

Section 4.3: Cash Handling

- ◆ **The Budget Analyst audited the procedures employed by the Zoo to ensure the security of cash and cash handlers. In general, we found that those procedures need to be significantly improved. We have provided Zoo management with our recommendations concerning safety and security of cash handling operations on a confidential basis in order to prevent sensitive information from being made public. Zoo management has provided the Budget Analyst with a set of actions that have been and will be taken to increase the security of cash handling operations.**
- ◆ **The Zoo's Cash Handling Manual defines a cash overage or underage as 1) a deviation of more than \$5 from the amount of sales recorded on the cash register, or 2) a one percent deviation from the amount of sales recorded on the cash register. Our review of cash handling revealed that for the month audited, 81 of 577 cash register tallies, or approximately 14 percent, resulted in cash overages or underages. Further, only 46 percent of the underages and overages resulted in issuance of a Cash Handling Notification, although procedures provide that every cash overage or underage should result in a Cash Handling Notification.**
- **The Zoo Cash Handling Manual we originally audited was not current and consistent, nor was there a control in place to ensure that each Cash Handler received a Cash Handling Manual. During the course of this performance audit, Zoo management developed a new Cash Handling Manual that meets auditing standards and has instituted a control to ensure that the Cash Handling Manual is issued to all Cash Handlers.**
- **The Budget Analyst conducted audit tests to evaluate the following cash handling operations for September 1998:**
 - Reconciled cash receipts to bank deposits, computer summaries of cash received, and bank deposit statements;**
 - Reconciled Daily Sales Summaries to the General Ledger and to the Zoo's financial statements;**
 - Traced the opening statement balance to the ending balance on the prior checking account reconciliation. Traced deposits in transit on prior reconciliations to deposits on the current statement.****No irregularities were noted as a result of the foregoing audit tests.**

As part of our performance audit of the San Francisco Zoological Gardens, we examined the Zoological Society's cash handling activities of the Visitor Services Sections of the Zoo to determine whether the Zoo's cash handling policies and procedures provide adequate control over the handling, safeguarding, and recording of cash collections and to determine whether those policies and procedures are being followed at the cash handling locations throughout the Zoo and at the Cash Control site.

To accomplish these objectives, we:

- Reviewed policy statements, flow charts, and written procedures for the Zoo's Cash Handling function;
- Observed cash handling activities;
- Examined Daily Summary written entries to note any adjusted entries without proper justification;
- Compared statistics on cash receipts and sales per monthly summaries to determine whether they balance to the financial statements;
- Traced daily deposits and transfers on bank statements to summaries of cash receipts, sales, and statistics;
- Traced checking account opening statement balances to the ending balances on prior reconciliations.

Background

Cash handling operations at the Zoo are divided into two different revenue sources, with the following expected revenues for FY 1998-99:

Visitor Services	\$6,932,139
Development Department	<u>4,288,525</u>
Total	\$11,220,664

Visitor Services cash collection activities include the sale of admission tickets, concession tickets, food, and gifts. Development Department cash collection activities include 1) membership sales; 2) receipt of estate bequests and corporate, foundation, and individual donations; and 3) sale of Adopt-an-Animal memberships. Only a small percentage of the Development Department transactions involve currency.

The scope of this cash-handling audit was confined to cash collections, deposits, and security. Cash was considered to be any type of payment for goods or services, including coin, currency, checks, money order, or credit card.

The Visitor Services functions is organized in to five service areas, as follows:

Food Services
Merchandise
Children's Ticket Booth
Admission Gates
Administration

The service areas are staffed by 72 full-time and 23 part-time positions. Of these 95 total positions, 85 positions are Cash Handlers involved in sales to Zoo visitors.

The Zoo's Finance Director has primary management and oversight responsibility for cash handling at the Zoo.

Policies and Procedures

The Zoo has a Cash Handling Manual that provides procedures for cash handling at the following sites: Food Services, Merchandise, Children's Ticket Booth, and Admission Gates. Although the Manual contains an easy-to-read, generally sound set of cash handling procedures, improvement is needed in the following areas:

- Food Services, unlike the other cash handling sites, does not require the customer's signature on the cash register receipt in the event of a refund;
- The procedures for charge card refunds only address Merchandise sites, and not the sites of the other three customer cash handling sections;
- The procedures for overages apply only to Food Services sites;
- The procedure for endorsement of checks is written only for Merchandise sites;
- Procedures for customer claims of incorrect change apply only to Food Services sites;
- The procedure requiring that all receipts from voided sales and refunds are to be bound with a rubber band and turned into the Visitor Services office in the cash bag applies to all of the sales sites except the Children's Zoo Ticket Booth.
- Procedures do not address cash handling requirements for the Carousel.

We found that the Cash Handling Manual had not been widely distributed among the managers of the cash handling sites or among the cash handlers. In fact, the acting Food Service Manager, who is also the Operations Manager, and the Gift Shop Manager were unaware of the existence of the Manual. Further, these two managers have stated that the Cash Handling Manual had not been issued to any

new employee under their control since the last cash-handling workshop, which they believe occurred sometime in 1997.

All Zoo employees who participate in cash handling should be issued a Cash Handling Manual that has been updated to incorporate the above noted improvements and afforded the opportunity to receive answers to questions concerning the various procedures contained therein, including emergency procedures.

We recommend that Zoo management hold a workshop on cash handling, issue each employee involved in cash handling a Manual, and institute procedures that each new employee is issued a manual and has the opportunity to learn correct cash handling procedures.

