



COUNTY OF EL PASO  
OFFICE OF THE COUNTY AUDITOR

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February 10, 2020

Mr. Robin D. Sully  
Facility Maintenance Director  
500 E. San Antonio, Ste. M-1  
El Paso, Texas 79901

Dear Mr. Sully:

The County Auditor's Internal Audit division performed an audit of the financial records of Primo's Cafeteria, located at the County Courthouse, to determine if internal controls are adequate to ensure proper preparation of Primo's Cafeteria's 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 and two operating controls with a total of 84 samples. There were two findings noted as a result of the audit procedures; one was a prior audit finding. We wish to thank the management and staff of Primo's Cafeteria 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.

Sincerely,

A handwritten signature in blue ink that reads "Edward A. Dion".

Edward A. Dion  
County Auditor

EAD:HM:ya

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



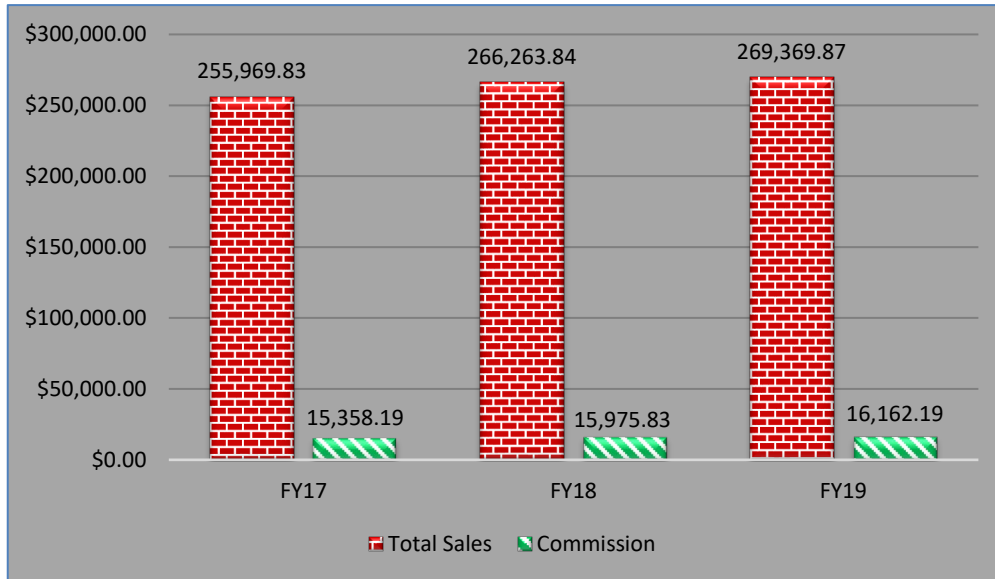
# Primo's Cafeteria Audit



## EXECUTIVE SUMMARY

### BACKGROUND

Primo's Cafeteria has been serving the El Paso County Courthouse since 2003. The restaurant offers food, drinks, and manages a gourmet coffee shop located on the third floor of the courthouse. The software used by Primo's Cafeteria to account for financial information is RecWare. For credit card transactions, they use Square Point of Sale. El Paso County receives a 6% commission of all sales generated, excluding sales tax, by Primo's Cafeteria. Sales and Commissions 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 April 10, 2018, and had one finding.

### AUDIT OBJECTIVES

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

Business Objective	Control Assessment
1. Management of contract in accordance with agreed terms and conditions	Satisfactory
2. Timely and accurate payment of monthly commissions	Needs Improvement
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 February 2018 through August 2019.

### METHODOLOGY

To achieve the audit objectives we:

- Reviewed current contract for compliance of agreed terms and conditions.
- Reviewed Pest Control requirements and food handler safety compliance of current employees.
- Reviewed 100% of the agreed six percent sales commission fee deposit for accuracy and timeliness.
- Analyzed a sample of daily credit card transactions in Square Point of Sale and cash transactions for accurate posting to RecWare.
- Performed a surprise cash count in accordance with *Local Government Code §115.0035*.
- Reviewed 100% of monthly sales tax payments for accurate total sales reported and timely payment.



# Primo's Cafeteria Audit



## EXECUTIVE SUMMARY

### 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 the status of the prior audit report findings, and related details and management action plans for the current findings.

Controls Summary	
Good Controls	Weak Controls
<ul style="list-style-type: none"> <li>• Management of Contract Agreement (Obj. 1)</li> <li>• Cash handling procedures (Obj. 4)</li> <li>• Documentation for sales tax paid to state (Obj. 5)</li> </ul>	<ul style="list-style-type: none"> <li>• Commission payments (Obj. 2)</li> <li>• Revenue receipt controls (Obj. 3)</li> </ul>
Findings Summary	
<ol style="list-style-type: none"> <li>1. 50% of sampled credit card daily totals from Square Point of Sale totals were not recorded accurately in RecWare. Repeat finding.</li> <li>2. Commission payments were paid late and no penalties were assessed.</li> </ol>	

### 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 Cafeteria has implemented improvements in their operations but should continue working on weak controls reported in current and prior audits. Implementation of the recommendations provided in this report should assist Primo's Cafeteria in producing complete and accurate financial reports by strengthening their internal control structure.



