

# **Money Handling Policies and Procedures - Internal Control Observations and Recommendations**

**City of Norfolk**

**Office of the City Auditor**

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## **Virginia Zoological Park**

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### **Summary**

As a result of our investigation into a potential theft of funds by a Zoo Customer Service Representative (CSR)<sup>1</sup>, we make several observations and offer several recommendations for improvement regarding the system of internal control for admissions sales transactions at Virginia Zoological Park.

The Zoo has set forth its money handling policies and procedures in a handbook which is issued to each CSR for which they acknowledge receipt and understanding and to which they agree to abide. While the stated procedures are comprehensive and detailed, we did observe certain weaknesses in the implementation of the available controls and consequent opportunities for improvement. We discussed our observations with the Visitor Services Coordinator (VSC) and, as noted below, many of the recommendations have been, or are in the process of being, implemented.

Also, we met with the Executive Director on August 19, 2011 to discuss our observations. In general, he recapped the actions taken by the Visitor Services Coordinator described below and those to be taken by the Zoo, indicating that the Zoo will be updating and reinforcing procedures for security video surveillance, transaction reviews, monitoring staff activities, shortage reimbursements and

<sup>1</sup> This matter was immediately turned over to the Norfolk Police Department. Our office provided support to their investigation.

other business procedures. The Zoo will also be working with the Department of Human Resources to implement improved procedures for new employee background checks and for corrective action processes. The Zoo is in the process of installing a new point of sale system that will greatly improve its cash handling processes. A part of this new system includes a second verification system for Zoo patrons, such as referred to in Observation #10 below, but with the additional functionality of the new system, which is to “go live” in October 2011, this was deemed unnecessary.

In a response from City Management on January 24, 2012, they have reviewed our observations and recommendations and will continue to monitor the issues raised and adjust procedures accordingly.

### **Observations and Recommendations**

#### **Observation #1 – Monitoring employee activity**

Security cameras are in place and functioning at each sales booth. It was our review of the video from these cameras in conjunction with copies of the sales receipts that permitted our determination that the employee was making misappropriation of funds. In our review of the security camera video for the two-week period (June 27 to July 8, 2011) prior to the suspect employee’s suspension, we observed many instances of the employee performing acts prohibited by the



handbook. Such acts included repeated opening of the cash drawer when there was no sales transaction in process or customer present and also included repeated counting of the cash drawer and handling of cash items during such times. We observed other acts such as the apparent recording of transaction information, both cash and credit card, in personal journals or personal sheets which is not a part of the Zoo's receipts process. The employee, on several occasions, was seen repeatedly counting her cash drawer throughout her shift and then, near the end of her shift, preparing a fictitious receipt (no customer was present), most usually for train tickets. We believe this was done to make the cash on hand reconcile to the receipts system and cover for cash removed from the drawer.

### **Recommendation #1**

We recommend an ongoing real time review of the security video by supervisory personnel to help disclose non-policy-conforming and suspicious behavior. While the bulk of the activity of the CSR was clearly visible, some of her actions which we observed were not, due to the camera being blocked by her body or due to the lack of video quality (focus). We suggest that the placement of the cameras be evaluated to provide a more comprehensive coverage of the activity within the sales booth. Additionally, the current system is on a two-week loop such that after fourteen days the tape is overwritten. Consideration should be given to providing additional capacity to allow for a longer period before overwriting occurs and to the procurement of cameras capable of higher resolution. Also, the time per the security camera should be in synch with the time on the register system. As to observations by supervisory personnel of non-conforming behavior, it is important that such behavior be discussed with the employee and that such discussions, counseling and other corrective actions are immediately taken and properly documented.

### **Zoo's Response**

The VSC has instituted the real time random CSR video review process.

### **Observation #2 – Transaction review**

Our review of the receipts disclosed a number of transactions with a "zero" count adult when, in fact, one or more adults were present and, from our viewing of the video, paid cash for admission. We also found instances of children being accompanied by an adult paying the adult admission fee but the adult was not recorded on the sales transaction.

### **Recommendation #2**

Analytical review of transactions and transaction reports should be performed which could be helpful in determining such items as the "zero" count adult transactions. There were instances where the tendered amount did not make sense compared to the amount charged (for example a customer payment of \$60 cash for a \$29 charge). A key feature of the new cashiering system is the ability to review drawer transactions in real time. This capability, in conjunction with viewing the video will greatly improve the monitoring of CSR activity. Additionally, a review should be performed of daily cash and credit card activity for reasonableness by comparing registers.

