



COUNTY OF EL PASO
OFFICE OF THE COUNTY AUDITOR

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03-21

March 23, 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 El Paso County Parks and Recreation Aquatics Division for the 2019 summer season to determine if internal controls were adequate to ensure proper preparation of the division'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 seven financial controls and one operating control with a total of 223 samples. There were two findings noted as a result of the audit procedures, one was a prior audit finding. We wish to thank the Parks and Recreation department 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,

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

Edward A. Dion
County Auditor

EAD:HM:ya

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



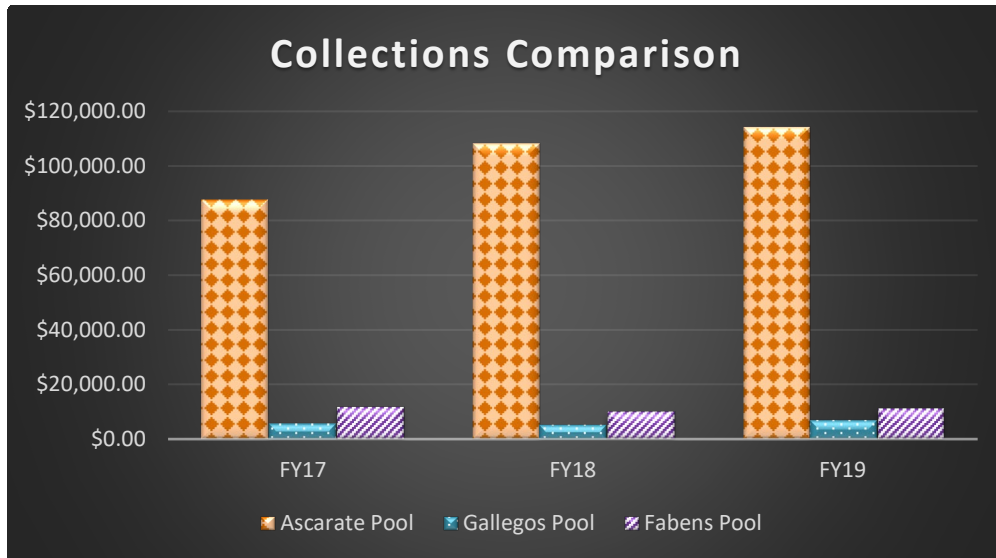
Parks and Recreation Aquatics Division



EXECUTIVE SUMMARY

BACKGROUND

The aquatics division of El Paso County Parks and Recreation consists of the Ascarate, Gallegos, and Fabens swimming pools. The Ascarate pool is an Olympic size outdoor pool and one of the few pools suitable for competitive swim events in El Paso County. There is also an enclosed picnic area shaded by tents that are available for rental and Pro-Shop that offers a wide range of merchandise and apparel. The other two pools are located in Fabens and Canutillo, Texas. All pools are open from April through September each year and are available to the public as well as for private party rentals. Revenues are from admissions, merchandise, and rental fees. Ascarate pool uses RecWare cashiering system to account for collections. The other two locations use a sequential bracelet system and cash box. Collections for 2017, 2018, and 2019 are illustrated below.



The audit was performed by Hadi Medina, internal auditor. The most recent prior audit report was issued on November 30, 2018.

AUDIT OBJECTIVES

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

Business Objective	Control Assessment
1. Adherence to documented policies and procedures	Satisfactory
2. Functioning appropriate cash controls	Needs Improvement
3. Accurate posting in RecWare of revenue collected	Needs Improvement
4. Timely deposits of collections in accordance with <i>Local Government Code 113.022</i>	Satisfactory
5. Timely posting of tent rentals, swim lessons, and swim team practice deposits	Satisfactory
6. Functioning appropriate entry bracelet controls	Satisfactory
7. Timely deposit of pool rental collections and adequate treatment of refunds	Satisfactory
8. Functioning appropriate Pool Pro-Shop controls	Satisfactory

SCOPE

The scope of the audit is April 2019 through September 2019.