## Primo's Cafeteria



### FINDINGS AND ACTION PLANS

#### Prior Audit Findings Summarized with Current Status

##### Status

**Open**

See current finding #1

**Finding:** *Square Point of Sale totals not recorded correctly in RecWare:* A sample of 36 days was reviewed for accurate posting of credit card and cash transactions into RecWare. Fifteen days (42%) had discrepancies due to cashiers using the incorrect tender method. Three days sales were under reported in RecWare by a total of \$23.75. One day sales were over reported in RecWare by \$35.94. The under and over reporting in RecWare affects the accuracy of the commissions paid to the County by Primo's Cafeteria. By cashiers not recording transactions correctly in RecWare, the County is at risk of receiving incorrect (too much or too little) commission revenue. This is a prior audit finding.

**Recommendation:** Entering daily transactions in RecWare is an important financial tracking mechanism. We recommend Facilities ensures Primo's Cafeteria understands the importance of accurate transactions and exercises due care when entering the tender type on all transactions. Primo's management should ensure the end of day cash sheets balances to the corresponding daily RecWare cash distribution reports. This will ensure all credit card transactions are correctly posted in RecWare and reduce the risk of incorrect commissions.

**Action Plan:** Entering daily transactions in RecWare is an important financial tracking mechanism. We recommend Facilities ensures Primo's Cafeteria understands the importance of accurate transactions and exercises due care when entering the tender type on all transactions. Primo's management should ensure the end of day cash sheets balances to the corresponding daily RecWare cash distribution reports. This will ensure all credit card transactions are correctly posted in RecWare and reduce the risk of incorrect commissions.

#### Current Audit Findings & Action Plans

Finding #1		Risk Level <b>M</b>	
<p><i>Inaccurate credit card sales in RecWare:</i> A sample of 30 days was reviewed for accurate posting of credit card and cash transactions into RecWare. Fifteen days (50%) had discrepancies in the credit card totals reported on Square point of Sale in comparison to RecWare. Those discrepancies are as follows:</p> <ul style="list-style-type: none"> <li>• Nine days of sales were under reported in RecWare by a total of \$59.10.</li> <li>• Six days of sales were over reported in RecWare by \$10.55.</li> </ul> <p>Entering daily transactions in RecWare is an important financial tracking mechanism. The under and over reporting in RecWare does not reflect actual sales and affects the accuracy of the commissions paid to the County by Primo's Cafeteria. This is a prior audit issue.</p>			
<b>Recommendation</b>			
<p>We recommend Facilities ensures Primo's Cafeteria understands the importance of accurate transactions and exercises due care when entering all the transactions. Primo's management should ensure the end of day cash sheets balance to the corresponding daily RecWare cash distribution reports. This will ensure all credit card transactions are correctly posted in RecWare and reduce the risk of incorrect commissions.</p>			
<b>Action Plan</b>			
<b>Person Responsible</b>	<b>Facility Maintenance Director</b>	<b>Estimated Completion Date</b>	<b>February 1, 2020</b>
<p>Credit card and cash transactions in RecWare will be reconciled on a daily basis by the Primo's Cafeteria staff. At their discretion, management will monitor the tender types used in RecWare using the credit card transactions from daily square point of sale provided by Primo's Cafeteria.</p>			



### Primo's Cafeteria



## FINDINGS AND ACTION PLANS

### Finding #2

Risk Level **L**

*Late Commission Payments:* All 19 monthly commission payments during the scope of the audit were reviewed for accuracy and timeliness. Five (26%) were paid late as follows:

	Due Date	Date Paid	Commission	Uncollected Penalties
<b>Apr-18</b>	5/31/2018	6/6/2018	\$ 1,297.41	\$ 129.74
<b>May-18</b>	6/30/2018	7/2/2018	\$ 1,451.27	\$ 145.13
<b>Feb-19</b>	3/30/2019	4/2/2019	\$ 1,284.70	\$ 128.47
<b>May-19</b>	6/30/2019	7/1/2019	\$ 1,359.86	\$ 135.99
<b>Jun-19</b>	7/31/2019	8/1/2019	\$ 1,199.72	\$ 119.97
<b>TOTAL</b>			<b>\$ 6,592.96</b>	<b>\$ 659.30</b>

The contract states commission payments are to be made without demand within thirty days after closing of each month. Per the contract, a penalty of one percent per month shall be assessed for commission payments in arrears.

### Recommendation

El Paso County Facilities Management should monitor commission fee payments on a monthly basis to ensure they are made in compliance with contract stipulations.

### Action Plan

Person Responsible	Facility Maintenance Director	Estimated Completion Date	Continuous
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Deposits by Primo's Cafeteria will be reviewed on a monthly basis by Facilities Management. Commission payments are made on a monthly basis to COGF-1000-0000000-411-10-10000-0001-00000-440408-. In the event a late fee needs to be assessed, Facilities Management will submit a request to the Auditor's Office to bill the vender.