

**Limited Review of  
Orlando Science Center, Inc.**

**Report by the  
Office of County Comptroller**

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**Report No. 302  
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June 29, 2001

Richard T. Crotty, County Chairman  
and  
Board of County Commissioners

We have conducted, upon the request of Orlando Science Center, Inc., a limited review of the Orlando Science Center's operations. The review was limited to an examination of controls related to cash, investments, operating revenues, human resources, payroll, and operating expenses. The period reviewed was July 1, 2000 through March 31, 2001. Our review was conducted in accordance with generally accepted government auditing standards and included such tests as we considered necessary in the circumstances.

Responses to our Recommendations for Improvement were received from the Chairman of the Board of Trustees and the President/Chief Executive Officer of the Orlando Science Center and are incorporated herein.

We appreciate the cooperation of the personnel of the Orlando Science Center during the course of the review.

Martha O. Haynie, CPA  
County Comptroller

c: Ajit Lalchandani, County Administrator  
Kim L. Maher Cavendish, President/CEO, Orlando Science Center, Inc.  
Rick Cloyd, Chairman, Board of Trustees for Orlando Science Center, Inc.

# EXECUTIVE SUMMARY

## Executive Summary

Orlando Science Center, Inc. (the Center), is a private, not-for-profit corporation, organized under the laws of the State of Florida. The Orlando Science Center's mission is "...to strive to provide science for everyone by creating opportunities for experiential science learning and promoting science literacy." The Center requires membership and/or admission fees to participate in program activities. Profits from the Science Store and the Café are used to support program operations. Additionally, contributions from individuals, corporations, governmental agencies, and other not-for-profit groups are received in the form of gifts, grants, sponsorships, and endowments.

Our review was limited to an examination of controls related to cash, investments, operating revenues, human resources, payroll, and operating expenses. Our objective was to determine the adequacy of procedures and controls over those areas. The review period was July 1, 2000 to March 31, 2001. We interviewed key personnel, tested selected samples of recorded transactions, and examined the supporting documents for the sampled transactions to determine the adequacy of procedures and controls.

We found that controls are generally adequate over point-of-sales receipt collection and expenses. Controls over investments are adequate except for those related to the Cultural Endowment Program Fund. The co-mingled endowment trust account was split into two trust accounts in the review period. A new trust account (the Cultural Endowment Program Fund Trust) was established with the amount of the State Match grant received in 1999. The remainder of the local match together with other endowments was left in the former trust. As of March 31, 2001, the two trusts' portfolios (mix of investments) did not comply with either the Center's written Endowment Policy's investment portfolio goals or with the Cultural Endowment Program Fund's investment plan. The latter was established as a part of the State Endowment Match grant agreement. The Center agreed with our recommendation and instructed the trusts' managers to reposition endowment assets to ensure that the appropriate investment policy is followed.

We also found that internal controls over cash, human resources, and payroll are generally not adequate. The Chief Financial Officer and Controller have extensive access and administrative rights over all general ledger software applications and transactions, in addition to the custody of cash assets, procurement and disbursement authority, and reconciliation responsibilities. Compensating controls are not adequate to mitigate the risk associated with incompatible asset custody tasks, recording and reporting functions performed by one individual. The Controller reconciles the operating account monthly; however, not all general ledger cash accounts are reconciled simultaneously or monthly. For reconciliations to provide appropriate control, an individual who is not responsible for the custody or recording of cash assets should reconcile the cash accounts.

Documentation of human resource activities needs improvement, in areas such as hiring, establishing compensation and benefits, promoting, and terminating employees. Employee performance evaluations were not utilized to provide management an assessment of employee's effectiveness and efficiency in a position. An annual pay plan with established guidelines for granting pay increases is not in place. In certain instances, employee attendance is not properly documented to support compensation received.

Procurement and payment procedures need improvement through the separation of responsibilities for the authorization to incur expenses, the documentation of receipt of goods and services, and the issuance of payments to the vendor.

