS report in June 2002, thirteen visitors used their membership in the aquarium support group for admission to the zoo. On the recap sheet these were shown as admissions made with membership in the botanic garden support group. Another POS report reviewed for the same date showed the same type of error for

five admissions to the Aquarium/Botanic Gardens that were made with zoo support group memberships.

Accurate attendance reporting is important to BioPark management. Several of the performance measures for the BioPark involve attendance numbers. For example, the output measure for the Administration Service Activity is "Total attendance at 3 facilities." Another measure under the Administration Service Activity is "Average cost per visitor." The output measure for the Facilities Operations Service Activity is "BioPark attendance measured by percentage of population vs. attendance." To ensure the accuracy of the performance measures reported, the facilities' admissions must be reported accurately. The support group attendance, multi-facility tickets and reciprocal admissions made up 14% of the attendance on the days of our cash counts. Therefore, errors in these counts could affect the accuracy of overall performance reporting.

RECOMMENDATION

CSD BioPark supervisors should identify and resolve errors made on the POS and manual recap sheets, and emphasize the importance of accuracy to the cashiers. Also, supervisors should research any variances to determine if there are underlying reasons for the discrepancies. A record should be kept of the discrepancies and their resolution to help supervisors identify trends.

CSD should review manual recap sheets to see if some information is available on the POS. CSD should determine if the manual recap sheets are a duplication of effort, and should be revised or eliminated.

EXECUTIVE RESPONSE FROM CSD

"The BioPark concurs and is working on purchasing a new POS system, which will help eliminate redundant paper work. The approximate cost of this new system is \$180,000 - \$250,000, and is contingent on funding."

8. CSD SHOULD IMMEDIATELY CEASE PAYING 80% OF THE RECIPROCAL ADMISSION REVENUES TO THE SUPPORT GROUPS.

The City of Albuquerque has agreements with three support organizations. The support organizations are non-profit corporations that were formed to promote and financially support the zoo, aquarium and the botanic gardens. The support organizations sell

memberships to individuals and families. When memberships are purchased, the member is allowed free admission to the facility that the organization supports (either the zoo or the aquarium and botanic gardens). The agreements between the City and the support organizations require that the organizations pay the City up to 20% of the membership funds collected in exchange for free admission for the support group members.

The BioPark Director has verbally modified the agreements with the support organizations to allow reciprocal member discounts at all BioPark facilities. Members of the zoo support organization are given a 50% discount on admission to the aquarium and botanic gardens facility. Members of the aquarium and botanic gardens support groups are given 50% admission discounts at the zoo facility. The agreements between the City and the support groups do not mention reciprocal admission discounts.

The BioPark Director also verbally agreed to pay the support groups 80% of the reciprocal admission revenues collected from support group members. The agreements between the City and the support groups do not mention payments to the support groups for reciprocal admissions revenues. The original agreements between the City and the support groups were signed on behalf of the City by the CAO, the Director of the Cultural Services Department and the BioPark Division Manager. Each of the agreements between the City and the support groups state "Changes to this agreement are not binding unless made in writing and signed by both parties."

Admission revenues at BioPark facilities are recorded to the City's General Fund. By allowing discounted reciprocal admissions and giving the support groups 80% of those discounted admissions, the BioPark Director has significantly reduced General Fund revenues. For example, during May 2003, members of the aquarium and botanic gardens support group paid \$5,012.50 in reciprocal admissions to the zoo. Without the reciprocal admission discount, the City would have collected \$10,025.00 for the same admissions. The aquarium and botanic gardens support group was paid 80% of the actual reciprocal admissions revenue collected, or \$4,010. As a result, of the \$10,025 worth of admissions, the City received only \$1,002.50 in General Fund revenues, or 10% of the appropriate admissions revenue.

Admission revenue without discount	\$10,025.00
Less 50% reciprocal discount	(5,012.50)
Actual revenues collected	5,012.50
Less 80% payment to support group	(4,010.00)
Total revenue to City's General Fund	\$1,002.50

During May 2003, the aquarium and botanic gardens collected \$706.50 in discounted reciprocal admissions from zoo support group member. Therefore, the City received only \$141.30 of potential General Fund revenues of \$1,413.

Admission revenue without discount	\$ 1,413
Less 50% reciprocal discount	(706.50)
Actual revenues collected	706.50
Less 80% payment to support group	(565.20)
Total revenue to City's General Fund	\$141.30

The combined "lost" General Fund revenues for May 2003 total \$10,294 (90% of \$10,025 + \$ 1,413). Although some support group members might not be as likely to visit the other facilities without the reciprocal discount, it is unlikely that eliminating the reciprocal admission discounts would result in a loss of 90% of the admission revenues.