METHODOLOGY

To achieve the audit objectives we:

- Reviewed policies, procedures, and applicable statutes.
- Performed a surprise cash count in accordance with *Local Government Code (LGC) §115.0035*



Parks and Recreation Aquatics Division



EXECUTIVE SUMMARY

- Reviewed a sample of RecWare receipts and cash count sheets completed in support of each deposit slip for accurate posting in RecWare.
- Traced a sample of daily deposit slips to the financial accounting system for compliance with *LGC §113.022*.
- Tested a sample of swim team practices, tent rentals, and swim lessons for accuracy and timeliness.
- Reviewed a sample of bracelets for accurate sequential order and accountability.
- Tested a sample of party rental agreements and refunds processed to verify depositing and refunding timeliness and proper supporting documentation.
- Traced all purchase orders received during the audit period to verify inventory was maintained accurately and updated when sold.
- Reviewed prior audit issues.

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 as well as the status of prior audit findings.

Controls Summary	
Good Controls	Weak Controls
<ul style="list-style-type: none"> • Maintain and follow documented policies and procedures (Obj. 1) • Timely deposit controls (Obj. 4) • Timely posting controls (Obj. 5) • Entry bracelet controls (Obj. 6) • Processing of refund requests (Obj. 7) • Pro-Shop inventory controls (Obj. 8) 	<ul style="list-style-type: none"> • Cash handling procedures (Obj. 2) • Revenue receipt controls (Obj. 3)
Findings Summary	
<ol style="list-style-type: none"> 1. Transactions were entered incorrectly in RecWare, causing over/under stating of revenue (prior audit issue). 2. Required supervisor verification signatures were missing on 13% of cash count sheets. 	

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

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



Parks and Recreation Swimming Pools



FINDINGS AND ACTION PLANS

Prior Audit Findings Summarized with Current Status

Status

M Open

See current finding #1

1. **Finding:** Daily close out reports were reviewed for individual transaction accuracy based upon the number of wrist bands sold. 44 of 78 daily reports (56%) were either over or under stated. RecWare is the cashiering system used by the Ascarate pool only. Observations and discussions with staff determined cash balancing is done to the wrist bands and not RecWare. If RecWare is the financial reporting system for Ascarate, the risk of loss, theft, or inaccurate reporting is high if 56% of the daily reports did not match the wrist band balancing.

Recommendation: We recommend management ensure staff is properly trained to use RecWare before the start of the summer season as this continues to be an issue. RecWare should be used for daily balancing and should accurately reflect transactions if reporting from RecWare is to be relied upon.

Action Plan: In discussing this issue with the Director, we have realized daily tent rental transactions at the Aquatic Center are included with daily wristband sales in the RecWare reports. Even though we have sale buttons for each, they are going into the same RecWare account totals, accounting for all daily sales rather than just wristband sale totals per day. The manager will contact IT to create a separate account for tent rentals in RecWare to accurately compare input transactions with daily cash count sheets. Manager will provide RecWare training for head lifeguards prior to the beginning of the season and additional training for cashiers to improve transaction accuracy.

M Closed

2. **Finding:** Entry bracelets were reviewed for accurate sequential order and accountability. Ascarate Pool bracelets were the ones reviewed due to higher risk. Every bracelet roll used during the FY18 season in Ascarate Pool was reviewed. Bracelets were categorized by either being used for entry throughout the year or had been stored and logged for next year. Nine of 25,556 bracelets reviewed were unaccounted for. Due to multiple colors and number of bracelets used during the season, bracelets could be misappropriated and lead to loss of County revenues.

Recommendation: A procedure to issue and account for all bracelets is recommended to track bracelets being used in all locations. The range and colors of bracelets used by location should be logged on a daily basis, as well as leftover bracelets from each roll.

