



City of Albuquerque

Office of Internal Audit and Investigations
P.O. Box 1293, Albuquerque, NM 87103

Interoffice Memorandum

May 17, 2005

Ref. No.: 05-02-128F

To: Millie Santillanes, Director, Cultural Services Department

From: Carmen L. Kavelman, Acting Director, Office of Internal Audit and Investigations

Subject: FINAL FOLLOW-UP OF THE CASH HANDLING AUDIT REPORT NO. 02-128, ALBUQUERQUE BIOPARK DIVISION, CULTURAL SERVICES DEPARTMENT

Internal Audit performed a Follow-up Audit of Cash Handling Audit No. 02-128, Albuquerque Biological Park Division, Cultural Services Department, which was issued September 3, 2003.

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 two change funds assigned to the BioPark. A second change fund was created after the prior audit for the facilities at the north side of the BioPark which consists of the Aquarium and the Botanic Gardens. Admission revenues for the BioPark facilities totaled more than \$2.8 million in fiscal year (FY) 2004. We completed our follow-up audit fieldwork on March 22, 2005. We have based this report on our examination of activities through the completion date of our fieldwork, and it does not reflect events after that date.

We determined the following:

RECOMMENDATION NO. 1:

The audit determined that several petty cash funds were out of balance and had overages and shortages which had not been recorded on the general ledger. The audit also noted that custodians were not aware that the funds were out of balance, because reconciliations were not being performed on the petty cash funds on a weekly basis, as required by the Treasury Cash Handling Manual.

We recommended that petty cash custodians and sub-custodians follow City policies by reconciling petty cash funds at least weekly. We also recommended that all overages and shortages in petty cash funds be reported and recorded in the appropriate general ledger account.

ACTION TAKEN

The audit recommendations have been partially implemented. The BioPark currently has two petty cash funds, for \$2,750 and \$2,200. The auditor requested that BioPark fiscal personnel provide us copies of the required weekly petty cash fund reconciliations, for the weeks ending September 17, and 24, 2004.

They were not able to provide us with a copy of the required weekly reconciliation for the \$2,750 petty cash fund for the week ending September 17th. Additionally, they were not able to provide us with a copy of the required weekly reconciliation for the \$2,200 petty cash fund for the week ending September 24th.

The BioPark was not performing required weekly reconciliations of the two petty cash funds at that time. In March 2005, BioPark fiscal personnel informed us that they are currently performing weekly reconciliations of the two petty cash funds.

Cash fund overages and shortages are now being recorded to the required general ledger account. Overages and shortages are being recorded to two separate activity numbers, to identify if they are related to the Aquarium or to the Zoo.

FOLLOW-UP RECOMMENDATION

CSD Bio-Park management should follow City policies and require that all petty cash funds are reconciled weekly.

EXECUTIVE RESPONSE FROM CSD

“CSD concurs. Reconciliations are now being performed on a weekly basis per City policies.”

RECOMMENDATION NO. 2:

The audit determined that 16 cash handlers at the BioPark had either not received the required cash training or held training certifications which had expired. Upon receiving training, a cashier is certified to handle City monies for three years. At the end of the three years, the cashier is retrained in City cash handling procedures and their certification is renewed. We recommended that all individuals who function as BioPark cash handlers receive the required City cash handling training and certification.

ACTIONS TAKEN

The audit recommendations have been partially implemented. Treasury has conducted additional cash handling training at the BioPark. Bio Park fiscal personnel provided us a list as of October 2004, of 17 individuals who handle cash at the BioPark. Treasury records indicate that two of these individuals have not had the required City cash handling training. These are workers provided by an external staffing agency. BioPark personnel indicated that one of the two has had cash handling training, but were unable to provide the auditors documentation relating to this.

FOLLOW-UP RECOMMENDATION

CSD BioPark should ensure that all cash handlers at the BioPark receive and maintain the required City training and certification

EXECUTIVE RESPONSE FROM CSD

“CSD will attempt to ensure that all cash handlers are scheduled for City training and certification as necessary and required.”

RECOMMENDATION NO. 3:

When the change fund was counted by the auditors, the amount of the change fund was approximately three times the previous day's transactions. The City's exposure to loss of monies was increased because the excess monies were not deposited with the City's fiscal agent bank.

We recommended the following:

- CSD BioPark management 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.

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

ACTIONS TAKEN

The audit recommendations have been partially implemented. Prior to November 2003, both the Zoo and the Aquarium were authorized by Treasury to keep a “permanent change fund” at each location. Both locations were also authorized by Treasury to increase the amount of these funds, on a temporary basis.

