

INTERNAL AUDIT REPORT

2018-05

Spenard Recreation Center Cash Controls

Parks and Recreation Department

October 11, 2018

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Municipality of Anchorage

Ethan Berkowitz, Mayor

Internal Audit Department

October 11, 2018

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2018-05, Spenard Recreation Center Cash Controls, Parks and Recreation Department**. A brief summary of the report is presented below.

In accordance with the 2018 Audit Plan, we have completed an audit of the Spenard Recreation Center Cash Controls. The objective of this audit was to determine if proper cash controls were in place at the Spenard Community Recreation Center and if these controls were in compliance with Policy and Procedure 24-1, *Collecting, Securing, Depositing and Reporting Cash*. To accomplish our objective, we performed a surprise cash count and reviewed the Spenard Community Recreation Center's cash controls. In addition, we reconciled judgmentally selected deposits from 2017 and 2018 with the Municipality of Anchorage's financial systems (PeopleSoft and SAP), and reviewed the supporting documentation for compliance and accuracy. We also reviewed and verified invoices and payments for vendor/instructor contracts to determine if the Spenard Community Recreation Center had properly accounted for class revenue. Finally, we reviewed the fee schedule used by the Spenard Community Recreation Center against the fees approved by the Anchorage Assembly.

Our audit revealed that cash controls at the Spenard Community Recreation Center need improvement. Specifically, the Spenard Community Recreation Center's cashiers were not always granted roles in SAP related to their job functions. In addition, cash control procedures were not always in compliance with Policy and Procedure 24-1. We did not include a finding regarding cashier/supervisor training that should be provided by Treasury Division staff since this same issue was addressed in Internal Audit Reports 2017-12 and 2018-02. In these reports, Treasury acknowledged that Cashier Training had not occurred for some time due to a number of variables, such as staff turnover and SAP go-live. Finally, we did not include a finding that Policy and Procedure 24-1, with its accompanying Cashier Guide and Cashier Supervisor Guide, should be updated because of the implementation of SAP. This issue was addressed in our April 12, 2018, Internal Audit Report 2018-02. At the time of this audit, Policy and Procedure 24-1 had not yet been updated.

There were two findings in connection with this audit. Management was responsive to the findings and recommendations.

Michael Chadwick, CIA, CICA
Director, Internal Audit



Municipality of Anchorage

Ethan Berkowitz, Mayor

Internal Audit Department

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Internal Audit Report 2018-05 Spenard Recreation Center Cash Controls Parks and Recreation Department

Introduction. The Parks and Recreation Department (Department) oversees the activities of the Spenard Community Recreation Center (Center). The Center hosts a wide range of services ranging from room rentals to recreational sports. The Center's facilities include a gymnasium, a weight room, racquetball/walleyball courts, dance/martial arts room, locker rooms with saunas and showers, arts and crafts room, a teen center, a multi-purpose room, a skate park, and a commercial-size kitchen. Fees are charged for the use of the Center. According to PeopleSoft (the financial system of the Municipality of Anchorage [Municipality] until it was replaced with SAP in October 2017), the Center collected \$78,702 from January through September 2017. Due to SAP data limitations, we were not able to obtain the revenue data from October through December 2017.

Objective and Scope. The objective of this audit was to determine if proper cash controls were in place at the Center and if these controls were in compliance with Policy and Procedure (P&P) 24-1, *Collecting, Securing, Depositing and Reporting Cash*. Specifically, we performed a surprise cash count and reviewed the Center's cash controls. In addition, we reconciled judgmentally selected deposits from 2017 and 2018 with the Municipality's financial systems (PeopleSoft and SAP), and reviewed the supporting documentation for compliance and accuracy. We also reviewed and verified invoices and payments for vendor/instructor contracts to determine if the Center had properly accounted for class revenue. Finally, we reviewed the fee schedule used by the Center against the fees approved by the Anchorage Assembly.

We conducted this performance audit in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review. 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. The audit was performed during the period of April to May 2018.

Overall Evaluation. Cash controls at the Center need improvement. Specifically, the Center's cashiers were not always granted roles in SAP related to their job functions. In addition, cash control procedures were not always in compliance with P&P 24-1.

We did not include a finding regarding cashier/supervisor training that should be provided by Treasury Division (Treasury) staff since this same issue was addressed in Internal Audit Reports 2017-12 and 2018-02. In these reports, Treasury acknowledged that Cashier Training had not occurred for some time due to a number of variables, such as staff turnover and SAP go-live. In addition, Treasury stated that "Once SAP has stabilized and the defects have lessened, Treasury is committed to providing a fresh round of training specific to P&P 24-1 in conjunction with the new SAP system."