Action Plan: Sequence numbering and color wristbands are accounted for at the end of each day by date, color, ending number and which cashier used the wristbands for the scheduled date. Scheduled staff will continue to log wristband usage on a daily basis. Manager or head guard on duty issuing wristbands will account for the amount issued per cashier as they request additional wristbands as needed. Tracking logs and end of day reports will be reviewed on a daily basis to compare total amounts in wristband sales. Head guards will report any discrepancies to the Aquatics Manager.

L Closed

3. **Finding:** 26 (12%) of 222 daily cash count sheets reviewed included either an overage or shortage. Although the cash overages and shortages are immaterial (.001% of sales), best practice is they should be reviewed by management to ensure existing processes and procedures are evaluated to reduce future incidents that could lead to loss of County revenue. This is a prior audit issue. Based on the totals posted from Ascarate RecWare reports to the County's general ledger, shortages were \$340.30 and overages were \$181.35 for FY18.

Recommendation: Although the amounts are immaterial, due care should be exercised by pool staff members when performing cashiering duties to avoid overages or shortages of funds. Additional cashiering training should be provided as needed.

Action Plan: Even though the total amounts are immaterial, cashier training will continue to take place prior to the beginning of the season and as necessary to improve cashiering duties. Management will continue to meet with staff throughout the summer season to discuss concerns as well as improve cash handling processes. Management will request approval for head guards to have access to print out end of day reports on a daily basis and report discrepancies to Aquatics Manager. *Resolved.*



Parks and Recreation Swimming Pools



FINDINGS AND ACTION PLANS

Current Audit Findings

Finding #1		Risk Level M	
<p><i>Revenues posted incorrectly in RecWare:</i> A sample of daily close out reports were reviewed for individual transaction accuracy based on the number of pool bracelets sold. 18 of 60 daily reports sampled (30%) were either over or under stated. RecWare is the cashiering system used by the Ascarate pool only. The above overstated figures indicate transactions are not being recorded in RecWare or are being recorded incorrectly, and the opposite for the understated figures. The risk of loss, theft, or inaccurate reporting is high if the daily reports do not match the pool bracelet balancing. This is a prior audit issue.</p>			
Recommendation			
<p>We recommend the Aquatics Department use a batch entry in RecWare for individual pool entry transactions at Ascarate pool. They should continue using the bracelet system, used by the other two locations, as their main balancing mechanism and at the end of the day perform an entry in RecWare to reflect all the transactions of the day. This transaction should be done by the head life guard as a secondary verification control. Tent rentals and merchandise sales should still be entered into RecWare as they occur.</p> <p>A procedure to issue and account for all bracelets is also recommended to track bracelets being used in all locations. The range and colors of bracelets used by location should be logged on a daily basis, as well as leftover bracelets from each roll.</p>			
Action Plan			
Person Responsible	Aquatics Manager	Estimated Completion Date	5/22/2020
<p>Management will implement the recommendations from the Auditor's Office to perform one entry into RecWare at the end of the day and continue to track daily bracelet count as well as color logs. A request to vendors will be done to avoid duplicate serial numbers and colors to improve tracking of bracelets being used in all locations.</p>			

Finding #2		Risk Level M	
<p><i>Cash Count Sheet:</i> A sample of 60 from 238 cash count sheets and deposit slips were reviewed and eight (13%) was missing the authorized supervisor verification signature. It is best practice to have these tasks performed by two separate employees. Segregation of duties ensures oversight and review to catch errors, but can also help prevent and deter fraud.</p>			
Recommendation			
<p>We recommend the Aquatics Department implement best practice internal control that includes appropriate segregation of duties for depositing procedures.</p>			
Action Plan			
Person Responsible	Aquatics Manager	Estimated Completion Date	5/22/2020
<p>Management will ensure the head lifeguards are verifying and signing the cash counts sheets completed by cashiers at the end of the day. The importance of consistency and segregation of duties on all cash counts sheets will be emphasized to all employees.</p>			