



Zoo Cashiering Function Audit Audit Report

Issued by the
Internal Audit Office
February 23, 2011

**City of El Paso
Internal Audit Office
Zoo Cashiering Function Audit**

EXECUTIVE SUMMARY

The Internal Audit Office has concluded its audit of the Zoo Cashiering Function. Based on the results of the audit, seven (7) findings were identified to indicate internal control weaknesses within the El Paso Zoo's Cashiering Function. Five of these findings are considered significant in nature, while two findings are not significant and classified as "Other Findings."

Listed below is a summary of the five (5) significant findings identified in this report.

1. A dual system is being maintained by the El Paso Zoo for their cashiering function.
2. Voids and refunds conducted by the Ticketing Office cashiers are not being adequately documented.
3. Daily Zoo revenues exceeding \$50.00 were not deposited within a 24 hour period for 12 out of 31 (39%) deposits reviewed.
4. The El Paso Zoo is not properly managing its past due and delinquent Accounts Receivable. Follow-up activity conducted for past-due Accounts Receivable payments is not being documented.
5. Daily balancing documentation, which consists of one "Gate Attendance – Cash Report/Daily Deposit" and a "Cash Report" prepared for each cashier that worked on a given day, was incomplete and inaccurate for 31 out of 31 (100%) days reviewed.

Listed below are the two (2) "Other Findings."

6. There are internal control weaknesses related to the safeguarding of Zoo revenues.
 - Four individuals have access to the combinations to the two Zoo safes.
 - The "panic" buttons in the Ticketing Office are not operational.
 - The same mailing address is used for the El Paso Zoological Society and the El Paso Zoo.
7. For the month of October 2010, the El Paso Zoo had a total of 35 Group Reservations and 4 Programs. A review of the scheduled events identified the following.
 - 1 out of 39 (3%) events was not properly listed on the Zoo's tracking spreadsheets.
 - 3 out of 39 (8%) events were not charged the correct fee. Based on the reservation's supporting documentation, the three events appear to have been undercharged by a total of \$265.00.
 - 1 out of 39 (3%) events was not issued a properly completed receipt.

For a detailed explanation of each of the findings please refer to the appropriate finding contained in the body of this Audit Report.

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BACKGROUND

The El Paso Zoo is a thirty five-acre home to about 240 species of animals. Approximately 500 mammals, reptiles, amphibians and birds, 100 fish and 250 invertebrates live in a variety of natural habitat exhibits. The El Paso Zoo recently completed a Capital Improvement and Expansion project of its current facilities which has resulted in additional revenue generating opportunities. As a result this has increased the activity to the cashiering function at the El Paso Zoo. Cashiering functions are located at the Ticket Booth, the Safari Outfitters Gift shop, the Passport Café, the Grasslands Café, and at the Concession Carts. The El Paso Zoo contracts with a concessionaire to operate the gift shop, the two cafes, catering services, the carousel, the coin operated vending machines, the food/beverage/souvenir/gifts carts, and the rental of strollers. The Ticket Booth is currently the only cashiering function operated by El Paso Zoo employees.

AUDIT OBJECTIVES

The audit objectives for the Zoo Cashiering Function Audit were to determine if,

1. Procedures currently being utilized by the cashiering function in the Ticket Booth at the El Paso Zoo are operating as intended by management.
2. Cash handling procedures at the El Paso Zoo are consistent with the City of El Paso Cash Management Manual.
3. The El Paso Zoo is operating in a control conscious environment as it relates to cash handling procedures. We have characterized a control conscious environment as having:
 - An adequate level of internal control awareness.
 - Proper separation of duties.
 - Existence of a proper monitoring system.
 - Appropriate authorization/approval of expenditures.
 - Adequate safeguarding of financial, physical, and information assets.

AUDIT SCOPE

The audit period covered the operations of Fiscal Year 2010 – 2011.

AUDIT METHODOLOGY

To achieve our audit objectives we:

- Conducted interviews with Zoo management and staff,
- Conducted an analysis based on the City of El Paso's Cash Management Manual,
- Conducted a review of the Zoo's applicable policies and procedures,
- Conducted a review for proper segregation of duties and,
- Performed tests of selected transactions.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This audit was also conducted in conformance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

***SIGNIFICANT FINDINGS, RECOMMENDATIONS,
AND MANAGEMENT’S RESPONSES***

The definition of a significant finding is one that has a material effect on the City of El Paso’s financial statements, identifies an internal control breakdown, a violation of a City procedure, or a violation of a law and/or regulation, which the City is required to follow. Any finding not meeting these criteria will be classified as an “Other Finding”.

