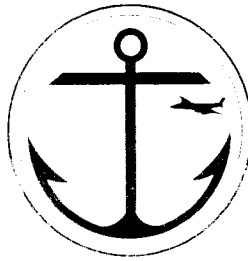


Municipality of Anchorage



P.O. Box 196650
Anchorage, Alaska 99519-6650
Telephone: (907) 343-4438
Fax: (907) 343-4370
<http://www.ci.anchorage.ak.us>

Rock Mjstrom, Mayor

OFFICE OF THE INTERNAL AUDITOR

October 8, 1999

Internal Audit Report 99-10 Cash Controls at Spenard Recreation Center Sports and Recreation Division Cultural and Recreational Services

Introduction. The Sports and Recreation Division of Cultural and Recreational Services oversees the activities of the Spenard and other recreation centers. The recreation centers provide a variety of services ranging from room rentals to recreational sports. Spenard Recreation Center's (Center) facilities include a gymnasium, two racquetball courts, a weight room, saunas, showers, a dance and martial arts room, an arts and crafts room, a tiny tot room, a teen center, a senior citizen center, a batting cage, and a multipurpose room and kitchen. Fees are charged for the use of the Center. For the year ended December 31, 1998, the Center collected \$158,810 in revenue.

Scope. The objective of this audit was to determine whether proper cash controls exist at the Center. The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit was performed during the period of June through July 1999 and covered the period of January 1999 to June 1999. The audit was part of the 1999 audit plan.

Overall Evaluation. Cash controls at the Center required improvement. Cash controls did not provide strict accountability over cash receipts and change funds; cashier procedures were not always in accordance with Municipal Policy and Procedure (P&P) 24-1, Collecting, Securing, Depositing, and Reporting Cash; supplemental written cash handling procedures were not consistent with P&P 24-1; controls over prenumbered forms and room rental revenue required improvement; instructor contracts were not always current; and cashier training required strengthening.

FINDINGS AND RECOMMENDATIONS

1. Cash Controls Did Not Provide Strict Accountability Over Cash Receipts and Change Funds.

a. Finding. Cash controls at the Center did not provide strict accountability over cash receipts and change funds. All employees had access to the safe containing the change funds and daily deposits, cashiers had access to the cash drawers' spare keys, giving them access to each others' cash drawers, and all cashiers had access to the supervisor's key to the cash register, giving them the ability to zero-out the transaction registers and perform transaction corrections. The reason for the lack of limited access was due to the fact that the Center was open more than 10 hours a day, 7 days a week, while the supervisor worked a 40-hour work week. While we are required to disclose the weak control environment, we also recognize that the risk to any material amount of Municipal cash is minimal and does not warrant the implementation of costly control procedures. Strong supervision can compensate for weak controls. However, we found that supervisory review over cash handling could be improved. Our review of a sample of Cashier Daily Summary Reports and supporting documentation revealed a variety of errors that had not been detected by the Center Director even though he had signed each Report. We also found that required monthly unscheduled supervisory cash counts were not performed for all cashiers on a monthly basis and were not properly documented.

b. Recommendation. Supervisory oversight of cash handling procedures and documentation should be improved. Cashier Daily Summary Reports should be closely reviewed to detect errors or other problems. In addition, unscheduled cash counts should be performed monthly and properly documented. Further, access to the cash register should be restricted to the assigned cashier and access to the

supervisor's cash register keys should be restricted to the Center Director when possible.

- c. **Management Comments.** Management concurred and stated, "Supervisory oversight of cash handling procedures and documentation will be improved. Center Directors will closely review Cashier Daily Summary Report's to detect errors or other problems. Unscheduled Cash Counts will be adequately documented on a form provided by the Internal Auditors. Access to the cash register will be restricted to the assigned cashier and access to the supervisor's cash register keys will be restricted to the Center Director when possible."

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

2. **Cashier Procedures Not in Compliance with P&P 24-1.**

- a. **Finding.** Cashier procedures at the Center were not in accordance with P&P 24-1. Specifically, we found the following:
 - 1) Cash register receipts were not always given to customers.
 - 2) The transfer of cash during shift changes was not always performed in the presence of both the cashier and the relief cashier.
 - 3) Documentation for "No Sale" transactions was not always initialed by the cashier or supervisor.