In November 2003, the BioPark doubled the balance of its two permanent change funds at the Zoo and the Aquarium. According to BioPark fiscal personnel, Treasury was involved in the determination of an appropriate level for the two permanent change fund balances.

BioPark fiscal personnel provided the auditor with a copy of two signed custodial statements, dated March 2005, for the two permanent change funds. The BioPark fund custodian had not signed these new custodial statements until 16 months after the amount of the two permanent change funds had been increased. According to BioPark fiscal personnel, they had prepared custodial statements in November 2003, when the two permanent change funds were increased. However, they indicated that custodial statements had not been signed until 16 months later, because of a misunderstanding between Treasury and BioPark personnel.

According to the Treasury Cash Handling Manual, when Treasury has approved a change in a cash fund, it will release the check for the increase “. . . to the custodian after securing a completed Custodian’s Statement of Responsibility.” In November 2003, the BioPark obtained additional funds, directly from the bank, to increase the two permanent change funds. This was done although the BioPark fund custodian did not sign the new custodial statements until March 2005.

FOLLOW-UP RECOMMENDATION

CSD should comply with the Treasury Cash Handling Manual requirements. CSD should ensure that when the amount of a cash fund is changed, a new custodial statement is prepared and signed by the fund custodian, acknowledging responsibility for the monies. This should be done prior to obtaining additional monies from the City’s bank.

EXECUTIVE RESPONSE FROM CSD

“CSD will comply with the Treasury Cash Handling Manual requirements. Custodial statements will be prepared and signed by the fund custodian acknowledging responsibility for the monies. If

additional monies are required from the City's bank, a new custodian statement will be prepared."

RECOMMENDATION NO. 4:

The audit determined that when the BioPark change fund custodian resigned from her position in May 2003, custody of the fund was transferred to another BioPark employee, without the preparation of a new Custodian's Statement of Responsibility. The Treasury Cash Handling Manual requires that this be done when the custody of the fund was transferred.

We recommended that responsibility for the change fund be 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.

ACTIONS TAKEN

The audit recommendations have been partially implemented. In November 2003, primary responsibility for custody of the two BioPark permanent change funds was transferred to another BioPark employee. This was done at the same time that the BioPark increased the balance of these two permanent change funds at the Zoo and the Aquarium. As noted above, the new primary BioPark fund custodian did not sign custodial statements, for these revised amounts, until 16 months after the amount of the two permanent change funds had been increased.

FOLLOW-UP RECOMMENDATION

When the CSD BioPark transfers custodial responsibility to a new custodian, new Custodian's Statement of Responsibility should be prepared and signed on a timely basis.

EXECUTIVE RESPONSE FROM CSD

"CSD concurs. A new Custodian's Statement of Responsibility will be prepared and signed on a timely basis when funds are transferred to a new custodian."

RECOMMENDATION NO. 5:

The audit determined that although the change fund is secured in a safe, one custodian and four supervisors each had keys to the room and the safe's combination. Consequently, it would be

possible for any 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. Although the BioPark followed compensating controls, i.e., cash drawers and deposits are verified daily by two people, these dual-verification procedures have not been documented in writing.

We recommended the following:

- Whenever possible, access to funds should require the presence of two persons.
- BioPark procedures should be documented in writing; and control functions should be mandatory.
- CSD BioPark should formally adopt compensating controls to reduce the risk of theft of cash.

ACTIONS TAKEN

The audit recommendations have been partially implemented. The BioPark has developed written procedures which require that "All cash must be dual verified." According to BioPark fiscal personnel, the change funds are counted by two employees twice a day, once in the morning when the BioPark facilities open, and again in the evening, when the BioPark facilities close.

However, four employees at the Zoo still each have both a key to the safe room and the safe's combination. Consequently, it is still possible for anyone of these four employees to access the funds without the direct knowledge or involvement of any other employee. Therefore, if funds were missing, it might be difficult to determine which of these employees could have been involved. BioPark management has elected to accept the risk inherent in this situation.

EXECUTIVE RESPONSE FROM CSD

"Given the constraints of staffing and BioPark hours of operation, BioPark management believes the risk inherent in this situation cannot be further mitigated."

RECOMMENDATION NO. 6:

We recommended that CSD develop written cash handling procedures for 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 adoption, educational activities and other services. Without written policies and procedures, changes in staff could

cause serious disruptions in operations at the BioPark. Written policies and procedures would help ensure continuity in operations should there be staff turnover.

ACTIONS TAKEN

The audit recommendations have been fully implemented. The BioPark has developed a written Visitor Services Cash Policy and Department Handbook and a Visitor Services Supervisor's Procedural and Correction Guide. These procedures address cash handling at the BioPark, and cash reconciliation and balancing procedures.