### **Zoo's Response**

The VSC is instituting a random transaction review process for the CSRs.

### **Observation #3 – Confirming register balance during shift**

We believe that the subject employee made calculations and recorded amounts during the work shift to manage cash amounts that could be misappropriated. Accordingly, at any time during her shift, prior to her removal of funds, her cash drawer would not be in balance with the sales system.

### **Recommendation #3**

We suggest that random mid-shift cash counts be made of the CSR registers during the day. Such a cash count and



reconciliation to system sales information will disclose that additional funds are being collected that are not reported in the system prior to those additional funds being removed from the drawer.

**Zoo's Response**

The VSC is instituting a random mid-shift CSR cash count process.

**Observation# 4 – Large bills**

Though not a frequent occurrence, patrons did occasionally pay with large bills (\$50 and \$100). Theft of large amounts of cash is more easily performed through the use of large bills.

**Recommendation #4**

We suggest that periodically during the work shift, the Visitor Services Coordinator or other acting CSR supervisor remove such bills, replacing them with vouchers which would be used in place of bills during the cash closeout process at the end of the shift. We understand that the new system reports on cash by denomination received so this should facilitate monitoring of large bills.

**Zoo's Response**

The VSC will be instituting this process.

**Observation #5 – Manual register**

We observed that, for the day in which the employee was assigned to the manual register, certain sheets torn from the receipt book for processing were set aside and that certain cash transactions seen on the video did not appear in the day's remittances. In our review of the accounting for that day, we discovered that four pages of the receipt book and the associated cash were missing.

**Recommendation #5**

With the new register system being implemented, this manual register should no longer be necessary. We recommend that use of the manual register be terminated. If such a need does arise in the future, we suggest that pre-numbered, three-part receipt books be used, with

controls in place to monitor their issuance, usage and return to the accounting office.

**Zoo's Response**

With the decrease in attendance volume due to high temperatures there is a reduced need for cashier availability and the VSC will terminate the operation of the manual register.

**Observation #6 – Personal items in booth**

Zoo policy prohibits personal items in the booth. Such a policy helps reduce the opportunity for cash or cash items to be inappropriately concealed and removed.

**Recommendation #6**

Consideration should be given to more strict and controlled enforcement of this policy.

**Zoo's Response**

The VSC has indicated that there are implementation challenges regarding this such as the need to allow CSRs to have something to keep themselves occupied during times of reduced zoo admission volume. The lockers which were previously available for this purpose have been relocated at the zoo and are no longer available. The VSC is checking into ways to better implement the policy including the possibility of obtaining a cabinet with locking drawers in which CSRs can keep the bulk of their personal/money-related belongings.

**Observation #7 – Train tickets**

The creation of fictitious train ticket sales was observed, we believe as a part of the subject employee's end-of-shift reconciliation efforts to conceal misappropriations.

**Recommendation #7**

Reconciliation of train tokens returned with the count of tokens issued and reported sales should be performed as a part of the daily register closeout process.



**Zoo’s Response**

The VSC said that there are two complicating factors. The VSC indicated that occasionally customers return to the CSR booth stating that they did not receive their tokens. She said the Virginia Zoological Society (which receives the proceeds from train ticket sales) has asked that tokens be given out in such circumstances. She also mentioned that with group sales the exact number of tokens given is not always determined. The VSC said she will institute a logging process in which both the tokens subsequently requested by patrons and group sales tokens will be recorded and used for the reconciliation.

**Observation #8 – Cash shortages**

Zoo policy indicates that the CSR is to make up for cash shortages on a monthly basis. It is understood that this is not currently being performed and that such shortages are currently being charged to Zoo revenue.

**Recommendation #8**

City policy indicates that change funds should not bear cash shortages. Cash shortages, to be properly reflected, should be accounted for separately and revenue should be shown in its full amount. At this time, however, such an accounting process has not been established by the Finance Department. Current guidance from the Acting Finance Director is that shortages should be reflected as reductions in revenue and any such shortages that are subsequently made up by employees should be posted as additions to revenue. Supervisors should continue their ongoing review of each CSR’s history of cash over and short to detect trends and abnormalities which may be indicative of mishandling of funds.

**Zoo’s Response**

The VSC will be revising the Zoo’s procedure to make CSRs responsible for their shortages. Subsequent guidance from the Finance Department, as indicated above, directs the Zoo to post shortages,

and subsequent shortage repayments, to revenue.