- 4) Corrections made on the cash register tape were generally not carried forward to the Cashier Daily Summary Report.
- 5) Cashier Daily Summary Reports were not completed for each cashier operating a cash register during the day.
- 6) The supplemental cash handling procedures had not been approved by Cash Management.
- 7) Money collected after normal business hours was not processed through a cash register at the time it was collected but was stored in a locked facility until the following day when it was processed by the opening cashier.

b. **Recommendation.** The Director of Cultural and Recreational Services should ensure that cashier procedures conform with P&P 24-1 requirements. Specifically, cash register receipts should always be given to customers, the transfer of cash during a shift change should be witnessed by both cashiers whenever possible, “No Sale” transactions should be initialed by the cashier or supervisor, corrections made on the cash register should be carried forward to the “Register Corrections” portion of the Cashier Daily Summary Report, a Cashier Daily Summary Report should be completed for each cashier, the supplemental cash handling procedures should be sent to Cash Management for review and approval, and money collected after normal business hours should be processed through a cash register at the time of sale or a cash receipt should be issued to account for the funds.

c. **Management Comments.** Management concurred and stated, “Center Directors will ensure cashier procedures conform with P&P 24-1 requirements.”

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

3. **Controls over Room Rental Revenue Required Improvement.**

- a. **Finding.** Fees collected from room rental contracts were not always adequately documented. Some room rental contracts required that the renter pay a percentage of their sales revenue when the renters engaged in sales of snacks, crafts, etc., at the Center. However, there was no requirement to provide any documentation to support the sales revenue due the Center. In addition, the amount of money collected from these renters for the sales portion was not clearly entered on the "revenue producing" portion of the room rental permit. Without proper documentation of rental income, supervisory review and verification of cash transactions is difficult.
- b. **Recommendation.** Revenue collected from room rental functions should be properly documented and controlled. Documentation containing the gross amount collected should be obtained to support the amount due to the Center, the amount collected should be clearly displayed in the space provided on the permit, and there should be an indication on the permit whether revenue producing activities were applicable or not.
- c. **Management Comments.** Management concurred and stated, "A form will be adopted for percentage of sales revenue that the renter will provide to staff. The amount of money collected will be clearly documented on the room rental permit and the form signed by the renter will be attached to the permit."
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

4. **Controls Over Prenumbered Permit Forms Required Improvement.**

- a. **Finding.** Controls over prenumbered forms required improvement. There was no procedure in place to reconcile the prenumbered permit forms to the amounts collected and deposited and numbered forms were not periodically inventoried to ensure all forms were accounted for. Although the Center Director reviewed the permit logs on an annual basis to ensure that permits issued contained a disposition, this verification was limited in that it did not provide for a timely verification that permits were issued in sequential order, that all permits were accounted for and that room rental fees shown on the permits as collected were deposited. In addition, we found that a single permit could be used for several activities. These permits were labeled “on-going” and could be used for up to one year to document recurring uses of the Center’s facilities. Although the permit forms were designed for multiple uses, this prevents an accounting for each use by controlled permit numbers and limits the control provided by prenumbered forms. Prenumbered forms provide a means for controlling the collection of room rental revenue. Documenting and accounting for each room rental and the associated fees will help ensure that all revenue is collected and deposited.
- b. **Recommendation.** Prenumbered permit forms should be reconciled on a routine basis to account for each permit and to verify that the amounts collected per the permit forms were deposited. This function could be incorporated into the supervisor’s daily deposit verification procedures. In addition, consideration should be given to using permit forms on a single use basis only.
- c. **Management Comments.** Management concurred and stated, “Pre-numbered permits will be accounted for in a spreadsheet format that will allow for better

inventory control and timely verification of fee payment. In addition, permits will be issued for a limited duration.”

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

5. **Cashier Training Requires Strengthening.**

- a. **Finding.** Cashier training requires strengthening. Interviews indicated that on-the-job training could be improved by updating the training manual. Our review of the training manual revealed that, in some areas, it was not current and was difficult to understand.
- b. **Recommendation.** The training manual should be updated to provide a meaningful and current resource for cashiers as part of the on-the-job training program.
- c. **Management Comments.** Management concurred and stated, “Training manuals will be updated to provide a current resource for cashiers.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

6. **Instructor Contracts Were Not Current.**

- a. **Finding.** Instructor contracts were not always current. Instructor contracts are one-year agreements between the Center and class instructors that outline terms of use, payment terms, the instructors program, and the required attendance documentation. Contracts provide the basis for collecting the percentage share of revenue generated

from the classes held at the Center. Our review of all 13 classes provided at the Center during 1999 revealed four instructors with outdated contracts and one instructor without a 1999 contract between the instructor and the Center.

- b. **Recommendation.** Contracts should be kept current and in effect for all classes held at the Center.

- c. **Management Comments.** Management concurred and stated, "Contracts will be kept current and in effect for all classes held at the Center."

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

Discussion With Responsible Officials. The results of this audit were discussed with appropriate Municipal officials on August 30, 1999.

Audit Staff:
Amy McCollum, CIA
Martin Hoffer, CPA