



COUNTY OF EL PASO
OFFICE OF THE COUNTY AUDITOR

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01-10

January 21, 2021

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 within 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,

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

Edward A. Dion
County Auditor

EAD:HM:ya

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



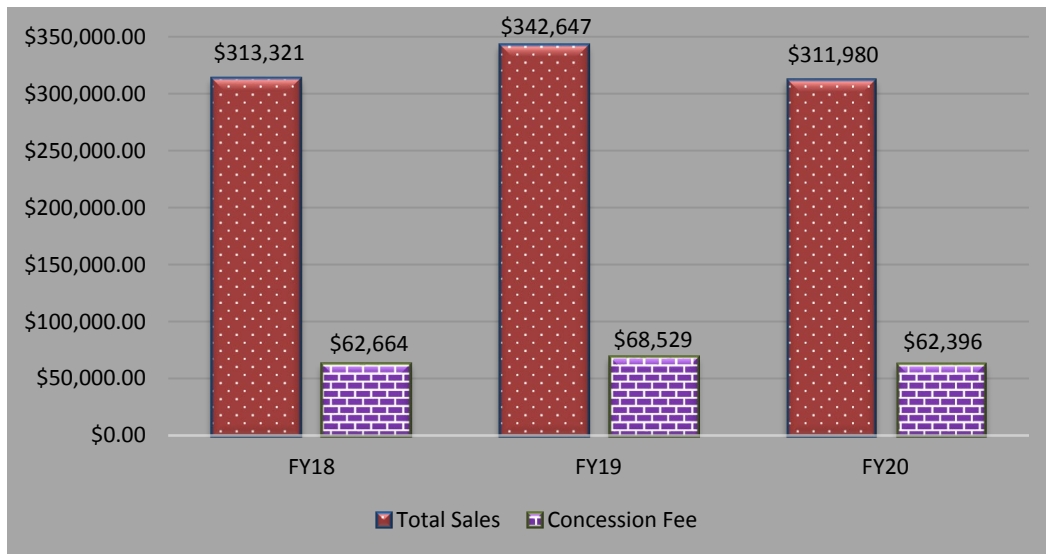
Primo's Café & Grill and the Blue Gill
For the period of September 2019 to August 2020



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., located along Ascarate Lake is a seasonal establishment which sells food, beverages and manages County owned canoe and pedal boat rentals. Per contractual agreement, Lumar Enterprises is responsible for paying the monthly electric bill and is responsible for all personnel, operating, and maintenance costs 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 2018, 2019, and 2020 are illustrated below.



Source: RecWare

The audit was performed by Hadi Medina, internal auditor. The scope of the last audit performed was January 2018 to August 2019 and the last audit report was issued on January 15, 2020.

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 September 2019 through August 2020. Due to the Covid-19 pandemic and associated Stay Home Work Safe order, a surprise cash count was not conducted.



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EXECUTIVE SUMMARY

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.
- Reviewed 100% of the agreed twenty percent Concession fee deposits 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.
- Reviewed 100% of monthly sales tax payments for accurate total sales reported and timely payment.

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

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 ten 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.



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FINDINGS AND ACTION PLANS

Prior Audit Findings Summarized with Current Status

Status

Open

See current finding #1

1. **Finding:** 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.

Recommendation: 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.

Action Plan: 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.

Current Audit Findings & Action Plans

Finding #1		Risk Level L	
<p>Incorrect tender method in RecWare: A sample of 30 days was reviewed for accurate posting of credit card and cash transactions into RecWare. Ten days or 33% had discrepancies due to cashiers using the incorrect tender method. This increases the risk of credit card transactions being charged with square point of sale not being entered in RecWare, which can lead to understated concession fees.</p> <p><i>Auditor's Comment: All the individual transactions within those ten days were reviewed and verified to reconcile with total sales Total sales were correctly reported; however, the sample error rate increased from the prior audit which indicates increase of risk.</i></p>			
Recommendation			
<p>We recommend County management ensure staff of Primo's Café & Grill understand the importance of proper tender method posting 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 to Golf Course management.</p>			
Action Plan			
Person Responsible	El Paso County Parks and Recreation Director	Estimated Completion Date	February 1, 2021
<p>Credit card and cash transactions in RecWare will be reconciled on a daily basis by the Primo's Café & Grill staff. Primo's management will provide monthly reports to the Golf Course and these will be reviewed periodically to help identify and correct any errors. Primo's will also provide daily credit card transactions from square point of sale to the Golf Course to help with daily reconciliations.</p>			