Recommendations for Improvement are noted in this report. Prior to the issuance of this report, the Center was notified of the areas of our concern. Immediately thereafter, the Center began development and implementation of a corrective action plan (as described in their response to our recommendations) to mitigate certain risks identified in our report. We encourage the Center's management to continue implementing corrective actions and commend their efforts.

# ACTION PLAN

Limited Review of Orlando Science Center, Inc.  
Action Plan

NO.	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS		RECOMMENDATIONS
	CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED	
1.						We recommend that the Center's management implements procedures to separate the responsibilities for custody of cash assets from the recording and reconciling of cash asset accounts. The procedures should include the following:
A)		X			X	All mail should be opened by an employee not responsible for accounting, such as a receptionist or administrative aide. Mailed cash receipts should be logged. The prepared receipts journal/log, supplemented by remittance advices and/or order forms, should be forwarded to accounting staff for posting to the general ledger and to the appropriate department for posting to detailed subsidiary customer/donor records. Transfer of custody of the mailed receipts should be documented.
B)		X			X	Daily sales receipts should be deposited intact. An employee not responsible for recording cash accounting entries should prepare cash receipts and ensure the deposit is transported to the bank. Acknowledging that many cashiers' banks/drawers need to be consolidated daily, we suggest that the task be assigned to an individual who is a lead clerk and/or departmental manager for admissions, store or café areas.
C)		X			X	Bank courier pick-ups or alternative depositing methods should occur daily.
D)	X				X	Cash on hand for use as cashiers' register banks/change funds should be minimized.



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NO.	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS		RECOMMENDATIONS
	CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED	
E)	X				X	Bank statements, cancelled checks, and appropriate advices (bank debit and credit memos) should be received by someone other than employees maintaining cash records. Such items should be periodically reviewed prior to turning them over for reconciliation. Unusual items noted during the review should be investigated and resolved. In addition, all returned cancelled checks together with voided checks in custody, should be sequentially filed to account for the use of all check stock.
F)	X			X		Bank reconciliations should evidence, by signature and date, the review and approval by a member of senior management or someone other than the preparer.
G)	X			X		Checks should be mailed immediately upon signing without allowing the checks' return to the individual responsible for accounts payable, payroll preparation, and/or bank reconciliation.
H)		X		X		Individuals granted authority to transfer/withdrawal and sign checks should not have access to financial records and blank check stock.
I)	X				X	Journal entries to the general ledger should be reviewed and approved. An individual other than the one who prepares and posts the entry should evidence such approval. Approved standardized entries should be utilized to enter recurring types of transactions such as payroll related entries.
2.						We recommend that the Center's management implements cash control procedures that include the following:

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NO.	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS		RECOMMENDATIONS
	CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED	
A)	X				X	Monthly reconciliation of all general ledger cash accounts to bank statements and documented physical counts.
B)	X			X		All disbursements should be made by check or from established imprest petty cash funds. Cash receipts and cash on hand should not be used to provide for cash disbursements or reimbursements of imprest petty cash funds.
C)	X			X		Bank transfers between accounts should be recorded in the detailed general ledger accounts established for the separate bank accounts.
D)	X			X		After documenting reasonable efforts of investigation, appropriate general ledger entries should be prepared and approved to record and track any unresolved, unidentified differences between the bank reconciled balance and the general ledger balance.
3.		X		X		We recommend that the Orlando Science Center maintains the required minimum balance of \$600,000 invested in appropriate instruments for the Cultural Endowment Program Fund to comply with the requirements of the State endowment agreement. After this investment amount is achieved, the OSC should reposition its endowment assets to ensure each investment account complies with applicable investment policies.
4.	X			X		We recommend that the Center's management solicits proposals for banking services to ensure the best services at the best price are obtained. Executed written agreements of services should be retained evidencing the agreement.
5.						We recommend that the Center's management ensures that:

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NO.	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS		RECOMMENDATIONS
	CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED	
A)	X			X		The hiring process is adequately documented by maintaining position requisitions, employee applications, applicant interview/selection worksheets, and evidence of background and experience verification.
B)	X			X		Compensation and benefits are appropriately supported by: <ul style="list-style-type: none"> <li>• Personnel Action Forms completed and retained for all personnel/pay actions.</li> <li>• Employee signed deduction authorizations for all pay deductions.</li> </ul>
C)	X			X		Employee informational forms as required by various Federal agencies to support employment eligibility and tax withholdings are obtained and maintained.
D)	X			X		Resignation/termination procedures document: <ul style="list-style-type: none"> <li>• Exit interviews conducted where appropriate.</li> <li>• Final time sheets and final compensation agreements executed.</li> </ul>
6.	X				X	We recommend that appropriate supervisory personnel provide each employee an annual performance evaluation.
7.	X				X	We recommend that the Center's management establishes an annual pay plan and provides written guidelines for the administration of all compensation elements including pay increases. Additional compensation granted outside of the pay plan should be formalized by a written agreement executed by the Chief Executive Officer.
8.	X			X		We recommend that the Center's management ensures that appropriate detailed time records are maintained to support all payments to all employees.

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NO.	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS		RECOMMENDATIONS
	CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED	
9.						We recommend that the Center's management implements procedures to document compliance with existing policies and procedures to ensure:
A)	X				X	Appropriate competitive procurement procedures are followed and documented.
B)	X			X		Purchase orders are properly authorized and issued prior to placing the order and actual receipt of the goods or services.
C)	X			X		Receipts of goods and services are appropriately documented and evidence retained.

# INTRODUCTION

## **Background**

Orlando Science Center, Inc. (referred to in this report as either “the Center“ or “OSC”) is a private, not-for-profit corporation, organized under the laws of the State of Florida. The Internal Revenue Service has approved the Center as a nonprofit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Orlando Science Center’s mission is “...to strive to provide science for everyone by creating opportunities for experiential science learning and promoting science literacy.”

The Center, first incorporated in 1955, has continuously been located in Orlando Loch Haven Park since 1960. The current 207,000 square foot facility opened on February 1, 1997, and is six times larger than the former location.

The Center has many experiential program venues that focus upon active learning through discovery. The program venues include ten permanent exhibits, traveling exhibits, the observatory, the CineDome and Darden Adventure Theatres, the Teacher Leadership Center, Lifelong Learning Programs, and special events.

The Center requires membership and/or admission fees to participate in program activities. Additionally, the Center seeks contributions from individuals, corporations, governmental agencies, and other not for profit groups to fund the operations of the Center. Contributions are received in the form of gifts, grants, sponsorships, and/or endowments.

Senior management reports that Orlando Science Center, Inc. operated in a conservative financial manner reducing staffing levels (including the elimination of certain senior management positions), restricting expenditures to an as needed basis, and minimizing travel expenses during the period from July 1, 2000 to March 31, 2001.

The Center is seeking additional funding from Orange County for general operating expenses. In the past, Orange County contributed funds toward the construction of the currently occupied facility, and for general operating

expenses. Presently, Orange County leases office and studio space for Orange TV from Orlando Science Center, Inc., for approximately \$5,766 per month.

**Scope, Objectives,  
and Methodology**

Our review was limited to a review of internal controls over cash, investments, operating revenues, human resources, payroll, and operating expenses for the period July 1, 2000 to March 31, 2001.

The objectives of our audit were to:

- A) Determine the existence and adequacy of controls over cash and investments.
- B) Determine that recorded revenue collection and accounting procedures are appropriate and adequate.
- C) Determine the existence, adequacy, and implementation of appropriate human resource management practices.
- D) Determine if payroll expenses were appropriately authorized, accurately calculated, properly recorded, and made to bona fide employees.
- E) Determine the reasonableness and necessity of operating expenses recorded in the audit period.

To determine the existence and adequacy of controls over cash and investments, we interviewed staff to gain an understanding of existing procedures and controls. We reviewed written procedures, supporting documentation for recorded cash transactions, entries to the general ledger accounts, bank statements, account reconciliation procedures, physical access to cash and investment assets, and banking service arrangements.

To determine that revenue collection and accounting procedures are appropriate and adequate, we reviewed cash collection procedures and observed the operation of cash registers at admissions, member services, the Science Store, and Café. A judgmental sample of recorded sales and receipts of those locations, in addition to those from

special events, was tested to ensure the transactions were appropriately supported and accurately recorded.

