



CITY OF SAN ANTONIO

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May 29, 2009

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SUBJECT: City Store's Cash Handling Operations Audit Report

We are pleased to send you the audit report of the City Store's Cash Handling Operations in the Convention and Visitors Bureau. This audit began in March 2009 and concluded with an exit meeting with department management in April 2009. Management's verbatim response is included in Appendix B of the report. The City Store should be commended for their cooperation and assistance during this audit.

The Office of the City Auditor is available to discuss this report with you individually at your convenience.

Respectfully submitted,

Park E. Pearson, CPA
City Auditor
City of San Antonio

Distribution:

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Penny Postoak-Ferguson, Assistant City Manager
Scott White, Director, Convention and Visitors Bureau
Steve DeLaHaya, Assistant Director, Convention and Visitors Bureau
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CITY OF SAN ANTONIO
OFFICE OF THE CITY AUDITOR



Audit of the Convention and Visitors Bureau

City Store's Cash Handling Operations

Project No. AU09-003

May 29, 2009

Executive Summary

As part of the annual Audit Plan, we conducted an audit of the City Store's cash handling operations in the Convention and Visitors Bureau (CVB). The audit objective, conclusions and recommendations follow:

Are controls in place to ensure cash and checks are properly safeguarded?

We determined that internal controls need strengthening to ensure cash and checks are properly safeguarded. However, nothing came to our attention that indicated City funds were missing.

We recommend the CVB Director require that City Store personnel update current procedures to include internal control provisions delineated in Administrative Directive 8.1. City Store supervisors should periodically monitor cash and check handling activities to ensure compliance with the updated procedures. In addition, the CVB Director should ensure all cash handlers attend the City's required cash handling training.

Management's verbatim response is at **Appendix B** on page 5.

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Background

The Convention and Visitors Bureau (CVB) promotes the City as a premier tourist and convention destination for the benefit of the local economy. CVB has a combined Visitor Information Center and City Store. The Visitor Information Center provides tourists with customer service and the City Store offers an assortment of City branded merchandise. There are seven full-time and three part-time staff employed by the City Store. For Fiscal Year 2008, the City Store realized approximately \$230,000 in total revenue.

On March 1, 2007, the City adopted Administrative Directive 8.1 - Cash Handling, which provides internal control standards for departments to ensure that cash collections are adequately accounted for, properly safeguarded, and promptly deposited. Because of their liquidity, cash and cash equivalents are always susceptible to misappropriation.

Audit Scope and Methodology

We performed an unannounced cash count at the City Store on March 6, 2009. We reviewed departmental cash handling procedures, cash register end-of-day reports, and credit card receipts. We verified the appropriateness of the deposit and recording in the City's accounting system. We compared the actual change fund balance with the balance shown in the City's accounting system. We also interviewed the change fund custodian. Testing criteria included the City's Administrative Directive 8.1 and departmental procedures.

We conducted this audit during March 2009 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 audit results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions based on our audit objectives. Our audit included tests of management controls that we considered necessary under the circumstances.

Audit Results and Recommendations

A. Controls over Cash and Checks.

The City Store staff has not fully implemented internal controls in compliance with the City's Administrative Directive 8.1. Controls over cash and checks require strengthening in the areas of receiving and processing, safeguarding of assets, management oversight, department policies and procedures, and training. The absence of appropriate controls could result in the misappropriation of liquid assets at the City Store. Specifically, we noted the following:

Receiving and Processing:

- More than one person had access to the same cash drawer.
- Cashiers did not apply restrictive endorsements on checks upon receipt.
- Although Administrative Directive 8.1 requires daily deposits, bank deposits are only made weekly.

Safeguarding of Assets:

- The safe is not properly secured (a key is kept in a basket next to the safe).
- Surveillance recording equipment is located in the back room and is accessible for tampering.
- Surveillance cameras are not located in the back room where cashiers perform end of day close out procedures, inventory is stored and the safe is located.
- A sign is not posted providing contact information in case the customer does not receive a transaction receipt.

Management Oversight:

- Supervisors do not approve void and refund transactions.
- Supervisors do not perform periodic cash counts.

Department Policies and Procedures:

- Departmental cash handling procedures require enhancement in most of the areas where we noted issues.

Training:

- One cash handler has not attended the City's required Cash Handling training (cash handler employed since 2003).