RECOMMENDATION

CSD should immediately cease paying 80% of the reciprocal admission revenues to the support groups. All admission revenues should be properly recorded in the General Fund.

The CSD should consider discontinuing the practice of giving reciprocal admission discounts to support group members. If the CSD continues the practice, the agreements with the support groups should be formally modified in writing and approved by the CAO and the support groups.

EXECUTIVE RESPONSE FROM CSD

"The BioPark will seek approval from the CAO."

9. CSD AND DFAS SHOULD REVIEW THE USE OF BIOPARK PETTY CASH FUNDS FOR REIMBURSING TRAVEL COSTS.

The City's Travel Regulations, Chapter Two, Official Government Business Travel, states that authorization to provide exemptions or waivers is assigned to the Chief Administrative Officer (CAO). According to Section I, Paragraph A1b., "Exemptions or waivers, unless otherwise specified in a particular section" are the responsibilities of the CAO. Also, the CAO is assigned approval authority for "Non-city employee travel."

The Zoo has a program, called Zoo to You, for which “Volunteers are solicited to drive a City van to transport animals from the Zoo to other sites within the state for educational purposes. The volunteers are paid for hotels, meals and when necessary gasoline expenses.” A former CSD Director requested an exemption/waiver from City Travel Regulations “to pay the travel cost for the volunteers out of petty cash” and “to pay actual expenses.” The waiver would exempt the Zoo To You program from the requirements of the Travel Regulations for processing travel reimbursements for the volunteers. On July 28, 1999, a “Travel Regulations Waiver Agreement” was executed by the then Director of the Department of Finance and Administrative Services (DFAS) and the former CSD Director.

According to the Travel Regulations, the exemption could only be granted by the CAO since the Zoo To You program involves travel by non-City employees. It appears that the former DFAS Director may have exceeded her authority in granting the exemption from the Travel Regulations. However, the BioPark has been reimbursing its volunteers directly for their travel expenditures through the BioPark petty cash funds based on the waiver agreement.

Additionally, Treasury’s Cash Handling Manual limits purchases with petty cash funds to \$100. The six travel reimbursements from petty cash that we reviewed during audit fieldwork ranged in amount from \$4 to \$490. Five of the six travel reimbursement petty cash vouchers exceeded \$100. The waiver did not address the petty cash expenditure limit. During the petty cash count, it was noted that one \$400 sub-fund had been advanced in its entirety for travel costs for the Zoo to You program.

The use of petty cash funds to reimburse travel costs circumvents the controls normally in place when travel requests are processed. Typically, travel reimbursement is processed through the DFAS Accounts Payable office. According to the City Travel Regulations:

The responsibility of the Accounts Payable office is to ensure travel documents are reviewed and comply with City travel regulations and procedures, prior to certifying for payment. AP staff will review travel authorizations, travel advances and travel reimbursement requests in order:

- 1) To ascertain the accuracy of the amounts claimed;
- 2) To determine whether the types of expenses being claimed are authorized and allowable expenses;
- 3) To ensure that required receipts statements, justifications, etc. are attached to the reimbursement in support of the claimed expenses; and

- 4) To notify department of outstanding travel advances that have not been cleared.

The Accounts Payable Office assumes ultimate responsibility for the propriety and legality of travel reimbursements when certifying for payment.

It may not be appropriate for the City to continue to process travel for the Zoo to You program through the BioPark petty cash funds.

RECOMMENDATION

CSD and DFAS should review the use of BioPark petty cash funds for reimbursing travel costs for the Zoo to You program and determine if it is appropriate. If it is determined that the practice should continue, a waiver should be requested from the CAO.

EXECUTIVE RESPONSE FROM DFAS AND CSD

“DFAS and CSD concur. A draft travel waiver for reimbursing Zoo to You program travel costs has been developed. It will be finalized and incorporated in the Bio Park’s travel regulations.”

10. CSD SHOULD ENSURE THAT PETTY CASH FUND CUSTODIANS SUBMIT REPLENISHMENT REQUESTS IN ACCORDANCE WITH THE GUIDELINES IN THE TREASURY CASH HANDLING MANUAL.

The Treasury Cash Handling Manual recommends requesting replenishment of petty cash funds once per month or when the fund balance is equal to one half the approved fund balance, whichever comes first. We reviewed replenishments of BioPark petty cash funds to determine if replenishments were made as recommended.

A. First Petty Cash Fund

We reviewed replenishments for this petty cash fund that were made during FY2002. The BioPark submitted 45 replenishment requests totaling \$15,391. The replenishment request amounts ranged from \$38 to \$988. The number of replenishment requests made per month ranged from two to five.