**Observation #9 – Credit card transactions**

In any point of sale system the potential exists for misappropriation of credit card information. We observed questionable behavior by the subject employee in the processing of credit card transactions such as the apparent manual recording of information regarding such transactions and repeated handling of and printing of credit card transaction documentation. The Fair and Accurate Credit Transaction Act specifies that certain information pertaining to credit card transactions is not to be printed on the credit card receipt. We understand that the present system used by the zoo places such information on the receipt.

**Recommendation #9**

We understand that the new cashiering system possesses technology that reduces potential misuse of credit card information by internally processing the credit card information and limiting the information disclosed on receipts and accessible to cashiers through screen viewing. In addition to implementation of the new cashiering system, potential misuse of credit card information can be addressed by requiring that credit cards should only be electronically processed: that is, entered in the system either by swiping the card or entry of account numbers. Hard copy imprints should not be taken of cards by CSR personnel. If the card cannot be accepted electronically, only supervisory personnel should be permitted to make the imprint. The paper imprint document more readily allows for potential theft of credit card information and should be limited and safeguarded in its use.

**Zoo’s Response**

The VSC indicated that there continues to be a need for the manual imprint process and that it would be difficult for the supervisor to always be available should the need arise as many patrons only have one credit card. She said that it may be



possible that the card could not be processed due to an electronic issue and that sometimes a second attempt at processing the card is successful. She said that she will ask the CSRs to attempt this second processing and see if this reduces the need for the manual imprint.

#### **Auditor's Note**

As to the information displayed on the receipt, we understand that the new cashiering system which is in the process of being implemented by the zoo is in compliance with current Federal regulations.

#### **Observation #10 – Admissions procedure**

For admission to the Zoo, paying patrons make payment at the ticket booth, receive a sales receipt and then enter the Zoo. There is no systematic or procedural verification that the receipt is proper such as at a movie theatre where the patron buys the ticket at the box office and then the ticket is checked by another employee upon entry into the theatre. The bulk of the apparently falsified transactions we discovered were improperly entered tickets wherein one adult or more was omitted from the ticket but the patron was evidently told the proper sales amount by the subject employee and paid the proper amount (it was surprising to us that we observed no occurrences wherein patrons receiving the improper receipts noticed or commented on the fact that their receipts were clearly incorrect). The apparent theft is then accomplished when the subject employee, later in the shift, retrieves the monies which were paid but not reflected in the sales system.

#### **Recommendation #10**

The Zoo should consider the creation of a process whereby admissions are verified by another employee or perhaps mechanically through the use of a ticket card-reading turnstile. This would also assist in assuring the accuracy of attendance figures which, with the current system, rely on manual input of non-paying patron data at the end of the work shift. We understand that the new system has the

capability of recording both paying and non-paying patron information at the time of entry into the Zoo.

#### **Zoo's Response**

The VSC said that such a system would be advantageous but costly. She indicated that, as the new system has the capability of printing tickets and receipts, there may be a way to incorporate this in their admissions process.

#### **Observation #11 – Hiring practices**

Personal integrity is crucial in dealing with positions that handle a large volume of cash and cash-related transactions. We understand that a criminal and/or credit background check is not regularly performed by Human Resources in the hiring process for Zoo CSR personnel. Additionally, close supervision and monitoring of newly hired employees is important to ensure adequate understanding and implementation of Zoo policies and procedures.

#### **Recommendation #11**

Consideration should be given to the conducting of criminal and credit background checks for new hires. We understand that new hires are trained by current CSR's for about two weeks and then observed by the Visitor Services Coordinator for a few days to verify they are familiar with the cashiering operation. Employees should be reminded that security cameras are in place and in use and that they should immediately report any suspicious behavior that they see.

#### **Zoo's Response**

The VSC said that she will make inquiries of the Human Resources Department as to the inclusion of background checks in position requirements in the future.

#### **Conclusion**

We are pleased with the cooperation and courtesy shown to us by the Visitor Services staff of the Zoo and believe them to be conscientious and dedicated. The employee suspected of malfeasance



appeared to be skilled in her techniques of embezzlement, exhibiting both a familiarity with the admissions sales system and an understanding of the Zoo's procedures sufficient to allow her to engage in her apparent malevolent behavior. When cash and credit card payments are involved, there is always the chance that, given the opportunity, a fraudulent act will be performed. A fraudulent act can take many forms, with some forms being more easily detected than others, and this makes the adherence to policies and procedures all the more important, together with it being crucial that any unclear or suspect activity be reported immediately for follow-up action by management.