To determine the existence and adequacy of human resource management practices, we interviewed staff regarding procedures and examined the procedures related to hiring, the award of compensation and benefits, and terminations/resignations. We selected a sample of employees and reviewed documentation presented relating to an individual's job qualifications, performance evaluations, compensation, and benefits awarded and/or selected.

To determine that payroll expenditures were appropriately authorized, accurately calculated, properly recorded, and made to bona fide employees, we selected a judgmental sample of disbursements drawn from the population of recorded payroll disbursements and reviewed the associated time records, personnel action forms, and other supporting documents. We also observed and met employees selected in the sample. Bank statements and returned cancelled checks were scanned for amounts, dates, payee names, and endorsements.

To determine the reasonableness and necessity of operating expenditures recorded in the audit period, we reviewed the interim financial reports as of March 31, 2001 and compared actual amounts to budget amounts. Any large variance was investigated to determine cause. Judgmental samples of disbursements from the operating bank account and from petty cash funds were selected. Supporting documentation for the disbursements sampled was reviewed to ensure proper authorization, utilization of appropriate competitive procurement practices (except for requests for proposals), and proper documented receipt of goods and services before payment was made.

We did not conduct a financial audit of the interim financial reports. The Orlando Science Center operates with a fiscal year ending on June 30. An annual financial audit is performed by a Certified Public Accountant.



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## INTRODUCTION



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Due to the limited scope of this review, we did not review the Orlando Science Center's compliance with grants or agreements with other governmental agencies, corporations or individuals, except for the Cultural Endowment State Matching Share grant. We did not determine the reasonableness or adequacy of the various fees charged for admissions, memberships, or participation in Orlando Science Center activities, and we did not review inventory costing or retail pricing practices of the retail concessions (store and restaurant). We did not review the appropriateness or reasonableness of the percentage of government versus private contributions. We did not conduct a detailed review of actual operating results or viability of the Center's business plan, or analyze the effectiveness of marketing by comparing advertising and marketing expenditures to attendance performance measures.

## Overall Evaluation

In our opinion, the internal controls of Orlando Science Center, Inc. were adequate over point-of-sales revenue collection and expenses. Additionally, it is our opinion that controls over investments were adequate except for those related to the Cultural Endowment Program Fund. However, in our opinion, internal controls over cash, human resources, and payroll were not adequate. Improvements are needed as noted in this report.

# RECOMMENDATIONS FOR IMPROVEMENT

**1. Incompatible Functions Should Be Segregated**

A good system of internal control is designed to safeguard assets and assist in the identification of errors, omissions, or loss whether by mistake or intent. A fundamental concept of good control provides for a proper segregation of certain incompatible accounting functions. Responsibilities for actual custody of assets, and the responsibility for recording and reporting of asset transactions should be separated between individuals.

We noted areas where senior management and staff were performing incompatible accounting functions. During the review period, the Chief Financial Officer and Controller had extensive access and administrative rights to all general ledger software applications and transactions, in addition to the custody of cash assets, disbursement authority, and reconciliation responsibilities. Specifically, we noted:

- A) Mail receipts for programs and events were received in the various departments sponsoring the events and then taken to the Controller for recording and deposit. The various departments that received mail receipts did not maintain mail logs, and no transfer receipts were prepared to establish chain of custody for the cash receipts.
- B) The Chief Financial Officer and Controller are responsible for preparing all bank deposits (including deposits of monies received in the mail) and cashiers' register banks/change funds.
- C) Receipts are not deposited intact daily. Bank courier service or Finance staff is used to transport the deposits.
- D) There are no daily reconciliations of remaining cash on hand to recorded receipts and subsequent deposits. Multiple days worth of change funds for the various cash registers (cash registers' banks) were maintained on-site. It appeared that cash on hand

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## RECOMMENDATIONS FOR IMPROVEMENT



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exceeded the daily amount needed for cashiers' register banks/change funds.