RECOMMENDATION NO. 7:

The BioPark uses an automated system, Point of Sale (POS), and manually prepared recap sheets to record information regarding sales at the BioPark. At the end of each shift, the cashiers' drawers were counted and reconciled to the POS reports. The POS counts were then reconciled to the manually prepared recap sheets. If the transactions were properly processed and recorded, there should be no variances between the actual counts, the POS report, and the manually prepared recap sheets.

The audit determined discrepancies in the following areas:

- There were variances in the amounts reported on the POS system and the manually prepared recap sheets for sales and voided transactions.
- There were variances in the amounts recorded on the POS system and the manually prepared recap sheets for support group attendance, multi-facility tickets, and reciprocal admissions.

We recommended that the BioPark implement the following procedures:

- Supervisors at the BioPark identify and resolve errors made on the POS and manual recap sheets, and stress accuracy with the cashiers.
- Variances should be thoroughly researched to ensure that the underlying reasons for the discrepancies are identified, and should be tracked to enable supervisors to identify trends.
- Duties and information on the POS and manual systems should be reviewed to determine if duties are being duplicated and may be eliminated or revised.

ACTIONS TAKEN

The audit recommendations have been fully implemented. The BioPark has developed written procedures (as noted in Recommendation No. 6, above). These procedures address reconciliation processes relating to the POS system. Additionally, the BioPark

provided the auditor documentation that indicates that a more thorough review is being performed of manually prepared reconciliation schedules of POS data.

In response to the original audit report, the BioPark stated, "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." However, according to the BioPark personnel, the new POS system has not yet been purchased. The purchase is contingent on plans for renovation of the Zoo's entrance and available funding.

RECOMMENDATION NO. 8:

The audit determined that the BioPark offered discounted reciprocal admissions (50%) to support group members even though the agreements with the City did not address this practice. Members of the Zoological society received a 50% discount on the price of admission to the Botanic Gardens and Aquarium. Members of Aquarium and Botanic Gardens support groups received a 50% discount on admission to the Zoo. Eighty percent of these discounted reciprocal admissions were then paid by the BioPark to the support groups, even though the agreements with the City did not address this practice. For example, in May 2003, the BioPark paid \$4,575 in revenues from discounted reciprocal admissions to the support groups, without any contractual authority to do this.

We recommended that:

- CSD should immediately cease paying 80% of the reciprocal admission revenues to the support groups.
- CSD should properly record all admission revenues in the General Fund.
- CSD should consider discontinuing the practice of giving reciprocal admission discounts to support groups. If CSD chooses to continue the practice, agreements with support groups should be modified in writing and approved by the CAO and the support groups.

ACTIONS TAKEN

The audit recommendations have been fully implemented. In December 2004, the City's Chief Administrative Officer (CAO) signed new agreements with the two BioPark support groups. These new agreements specifically authorized the BioPark to pay eighty percent of the discounted reciprocal admissions to the two support groups.

RECOMMENDATION NO. 9:

In the audit, we recommended that CSD and DFAS review use of BioPark petty cash funds for reimbursement of travel costs to the Zoo to You program. CSD should request a waiver from the CAO if the practice was to continue.

Zoo to You is a program administered by the Zoo. "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." Although the Zoo had a waiver it was not in accordance with the requirements of the Travel Regulations. The Zoo's waiver dated July 28, 1999 was executed by the Directors of DFAS and CSD.

According to the City's Travel Regulations, authorization to provide exemptions or waivers is assigned to the Chief Administrative Officer (CAO). "Exemptions or waivers, unless otherwise specified in a particular section" are the responsibilities of the CAO. The CAO is assigned approval authority for "Non-city employee travel."

Reimbursements for travel expenditures were funded from petty cash funds at the BioPark. The Treasury's Cash Handling manual limits purchases with petty cash funds to \$100. The six travel reimbursements from petty cash reviewed during the audit ranged in amounts from \$4 to \$490. Five of the six travel reimbursements from petty cash exceeded the \$100 limit. We found that a sub-fund at \$400 was totally expended for reimbursement of travel expenses. Absent a written waiver, appropriate approval is required by Accounts Payable before any amounts are to be reimbursed.

ACTIONS TAKEN

The audit recommendations have been fully implemented. The BioPark has obtained the required waiver from the CAO for payment of travel expenses for non-city employees.

RECOMMENDATION NO. 10:

In the audit, we recommended that CSD process replenishment requests in accordance with the guidelines in the Treasury's Cash Handling manual. The Manual states that replenishments should be submitted monthly or when the fund is at 50% of the authorized balance, whichever occurs first. Petty Cash requests for replenishments occurred one to five times a month even though the balances in the funds had not reached the 50% level.