Finally, we did not include a finding that P&P 24-1, with its accompanying Cashier Guide and Cashier Supervisor Guide, should be updated because of the implementation of SAP. This issue was addressed in our April 12, 2018, Internal Audit Report 2018-02. In the report, Treasury concurred with our finding and stated, "Treasury updated P&P 24-1 in 2017 and submitted it for review by the Municipal Attorney's office through the SAP P&P coordinator sometime around mid-2017. The P&P submitted by Treasury was updated to conform with changes tied to the new SAP system. The Municipal Attorney's office confirmed in early March 2018 that the updated P&P was in their office for final review. As soon as the Municipal Attorney is done with their review of the P&P Treasury will ensure that it is properly circulated to departments city wide and posted to the municipal intranet site. Treasury will also incorporate the updated P&P in future planned cashier training that we expect to be led by a newly hired section supervisor in late 2018 / early 2019." At the time of this audit, P&P 24-1 had not yet been updated.

FINDINGS AND RECOMMENDATIONS

1. SAP Roles Not Properly Defined.

- a. **Finding.** The Center's cashiers were not always granted roles in SAP related to their job functions. According to Center management, some cashiers did not have access to input daily cash journals into SAP. In addition, SAP workflows were not always properly configured for Center staff. For example, the Center's supervisor had to transfer SAP permissions from a subordinate employee to herself to be able to review and approve SAP cash journal entries. As a result, 66 of 67 (99%) cash receipt activities that we tested were entered into SAP from 1 to 35 days late.

With the implementation of SAP, manual cash receipts and Cashier Daily Summary Reports have been replaced by an online SAP cash journal. Using a cash receipts report from the register, Center cashiers entered cash receipts into SAP to create an SAP cash journal. Upon approval by the cashier's supervisor, the cash journal is routed to, reviewed by, and posted to the general ledger by Treasury staff. Timely entry of the cash receipts into SAP to create cash journals helps provide reasonable assurance that errors and irregularities will be prevented or promptly detected.

- b. **Recommendation.** The Department Director should review SAP position-specific role mapping with the Employee Relations Department's Organizational Management Team to ensure the accuracy of role assignments for their positions.
- c. **Management Comments.** Management concurred and stated, "The Department is working with both Classification and Cash Management to identify and establish cashier and approval roles and profile assignments for its customer service staff. Since the audit was completed, the facility's cashier has received approval from SAP to access cash journals and is now filling them out daily. However, the Department is still struggling with workflow approvals. Due to vacancy issues and system defects,

the cash journals often do not flow to the cashier supervisor for review and approval. The Department is working with the Cash Management Team to resolve these issues. The current work around is to generate paper copies and submit them to the Cash Management staff for review and approval. The Department is also working with Classification to convert the cashier and the facility supervisor positions from seasonal to year round positions to avoid the vacancy issues that occur with seasonal staff.”

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

2. **Cash Control Procedures Not In Compliance With P&P 24-1.**

- a. **Finding.** Cash control procedures at the Center did not always comply with P&P 24-1. Non-compliance with applicable policies and procedures may weaken the cash control environment and may result in possible irregularities. Specifically, we found the following:

Cashiers Not Sub-Totaling Register Activity – Cashiers did not always subtotal cash register activity (run an X-tape/cash receipts report) and reconcile cash collected during their shift when there was a change of cashiers. The Center has one cash drawer, shared by up to four employees each day. As a result, the Municipality’s ability to assign responsibility for a loss was diminished. The Cashier Guide requires each cashier, when relieved from the cash register, to “. . . take a reading of the register (‘X’ tape) to get a sub-total of cash collected and count all cash.” It further states, “This must be done each time there is a change of cashiers unless there are separate cash drawers for alternate or relief cashiers.”

Cash Drawer Key Not Secured – Employees had unrestricted access to the cash drawer key, which was stored in an open key box. Policy and Procedure 24-1 states

that “When cash registers are not in use, the operating key to the register must be in the possession of the cashier at all times or secured in a locked safe.”

Deposit Not Always Made Daily – Checks and cash were not always deposited daily. Specifically, 17 of 93 deposits were deposited one to four business days late. Policy and Procedure 24-1, states that “cash received is immediately secured, accounted for, and deposited on a DAILY basis”

- b. **Recommendation.** The Department Director should ensure that cash controls at the Center comply with P&P 24-1.
- c. **Management Comments.** Management concurred and stated, “The Recreation Superintendent has corrected the issues listed in Finding #2.
- “● Since the Audit, the Superintendent has added a second cash drawer and limited the number of authorized personnel being able to access the register to two per shift. Each cashier is assigned his/her cash drawer.
 - “● The Superintendent has put into policy and practice, the requirement that cashiers subtotal cash register activity and reconcile cash collected at the end of each shift.
 - “● The Superintendent has installed a second key safe to house the cashier register keys and has limited access to that safe to the cashier and facility supervisor.
 - “● The Superintendent has put into policy and practice the requirement that cash and checks are deposited daily.”
- 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 21, 2018.

Audit Staff:
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