B. Second Petty Cash Fund

During FY2002, there were 32 replenishments totaling \$16,259 for this petty cash fund. The replenishment requests amounts ranged from \$156 to \$1,415. The number of replenishment requests made per month ranged from one to five.

There are costs associated with replenishing the petty cash fund. The cost of the Accounts Payable Section processing and issuing a check is estimated to be at least \$35. Therefore, unnecessary replenishments lead to higher operating costs for the City. If the number of replenishment requests for these two funds were decreased by one-half, it could have saved the Accounts Payable Section a minimum of \$1,348 in operating costs during FY2002. Additionally, BioPark staff spent time preparing the replenishment requests that could have been spent on other duties.

The Treasury Cash Handling Manual recommends that petty cash custodians balance their funds at least weekly. However, it is not necessary to replenish the funds more than once per month unless the balance is below 50% of the authorized fund balance.

RECOMMENDATION

CSD BioPark management should ensure that petty cash fund custodians submit replenishment requests in accordance with the guidelines in the Treasury Cash Handling Manual. Replenishment requests should be submitted once per month, or when the fund is at 50% of the authorized balance, whichever occurs first.

EXECUTIVE RESPONSE FROM CSD

“The BioPark concurs. However, we anticipate the use of the new purchasing card should significantly reduce the requests for petty cash. We will evaluate the impact of using the purchasing card and then seek a more appropriate petty cash fund amount.”

11. CSD SHOULD COMPLETE CUSTODIAL STATEMENTS FOR ALL INDIVIDUALS ASSIGNED RESPONSIBILITIES FOR HANDLING CITY IMPREST FUNDS.

The Treasury Cash Handling Manual requires specific documentation when imprest funds are assigned to more than one custodian. For petty cash funds, the Cash Handling Manual states that “. . . a statement of responsibility will be prepared and held with the permanent fund showing that a portion of this fund has been assigned to someone else.”

The sub-custodian form is used to document that a portion of a petty cash fund has been assigned to another individual.

For change funds, the Cash Handling Manual states that “In the event a change fund must be split between more than one person, each responsible person is identified by name and social security number. The responsibility for the funds are equally shared between the custodians. Each custodian must sign the Multi-Custodian Statement of Responsibility, this is a legal notarized document.”

Documents on file for the imprest funds regarding custodianship were reviewed. Results are summarized below.

- In June 2002, for the first petty cash fund, there was an assigned custodian and two other individuals who were assigned responsibilities for a portion of the fund. The custodian’s statement of responsibility was completed. Neither sub-custodian had a required sub-custodian statement completed.
- For the second petty cash fund, there is an assigned custodian and one sub-custodian. Both statements were completed as required.
- For the change fund, the current custodian does not have a properly completed statement on file (see finding No. 4). The change fund is sub-divided into smaller funds and assigned to the cashiers. According to the Treasury Cash Handling Manual, a Multiple Custodial statement should be completed to assign responsibility for sub-funds. Multiple-Custodian statements had not been prepared for all of the cashiers.

BioPark management was not aware of the requirement for the Multi-Custodian statement. When custodial statements are not prepared to document the assignment of responsibility for cash, the City’s exposure to losses could be increased and any recourse to recover losses could be impeded.

RECOMMENDATION

CSD BioPark management should complete custodial statements for all individuals assigned responsibilities for handling City imprest funds.

EXECUTIVE RESPONSE FROM CSD

“The BioPark concurs and is in the process of completing this task.”

12. CSD BIOPARK MANAGEMENT SHOULD PERIODICALLY REVIEW PETTY CASH TRANSACTIONS AND ASSOCIATED DOCUMENTATION.

Guidelines are provided in the Treasury Cash Handling Manual for the completion of vouchers and the documentation used to support purchases made with petty cash

The Treasury Cash Handling Manual requires that “Petty cash voucher must be completed appropriately, including all authorized receipts, and signatures.” Items to be completed on the vouchers include:

- ✓ voucher number
- ✓ signature of the employee who received the goods or services
- ✓ signature of the Department Director or other individual authorizing the purchase (this should not be the fund custodian)
- ✓ fund, activity and account numbers for recording the purchase
- ✓ detailed receipt or invoice must be present to support each petty cash voucher

The Treasury Cash Handling Manual requires that “An original invoice will be secured for each purchase showing exact items purchased. If only a cash register tape is available, items purchased should be described on the voucher.” Also, the Treasury Cash Handling Manual states, “Receipts from petty cash purchases must be turned in for replenishment so that purchases can be recorded within the appropriate 30 day monthly account period.”

We reviewed 112 petty cash vouchers that were on hand at the time of our cash counts. The following deficiencies were found.