Recommendations:

A. We recommend the CVB Director require that City Store personnel update current procedures to include internal control provisions delineated in Administrative Directive 8.1. City Store supervisors should periodically monitor cash and check handling activities to ensure compliance with the updated procedures. In addition, the CVB Director should ensure all cash handlers attend the City's required cash handling training.

Appendix A – Staff Acknowledgment

Barry Lipton, CPA, DABFA, Deputy City Auditor
Denis Cano, CPA, CIA, CISA, Audit Manager
Tanya Rodriguez, Auditor-In-Charge
Kevin Barthold, CPA, CIA, CISA, Auditor IV

Appendix B – Management Response



CITY OF SAN ANTONIO
SAN ANTONIO TEXAS 78283-3966

May 13, 2009

Park E. Pearson
Interim City Auditor
San Antonio, Texas

RE: Management's Corrective Action Plan for the Audit of the City Store's Cash Handling Operations

The Department of Convention and Visitors Bureau has reviewed the audit report and has developed the Corrective Action Plans below corresponding to report recommendations.

Recommendation					
#	Description	Audit Report Page	Accept, Partially Accept, Decline	Responsible Person's Name/Title	Completion Date
A.	Controls over Cash and Checks				
A-1	We recommend the CVB Director require that City Store personnel update current procedures to include internal control provisions delineated in Administrative Directive 8.1. City Store supervisors should periodically monitor cash and check handling activities to ensure compliance with the updated procedures. In addition, the CVB Director should ensure all cash handlers attend the City's required cash handling training.	3	Accept	Katrina Entzminger, Visitor Services Manager / Steve DeLaHaya, Assistant CVB Director <i>SD</i>	May 18, 2009

Audit of the City Store's Cash Handling Operations
in the Convention and Visitors Bureau

Recommendation

Action plan:

The Convention and Visitors Bureau has updated the current internal procedures to include control provisions delineated in Administrative Directive 8.1. (See attachment "SACVB Cash Handling Procedures"). More specifically, observations referenced regarding "receiving and processing" and "safeguarding of assets" were specifically addressed.

Receiving and Processing:

- More than one person had access to the same cash drawer.
Corrective Action: CVB will ensure one representative is being assigned to each register exclusively.
- Cashiers did not apply restrictive endorsements on checks upon receipt.
Corrective Action: Effective immediately, staff has been instructed to endorse each check upon receipt.
- Although Administrative Directive 8.1 requires daily deposits, bank deposits are only made weekly.
Corrective Action: Due to the minimal volume of activity and as per exemptions allowed in A.D. 8.1, the CVB has requested through the City Finance Department (see attached memo dated May 8, 2009) to perform bank deposits twice per week versus the recommended daily deposits.

Safeguarding of Assets:

- The safe is not properly secured (a key is kept in a basket next to the safe).
Corrective Action: The key is now secured and a log has been created to document whenever the key is used and by whom.
- Surveillance recording equipment is located in the back room and is accessible for tampering.
Corrective Action: Surveillance recording equipment is located in a locked container in the back area and the key is secured.
- Surveillance cameras are not located in the back room where cashiers perform end of day close out procedures, inventory is stored and the safe is located.
Corrective Action: A third security camera has been installed in the back closeout area.
- A sign is not posted providing contact information in case the customer does not receive a transaction receipt.
Corrective Action: A sign has been posted at each cash register.

As part of the updated procedures City Store supervisors will periodically monitor cash and check handling activities to ensure compliance with the updated procedures.

Management Oversight:

- Supervisors do not approve void and refund transactions.
Corrective Action: Management/supervisors will approve void and refund transactions. On weekends – when management is not on the premises – approval will be restricted to a designated employee.
- Supervisors do not perform periodic cash counts.
Corrective Action: Management/supervisors will perform both random and monthly cash counts and log these counts, including any discrepancies. Daily investigation of other discrepancies will continue to be investigated by management.

The CVB Director's Office will ensure all cash handlers attend the City's required cash handling training.

Audit of the City Store's Cash Handling Operations
in the Convention and Visitors Bureau

We want to thank the Office of the City Auditor for working with the CVB in this process and are committed to addressing the recommendations in the audit report and the plan of actions presented above.

Sincerely,



Scott White
Director Convention and Visitors Bureau

Sheryl Sculley
City Manager