

CITY AUDITOR'S OFFICE



AUDIT OF CASH HANDLING CONTROLS AT DULA GYMNASIUM

Report No. CAO 2200-0405-02

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CITY AUDITOR

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**AUDIT OF
CASH HANDLING CONTROLS
AT DULA GYMNASIUM
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BACKGROUND

The City Auditor's Office performs on-going unannounced cash counts and reviews of cash handling controls at city facilities. On August 11, 2004, Dula Gymnasium (the Gym/the Center) was audited in conjunction with this program.

The Dula Gymnasium located at 441 E. Bonanza Rd. is a recreational facility that includes a gymnasium, a fitness room, a dance studio, and classrooms. The facility has four full-time staff and seven hourly employees. Most of the hourly employees perform cashier functions.

The Gym operates one register in the front office area. Transactions run at the register are recorded into a system known as CLASS. Payments received by the Gym include membership fees and daily use fees. In fiscal year 2004, the Gym had over \$47,000 in revenues including approximately \$35,000 in cash transactions.

Cash handling activities at the Gym are subject to both city and departmental cash handling policies and procedures. The city's cash handling policies and procedures include the *Cash Handling Policy* and the *Cash Handling Procedure*. The Department of Leisure Services has cash handling policies and procedures including *CLASS Cash Drawer Procedures* and *Staff Refund Policy and Procedure*. The cash controls of the Gym were evaluated against these policies and procedures.

OBJECTIVES

Our objectives in completing the audit of cash handling controls and procedures at the Dula Gym were to:

- Review compliance with city and departmental cash handling policies and procedures.
- Observe general security of funds.

SCOPE AND METHODOLOGY

Our fieldwork was performed in accordance with generally accepted governmental auditing standards. Procedures included:

- Observing operations.
- Interviewing personnel.
- Reviewing records, reports, and other applicable documentation.

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Our review of deposit documentation was limited to the month of July 2004.

FINDINGS AND RECOMMENDATIONS

We completed unannounced counts of funds at the Gym. We identified a minor overage in our count of the register drawer. This overage was subsequently resolved by staff without exception. No other differences were noted.

Our audit identified issues management should address to improve the cash handling controls at the Gym. These issues are summarized in the following sections. While other issues were identified and discussed with management, they were deemed less significant for reporting purposes.

1. CASHIER OPERATIONS

Criteria:

- City and departmental cash handling policies and procedures should be followed to ensure proper controls over funds and accountability for transactions.

Condition:

Signage

- The Gym does not have a sign displayed giving customers notice of their right to a receipt as required by city policy.
- The Gym does not have a sign displayed informing customers that checks should be made payable to the City of Las Vegas as required by city policy.

System Downtime Procedures

- The CLASS System or city network periodically goes down due to technical problems or routine maintenance. Departmental policy states that if the CLASS System goes down a manual system of cash receipting must be followed. The manual procedures are outlined in the departmental policy.
- The Gym staff do not use a manual cash receipting system during system downtimes. During these times, customers are allowed to use the facility free of charge. Customers are encouraged to come back at a later time if they want to pay for a membership or class registration.

Cash Drawer Procedures

- The departmental cash handling procedures only address a cashier function that uses multiple cash drawers. The Gym is currently operating with only one cash register and

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one cash drawer. The use of only one cash drawer and register has some inherent control challenges that should be addressed in the departmental procedures. For example, if a cashier must temporarily leave his post, it is often impractical to count and reconcile the cash drawer before the replacement cashier logs on.

Surveillance Camera

- No surveillance camera records cash handling activities in the Dula Gym Office.

Cause:

- All aspects of cash handling procedures were not considered in creating policies.
- Staff may not be aware of certain policies and procedures.

Effect:

- Weaknesses in cash controls.
- Opportunities for theft of funds.

Recommendations:

Signage

1. The Center Coordinator should create and display signs near the register giving customers notice of their right to a receipt and informing them that checks should be made payable to the City of Las Vegas.

System Downtime Procedures

2. The Center should follow a manual system of cash receipting when the CLASS System is down.

Cash Drawer Procedures

3. Leisure Services Management should address procedures for locations with only one cash drawer within its cash handling policies and procedures.

Surveillance Camera

4. Leisure Services Management should evaluate installing a camera within the Dula Gym office to record cash handling operations.

2. DEPOSIT PREPARATION

Criteria:

- Daily deposits should be prepared in accordance with city and departmental policies and procedures.

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Condition:

- Cashiers at the Gym prepare the cash deposit at the front desk, an area visible and accessible by customers. According to city policy, cash handling areas should have restricted access.
- We reviewed the deposit documentation (including the Daily Cash Balance Reports (DCBR) and deposit slip copies) of the Gym for the month of July 2004. Few deposit slips had two initials on the deposit slip showing dual verification of the deposit as required by departmental policy.
- Departmental procedures do not require the person taking the deposit to initial the DCBR Summary and accordingly, there is no identification of who took the deposit to the bank.

Cause:

- Staff may not be aware of certain deposit preparation policies and procedures.

Effect:

- Non-compliance with city and departmental policy.
- Potential for theft of funds.
- Lack of documentation to ensure accountability for deposits.