Finding: 1

Cashiering Function Dual Systems

A review of the El Paso Zoo Cashiering Function identified that a dual system is being maintained.

- A Point of Sale (POS) System is used for general admission revenue paid by cash, check, or Accounts Receivable.
- A separate stand alone cash register is used to keep track of general admission credit card transactions.

This is as a result of the implementation of a new integrated POS System. At the time of the review, the credit card component of the POS System was in the process of being activated. The POS System should be 100% operational by early spring.

Recommendation:

The El Paso Zoo should capture all general admission revenue in a single POS System.

Management’s Response

1. Separate stand alone cash registers are no longer being used.
2. All Front Gate revenue is processed and recorded utilizing the POS system.

Responsible Party

Senior Cashier – Mary Pope

Implementation Date

March 1, 2011

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Finding: 2

Refunds/Voids

According to the El Paso Zoo Front Gate Closing Procedures, when a void or refund is conducted, receipts are to be attached to the Void/Refund side of the Cashier's Cash Report with explanations filled out on the report.

Our review identified that cashiers are not completing the Void/Refund log on the back of the Cash Report. Instead, cashiers attach copies of receipts of refunded or voided transactions to their daily Cash Report and write the reason for the void/refund on the voided/refunded receipt copy.

Our review of all voids and refunds conducted by the Ticketing Office during the month of October 2010 identified that:

- There were a total of 21 days in which credit card voids/refunds were conducted. For 19 out of the 21 (90%) days reviewed, credit card voids/refunds totaling \$986.50 were not adequately documented. The individual cashier counts of voids and refunds conducted in a day could not be determined because they are not provided on the end of day balancing reports (Z reports).
- There were a total of 12 days in which cash voids/refunds were conducted. For 9 out of 12 (75%) days reviewed, cash voids/refunds totaling \$950.50 were not adequately documented. Individual cashier counts of voids and refunds could not be determined.

Recommendation:

The El Paso Zoo should ensure that voids and refunds are adequately supported as required by their Front Gate Closing Procedures.

Management's Response

Rationale for void/refund to be noted on the cash report. Staff has received coaching stressing documentation aspect of this reporting function. Re-assert documentation is completed in a timely manner for review & processing. Re-assign PeopleSoft data entry function to Administration Office personnel. Provided Cash Management and Accounts Receivable Manuals as well as additional training as necessary to all regular and back up cashiering personnel.

Responsible Party

Cashiering Function – The Senior Cashier (Mary Pope), or in the absence of, the Cashier (Linda May) is to ensure the daily cash report is properly documented (complete with signatures) compiled and recorded in the appropriate spreadsheet at the close of business daily. The Accounting/Payroll Clerk (Debra Soto), or in the absence of, the Senior Office Assistant (Socorro Rios) in Administration is to verify all receipts of money are accurately accounted to facilitate the recording of monies and or billing into the PeopleSoft financial system.

Implementation Date

May 1, 2011

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Finding: 3

Deposits

As required by City Charter, Article VII Public Finance, Section 7.7 and the City of El Paso Cash Management Manual, Sections 5.1 and 5.2,

- City Charter: *“All monies received by any person, in connection with the business of the City, shall be deposited promptly in a City depository and, whenever possible, within one business day after its receipt...”*
- Cash Management Manual: *“In accordance with City Charter, all monies received...must be deposited within 24 hours of receipt or...department may choose to keep these funds until the amount reached is in excess of \$50, at which point department must make the deposit within the 24-hour period.”*

Our review of the revenue received by the El Paso Zoo for the month of October 2010 identified that:

- During the El Paso Zoo’s “off season” which is from September 1 to March 12, the Zoo is on a Monday and Friday armored car pick-up schedule.
- Daily Zoo revenues exceeding \$50.00 were not deposited within a 24 hour period for 12 out of 31 (39%) deposits reviewed. The 12 deposits totaled \$16,457.78 and were made one to three days late.

# of Days Reviewed	# of Days Revenue was not Deposited in Accordance with Cash Management Manual	% of Untimely Deposits	Total Amount of Untimely Deposits	Business days late
31	12	39%	\$16,457.78	1-3

Recommendation:

The El Paso Zoo should ensure that deposits are made on a timely basis, in accordance with the City of El Paso Cash Management Manual.

Management’s Response

Armored Car Service schedule will be adjusted for daily pick-up to comply with Cash Management Policy.