Cash Register Procedures

The Cash Handling Manual requires that a receipt is to be given to each customer who makes a purchase. However, based on our observations, we determined that Cash Handlers do not consistently issue a receipt to customers for purchases. The purpose of issuing a receipt to customers for purchases is to reduce the risk of 1) employees pocketing funds and 2) customers being short-changed. According to the Zoo's Finance Director, Zoo management recognizes employees are not consistently providing cash receipts, and that several control measures are being developed to deal with the problem. In particular the Finance Director stated that signage will be posted to inform customers that they will receive a free product if they do not receive a receipt with their purchase.

Following the Cash Handling workshop previously recommended, we recommend that Zoo management institute the control of informing Zoo visitors that if a Cash Handler does not provide the visitor with a receipt at the time of purchase, the visitor will be given a free product.

The Cash Handling Manual defines a cash underage or overage as 1) a deviation of more than \$5 from the amount of sales recorded on the cash register, or 2) a one percent deviation from the amount of sales recorded on the cash register. In order to determine the magnitude of cash variances, we reviewed the results of the cash tallies for September 1998. We determined that 81 of the 577 cash register tallies during the audit period, or 14 percent, reported cash count variances (either an overage or an underage). The total amount of underages was \$915.14 and the total amount of overages was \$460.88. A total of 41 different Cash Handlers were responsible for the cash variances.

To reduce the incidence of cash count variances, we recommend that Zoo management institute the following controls:

- Conduct unannounced mid-day audits of registers;
- Consider placing video cameras at strategic cash handling points, as is done at the Oakland Zoo.

The Cash Handling Manual states that cash handlers are to receive a Cash Handling Notification, which is a warning of violation, for each underage or overage. In order to determine whether this control was being practiced, we reviewed the file containing the Cash Handling Notifications for September 1998. We determined that of the 81 cash variances for that period, only 37 Cash Handling Notifications had been issued, which is approximately 46 percent of the total cash variances.

Cash handling managers, when informed about the disparity between cash variances and Cash Handling Notifications, stated that cash variances are often due to faulty register keys and honest mistakes. However, no documents exist to account for such occurrences when cash variances exist.

We recommend that Zoo management follow the cash handling procedures requiring that a Cash Handling Notification be issued for each cash variance, or that notation be made to the cash handling file explaining that the cash variance was due to an equipment problem or other extenuating circumstance.

Security Procedures During Transport of Funds To and From the Cash Control Site and at the Cash Control Site

The Budget Analyst audited the procedures employed by the Zoo to enhance the security of cash. In general, we found that those procedures need to be significantly improved. We have provided Zoo management with our recommendations concerning safety and security of cash handling operations on a confidential basis in order to ensure that sensitive information that could possibly be detrimental to the safety and security of its employees involved in cash handling is not made available to aid any unauthorized or unlawful action concerning its cash handling operations

Cash Reporting

The Budget Analyst conducted audit tests to evaluate the following cash handling operations for September 1998:

- Reconciled cash receipts to bank deposits, computer summaries of cash received, and bank deposit statements;

- Reconciled Daily Sales Summaries to the General Ledger and to the Zoo's financial statements;
- Traced the opening statement balance to the ending balance on the prior checking account reconciliation. Traced deposits in transit on prior reconciliations to deposits on the current statement.

No irregularities were noted as a result of the foregoing audit tests.

CONCLUSIONS

The Budget Analyst audited the procedures employed by the Zoo to ensure the security of cash and cash handlers. In general, we found that those procedures need to be significantly improved. We have provided Zoo management with our recommendations concerning safety and security of cash handling operations on a confidential basis in order to prevent sensitive information from being made public. Zoo management has provided the Budget Analyst with a set of actions that have been and will be taken to increase the security of cash handling operations.

Zoo Cash Handlers do not consistently provide customers with purchase receipts, increasing the possibility of an irregularity.

The Zoo's Cash Handling Manual defines a cash overage or underage as 1) a deviation of more than \$5 from the amount of sales recorded on the cash register, or 2) a one percent deviation from the amount of sales recorded on the cash register. Our review of cash handling revealed that for the month audited, 81 of 577 cash register tallies, or approximately 14 percent, resulted in cash overages or underages. Further, only 46 percent of the underages and overages resulted in issuance of a Cash Handling Notification, although procedures provide that every cash overage or underage should result in a Cash Handling Notification.

The Zoo Cash Handling Manual we originally audited was not current and consistent, nor was there a control in place to ensure that each Cash Handler received a Cash Handling Manual. During the course of this performance audit, Zoo management developed a new Cash Handling Manual that meets auditing standards and has instituted a control to ensure that the Cash Handling Manual is issued to all Cash Handlers.

RECOMMENDATIONS

The Zoological Society should:

- 4.3.1 Update the Cash Handling Manual to incorporate needed improvements cited in this audit report section.
- 4.3.2 Hold a workshop on cash handling, issue each employee involved in cash handling a Cash Handling Manual, and institute procedures that each new employee is issued a manual and has the opportunity to learn correct cash handling procedures.
- 4.3.3 Following the Cash Handling workshop previously recommended, institute the control of informing Zoo visitors that if a Cash Handler does not provide the visitor with a receipt at the time of purchase, the visitor will be given a free product.
- 4.3.4 Follow the cash handling procedures requiring that a Cash Handling Notification be issued for each cash variance, or that notation be made to the cash handling file explaining that the cash variance was due to an equipment problem or other extenuating circumstance.
- 4.3.5 The Zoological Society's financial auditors should review the implementation of increased cash handling safety and security as part of their audit of internal controls.

COSTS/BENEFITS

The recommendations contained in this section will enhance cash handling controls. Enhancing the security and safety of the cash handling operation will require some costs. However, the benefit of safety and security enhancement far outweigh the cost of reasonable measures that can be taken.