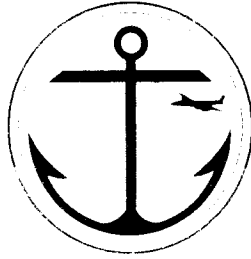


Municipality of Anchorage



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

Rick Mystrom, Mayor

OFFICE OF THE INTERNAL AUDITOR

September 20, 1999

Internal Audit Report 99-09 **Cash Controls** **Museum of History and Art** **Cultural and Recreational Services**

Introduction. The Anchorage Museum of History and Art (Museum) is the largest museum in Alaska. The Museum is a community-based institution with exhibits and programs on the art, history and cultures of Alaska. There are ten galleries for exhibition, a Children's Gallery, an activities room, a library, archives, and an auditorium. The Museum also contains a café and gift shop managed by the Anchorage Museum Association. The Museum generates revenue from the following: admission fees, tour companies, building rentals and parking. Revenue collected during 1998 totaled \$647,066.16.

Scope. The objective of this audit was to review and evaluate procedures and controls over cash, parking and admission at the Museum. 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. The audit was requested by the Administration.

Overall Evaluation. Procedures and controls over cash, parking and admission required strengthening. The cash control environment was not adequate to provide proper accountability and safeguards over cash, cash handling procedures were not in compliance with Municipal Policy and Procedure (P&P) 24-1, and Museum personnel had access to non-Municipal cash. However, procedures for collecting deposits for building rentals provided adequate cash controls. The physical layout of the entrance to the Museum did not effectively control paid admission and parking spaces controlled by the Museum were not properly managed.

FINDINGS AND RECOMMENDATIONS

1. Cash Control Environment Not Adequate.

- a. **Finding.** The cash control environment was not adequate to provide proper accountability and safeguards over cash. The following deficiencies were noted:
- 1) The Museum did not have an adequate facility to keep cash and cash items during business hours. Currently, a locked desk drawer in the security booth is used to store the cash deposits, change funds, money bags for the café and gift shop, and keys to the cash register. Although there was a Security Guard in the booth during the day, any of the Museum Attendant Cashiers or Security Guards could access the drawer. Prior to the Museum opening to the public, the key to the desk drawer was usually hung on the wall. During business hours, one of the Museum Attendant Cashiers kept the key.
 - 2) Museum Attendant Cashiers were not issued their own change fund. Two change funds were shared between the Museum Attendant Cashiers. One Museum Attendant Cashier would count the change funds in the morning and separate them into the two cash drawers to be used for the day. However, the change funds were not always counted by other Museum Attendant Cashiers prior to use and the transfer of custody of the funds was not documented. Further, there were times when a Museum Attendant Cashier would be relieved during the day without proper transfer of accountability.
 - 3) Cash balancing procedures were not adequate. One Museum Attendant Cashier counted the cash and completed the paper work but the cash was not verified by another individual. The cash and completed paper work were

placed in the drawer in the Security Booth until closing when it was combined with other Museum Attendant Cashiers' cash receipts and change funds and placed into the safe until the next morning. We also observed one instance where a Museum Attendant Cashier thought her cash drawer was over by \$10 so she gave the money to another Museum Attendant Cashier to include it in her cash total.

- 4) Cash from lockers and parking boxes was not processed under dual control.
- 5) There was a lack of segregation of duties in cash handling procedures. The same individual that collected cash could void transactions, clear the register, reconcile, prepare the daily paperwork and deliver the deposit to the bank.
- 6) Museum Attendant Cashiers had cash register keys that allowed them to perform supervisory functions, such as voiding transactions and clearing and programming the register.

b. Recommendation. Procedures to control and account for cash should be improved. At a minimum, the following recommendations should be implemented.

- 1) Daily deposits and change funds should remain in the safe during the day. Access to the safe should be under dual control.
- 2) Separate change funds should be provided for each Museum Attendant Cashier. In addition, the Museum should provide locking lids for each cash drawer so that each Museum Attendant Cashier can secure their tills during the day.

