



September 15, 2023

TO: Steve Jackson – General Manager, Board of Parks and Recreation
John Brodie – Director, Business Services
Sev Araujo – Manager, Commercial Operations
Mark Halyk – Supervisor, Food and Beverage Operations Team

FROM: Carmen Fuellbrandt – Chief of Internal Audit

CC: Internal Audit Committee
External Auditor
Auditor General
Alan Chau – Senior Internal Auditor

SUBJECT: **2023 Cash Handling Audits: New Brighton Concession and Second Beach Concession**

As part of the 2023 audit plan, Internal Audit conducted cash handling audits at New Brighton Concession and Second Beach Concession. It is important to note that while concession sites are overseen by the Food and Beverage Operations team of the Parks and Recreation department, they are operated by contractors rather than Parks and Recreation staff.

A. AUDIT SCOPE

The scope of the audit included a review of controls over the safeguarding of cash and compliance to City and Park Board policies related to payment processing. Business processes and internal controls were reviewed in the following areas:

- Cash handling practices, including a cash count;
- Security of cash handling areas;
- Deposit and reconciliation process;
- Inventory management process; and
- Privacy and records management.

B. CONCLUSION

In general, sufficient cash handling processes were in place to safeguard assets at New Brighton Concession and Second Beach Concession; however, some improvements are required in areas related to physical security, deposit and reconciliation processes and security of payment processing devices to enhance internal controls and compliance with cash handling policies.

Recommendations have been discussed with management, who have committed to implementing the recommended action items as noted in Section C of this report.

Submitted by:

Carmen Fuellbrandt, CPA, CMA, CIA
Chief of Internal Audit

C. FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

C.1 Enhance physical security for the cash handling areas (New Brighton Concession)

Concession operations inherently involve food preparation and equipment using heat sources, rendering them vulnerable to fire emergencies. For safety measures, fire equipment such as fire extinguisher, fire suppression systems and fire alarm systems should be in place to ensure the protection of personnel and property in the event of a fire emergency.

During the on-site inspection at New Brighton Concession, it was observed that fire extinguishers and fire suppression systems were installed and had been recently inspected. However, fire alarm systems were absent, which poses challenges in timely alerting individuals during fire emergencies. The implementation of fire alarm systems would reduce the risk of injuries or loss of lives in case of fire emergencies.

Recommendation:

C.1.1 The Supervisor of Food and Beverage Operations, in consultation with the Real Estate and Facilities Management, should investigate the installation of appropriate fire alarm systems at New Brighton Concession. This should be completed by March 31, 2024.

Management Comment

Through REFM, Viking Fire and their sub-contractors they oversee fire safety on behalf of the Park Board. We have now contacted Viking Fire and the REFM to investigate cost, process of installing fire alarm system and timing at New Brighton Concession.

This issue is currently pending.

C.2 Perform daily reconciliation of cash on-hand to POS system end-of-day reports (New Brighton Concession)

As outlined in the Corporate Cash Handling Procedures Manual, cash from each register must be reconciled to the POS system reports. However, at New Brighton Concession, it was observed that reconciliation between daily cash received in the register and the POS system reports was not performed at the end of the business day.

Management clarified that the reconciliation process requirements are explained to all concession operators at the general meeting held prior the beginning of the operating season every year. However, since a new contractor operates New Brighton Concession this year, there may be certain aspects of the operational requirements with which they are not yet fully familiar.

Reconciliation between the total cash present in the register and the cash sales recorded in the end-of-day reports is essential for ensuring deposit amounts are accurate and cash overages or shortages are identified in a timely manner. In addition, it serves as a deterrent and detective control to mitigate the risk of fraudulent activities.

Recommendation:

C.2.1 The Supervisor of Food and Beverage Operations should ensure that an end-of-day reconciliation procedure between the total cash in the register and the cash sales recorded in the POS system reports is established and implemented at New Brighton Concession. This should be completed by March 31, 2024.

Management Comment

As noted, the expectations for the handling of daily reconciliation of cash on hand to POS systems is mapped out in the Operator's Manual and Appendix (which includes the Corporate Cash Handling Procedures Manual). Food Concessions Administrative team also completes A –Forms daily and if EOD receipt reports show an overage/shortage of \$25, the operator is contacted and ask to investigate and send explanation to cash ops team.

Staff will ensure operator at New Brighton Concession will be fully trained and aware of procedures prior to opening for the 2024 season.