- Ninety-nine vouchers (88%) were not pre-numbered.
- Four vouchers (4%) did not have the signature of the employee who received the goods or services.
- Forty-three vouchers (39%) did not have an approval signature.
- Sixty-two vouchers (57%) were approved by the custodian of the fund.
- Thirty-three vouchers (30%) did not have the fund, activity and account numbers completed.
- Five vouchers (5%) did not have a supporting receipt or invoice

The BioPark petty cash custodians are not consistently complying with the requirements for vouchers and receipts as stated in Treasury’s Cash Handling Manual. As a result, City monies could be misused or lost without being detected.

RECOMMENDATION

CSD BioPark management should periodically review petty cash transactions and associated documentation to ensure that the requirements of Treasury's Cash Handling Manual are being followed.

EXECUTIVE RESPONSE FROM CSD

"The BioPark concurs and has put this recommendation into action."

13. CSD SHOULD ENSURE THAT CASH FUND CUSTODIANS MAINTAIN ADEQUATE SEPARATION OF DUTIES.

The Treasury Cash Handling Manual states that there should be separation of duties for cash handlers. Cash fund custodians should not have access to other cash funds or revenues to avoid the potential of commingling of funds.

We determined that custodians of the two petty cash funds have duties which conflict with the requirement for "Separation of financial duties." One of the custodians is a sub-custodian on the other petty cash fund. Also, one of the custodians has signature authorization to approve purchases made with petty cash. Both custodians occasionally handle monies received from payments on accounts or admissions.

When the same person performs multiple cash handling duties, it can compromise and weaken controls over cash. Whenever duties conflict, custodians are in jeopardy of being held responsible for events over which they may or may not have control. With separation of duties, both the custodians and the City are protected.

RECOMMENDATION

CSD should ensure that BioPark cash fund custodians maintain adequate separation of duties. A single employee should not be the custodian for more than one cash fund. Someone other than the fund custodians should be assigned the responsibility for being a sub-custodian, for authorizing of petty cash purchases, and for receiving monies due to the City.

EXECUTIVE RESPONSE FROM CSD

"The BioPark agrees and has changed procedures to conform to this recommendation."

14. MISCELLANEOUS FINDINGS

The following findings do not require a response, but should be considered as additional ways to improve BioPark cash handling.

A. Signature Authorization Cards Should Be Updated

Administrative Instruction No. 2-1-1A, Signature authority (Budget and Financial Documents) describes the signature authority for specified documents related to the City's administration of budget and financial matters. According to the Administrative Instruction, approval of "Petty cash vouchers/vehicle mileage reimbursement" has been assigned to the Department Director. However, "Signature authority as assigned in this Administrative Instruction may be delegated in writing by the official with assigned authority to any supervisory employee under his or her direction."

Both the Financial Analyst and one of the Curators at the BioPark have been authorized to approve purchases made from petty cash. However, the form used to delegate this authorization has expired. The form was completed on January 5, 2001. The form states "Expiration Date: June 30th of each fiscal year."

Signature authorizations cards should be updated annually. In the future the Director should make sure that cards are correct and kept current.

B. Vouchers Should Be Completed for Advances from Petty Cash

During a cash count of the second petty cash fund, it was noted that \$30 had been advanced from the fund without a voucher being completed. Treasury's Cash Handling Manual requires that the person receiving an advance from petty cash sign a voucher to obtain the money. This documents that the money has been advanced and transfers accountability for the money to the receiver. Without the receiving person's signature on a voucher, the risk of loss is significantly higher.

CSD should ensure that a voucher is completed each time petty cash funds are advanced.

C. Use of Contract Temporary Employees

According to the City's audited financial statements, the actual FY2002 admission revenues for the BioPark facilities totaled more than \$2.2 million. Cashiers at the

Zoo and Aquarium/Botanic Gardens collect this revenue. Twelve of the cashiers at the BioPark are employees of a temporary employee agency.

The Treasury Cash Handling Manual states “. . . **City’s formal policy has been to limit the handling of public money to city employees.**” Any variation of this policy requires approval by Treasury. No approval from Treasury was on file allowing the practice of having individuals perform cashier functions who are not City employees.

BioPark cashier and cashier supervisor positions have been cut and/or funding for the positions has been cut during recent budget cycles. The BioPark cannot operate without cashiers; therefore, the City’s temporary employee agency contract has been used to hire cashiers.

CSD should request approval from Treasury to allow temporary employee agency cashiers to handle public monies.

CONCLUSION

By implementing these recommendations, the Cultural Service Department, BioPark Division will better fulfill its responsibilities to administer the City’s cash policies and procedures in an effective manner.

We appreciate the assistance and cooperation of the personnel in the Cultural Services Department, BioPark Division.

Senior Auditor

REVIEWED AND APPROVED:

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