



CITY OF SAN ANTONIO

P. O. BOX 839966
SAN ANTONIO TEXAS 78283-3966

August 27, 2010

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Councilman, District 10

Mayor and Council Members:

SUBJECT: Audit of Parks and Recreation Cash Handling Operations Audit Report

We are pleased to send you the audit report of the Audit of Parks and Recreation Cash Handling Operations. This **audit** began **in December 2009 and** concluded with **an** exit meeting with department management in July 2010. Management's verbatim response is included in Appendix D of the report. The Parks and Recreation Department should be commended for its 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:

Sheryl L. Sculley, City Manager

Sharon De La Garza, Assistant City Manager

Xavier Urrutia, Director, Park and Recreation Department

Michael D. Bernard, City Attorney

Leticia M. Vacek, City Clerk

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Manuel Long, Audit Committee Member

CITY OF SAN ANTONIO
OFFICE OF THE CITY AUDITOR



Audit of Parks and Recreation Department

Cash Handling Operations

Project No. AU10-001

August 30, 2010

Executive Summary

As part of the annual Audit Plan, we conducted an audit of the cash handling operations in the Parks and Recreation Department, specifically the San Jose Burial Park, the San Antonio Natatorium and the McFarlin Tennis Center. The audit objective, conclusions and recommendations follow:

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

Internal controls are not in place to ensure appropriate safeguarding of cash and checks. However, nothing came to our attention to indicate City funds were missing.

We recommend the Parks and Recreation Department Director update and communicate standard procedures to enforce internal control provisions delineated in Administrative Directive 8.1. Supervisors at the San Jose Burial Park, the San Antonio Natatorium and the McFarlin Tennis Center locations should periodically monitor cash and check handling activities to ensure compliance with these procedures. In addition, the Parks and Recreation Department Director should ensure all cash handlers attend the City's required cash handling training.

Management's verbatim responses are in **Appendix C** on page 6.

Other Matters

During the audit, we also determined that management oversight and record keeping procedures for burial plots need improvement at the San Jose Burial Park (SJBP). When customers purchased burial plots, SJBP does not execute sales contracts. Instead, customers are issued SAP generated receipts and a deed as proof of purchase. Employees manually record immediate and pre-need grave sales on index cards and lot cards. These cards contain the only records at SJBP signifying ownership of graves by section, block, and lot.

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Background

The San Antonio Parks and Recreation Department operates the City's recreational and cultural programs. The Department maintains 223 City-owned parks, including swimming pools, gymnasiums, cemeteries, sports facilities, recreation centers, and the Botanical Garden and Conservatory. The Department received approximately \$3.8 million from cash and cash equivalents in fiscal year 2009. The Parks and Recreation Department is responsible for maintaining daily operations of the San Jose Burial Park (SJBP), the San Antonio Natatorium, and the McFarlin Tennis Center. SJBP, located on Mission Road, sells gravesites on both an immediate and pre-need basis. For fiscal year 2009, SJBP realized \$423,778 in total revenue. The San Antonio Natatorium, located west of Downtown, is an indoor Olympic size pool open year-round. The Natatorium offers lap swimming, water aerobics and swimming lessons. For fiscal year 2009, the Natatorium realized \$137,265 in total revenue from swimming operations. The McFarlin Tennis Center, located in San Pedro Park, offers 22-lighted hard courts, a pro shop, and a variety of tennis related services. For fiscal year 2009, the McFarlin Tennis Center realized \$70,567 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 appropriate accounting, safeguarding, and timely depositing of cash collections. Because of their liquidity, cash and cash equivalents are always susceptible to misappropriation.

Audit Scope and Methodology

We selected the Parks and Recreation Department for review due to the amount of revenue it generated during fiscal year 2009. Collections from the Botanical Garden, the Municipal Athletics Office, the Natatorium and the McFarlin Tennis Center comprise the majority of the Department's cash and cash equivalents. We included the Municipal Athletics Office and the Botanical Garden during the 2008 Citywide Cash Handling audit. Consequently, they were not a subject of this engagement. We included the San Jose Burial Park for review due to the significant observations noted in our previous audit report issued in July 2006. We verified the implementation of prior audit recommendations.