Recommendations:

1. The Center Coordinator should instruct cashiers to prepare deposits and complete their end-of-shift reconciliation in a secure area out of the view of customers.
2. Leisure Services Management should specify in the departmental cash handling policies and procedures that deposits should be prepared in an area not visible or accessible by customers.
3. The Center Coordinator should instruct staff to have deposits dual verified.
4. Leisure Services Management should adjust its policies to require the staff taking a deposit to the bank to both initial and date the corresponding DCBR Summary reports.

3. CASH COLLECTIONS FOR NON-CITY ORGANIZATIONS

Criteria:

- Departmental cash handling policies and procedures should address the practices of its operations.

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Condition:

- During our unannounced cash count, we identified funds from sales of bottled water to customers. A cooler with bottled water was at the front desk. The Center Coordinator informed us that these funds were not city funds but belonged to a non-city organization that uses the facility. The money from sales of the bottled water is collected by city staff for the group. Sales of the bottled water are not individually tracked.
- No departmental policies and procedures exist on the collection of funds for non-city organizations by city staff.

Cause:

- Lack of policies and procedures on practice by the Gym.

Effect:

- Opportunity for theft of non-city organization's inventory and funds.

Recommendation:

1. Leisure Services should create policies and procedures addressing the collection of funds for non-city organizations by city staff.

4. SUPERVISORY REVIEW OF OPERATIONS

Criteria:

- City cash handling policy requires that each department Director, or their designee (other than a cashier), be required to perform and document unannounced inspections of the department's cash handling activities.

Condition:

- While the CLASS System Administrator visits Leisure Services sites to respond to various cash handling and system issues, the department has not implemented a formal program for performing and documenting unannounced inspections of the department's cash handling activities as required in the city's cash handling policy.

Cause:

- Lack of establishment of formal inspection program by department.

Effect:

- Non-compliance with city cash handling policy.

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Recommendation:

1. The Director of Leisure Services, or a designee, should begin performing and documenting unannounced inspections of the department's cash handling activities as required by the city's cash handling procedures.

**MANAGEMENT RESPONSES
TO
AUDIT OF CASH HANDLING AT DULA GYMNASIUM**

1. CASHIER OPERATIONS

Recommendation 1

The Center Coordinator should create and display signs near the register giving customers notice of their right to a receipt and informing them that checks should be made payable to the City of Las Vegas.

Management Plan of Action:

The Center Coordinator has created and displayed signs near the register giving customers notice of their right to a receipt and informing them that checks should be made payable to the City of Las Vegas.

Timetable:

Completed.

Recommendation 2

The Center should follow a manual system of cash receipting when the CLASS System is down.

Management Plan of Action:

The Center Coordinator has reviewed with staff and implemented the manual system of cash receipting to be used when the CLASS System is down. The procedures and a receipt book are available for staff to use as needed.

Timetable:

Completed.

Recommendation 3

Leisure Services Management should address procedures for locations with only one cash drawer within its cash handling policies and procedures.

Management Plan of Action:

Leisure Services CLASS Administrator will develop procedures for locations with only one cash drawer and place in the department's cash handling policy and procedures.

Timetable:

January 3, 2005

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Recommendation 4

Leisure Services Management should evaluate installing a camera within the Dula Gym office to record cash handling operations.

Management Plan of Action:

Leisure Services Management will explore the possibility of installing a camera within the Dula Gym to record cash handling operations.

Timetable:

April 4, 2004

2. DEPOSIT PREPARATION

Recommendation 1

The Center Coordinator should instruct cashiers to prepare deposits and complete their end-of-shift reconciliation in a secure area out of the view of customers.

Management Plan of Action:

The Center Coordinator has instructed staff to prepare deposits and complete their end-of-shift reconciliation in a secure area with a locked door, out of view of customers.

Timetable:

Completed

Recommendation 2

Leisure Services Management should specify in the departmental cash handling policies and procedures that deposits should be prepared in an area not visible or accessible by customers.

Management Plan of Action:

Leisure Services CLASS Administrator will develop a policy requiring that all deposits be prepared in an area not visible or accessible by customers.

Timetable:

January 3, 2005

Recommendation 3

The Center Coordinator should instruct staff to have deposits dual verified.

Management Plan of Action:

The Center Coordinator has instructed staff to review policies and procedures for dual verification of deposits.

Timetable:

Completed

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Recommendation 4

Leisure Services Management should adjust its policies to require the staff taking a deposit to the bank to both initial and date the corresponding DCBR Summary reports.

Management Plan of Action:

Leisure Services Management will ensure staff follows this procedure, which is currently stated in Cash Handling Policies and Procedures.

Timetable:

January 3, 2005

3. CASH COLLECTIONS FOR NON-CITY ORGANIZATIONS

Recommendation 1

Leisure Services should create policies and procedures addressing the collection of funds for non-city organizations by city staff.

Management Plan of Action:

Leisure Services CLASS Administrator will develop and implement policies and procedures addressing the collection of funds for non-city organizations by city staff.

Timetable:

April 1, 2005

4. SUPERVISORY REVIEW OF OPERATIONS

Recommendation 1

The Director of Leisure Services, or a designee, should begin performing and documenting unannounced inspections of the department's cash handling activities as required by the city's cash handling procedures.

Management Plan of Action:

The Director of Leisure Services will designate individuals to begin performing and documenting unannounced inspections of the department's cash handling activities at all locations collecting revenue.

Timetable:

December 3, 2004