- E) Bank statements are directly received by the bank reconciler. Returned cancelled checks, deposit slips and bank advice memos were not routinely reviewed or sequentially filed. This is needed to ensure that endorsements are appropriate, and the amount or payee section of the check was not altered. Sequential filing of returned checks provides accountability of check stock use.
- F) The bank reconciliations prepared by the Controller and CFO did not evidence review by another individual. As a control, bank reconciliations are most effective when prepared or reviewed by an individual who does not have access to cash or investment assets and does not have the ability to update receipt and disbursement records.
- G) The Chief Financial Officer and Controller, in addition to the Chief Executive Officer are signatories on the commercial bank accounts maintained for the organization, as well as the trust accounts. Signed checks are mailed by these individuals or returned for mailing to the accounting clerk who prepared them.
- H) Our scan of cancelled checks for general disbursements noted few checks signed by the Chief Executive Officer. The Chief Financial Officer or the Controller (or both if the amounts were over \$1,000) signed the majority of checks issued.
- I) The Chief Financial Officer and Controller are responsible for preparing and posting all entries to the general ledger. The entries reviewed did not evidence review or approval. Standard entries for recurring transactions (i.e. payroll) were not utilized. We noted minor discrepancies between posted entries and supporting documentation in addition to entries posted to the wrong accounts. These errors may have been identified and corrected if the entries

had been reviewed or if standardized entries were utilized to record transactions of a recurring nature.

In view of the current limited staffing levels and current size of the accounting staff, we acknowledge that such conditions prohibit complete adherence to the fundamental concept of separation of incompatible accounting functions. However, we believe the following recommendations for improvement could be implemented to enhance existing controls without impairing efficiency.

**We Recommend** that the Center's management implements procedures to separate the responsibilities for custody of cash assets from the recording and reconciling of cash asset accounts. The procedures should include the following:

- A) All mail should be opened by an employee not responsible for accounting, such as a receptionist or administrative aide. Mailed cash receipts should be logged. The prepared receipts journal/log, supplemented by remittance advices and/or order forms, should be forwarded to accounting staff for posting to the general ledger and to the appropriate department for posting to detailed subsidiary customer/donor records. Transfer of custody of the mailed receipts should be documented.
- B) Daily sales receipts should be deposited intact. An employee not responsible for recording cash accounting entries should prepare cash receipts and ensure the deposit is transported to the bank. Acknowledging that many cashiers' banks/drawers need to be consolidated daily, we suggest that the task be assigned to an individual who is a lead clerk and/or departmental manager for admissions, store or café areas.
- C) Bank courier pick-ups or alternative depositing methods should occur daily.
- D) Cash on hand for use as cashiers' register banks/change funds should be minimized.

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## RECOMMENDATIONS FOR IMPROVEMENT



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- E) Bank statements, cancelled checks, and appropriate advices (bank debit and credit memos) should be received by someone other than employees maintaining cash records. Such items should be periodically reviewed prior to turning them over for reconciliation. Unusual items noted during the review should be investigated and resolved. In addition, all returned cancelled checks together with voided checks in custody should be sequentially filed to account for the uses of all check stock.
- F) Bank reconciliations should evidence, by signature and date, the review and approval by a member of senior management or someone other than the preparer.
- G) Checks should be mailed immediately upon signing without allowing the checks' return to the individual responsible for accounts payable, payroll preparation, and/or bank reconciliation.
- H) Individuals granted authority to transfer/withdrawal and sign checks should not have access to financial records and blank check stock.
- I) Journal entries to the general ledger should be reviewed and approved. An individual other than the one who prepares and posts the entry should evidence such approval. Approved standardized entries should be utilized to enter recurring types of transactions such as payroll related entries.

### **Management's Response:**

- A) Partially Concur. OSC does not have a mail clerk whose sole function is to open, log and distribute mail. Currently, some, but not all, departments, which receive mail receipts, prepare a receipts journal/log. By July 1, 2001, all departments that receive mail receipts will be required to prepare a receipts journal/log supplemented by remittance advices,

which will be forwarded to the accounting department for posting. The mailed receipts will be deposited in drop safes.

- B) Partially Concur. OSC will resume tracking and recording each individual cash register bank dropped in the drop safe, and will make daily reconciliations so there is a clear audit trail from the issuance of each cash register bank to the deposit.