We performed unannounced cash counts at the SJBP, the San Antonio Natatorium and the McFarlin Tennis Center on February 1, 2010. We also reviewed sales transactions for the months of September 2009, July 2009, and August 2009, respectively for these locations. We judgmentally selected these

months for review based on the amount of revenue recorded in the City's accounting system for these locations during fiscal year 2009. We reviewed departmental cash handling procedures, cash register end-of-day reports, daily reports and bank deposits. We verified the appropriateness of deposits and recordings 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 and other staff members as necessary. Testing criteria included the City's Administrative Directive 8.1 - Cash Handling and departmental procedures.

We relied on computer-processed data in the City's accounting system to review daily collections. We based our reliance on direct tests of the data rather than evaluating the system's general and application controls. We do not believe that the absence of testing general and application controls had an effect on the results of our audit.

We conducted this audit from December 2009 through May 2010 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

Parks and Recreation Department did not establish standard internal controls to ensure appropriate safeguarding of cash and checks. Controls over cash and checks require strengthening in the areas of receiving and processing, safeguarding of assets, management oversight, segregation of duties, Department policies and procedures, and training. This occurred because staff has not fully implemented internal controls in compliance with the City's Administrative Directive 8.1. The absence of appropriate controls could result in the misappropriation of liquid assets. See **Appendix A** for details of internal control issues identified at SJBP, the San Antonio Natatorium and the McFarlin Tennis Center.

Recommendations:

A.1 We recommend the Parks and Recreation Department Director update and communicate standard procedures to enforce internal control provisions delineated in Administrative Directive 8.1. Supervisors at the San Jose Burial Park, the San Antonio Natatorium and the McFarlin Tennis Center locations should periodically monitor cash and check handling activities to ensure compliance with these procedures. In addition, the Parks and Recreation Department Director should ensure all cash handlers attend the City's required cash handling training.

Appendix A – Details of Internal Control Issues Identified

| Matrix of Internal Control Issues Identified by Location | San Jose Burial Park | San Antonio Natatorium | McFarlin Tennis Center |
|---|----------------------|------------------------|------------------------|
| Receiving and Processing | | | |
| More than 1 person had access to the cash drawer | | * | * |
| Checks were not restrictively endorsed upon receipt | | | * |
| Checks do not have required driver's license number | | | * |
| No system in place for tracking outstanding receivables | | * | |
| Check payments recorded as cash sales | | * | |
| Manual receipts not issued when point-of-sale system is inoperable | | | * |
| Deposits were not timely | ** | * | * |
| Safeguarding of Assets | | | |
| Safe combinations not changed when employees are terminated or leave | ** | * | * |
| Safe easily accessible by multiple employees | ** | * | * |
| Manual receipts not reconciled or properly accounted for/tracked | * | * | |
| No master inventory maintained on burial plots (i.e., manual index cards used) | ** | | |
| Index cards for pre-need graves sales are easily accessible by multiple employees | * | | |
| No contact information posted if a transaction receipt is not provided | * | | |
| Management Oversight | | | |
| No periodic cash counts | * | * | * |
| Supervisor does not review daily reconciliations | * | * | |
| VOIDS do not require supervisor approval | | * | |
| Segregation of Duties | | | |
| Incompatible responsibilities | ** | * | * |
| Department Policies and Procedures | | | |
| Outdated/ incomplete procedures | ** | * | * |
| Training | | | |
| Staff have not attended cash handling training | | * | |
| * Observation noted ** Similar observation noted in a previous report | | | |

Appendix B – Staff Acknowledgement

Barry Lipton, CPA, DABFA, Deputy City Auditor
Denis Cano, CPA, CIA, CISA, Audit Manager
Brian K. Williams, MBA, CIA, CFE, CGAP, Audit Manager
Sylvia Esparza, Auditor in Charge

Appendix C – Management Response



CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

August 13, 2010

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

RE: Management's Corrective Action Plan for the Audit of Parks and Recreation Department Cash Handling Operations.

Parks and Recreations Department has reviewed the audit report and has developed the Corrective Action Plans below corresponding to report recommendations.