- 3) Cash balancing procedures should include a verification of funds by a second individual. Once the funds have been verified, they should be placed in the safe and only accessed under dual control.
- 4) Cash receipts from lockers and parking boxes should be collected under dual control.
- 5) Cash handling duties should be separated so that the same individual does not collect cash and also make the deposit.
- 6) The supervisor should be the only individual with access to register keys that can total out and program the register and void transactions.

c. **Management Comments.** Management stated,

“1. Concur

A new and larger safe or four drawer locking cabinet is being researched and will be purchased. The existing drawer will not be used to secure cash deposits, change funds, or keys to cash register. (9/30/99)

Café and Gift Shop moneybags have been moved out of MOA security safe into AMA offices. (immediate)

“2. Concur

Each cashier will be given their own lockable cash drawer, key, and their own change fund. (9/30/99)

Each cashier will be required to count the fund prior to use and will sign a form accepting the documented funds. (immediate)

Access to the safe will be available to the Chief of Security, Museum Director, Deputy Director or designee, and a security guard. Dual access will be required. (immediate)

Cashiers will be responsible for securing funds whenever they leave the cash register. (9/30/99)

3. Concur

All cash is now being verified by a second person, the Chief of Security or designee at the end of each shift. (immediate)

Cashiers have been instructed not to give funds to another cashier. Individual cash drawers will mitigate this from occurring. (immediate)

At the end of a shift, the cashier will prepare his/her till for opening the next day, count the funds, and place remaining funds and paperwork in a bag which will be locked in the safe until recounted and deposited by a separate person. (9/30/99)

4. Concur

Cash from lockers and parking boxes will be collected under dual control. (immediate)

“5. Concur

Segregation of duties in cash handling has been implemented. The supervisor or designee will review and approve voided transactions and clear the register daily. An attendant who has not served as cashier will prepare the daily paperwork and deliver the deposit to the bank. On weekdays, it will be verified by the supervisor. (immediate)

“6. Concur

The cash register will be set to allow supervisor or designee access to clearing and programming the register. The Supervisor will total out and program registers during weekdays.

In order to avoid delays to the public, cashiers will be able to void transactions by having customer sign a form. This “void” form will be used to obtain acknowledgment from the patron as to the reason for the voiding of the transaction. This signed form will be reviewed and approved by Chief of Security on a Monday through Friday basis. (immediate)”

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

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

- a. **Finding.** Cash handling procedures were not in compliance with P&P 24-1. Specifically, cash was not always deposited on a daily basis, unscheduled cash counts were not performed on a monthly basis and cash over and short procedures were not always followed. Our review revealed that most of the excessive cash overages and shortages (those greater than \$10) were not reviewed and approved by a supervisor.

- b. Recommendation.** Cash procedures should be in compliance with P&P 24-1. Cash should be deposited daily, unscheduled cash counts should be performed monthly and excessive cash overages and shortages should be reviewed and approved by a supervisor.
- c. Management Comments.** Management concurred and stated, “Cash will be deposited on a daily basis for business days Sunday through Thursday. (immediate)
- “Cash cannot be deposited for business days Friday, Saturday, and on holidays when supervisor is not at work. A variance to P.P. 24-1 will be requested until such time as a lead attendant, who will be scheduled to work on weekends and holidays, can be approved in the museum budget and funded.
- “Unscheduled cash counts will be performed on a monthly basis. (immediate)
- “Cash over and short procedures will be followed by Chief of Security and will be reviewed and approved by the Chief of Security. (immediate)”
- d. Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.
- 3. Admission to the Museum Could Be Improved.**
- a. Finding.** The physical layout of the entrance to the Museum did not effectively control paid admission. The Museum charges \$5.00 for general admission. However, there are numerous exceptions to the admission charge. Tour bus groups enter without paying because the Museum bills the tour bus companies for the number of visitors brought to the Museum. Individuals can also enter without paying

if they go to the café, the gift shop, the restrooms, the Library, Atrium activities, the administrative offices, or if they are Anchorage Museum Association members or volunteers. The cashier for admission is located at a counter set back and to the left from the entrance to the Museum. The sign for the price of admission is above and behind the counter, not in the normal field of view for individuals entering the Museum. We observed during the course of the audit that people were seldom challenged when they walked past the cashier counter, admission was only collected from those individuals that approached the cashier and offered to pay, and the cashier counter served as both a cashier and information center.