OSC normally schedules staff from other areas to prepare deposits and cashiers' banks. There have been times when finance personnel prepared bank deposits, due to a shortage of other staff available to carry out the function. OSC has a bank courier service, which we are now using exclusively to transport all deposits.

- C) Partially Concur. OSC presently has a bank courier service twice a week and will consider increasing the frequency of such service.

- D) Concur. OSC will require, effective July 1, the daily reconciliation of cash on hand, and of cash flowing into and out of cash inventory. This will minimize the amount of cash needed for cashiers' register banks and change funds. This is the procedure that was standard at OSC prior to staff reductions. More frequent pick-ups by bank courier service will also tend to minimize cash on hand.

- E) Concur. When staff was reduced, duties were reassigned to existing staff, and some tasks had to be eliminated. Effective July 1, 2001, OSC has budgeted to hire additional personnel so that segregation of duties between receipt and reconciliation of bank statements and maintenance of cash records can be achieved. Further, cancelled checks will be filed sequentially. All of these procedures were standard at OSC prior to staff reductions.

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## RECOMMENDATIONS FOR IMPROVEMENT



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- F) Concur. Effective immediately, the CFO will review and sign off on bank reconciliations, which are done by the Controller. This had been standard procedure prior to staff reductions.
- G) Concur. OSC has already changed signatories. Only the CEO and CFO are signatories; checks are immediately being mailed out by an individual independent from the check originating function or the bank account reconciler.
- H) Partially Concur. OSC has already taken the Controller off the signatory function, effective June 1, 2001. Neither of the current signatories (CEO and CFO), has access to blank check stock. However, OSC cannot eliminate the CFO's access to all financial records.
- I) Concur. The Controller is responsible for preparing and posting all entries to the general ledger. Effective July 1, 2001, the CFO will review and approve all journal entries, documenting such approvals with his signed initials, and will initiate use of standardized entries. In the event that the CFO is the originator of a journal entry, such entry will be reviewed and approved by a member of the Finance Committee of the Board of Trustees.

### **2. Cash Controls Should Be Improved**

The Center utilizes several general ledger accounts to record cash in banks and on hand. Four bank checking accounts are utilized as an operating account, payroll account, insurance premium/claims account, and pledge account. Cash on hand is recorded in the "Petty Cash Operations" account and the "Cash Inventory" account. In addition to the controls mentioned in the previous Recommendation for Improvement, additional controls over cash are needed for conditions noted below:



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## RECOMMENDATIONS FOR IMPROVEMENT



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- A) The Center, during the review period, did not maintain daily records and/or make routine counts of cash on hand to reconcile recorded amounts to actual. The “Cash Inventory” account records cash on hand, that is cash receipts not yet deposited from admissions, memberships, store and café sales, in addition to the cashiers’ register bank/change funds. Undeposited mailed receipts for special events, grants and/or donor contributions are normally not recorded through entries to the “Cash Inventory” account. As previously noted, cash receipts are not deposited intact and daily. All cash transactions from admissions, membership, store, and café operations are recorded and posted in summarized monthly journal entries. We reviewed certain general ledger entries made to record bank debit/credit memos for deposit shortages/overages noted by the bank. These entries recorded shortages, not as a contra revenue overage/shortage account, but as an offsetting reduction in a cash in bank account and increase in cash inventory. No evidence was provided to indicate that appropriate investigation of the shortage had been made. We were unable to determine if noted deposit shortages were true shortages of cash also missing from the “Cash Inventory” account. It was noted that the cash storage location appears secure with adequate physical security measures in place.

The Controller is responsible for preparing the bank reconciliations of the four checking accounts utilized by the Center. The bank statement for the operating checking account is reconciled to the related general ledger account on a monthly basis. However, although requested, we were not provided with reconciliation as of March 31, 2001, for the other three checking accounts (titled as Payroll Account, Pledge Account, and NSF Account). The Chief Financial Officer and Controller stated that, with the limited staff and increased responsibilities, those three checking accounts were not reconciled on a monthly basis. Timely reconciliation of cash accounts

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## RECOMMENDATIONS FOR IMPROVEMENT



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to bank statements and physical counts is necessary to ensure complete and accurate accounting records are maintained and to assist in detection of errors and omissions.