Responsible Party

Rose Greenough, Office Manager

Implementation Date

March 1, 2011

Finding: 4

Accounts Receivable

As outlined in the City of El Paso Fiscal Operations Accounts Receivable Manual,

- Section 7.0 Aging Report: *“Accounts are classified as either Current or Past Due. Past Due Accounts are further classified as 31-60 days, 61-90 days, 91-120 days or over 120 days past due. Accounts that are over 61 days past due are considered delinquent.”*
- Section 11.4.1d under Collection Responsibilities: *“If an invoice has not been paid within 30 days, then a Final Reminder Notice is mailed to the customer.”*
- Section 11.4.1f under Collection Responsibilities: *“Document all contacts with the customer in the customer’s file.”*

Our review identified that the El Paso Zoo is not properly managing its past due and delinquent Accounts Receivable. Follow-up activity conducted by the El Paso Zoo for past-due Accounts Receivable payments is not being documented. A review of the El Paso Zoo’s Accounts Receivable as of 1/31/2011 identified the following past due and delinquent accounts:

- One (1) \$600.00 payment from Robert E. Lee Elementary is 64 days past due.
- Four (4) payments totaling \$505.94 from Service Systems Associates (SSA) are 18 to 92 days past due.
- One (1) \$146.15 payment from Zoological Society is 28 days past due.

Recommendation:

The El Paso Zoo should adhere to the City of El Paso Fiscal Operations Accounts Receivable Manual in regards to collecting past due accounts.

Management’s Response

Re-assign Billing and Accounts Receivable responsibilities to Administrative Office personnel (team) for function management. Provide staff with additional instruction and training.

Responsible Party

Rose Greenough, Office Manager to Office Assistants (various)

Implementation Date

May 2, 2011

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Finding: 5

Daily Balancing Documentation

As required by established internal Zoo procedures and the City of El Paso’s Cash Management Manual Sections 5.4 and 5.7,

- El Paso Zoo Front Gate Closing Procedures Step 8: *“Complete your Cash Report sheet, Gate Attendance sheet...”*
- Cash Management Manual Section 5.4: *“Reconciliations to the general ledger system should be prepared at the departmental level to ensure that all receipts are traced into the general ledger.”*
- Cash Management Manual Section 5.7: *“On any overage/shortage cashier(s) will write an explanation as to that he/she believed happened.”*

A review of the daily balancing documentation for the month of October 2010 identified that daily balancing documentation, which consists of one “Gate Attendance – Cash Report/Daily Deposit” and a “Cash Report” for each cashier that worked on a given day, was incomplete and inaccurate for 31 out of 31 (100%) days reviewed.

A listing of the discrepancies identified is presented below:

Description	Instances
Daily "Journal Tape Breakdown" numbers listed on the cashier’s Cash Report/s were incorrect.	31
Daily Gate Attendance Report did not list the revenue and expense account numbers for the daily Credit Card Settlement Revenue and Fees.	31
Daily Gate Attendance Report did not have a verification signature for attendance counts, deposit slip#, and bank bag #.	31
Daily cashier’s Cash Reports did not list the opening and closing transactions #s.	31
Gate Attendance Report incorrectly allocated "Daily Receipt Total" and/or "Bank Deposit" to Account #404001 (Admissions). The actual postings to PeopleSoft were inaccurate for two out of the 31 (6%) days reviewed.	30
Daily Gate Attendance Report did not indicate that the number of submitted Entertainment coupons was verified.	17
Daily totals listed on right hand corner of Gate Attendance Report were not complete.	10
Daily totals listed on (right-hand corner of) the Gate Attendance Report were not accurate.	7
Daily "Journal Tape" totals listed on cashier's Cash Report/s were incorrect.	5
“Verifiers Signature” not contained on Cash Report indicating that the daily closing documentation was not properly reviewed.	3
Overage/shortage that was not properly reported.	2
Gate Attendance Report does not contain "prepared by" signature and "prepared date."	1

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Recommendation:

The El Paso Zoo should implement a reconciliation process to ensure that daily balancing documentation is complete and accurate.

Management's Response

Review and re-format Daily Gate Attendance/Cash Report to correct and address revenue and expenditure reporting discrepancies noted. Collaborate with Internal Auditors and/or Financial Services to ensure Cash Management reporting requirements are met as well as update Department Policies and Procedures to reflect new programs with respect to Point of Sale reporting structure and capabilities. Overall goal to eliminate audit exceptions reported.

Responsible Party

Rose Greenough, Office Manager

Implementation Date

July 2011

***OTHER FINDINGS, RECOMMENDATIONS,
AND MANAGEMENT’S RESPONSES***

Finding: 6

Safeguarding of Zoo Revenues

As required by the City of El Paso’s Cash Management Manual Sections 5.2 and a strong system of Internal Controls.