b. Recommendation. The Director of Cultural and Recreational Services should consider implementing the following suggestions to better control paid admission to the Museum:

- 1) Post the price of admission in a more conspicuous location.
- 2) Take tour bus groups directly through the lobby and into the Museum galleries to decrease congestion in the lobby area.
- 3) Install velvet rope stands and use signs to direct individuals to the cashier and areas that do not require paid admission.
- 4) Establish a clearly marked information and membership station allowing the Museum Attendant Cashier to devote their full time to cashier duties.
- 5) Train cashiers to be more pro-active in greeting visitors to the Museum and giving admission information.

6) Provide buttons/passes to patrons paying admission.

c. **Management Comments.** Management concurred and stated, “A sign with the admission prices has been placed near the front entry and an additional sign has been placed on the counter near the cashier. (immediate)

“Tour bus drivers have been asked to take their groups through the lobby and into the atrium to decrease congestion. (immediate)

“The Chief of Security has been instructed to train cashiers to be more active in collecting admission fees and pro-active in greeting visitors. The cashier/attendant is the first person to greet a visitor and therefore sets the tone for the entire museum experience. A user-friendly approach is required for satisfactory customer service. (immediate)

“Museum staff will research availability and cost of buttons for patrons paying admission. (January 2000)”

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

4. **Parking Spaces Controlled by the Museum Were Not Properly Managed.**

a. **Finding.** Parking spaces in the Museum’s parking garage and outside lots were not properly managed. The parking garage located in the basement of the Museum was being operated as paid parking for Museum employees, Fire Department employees and Federal Building employees, except on weekends, special holidays and evenings. There are 96 spaces in the parking garage with 6 spaces reserved for free parking for

Museum volunteers and 11 spaces paid by intergovernmental charges that are reserved for Anchorage Fire Department employees. Signs at the entrance to the parking garage state, "Public parking available only weekends and Federal Holidays. You may park anywhere in the garage on these days." In addition, the Museum also charges for spaces located in the alley behind the Museum and in a small lot next to the Museum. These spaces are also designated for employee parking. There are 21 spaces in the alley and four spaces in the small lot. As a result, the Museum does not provide parking for the general public visiting the Museum during the work week. Our review of the procedures and controls over parking revealed numerous deficiencies as follows:

- 1) There were no written policies or procedures for managing the parking spaces.
- 2) The master list of parking spaces, used for assignment and billing, did not contain all spaces.
- 3) Access to the parking garage was controlled by Museum security, not through the use of an entry card. However, we found that Museum security did not restrict entry to only those individuals that had paid for parking in the garage.
- 4) Prior to May 6, 1999, there was not a clear policy regarding the use of spaces paid for on a monthly basis. Employees working the day shift were charged \$60.00 a month for the space. However, employees working the evening shift were not charged and were allowed to park in the same spaces paid for by the day shift employees. We found that as many as seven employees had not always paid for parking yet had parked in the parking garage during 1998. On May 6, 1999, the Museum Director issued a memorandum to Museum

employees stating that, "Every Municipal employee who parks in the parking garage or in the Museum parking spots in the alley must pay through payroll deduction."

- 5) Parking spaces in the parking garage that had been designated for hourly parking were not allowed to be used by the public during the work day and were used by Fire Department employees without charge (10 spaces).
- 6) Six spaces were designated as disabled parking, two in the alley and four in the parking garage. There were no signs at the garage entrance advising the public that disabled parking was available and one space in the alley was not identified as disabled.
- 7) The log used to document and track monthly payments was not accurate. For example, one employee was listed as paying by payroll deduction. However, no deductions had been made per the employees payroll records during 1998. In two instances, the log indicated payments by payroll deductions, yet the individuals were not Municipal employees and payments had been made by check. We also noted that the log was not reconciled to Cashier Daily Summary Reports and employee payroll records to ensure that all payments had been made.
- 8) Monthly parking fees were sometimes prorated. However, there was no written policy for prorating fees.
- 9) Hourly parking was not properly controlled. Hourly rates were posted in the garage and individuals were instructed to insert payment into two cash boxes without documenting how much they paid, which space they occupied or

how long they parked. In addition, there were no procedures to monitor nor control the garage to ensure that payment was made. Further, there was no routine schedule to empty the boxes. We were told that the boxes were emptied when they appeared to be full.