C.3 Secure debit/credit payment processing (Moneris) devices (New Brighton Concession and Second Beach Concession)

Considering the wireless nature of Moneris devices, the devices are vulnerable to being stolen or potentially swapped with fraudulent devices. It is best practice to secure those using locks or tethers attached to stationary objects.

At New Brighton Concession, there is one Moneris device in use. While a lock attached to the countertop was available, it was not utilized to secure the Moneris device.

At Second Beach Concession, there are three Moneris devices in use, but none of them are secured by locks or tethers. In addition, the devices lack PCI security labelling; instead, the devices bear other labels that can be identified by the operator.

Management stated that all Moneris devices were initially labelled with PCI security stickers, and further investigation is required to determine why the stickers are missing on the Moneris devices at Second Beach Concession.

Enhancing security of the Moneris devices would reduce the risk of fraudulent activities.

Recommendations:

C.3.1 The Supervisor of Food and Beverage Operations should ensure the Moneris devices in use at New Brighton Concession are secured by locks or tethers. This should be completed by March 31, 2024.

C.3.2 The Supervisor of Food and Beverage Operations should ensure the Moneris devices in use at Second Beach Concession are secured by locks or tethers. This should be completed by March 31, 2024.

C.3.3 The Supervisor of Food and Beverage Operations should ensure proper labelling of the Moneris Devices with PCI security stickers at Second Beach Concession. This should be completed by March 31, 2024.

Management Comment

Moneris devices at New Brighton Concession and Second Beach Concession will be secured by locks or tethers by opening day of the 2024 season.

PCI stickers are placed on all Moneris machines before given to operators. After speaking to operators at Second Beach, some of the stickers had worn off due to day-to-day handling of equipment. We have reminded all the operators to contact the administrative team and request a new sticker if this happen in the future. Food Concession team will also increase PCI decal checks during weekly site visits moving forward. All handheld equipment, including those at Second

Beach Concession will have clearly labelled PCI security strikers prior to opening in the 2024 season.

C.4 Ensure proper segregation of duties for the process of deposit preparation (New Brighton Concession)

In order to establish effective segregation of duties, the individual responsible for preparing the deposit should be different from the individual receiving the funds. However, at New Brighton Concession, it was observed that the deposits were prepared by the cashiers, who were the same people receiving the funds. Establishing adequate segregation of duties for the process of deposit preparation would enhance accountability and mitigate the risk of fraud.

Recommendation:

C.4.1 The Supervisor of Food and Beverage Operations should ensure that the individual responsible for preparing the deposit is different from the individual receiving the funds at New Brighton Concession, if operationally feasible. If not deemed feasible, an additional mitigating control should be implemented. This should be completed by March 31, 2024.

Management Comment

Due to staffing issues, New Brighton concession operator did not find it feasible to have one staff to prepare deposits and a different staff to receive the funds. Our administrative team has met with the operator for its year-end review and noted this issue. For the 2024 season, the operator has committed to have a dedicated manager on site who will receive funds from the cashiers and complete deposits. Food Concessions team will follow up throughout season with spot checks to ensure compliance.

C.5 Ensure proper retention of refund receipts and documentation of refunds review (Second Beach Concession)

At Second Beach Concession, the refund receipts are disposed of on a daily basis. To align with best practice and the Corporate Cash Handling Procedures Manual, the refund receipts should be retained along with the rationale for the refund. Furthermore, cashiers should ensure that customers print their names or sign on the refund receipts, thereby confirming their receipt of the refund. This practice is particularly crucial in situations involving cash refunds.

To enhance reliability and reduce the risk of fraudulent activities, it is crucial that refund transactions are reviewed and properly documented. However, at Second Beach Concession, there was no evidence found to confirm the implementation of this practice.

Recommendations:

C.5.1 The Supervisor of Food and Beverage Operations should ensure refund receipts are retained, along with the rationale for the refunds, and the names or signatures provided by the customers at Second Beach Concession. This should be completed by March 31, 2024.

C.5.2 The Supervisor of Food and Beverage Operations should ensure that refund transactions are regularly reviewed and documented at Second Beach Concession. This should be completed by March 31, 2024.

Management Comment

As per the Operators manual expectations for the handling of refunds are clearly communicated to all operators:

Refunds

Refunds should be processed via the original payment method with the exception of debit transactions. If a refund is not possible via the original payment method, and the amount owing is greater than \$25, a Customer Request for Refund form must be completed and emailed to Commercial Operations Office. If the amount is less than \$25, it may be refunded in cash.

