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Internal Auditor's Report

The County Council and County Executive of Wicomico County, Maryland:

Pursuant to Section 305(D) of the Wicomico County Code and Council Resolution No. 86-2016, the Office of the Internal Auditor (IA) has conducted an Audit of Concessions Cash and Alcoholic Beverage Handling for Wicomico County Youth and Civic Center. Wicomico County sponsors many events each year for the benefit of county government, county residents, and visitors. The purpose of the audit was to assure internal control over the handling of cash and alcoholic beverages and to assess adherence to those controls.

IA conducted the audit with due professional care, and IA planned and performed the audit to obtain reasonable assurance about whether the concessions cash handling and alcohol dispensing practices are in compliance with applicable policies and procedures and whether those policies and procedures are adequate to obtain an acceptable level of control.

IA extends our appreciation to Management and Staff of Wicomico County Youth and Civic Center for their timely assistance, cooperation, and candid assessment of the procedures and the rules.

Respectfully submitted,

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Audit Report

Background

IA focused on cash handling and alcohol dispensing protocols at the Wicomico County Youth and Civic Center for the current project. You may recall that we performed an audit of cash and alcohol protocols for county festivals in a previous audit. Please see Festivals Cash and Alcohol Handling audit report (dated May 16, 2014) for more information.

Audit Objectives

The objectives of the consultation were to:

1. Gain an understanding of concessions operation
2. Map and evaluate cash handling procedures
3. Evaluate efficiency and effectiveness of current practices
4. Make recommendations (if appropriate)

Scope of the Audit

The audit period examined on a test basis was FY 2017 to date. The Scope was open ended. Observations, interviews, and Inquiries with appropriate personnel were conducted. IA performed inspections of selected concessions operations including operations during a live performance of “Riverdance” on June 13, 2017. Additionally, IA examined various documents pertaining to the following:

- Written procedures
- Register data
- Training records
- Banking information including reconciliations
- Journal and ledger entries

General Highlights

The county concession personnel and managers organize, supervise, and carry out cash handling for Civic Center events including catering events. Management secures cash for drops, change, and starter¹. Management supplied IA with copies of:

- Safe Log
- Safe Count Sheet
- Change Order
- Event Balance Worksheet
- Money Sign Out
- Cashier Report/ Counting Worksheet
- Box Office Receipt

¹ “Starter” is a term used for the cash required to open a cash register. It contains cash in assigned quantity and denominations for making change during cash purchases.

- Event Spreadsheet
- Stand & Satellite Inventory
- Stand & Satellite Tracker
- Vending Inventory Spreadsheets
- FY17 Concessions Projection
- Beverage Process & Procedures
- Beverage Inventory

All documentation seemed to be complete with robust internal control. IA found no evidence of non-compliance with internal control over cash or alcohol during observations.

Conclusion

Based on testing, evidence gathered, and interviews performed pursuant to the Concessions Audit, IA is of the opinion that the handling of cash and alcohol related to Civic center functions is at a level satisfactory² to the criteria tested.

Schedule of Findings

The findings listed below represent some key issues that warrant discussion as an added feature to the audit process. The findings are both positive and negative and they do not rise to the level of concern that material weakness would garner.

1. Written Procedures

IA reviewed written bullet-point procedures for cash and alcohol handling. The procedures were complete and thorough. Additionally we developed checklists from the written procedures to use during observations and shared the checklists with management.

(Continued)

² For the purposes of this audit, IA uses a three-tier grading system recommended by the International Professional Practices Framework (IPPF) as expressed by the [IPPF Practice Guide](#) issued March 2009. The three tiers are Inadequate System of Internal Control, Adequate System of Internal Control, and Satisfactory System of Internal Control. Satisfactory findings indicate that overall controls are satisfactory, although some enhancements may be recommended. It is the highest rating on the scale.

2. Training

IA reviewed selected training records for the handling and dispensing of alcohol. The county provides classroom instruction for I.D. recognition and alcohol awareness including certificates awarded to personnel regarding TIPS³ and TAMS⁴ training.

3. Department of Finance Oversight

IA reviewed oversight provided by the Department of Finance. Finance controls the bank accounts used by concessions including bank reconciliations, dealing with returned checks, review of credit card transactions, etc. Please see the Banking Audit Report (dated April 9, 2015) and numerous scheduled follow-up reports for more information. The Department of Finance provides oversight and related internal controls to help assure robust separation of duties and associated risk reduction.

4. Inventory

IA reviewed inventories for food and alcohol. Concession personnel periodically take physical inventory for food and non-alcoholic beverages. Management currently does not require the maintenance of a traditional perpetual inventory system. Accounting adjusts inventory to match the physical counts. The county expenses food and non-alcoholic beverages as purchased for each event. Although a perpetual inventory serves to provide better control, management must weigh the costs associated with maintenance of a perpetual inventory against the risks. Based on low inventory levels (materiality), the level of inventory security, and the adjustment amounts observed during testing, we do not believe the current methodology represents a significant risk.

Concessions management heavily secures alcohol inventory. Alcohol inventory is updated after each event. Extensive protocols control the handling of alcoholic beverages and employees must account for all anomalies including breakage and spillage. The sale of alcohol is very new to the county. According to management, we are in our first or second turnover of many of the alcoholic beverages initially purchased. IA recommends follow-up after concessions gains more experience in this area.

³ According to marylandfoodservice.org, Training for Intervention Procedures (TIPS) is an alcohol management program approved by the state of Maryland. The state of Maryland requires that an alcohol licensee have someone associated with the license, i.e., owner, manager, bartender, have training in an acceptable alcohol management program. The purpose of the TIPS program is to teach servers of alcohol acceptable, and helpful, standards for responsible alcohol service. TIPS has a fee, based on "on premise" or "off premise" status. The TIPS training course is an online program designed to teach participants to prevent intoxication, drunk driving, and underage drinking among the people to whom they sell or serve alcohol. This program addresses concerns specific to restaurants, hotels, bars, nightclubs, banquets, private parties and other on-premise liquor license holders where alcohol is served by the drink.

⁴ According to tamusa.org, TAM[®] [*Techniques of Alcohol Management*] is an educational program developed by the licensed beverage industry in conjunction with liquor control, law enforcement, highway safety, and substance abuse organizations. Created in 1982, TAM[®] has proven extremely effective at increasing point of sale prevention efforts in the areas of underage purchases, identification procedures in both tobacco and alcohol, serving of intoxicated customers, and recognition of third party sales.

Management Comment

Foodservice Staff would like to thank Mr. Roser for both his time and professionalism during this process. The collaborative nature of the audit proved to be effective. Historically, evaluating processes and procedures has proven to be a valuable exercise to the Foodservice Operation.

Auditor's Closing Remark

The Wicomico County Office of the Internal Auditor would like to thank management and staff from Wicomico Youth and Civic Center and the Department of Finance for their timely cooperation and assistance during the audit.