- City of El Paso Cash Management Manual, Section 5.2: “Access to all safes should be limited to no more than three individuals.”
- Panic buttons are a security measure and should be fully operational.
- Non-profit organizations should maintain separate mailing addresses than their City Department counterparts.

There are internal control weaknesses related to the safeguarding of Zoo revenues. The weaknesses are outlined below:

- Four individuals have access to the combinations to the two Zoo safes.
- The “panic” buttons in the Ticketing Office are not operational.
- The same mailing address is used for the El Paso Zoological Society and the El Paso Zoo which increases the possibility of intermingling revenues.

Recommendation:

The El Paso Zoo should adhere to the City of El Paso’s Cash Management Manual in order to implement proper security measures to ensure the safeguarding of assets. Consideration should be given to:

- Limit access to the Zoo’s safes to three (3) employees.
- Make the “panic” buttons operational.
- Require the El Paso Zoological Society to obtain its own mailing address.

Management’s Response

- The Zoo is a seven day operation and implements a two deep control access. Administration access consists of Office Manager, Accounts Payable/Payroll Clerk, Senior Cashier and Cashier. Daily Cash bags (register(s) opening funds) and any access to change fund bag is verified by a second person at all times.
- Administration to follow up with contractor to complete “panic button” installation pending.
- El Paso Zoological Society utilizes PO Box 10179, El Paso, TX 79995 as their official mailing address.

Responsible Party

Rose Greenough, Office Manager

Implementation Date

June 2011

Finding: 7

Group Reservations

In handling Group Reservations, the El Paso Zoo requires:

- Employees to list group reservations and programs on the El Paso Zoo's tracking spreadsheets,
- Charge the group reservation reduced fee according to the number of children and adults in the group,
- Include the organization's name on the receipts that are issued through the POS system.

For the month of October 2010 the El Paso Zoo had a total of 35 Group Reservations and 4 Programs. A review of the scheduled events identified the following.

- 1 out of 39 (3%) events was not properly listed on the Zoo's tracking spreadsheets.
- 3 out of 39 (8%) events where not charged the correct fee. Based on the reservation's supporting documentation, the three events appear to have been undercharged by a total of \$265.00.
- 1 out of 39 (3%) events was not issued a properly completed receipt.

Recommendation:

The El Paso Zoo should ensure internal Group Reservation procedures are properly followed as established.

Management's Response

Review processes and procedures with all Administrative staff for recording of Group and Program reservations for reporting, recording and action documentation. Review of Department Policies and Procedures for revisions as related to Point of Sale reporting and documentation capabilities.

Responsible Party

Rose Greenough, Office Manager

Implementation Date

July 2011

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INHERENT LIMITATIONS

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods are subject to the risk that procedures may become inadequate due to changes in conditions, or that the degree of compliance with the procedures may deteriorate.

CONCLUSION

We have concluded work on the audit objectives of the Zoo Cashiering Function Audit. In accordance with Generally Accepted Government Auditing Standards we are required to conclude on whether the El Paso Zoo met the objectives of this audit. The following is our conclusion.

1. The El Paso Zoo Cashiering Function is operating in a control conscious environment with the exception of the findings identified in this report.
2. Procedures currently being utilized by the El Paso Zoo Ticketing Office are operating as intended by management in the following areas:
 - There is a proper system of segregation of duties within the cashiering function.
 - Change funds are properly utilized and accounted for.
 - Revenue received by the El Paso Zoo is accounted for and deposited.
3. The Zoo's cashiering function internal control environment has not met management's objectives in three of the following areas:
 - A dual system is maintained by the El Paso Zoo for their cashiering function.
 - Weaknesses were identified in the monitoring system of the cashiering function; discrepancies were identified during the audit in the areas of refunds/voids, daily balancing documentation, posting of revenues, Accounts Receivable, and group reservations.
 - Revenues are not safeguarded and deposited in accordance with the City of El Paso Cash Management Manual.

The El Paso Zoo is approaching its second summer with new exhibits. The Zoo should ensure that proper controls are in place over the cashiering function and operating inefficiencies are eliminated. The Zoo's improved facilities and the use of security guards to augment staffing shortages have thus far helped the El Paso Zoo cashiering function. Implementing the recommendations provided in this Audit Report should assist the El Paso Zoo improve the cashiering function and help it run more efficiently.

We wish to thank the management and staff of the El Paso Zoo for their assistance and courtesies extended throughout this audit.

Signature on File
Edmundo S. Calderón, CIA, CGAP, MBA
Chief Internal Auditor

Signature on File
Liz De La O, CIA, CGAP, MPA
Lead Auditor

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