All refund transactions must be recorded and reviewed on a regular basis by the Operator. Refunds must be properly supported by the returned receipt. These transactions are subject to review and audit.

If the refund depletes the float below the cash till float amount, cash refunds must not be processed.

We will remind all operators, including those at Second Beach of requirements of providing rationale for refund.

C.6 Maintain a list of staff who know the safe combinations and ensure it is kept up-to-date (New Brighton Concession)

As stated in the Corporate Cash Handling Procedures Manual, a list of authorized employees with safe combinations must be dated and posted inside the safe door. However, during the on-site inspection at New Brighton Concession, it was noted that all current staff have access to the safe, and a list of staff who know the safe combination is not maintained. Maintaining an authorized employees list would aid in identifying authorized employees with safe combinations and comply with the requirements outlined in the Corporate Cash Handling Procedures Manual.

Recommendation:

C.6.1 The Supervisor of Food and Beverage Operations should ensure a list of staff who know the safe combinations is maintained and kept up-to-date for New Brighton Concession. This should be completed by March 31, 2024.

Management Comment

For the 2024 season, prior to commencing operations, we will ensure that a list of staff who know safe combination is maintained and kept up to date at New Brighton.

C.7 Ensure timely completion of Cash Handling Compliance Checklist annually at the beginning of operating season (New Brighton Concession and Second Beach Concession)

The Corporate Cash Handling Procedures Manual requires all sites involved in cash handling to complete the Cash Handling Compliance Checklist annually to assess compliance with the Corporate Cash Handling Procedures Manual. Management stated that a general meeting is held annually prior the beginning of the operating season to remind all operators to complete the compliance checklist.

However, it was noted from Revenue Services – Customer Service & Collections department that the most recent compliance checklist on record completed by New Brighton Concession and Second Beach Concession dates back to 2019. In addition, Revenue Services – Customer Service & Collections department also noted that concessions generally submit the Cash Handling Compliance Checklist near the end of the operating season instead of the beginning of the operating season.

Timely completion of the Cash Handling Compliance Checklist at the beginning of the operating season would serve as a verification that staff are aware of the procedures and requirements related to cash handling and facilitate compliance to the Corporate Cash Handling Procedures Manual.

Recommendation:

C.7.1 The Supervisor of Food and Beverage Operations should ensure timely completion of the Cash Handling Compliance Checklist annually at the beginning of the operating season for all concessions. This should be completed by March 31, 2024.

Management Comment

The Cash Handling Compliance Checklist included in the Operator's Manual Appendix is also explained in our general meeting every year, and it is communicated that the checklist must be completed and updated. They are collected at the end of the season as new staff are constantly hired throughout the season. Moving forward we will ensure that at the beginning and end of the operating season the Cash Handling Compliance Checklist is completed.

C.8 Establish regular deposit pick-up schedule (Second Beach Concession)

Currently the concession operators are instructed to initiate a request to the Revenue Services department to arrange for deposit pick-up whenever the cash held on-site reaches the threshold of \$5,000, as stated in the Corporate Cash Handling Procedures Manual. However, the operator at Second Beach Concession requests a deposit pick-up every two weeks on a regular basis, even though the weekly average cash collection is approximately \$5,000. The operator also mentioned that cash accumulation could exceed \$10,000 within a week during special events at Second Beach.

In order to ensure timely deposit pick-ups and limit the amount of cash held on-site to a reasonable threshold, a customized deposit pick-up schedule should be established based on the average cash transactions for each site.

Recommendation:

C.8.1 The Supervisor of Food and Beverage Operations should establish a regular deposit pick-up schedule customized for all concessions to ensure timely deposit pick-ups and limit the amount of cash held on-site. Consideration should be given to balancing the need to limit cash on-site with the costs involved with deposit pick-ups. This should be completed by March 31, 2024.

Management Comment

This year, multiple city sites had issues with missed cash pickups from contractor. Our administrative team had contacted RS Cash Operations team multiple times to request pickups for sites that reached a threshold of \$5000 and it was communicated that the contractor was having staffing issues which caused the missed pickups, ultimately leaving those sites with

greater cash accumulation than allowed. Cash Operations keeps a log of where contractor has not met contract obligations.

We will continue to work with Cash Operations and immediately report issues when contractor does not meet their contract obligations.