



COUNTY OF EL PASO
OFFICE OF THE COUNTY AUDITOR

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01-17

January 15, 2020

Mrs. Veronica Myers
El Paso County Parks and Recreation Director
6900 Delta Dr.
El Paso, Texas 79905

Dear Mrs. Myers:

The County Auditor's Internal Audit division performed an audit of the financial records of Primo's Café & Grill and the Blue Gill, located at Ascarate Park, to determine if internal controls are adequate to ensure proper preparation of the Primo's Café & Grill and the Blue Gill financial reports. Policies, procedures, and regulations were also reviewed to ensure processes are documented, operating and efficient.

The audit report is attached. We tested four financial controls and one operating control with a total of 91 samples. There was one finding noted as a result of the audit procedures, which was also a prior audit finding. We wish to thank the management and staff of the Primo's Café & Grill and the Blue Gill for their assistance and courtesies extended during this audit.

Because of certain statutory duties required of the County Auditor, this office is not independent in regard to your office, as defined by AICPA professional standards. However, our audit was performed with objectivity and due professional care.

Respectfully,

Edward A. Dion
County Auditor

EAD:HM:ya

Attachment

cc: Mrs. Betsy Keller, County Administrator
Mrs. Norma R. Palacios, Public Works Director



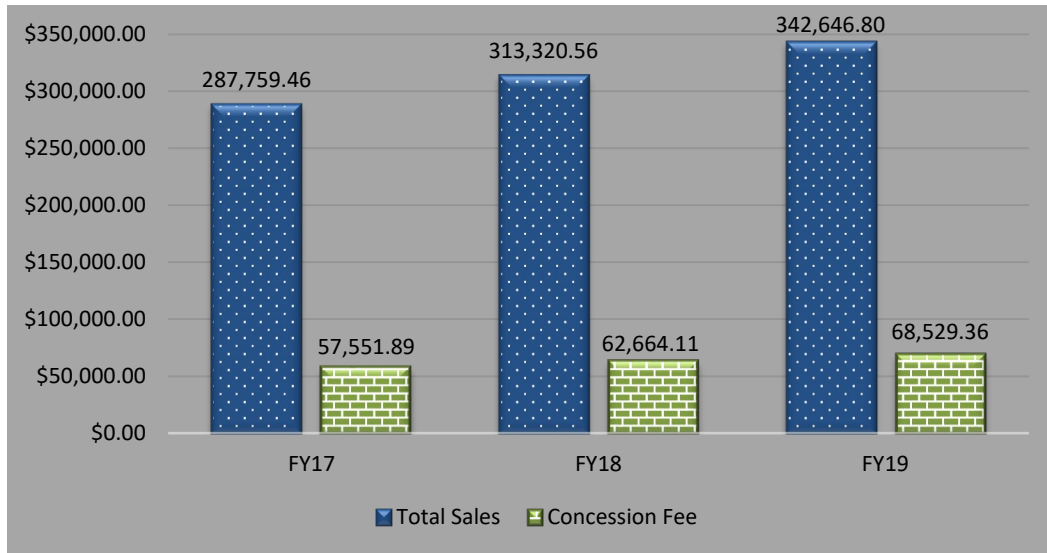
Primo's Café & Grill and the Blue Gill



EXECUTIVE SUMMARY

BACKGROUND

Primo's Café & Grill, contracted to Lumar Enterprises Inc., has been serving the Ascarate Park golfing community since 2002. The restaurant offers a variety of food, drinks, and alcoholic beverages. El Paso County receives a 20% concession fee on all sales generated, excluding sales tax, by Primo's Café & Grill at the Golf Course. The Blue Gill, also contracted to Lumar Enterprises Inc., is a seasonal establishment that sells food, beverages and rents out County owned canoes and pedal boats. They are responsible for paying the electric bill on a monthly basis and are responsible for all personnel, operating, and maintenance cost to include repairs to the canoes and pedal boats. The software used by Primo's Café & Grill to account for financial information is RecWare. For credit card transactions, they use Square Point of Sale to take payments but those transactions are also entered in RecWare. Sales and Concession fees for fiscal years 2017, 2018, and 2019 are illustrated below.



Source: RecWare

The audit was performed by Hadi Medina, internal auditor. The most recent prior audit report was issued on February 12, 2018, and had one finding.

AUDIT OBJECTIVES

The audit evaluated the adequacy of controls and processes to achieve key business objectives related to the Primo's Café & Grill and Blue Gill financial reports. Following are the business objectives and related control assessments.

Business Objective	Control Assessment
1. Management of contracts in accordance with agreed terms and conditions	Satisfactory
2. Timely and accurate payment of monthly concession fee	Satisfactory
3. Accurate posting in RecWare of revenue collected	Needs Improvement
4. Functioning appropriate cash controls	Satisfactory
5. Proper documentation of sales reported and sales tax paid to the State	Satisfactory

SCOPE

The scope of the audit is January 2018 through August 2019.

