
**Cash Handling Review
Kinsmen Sports Centre**

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Cash Handling Review

Kinsmen Sports Centre

1. Introduction

Cash Handling Reviews determine whether cash resources are handled in a manner consistent with established City requirements and whether they 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 Kinsmen Sports Centre, with annual net revenue of approximately \$2 million, (cash transactions are approximately 17 percent of net revenue) was selected for review based on these criteria.

2. Background

The Kinsmen Sports Centre is a sports and fitness facility operated by the Recreation Facilities Services Branch in the Community Services Department. This facility offers a wide range of sport and fitness services, amenities and programs. Users of the facility can purchase one-time, multi-use or seasonal passes to access the facilities and drop-in programs. The centre also administers rental arrangements with organizations that utilize the facilities.

Cashiers are located in the main lobby of the Kinsmen Sports Centre. They collect monies from customers for drop-ins, passes, registered programs, etc.; monitor access to the facilities for pass-holders and registered program attendees; and are available to answer general questions. Payment for facility usage may be made by cash, cheque, credit card, or debit card. Each cashier has separate log-in identification into the cash Point of Sale (POS) system (CLASS). Each cash register transaction is recorded in the POS system, including opening the cash register for no-sales. In 2003 there were 95,000 transactions in the POS system at the Kinsmen Sports Centre.

All monies are deposited into the City's bank and the deposit information is sent to the Finance Branch for follow-up and reconciliation with the POS system and SAP (the City's financial information system).

3. Objectives

The objective of this review was to assess the level of compliance with established City policies & procedures for cash handling and to evaluate the adequacy and effectiveness of controls over cash handling at the Kinsmen Sports Centre with the intent of minimizing loss of revenue resulting from theft or error.

4. Methodology and Scope

The review was limited to the cash handling practices at the Kinsmen Sports Centre. The general event and concession revenues of the Centre itself were not within the scope of this review.

The OCA reviewed the physical security and cash handling procedures and practices at the fitness centre, and conducted several audit tests to assess the adequacy and effectiveness of cash handling controls. Areas reviewed included (a) cash equipment, vaults and skim safes; (b) controls over floats; (c) refunds, voids, cancellations and no sales; and (d) reconciliation of daily sales and deposit preparation. The documents reviewed were from January 2004 to December 2004. The OCA staff observed cash handling procedures at the Centre in late December 2004 and early January 2005.

5. Observations and Recommendations

The OCA's review of the physical security and cash handling procedures and practices at the Kinsmen Sports Centre indicated that the Centre follows City policies and procedures for cash handling. Controls are in place and being followed for cash registers, vaults, floats, refunds, voids, cancellations and no-sales. There is a reconciliation of daily sales and deposits. Deposit preparation is performed in accordance with City procedures.

Unlike sales of merchandise where the merchandise inventory can be counted and reconciled with the sales, sales of services can not be easily reconciled with customer usage. Some of the reasons are that customers may be pass holders or attending other programs, customers are at the Centre for different durations, and for customer convenience, no one is required to show a receipt while in the Centre. The Kinsmen Sports Centre has restricted the entrances into the facilities (turnstiles, locked gates, etc.) but City staff and some customers may use the entrances several times during a single visit as they enter & leave the facilities for an outside run, visit to the cafeteria, etc. Therefore, reconciliation with turnstile counts, is not reliable. One of the challenges for this Centre (as with all the other Recreation Centres and other establishments that deal with services) is to ensure that all cash receipts are recorded as revenue into the POS system.

5.1 Cashier Usage Reports.

Review and analysis of a cashier's pattern of cash register use may be used to help assess inappropriate cash register usage and provide indicators of cash handling problems or potential fraud. Currently, regular reports that could be used to monitor these indicators are not prepared; therefore indicators of abnormal cash register use are

not used by management as means of detecting and minimizing revenue losses due to fraud.

Recommendation 1	Management Response and Action Plan
<p>The Office of the City Auditor recommends that recurring reports be generated to show patterns of cashiers' use of cash registers and that abnormal results be investigated.</p>	<p>Accepted with Modification Comments: This action has been identified within a set of CLASS reports to be developed for use by Management. At present these reports cannot be produced internally but can and have been produced and reviewed with the assistance of the Office of the City Auditor. We will look into options for receiving reports on an ongoing basis through the Office of the City Auditor in the interim until the set of CLASS reports are developed. Cashier usage reports generated internally or received from the OCA will be reviewed and anomalies investigated.</p> <p>Planned Implementation: December 2005 Responsible Party: Director, Customer Relationship Management</p>

6. Conclusions

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. Overall, the City's cash handling procedures and practices are being followed at the Kinsmen Sports Centre. Any exceptions found in the review were discussed with management and satisfactorily resolved.

We wish to thank the staff at the Kinsmen Sports Centre for their cooperation and support during this review.