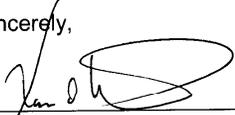
| Recommendation | | | | | |
|--|---|-------------------|-----------------------------------|--|-------------------|
| # | Description | Audit Report Page | Accept, Partially Accept, Decline | Responsible Person's Name/Title | Completion Date |
| A | <p>Controls over Cash and Checks</p> <p>We recommend the Parks and Recreation Department Director update and communicate standard procedures to enforce internal control provisions delineated in Administrative Directive 8.1. Supervisors at the San Jose Burial Park, the San Antonio Natatorium and the McFarlin Tennis Center locations should periodically monitor cash and check handling activities to ensure compliance with these procedures. In addition, the Parks and Recreation Department Director should ensure all cash handlers attend the City's required cash handling training.</p> | 3 | Accept | Rae Tucker, Department Fiscal Administrator | November 30, 2010 |
| <p>Action plan: Standard operating cash handling procedures remain in place across the department, and all procedures will be comprehensively reviewed and updated by the completion date to ensure appropriate internal controls, monitoring activities, and supporting systems are in place including Department specific cash-handling training requirements. Appropriate mitigating controls have already been implemented based on circumstance. For example, numbered receipt books are now in place for use when the point of sale system is inoperable.</p> <p>Current monitoring techniques will be reinforced through training by the end of the first quarter of Fiscal Year 2011 to ensure these activities are appropriate, consistent, comprehensive, and documented. Additional steps have been taken to address items which could be immediately resolved such as coordinating with Finance on a revised deposit schedule that is commensurate with the level of activity at cash handling sites. Also, safe combinations are appropriately updated when there is a change in staffing at a location, supervisors approve all voids, and roles are being evaluated to ensure business needs are appropriately balanced with the integrity of the cash handling process.</p> | | | | | |

Appendix C – Management Response - continued

| Recommendation | | | | | |
|----------------|---|-------------------|-----------------------------------|---------------------------------|-----------------|
| # | Description | Audit Report Page | Accept, Partially Accept, Decline | Responsible Person's Name/Title | Completion Date |
| | Finally, as noted in the report, the July 2006 prior audit recommendations for San Jose Burial Park were implemented. As part of the FY11 budget process, the Department has explored privatization of the City owned cemetery. Should this business model not be pursued then business process upgrades would be evaluated for implementation. Other steps have been taken to improve cemetery operations such as, but not limited to, securing assets like the pre-need index cards in a fire-rated locking cabinet and prominently displaying contact information for inquiries. | | | | |

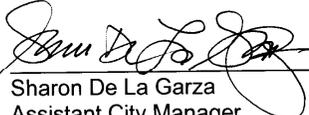
We are committed to addressing the recommendations in the audit report and the plan of actions presented above.

Sincerely,



Xavier Urrutia
Director
Parks and Recreation Department

08/13/10
Date



Sharon De La Garza
Assistant City Manager
City Manager's Office

8/13/2010
Date



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SAN ANTONIO TEXAS 78283-3966

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Park E. Pearson, CPA
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RE: Management's Corrective Action Plan for the Audit of Parks and Recreation Department Cash Handling Operations.

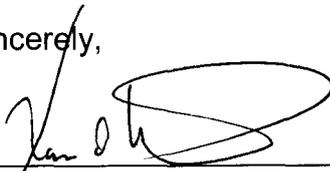
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| Recommendation | | | | | |
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| Recommendation | | | | | |
|----------------|--|-------------------|-----------------------------------|---------------------------------|-----------------|
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| | <p>Finally, as noted in the report, the July 2006 prior audit recommendations for San Jose Burial Park were implemented. As part of the FY11 budget process, the Department has explored privatization of the City owned cemetery. Should this business model not be pursued then business process upgrades would be evaluated for implementation. Other steps have been taken to improve cemetery operations such as, but not limited to, securing assets like the pre-need index cards in a fire-rated locking cabinet and prominently displaying contact information for inquiries.</p> | | | | |

We are committed to addressing the recommendations in the audit report and the plan of actions presented above.

Sincerely,



Xavier Urrutia
 Director
 Parks and Recreation Department

08/13/10

 Date



Sharon De La Garza
 Assistant City Manager
 City Manager's Office

8/13/2010

 Date