ACTIONS TAKEN

The audit recommendations have been fully implemented. We reviewed replenishment requests made in September 2004. The guidelines for replenishments of petty cash funds were being followed.

RECOMMENDATION NO. 11:

The audit determined that sub-custodial statements had not been prepared for two sub-custodians of petty cash funds. Multi-custodial statements had not been completed for one of the change funds. As a result, the control features of assigning a specific employee responsibility for a cash fund had not been implemented.

The Treasury's Cash Handling Manual has requirements for both petty cash and change fund custodian and sub-custodian statements.

- For petty cash funds, “. . . 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, “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 is equally shared between the custodians. Each custodian must sign the Multi-Custodian Statement of Responsibility; this is a legal notarized document.”

We recommended that CSD BioPark management complete custodial statements for all individuals assigned responsibilities for handling City cash funds.

The BioPark's responded, “The BioPark concurs and is in the process of completing this task.”

ACTIONS TAKEN

The audit recommendations have been partially implemented. The BioPark has completed custodian statements and sub-custodian statements for all of the petty cash fund custodians and sub-custodians.

In November 2003, primary responsibility for custody of the two permanent change funds was turned over to another BioPark employee. This was done at the same time that the BioPark increased the balance of these two permanent change funds at the Zoo and the Aquarium. As noted above, the new primary BioPark fund custodian did not sign

custodial statements, for these revised amounts, until 16 months after the amount of the two permanent change funds had been increased.

Additionally, there are also currently four other employees who share equal custodial responsibility for the two permanent change funds. One of these four employees had signed a "Sub Custodian Statement of Responsibility" in September 2003, which indicates that the change fund that she is responsible for has a maximum amount. Because the combined amount of the two permanent change funds was increased, a new "Sub Custodian Statement of Responsibility" should have been prepared in September 2003. However, this was not done.

FOLLOW-UP RECOMMENDATION

CSD BioPark should properly complete, on a timely basis, the correct custodian forms for all employees who are assigned responsibilities for the imprest funds at the BioPark.

EXECUTIVE RESPONSE FROM CSD

"CSD will comply with the audit recommendation and ensure that all employees who are responsible for imprest funds at the BioPark complete correct custodial forms on a timely basis."

RECOMMENDATION NO. 12:

We recommended that CSD BioPark management periodically review petty cash transactions to determine that proper cash handling procedures are followed.

We reviewed the documentation associated with petty cash purchases. Numerous vouchers had not been completed properly as required in the Cash Handling Manual. Eighty-eight percent of the vouchers reviewed were not pre-numbered. Only fifty-seven percent of the vouchers reviewed were approved by the custodian of the fund. Other deficiencies in the vouchers reviewed included vouchers which were either incomplete or not completed properly.

ACTIONS TAKEN

The audit recommendations have been fully implemented. All petty cash vouchers are being reviewed and approved by the Director of the BioPark division.

RECOMMENDATION NO. 13:

We recommended that CSD 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. The Treasury's 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.

Custodians of petty cash funds had duties which conflicted with the requirement for "Separation of financial duties." One of the custodians was a sub-custodian on another petty cash fund. One of the custodians had signature authorization to approve purchases made with petty cash. Both custodians occasionally performed duties of collecting monies on payments on accounts or admissions.

ACTIONS TAKEN

The audit recommendations have been partially implemented. Currently, BioPark personnel, other than the petty cash fund custodians, are reviewing and approving the reimbursement vouchers relating to petty cash purchases. This change has separated the custody of the funds from the review/approval of expenditures from the funds.

However, the primary custodian of the BioPark's two permanent change funds is still also a custodian of a petty cash fund. When a single employee is the custodian for more than one cash fund, it reduces the effectiveness of controls over cash handling. According to BioPark fiscal personnel, the employee is not directly involved in the daily operations of the two permanent change funds. This is because the two permanent change funds have three sub-custodians, who actually operate the change funds on a daily basis.

FOLLOW-UP RECOMMENDATION

CSD should ensure that BioPark cash fund custodians maintain adequate separation of duties.

EXECUTIVE RESPONSE FROM CSD

"The BioPark cash fund custodians will observe separation of duties as possible and practical. However, the primary custodian of the BioPark's two permanent change funds, who is not directly involved in the daily operation of these change funds, will also maintain a petty cash fund."

xc: Mayor Martin J. Chavez
City Councilors
James B. Lewis, CAO
Ed A. Adams, COO
Gail Reese, CFO
Margaret Nieto, Sr. Policy Analyst II
Sally Mayer, Councilor, City Council
Sandy Doyle, Director, DFAS
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