- 10) Hourly parking rates were inconsistent as follows: general public - \$1.00 per hour, handicap - free, people who work within the building - \$1.50 per half day and \$3.00 per day.
- 11) Parking spaces in the alley were not clearly defined and marked.

b. Recommendation. The Director of Cultural and Recreational Services should formalize written policies and procedures for managing and operating parking on Museum property. A policy should be established identifying the purpose of the Museum parking garage. The procedures should include parking priorities, equitable fees, hours of operation, control over parking, collection of daily and monthly fees and safeguard of cash receipts. In addition, the Director of Cultural and Recreational Services should consider installing an automated system to control the entry to the parking garage.

c. Management Comments. Management stated,

“1. Concur

The Chief of Security and Deputy Director will be directed to formalize written policies and procedures for managing and operating of the parking garage. The policy will identify the purpose of the parking garage. The procedures will include parking priorities, equitable fees, hours of operation,

control over parking, collection of daily and monthly fees, and safeguard of cash receipts. (10/15/99)

“2. Concur

The Chief of Security will draw up a new master list of parking spaces. (immediate)

“3. Concur

“The use of an alternative entry system will be researched to determine cost and feasibility. (12/30/99) The Museum Attendant monitoring the garage door will be provided a list of current garage users. Those who are current with payment will be allowed access. Individuals conducting scheduled business at the Museum (volunteers, board of directors, etc.) are given access and should not be restricted. (9/30/99)

“4. Concur

The problem has been corrected.

“5. Concur

Health and safety issues require the fire department employees to be on duty 24 hours per day. Shift changes can not be accomplished without fire department employees using the additional 10 hourly spaces. The entire 21 spaces will be designated fire department /hourly/free spaces. Fire Department will still pay their normal rates. Lack of museum staff, minimal return, and time expended make monitoring of hourly fees cost prohibitive. Hourly fees are based on the honor system currently and should remain so or be free in the future. (immediate)

- “6. Concur
Signs have been on order since April, 1999 and will be installed as soon as available. (9/30/99)
- “7. Concur
Monthly log will be prepared by Chief of Security or designee and given to security attendant to document for accuracy. Log will be reconciled by the cashier to daily summary reports. (9/30/99)
- “8. Concur
Prorated monthly rates will be reviewed when the parking policy is being written. (9/30/99)
- “9. Concur
There is a lack of staff and equipment available in the garage to monitor and control garage payments. Cash boxes will now be collected twice weekly under dual control. Most patrons parking in the garage recognize that if they park in space number 4, they place their monies in box number 4. (immediate)
- “10. Concur
Hourly parking rates will be reviewed for consistency and incorporated into parking policy and procedures. (9/30/99)
- “11. Concur
Staff will work with Property and Facility Management to define and mark spaces in alley. (9/30/99)”

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

5. **Museum Personnel Had Access to Non-Municipal Cash.**

- a. **Finding.** The Museum had access to non-Municipal cash. Both the café and gift shop stored their locked cash bags in the Museum safe over night. Museum employees did not know the contents of these bags and thus would not know how much was lost if the bags turned up missing. In addition, Museum personnel had the keys to the Anchorage Museum Association’s donation boxes. According to the Risk Manager, the Municipality could be held liable for the loss of these funds.

- b. **Recommendation.** Non-Municipal funds should not be stored in the Museum safekeeping facilities. In addition, Museum employees should not have access to the keys to the Anchorage Museum Association’s donation boxes.

- c. **Management Comments.** Management stated, “Café and Gift Shop have recently purchased their own safe and they no longer store their locked cash bags in the museum safe. (immediate)

“Keys to the AMA’s donation box have been taken away from Museum personnel and given to AMA Director of Finance.”

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

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Discussion With Responsible Officials. The results of this audit were discussed with appropriate Municipal officials on August 10, 1999.

Audit Staff:
Lily Li