- B) Cash disbursements for expenditures were noted as made from the "Cash Inventory" account (cash on hand from daily receipts and change funds) rather than through issuance of a check. We noted one cash purchase of surveillance cameras (for the cash storage area) and several reimbursements to petty cash funds were made from the "Cash Inventory" account rather than a check made payable to the petty cash fund custodian. Expenditures should not be made out of cash receipts and/or cashiers' register banks/change funds. Accountability for all monies received and disbursed is diminished when cash purchases are made out of funds not yet deposited and/or recorded.
- C) The NSF (National Science Foundation) Account is a zero balance checking account, used to make monthly premium payments to an employee benefits provider. Our review of cash transfers between the Operating and NSF bank accounts revealed that, after September 2000, detailed transfer activity between the two bank accounts was no longer recorded in the general ledger asset accounts established for the separate bank accounts. The general ledger should record all banking activity including transfers between bank accounts. Although the recorded cash in bank balance is not affected by the lack of detailed entries for each banking transaction, controls would be improved and reconciliation procedures simplified if entries for all bank transfers were made to the separate general ledger cash in bank accounts.
- D) We noted small unidentified differences between the bank balances and the general ledger account in the Operating Account's monthly reconciliation. It is important that all cash accounts are reconciled simultaneously to provide adequate control. Timely

reconciliation of all cash is needed to ensure that all receipts and all banking activity is reported accurately. Unreconciled differences that appear immaterial can obscure significant but offsetting items (such as bank errors or improperly recorded transactions) that would be cause for investigation if the individual items were apparent. Over time, small differences that are not reconciled on a monthly basis may accumulate to a significant amount that will be difficult to reconcile.

Cash receipts from admissions and memberships, the Science Store, and Café are primary sources of revenues for the operation of the Center. Controls to safeguard cash assets must continue to be a primary concern of management.

**We Recommend** that the Center's management implements cash control procedures that include the following:

- A) Monthly reconciliation of all general ledger cash accounts to bank statements and documented physical counts.
- B) All disbursements should be made by check or from established imprest petty cash funds. Cash receipts and cash on hand should not be used to provide for cash disbursements or reimbursements of imprest petty cash funds.
- C) Bank transfers between accounts should be recorded in the detailed general ledger accounts established for the separate bank accounts.
- D) After documenting reasonable efforts of investigation, appropriate general ledger entries should be prepared and approved to record and track any unresolved, unidentified differences between the bank reconciled balance and the general ledger balance.

**Management's Response:**

- A) Concur. When staff was reduced, the heavy workload for remaining staff caused a reduction in frequency and/or delay of some formerly routine processes. OSC is in the process of hiring the personnel necessary to resume monthly reconciliations of all general ledger cash accounts to bank statements and to documented physical counts in a timely manner, as had been done routinely prior to the reduction in staff.
- B) Concur. The County Auditor's recommendation has already been implemented.
- C) Concur. All entries required are now recorded, even if the bank balances are not affected. This had been standard procedure prior to staff reduction.
- D) Concur. OSC is already in process of implementing the recommendation, which had been standard practice before staff reductions.

**3. Endowment Funds Should Be Invested In Accordance with the Investment Plan and Policy**

The Center, utilizes three trust accounts and one interest bearing checking account with SunTrust Bank to invest certain endowments and pledge contributions received from government agencies, corporate, and private contributors.

In 1998, the Center received \$240,000 from the State of Florida as a Cultural Endowment State Matching Share grant (END-2891) requiring a combined total endowment of \$600,000 (\$360,000 match for other funds) to be established in a "Cultural Endowment Program Trust Fund". Various restrictions were placed upon the fund, including the expenditure of earnings and the maintaining of, at a minimum, the \$600,000 principal. The agreement includes in paragraph 15 (d), a provision that the \$240,000 will revert to the State if the Center willfully expends a portion of the \$600,000 endowment principal.

