
Cash Handling Review
Rundle and Hawrelak Park Concessions

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Introduction

Cash Handling Reviews determine whether cash resources are handled in a manner consistent with established City requirements and whether those resources are adequately safeguarded against loss. They also assess the adequacy and effectiveness of internal controls within cash-handling locations.

Cash Handling Reviews consist of an objective review and evaluation of the cash-handling practices and procedures relating to the receiving, transporting, storing, depositing, recording and safeguarding of City money (including cash, cheques, credit cards and debit cards).

The Office of the City Auditor (OCA) selected five cash-handling projects for review in 2004. Projects were selected based on a number of criteria including estimated revenue; volume of transactions processed; cash-handling risk; date of previous audit undertaken in the area, if any; and history of problems and control weaknesses identified. The Rundle and Hawrelak Park concessions, with annual combined net revenues of approximately \$20,000 were selected for review based on these criteria.

Objectives

Because the concession, paddle boat, and mini-golf attractions provided at Rundle and Hawrelak Park are sub-contracted, our objective was to determine whether controls and systems are in place to ensure that revenues reported and submitted by the contractor are complete and accurate.

Methodology and Scope

The OCA's review consisted of two main procedures. The first was to determine whether revenue collected, reported and remitted by the contractor was in accordance with the terms and conditions contained in the contractor agreements. This was accomplished by reviewing the contracts and examining monthly contractor revenue submissions to ensure that revenues due to the City were recorded and received. The second procedure was to assess whether the information provided by the contractor is sufficient to enable spot checks and audits. For example, we wanted to find out whether attendance and/or revenue figures were provided on an hourly, daily or monthly basis. Hourly figures better lend themselves to spot checks than do daily or monthly.

Observation and Recommendation

The OCA found that although the information reported and submitted was in accordance with the terms and conditions contained in the contractor agreements, it was not sufficient to enable spot checks or audits. Revenue is currently reported on a daily basis with breakdowns for each of the different types of attractions or revenue streams. For example, separate amounts are reported for food concessions, paddleboat rentals and miniature golf sales. Under this type of reporting arrangement, the City has to rely solely on the contractor for determining how much revenue the City should receive. The risk is that the contractor will under-report revenue and the City will receive less than it is entitled to under the terms of the contract. Using spot checks or audits is an effective control to lessen the risk that contractors may under-report revenue.

The OCA believes that the contractor should supply additional information that would allow the department to conduct spot checks and audits to ensure that the revenues being provided to the City are accurate and complete. The audit or spot checks should be performed by a representative from Community Services who would periodically and anonymously observe the facilities for a one hour period and compile information that would then be compared to the information and revenue supplied to the City by the contractor at the end of each month. In order for the revenue summary activity information supplied by the contractor to be usable for this purpose, it would have to be broken down on an hourly basis instead of only the daily totals that are currently provided by the contractor.

Recommendation

The OCA recommends that the City require the contractor to supply sufficient information to allow spot checks and audits to be completed and that the department ensure that such spot checks and audits are periodically performed.

Management Response and Action Plan

Beginning in 2005, the department will perform periodic spot checks on the facilities. After the monthly revenue statement has been received, the department will request hourly headcount or hourly revenue figures from the contractor and compare the contractor's figures or amounts to the counts made by department staff during the spot check.

Conclusion

In all cash reviews conducted by the OCA, the OCA's goal is to provide assistance in helping the Administration strengthen internal controls and to improve methods of prevention and detection of fraud. It is our opinion that current controls are good and that introducing spot checks will significantly improve the control environment in those situations where 3rd party contractors collect revenue on behalf of the City of Edmonton.

We thank the staff at the Marketing & Contracts Section, Strategic Services Branch, Community Services Department for their cooperation and support during this review.