METHODOLOGY

To achieve the audit objectives we:

- Reviewed current contracts for compliance and adherence to agreed terms and conditions, to include Blue Gill monthly electric bill payments.
- Performed a surprise cash count in accordance with *Local Government Code §115.0035*.
- Reviewed 100% of the agreed twenty percent Concession fee deposits for accuracy and timeliness.



Primo’s Café & Grill and the Blue Gill



EXECUTIVE SUMMARY

- Analyzed a sample of daily credit card transactions in Square Point of Sale and cash transactions for accurate posting to RecWare.
- Reviewed 100% of monthly sales tax payments for accurate total sales reported and timely payment.
- Reviewed previous audit recommendations and action plans for implementation.

RESULTS

Listed below are controls and findings summaries, with findings listed from highest to lowest risk. Please see the *Findings and Action Plans* section of this report for details and management action plans.

Controls Summary	
Good Controls	Weak Controls
<ul style="list-style-type: none"> • Management of Contract Agreement (Obj. 1) • Timely payment of concession fee to the County in compliance with contract KK-07-023 (Obj. 2) • Cash handling procedures (Obj. 4) • Documentation for sales tax paid to state (Obj. 5) 	<ul style="list-style-type: none"> • Revenue receipt controls (Obj. 3)
Findings Summary	
<ol style="list-style-type: none"> 1. Incorrect tender methods used in RecWare on seven days of sampled credit totals from Square Point of Sale (prior audit issue). 	

INHERENT LIMITATIONS

This financial review was designed to provide reasonable assurance that the internal control structure is adequate to safeguard the County’s assets from loss, theft, or misuse. The County’s internal control structure is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of implementing the controls should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires the use of estimates and judgment by management. Because of the inherent limitations in any system of internal controls, errors or irregularities may occur and not be detected.

CONCLUSION

Primo’s Café & Grill and Blue Gill have implemented improvements in their operations. They met all but one of the objectives of this audit. Implementation of the recommendations provided in this report should assist Primo’s Café & Grill and Blue Gill in producing complete and accurate financial reports by strengthening their internal control structure.



Primo's Café & Grill and the Blue Gill



FINDINGS AND ACTION PLANS

Prior Audit Findings Summarized with Current Status

Status

L Open

See current finding #1

- Finding:** A sample of 24 days was reviewed for accurate posting of credit card and cash transactions into RecWare. Eight days or 33% had discrepancies due to cashiers using the incorrect tender method. This increases the risk of not identifying credit card transactions being charged with square point of sale that are not entered in RecWare, which can lead to understated concession fees.

Recommendation: Accurately entering daily transactions in RecWare is an important financial tracking mechanism. We recommend County management ensure staff of Primo's Café & Grill understand the importance of and exercise due care when entering the tender type on all transactions. Management should also provide additional training on the cashiering process as deemed appropriate based on daily review results.

Action Plan: The Concessionaire has hired a manager to help oversee daily operations. One of the responsibilities will be to reconcile credit card and cash transactions in RecWare on a daily basis. This will help minimize discrepancies and will help identify cashiers who need additional training.

Current Audit Findings & Action Plans

Finding #1		Risk Level L	
<p><i>Incorrect tender method in RecWare:</i> A sample of 30 days was reviewed for accurate posting of credit card and cash transactions into RecWare. Seven days or 23% had discrepancies due to cashiers using the incorrect tender method. This increases the risk of not identifying credit card transactions being charged with square point of sale that are not entered in RecWare, which can lead to understated concession fees. The Concessionaire also failed to implement the previous audit's action plan of reconciling credit card and cash transactions in RecWare. Entering daily transactions in RecWare is an important financial tracking mechanism.</p> <p><i>Auditor's Comment:</i> All the individual transactions within those seven days were reviewed and verified to reconcile with total sales.</p>			
Recommendation			
<p>We recommend County management ensure staff of Primo's Café & Grill understand the importance of and exercise due care when entering the tender type on all transactions. Primo's management should provide daily credit card transactions from square point of sale to Ascarate Management to help with daily reconciliations. We also recommend cashiers continue to provide the signed end of day sheet with all cash and credit card collections on a daily basis.</p>			
Action Plan			
Person Responsible	EI Paso County Parks and Recreation Director	Estimated Completion Date	February 1, 2020
<p>Credit card and cash transactions in RecWare will be reconciled on a daily basis by the Primo's Café & Grill staff. Management will continue to monitor the tender types used in RecWare using the credit card transactions from square point of sale provided by Primo's Café & Grill.</p>			