This agreement with the State of Florida required the OSC to attach an investment plan for the monies held in the Cultural Endowment Program Fund. This plan requires that, “funds shall be managed in a manner responsive to the public’s trust and consistent with the direction from the Florida Department of State, Division of Cultural Affairs.” The objectives as stated in this plan are as follows:

- The preservation and protection of the capital value of each program fund shall be the primary goal of this investment plan.
- OSC, as Trustee, shall at all times preserve the principal amount of each Cultural Endowment Program Fund and shall maximize current income through the use of investment quality fixed income instruments.
- OSC shall ensure that the market value for each of OSC’s Cultural Endowment Program Funds shall be maintained at no less than \$600,000.

The Center co-mingled in a single trust account the principal and proceeds of the original cultural fund and the principal and proceeds of other contributions earmarked for the construction and debt service associated with the current facilities. In December 2000, the Chief Financial Officer placed the Cultural Endowment Program Fund in a separate trust account.

In 1996, before the execution of the agreement with the State, the Board of Trustees Finance Committee and Investment Committee amended the “Endowment Investment Policy” (originally adopted in 1994), which provides for the portfolio goals (asset mix) and allows for additional types of investment instruments less conservative than the specific requirements established for the Cultural Endowment Program Fund. This older policy allows funds to be invested in equities and fixed income securities with a portfolio goal of a 65 percent equities to 35 percent fixed income securities mix, but requires that fixed income

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investments not fall below 25 percent or rise above 40 percent.

Based on the above, we note the following concerns:

- A) The Cultural Endowment Program Fund does not have a balance of \$600,000. We were informed that amounts needed to bring the fund up to \$600,000 are included in the OSC Endowment fund. Endowment funds should be held in separate trust funds. Specifically, the Cultural Endowment Program Fund should include the original \$240,000 state grant and \$360,000 matching fund.
- B) Investments, taken as a whole do not comply with either of the two investment policies. All monies invested in the Cultural Endowment Program Trust are invested in fixed investments.

Security Type	Cultural Endowment Account*	Endowment Fund Account*	Percentage Of Endowment Fund Account
Fixed Income	\$271,455	\$179,658	31%
Bonds	0	\$85,213	15%
Equities (including stocks and mutual funds)	0	\$311,336	54%
Total	\$271,455	\$576,207	100%

\* - March 31, 2001 values at cost, taken from detailed monthly statements provided by custodial bank

Based on the above chart, if all the fixed income funds in the Endowment Fund were transferred to the Cultural Endowment Program Fund, there would be no fixed income securities in the Endowment Fund. Then the Endowment Fund would not comply with the investment policy, (which requires a 35 percent investment in fixed income instruments). Further, the Cultural Endowment Program Fund would still not have the minimum of \$600,000 invested in conservative instruments (at that point only \$451,113). In that scenario, additional funds would

need to be transferred from either the sale of equities and/or bonds.

During our review of investments, we informed the Center's management of our concerns related to the established endowment trust accounts. Subsequent to our notification, management reported that instructions were given to the Trust managers at the custodial bank to transfer appropriate assets to the Cultural Endowment Program Fund in order to comply with the State endowment agreement. The Center's management reports that asset transfers are in process.

**We Recommend** that the Center's management maintains the required minimum balance of \$600,000 invested in appropriate instruments for the Cultural Endowment Program Fund to comply with the requirements of the State endowment agreement. After this investment amount is achieved, the OSC should reposition its endowment assets to ensure each investment account complies with applicable investment policies.

**Management's Response:**

Partially Concur. OSC has always strived to protect and preserve the capital value of all its funds. We have for many years retained the services of an outside trust department to manage our investments for both growth and preservation of principal. We have directed our trust manager to transfer assets by June 29, 2001 in appropriate ratios that will bring asset allocation to the levels which the County Auditor interprets as being in keeping with the intent of the Cultural Endowment Program Fund agreement and which comply with OSC's endowment policies.

**4. Written Banking Service Agreements Should Be Obtained**

The Center obtains all banking services from one qualified public depository bank. The bank has been used by the Center for many years and provides services for four checking accounts, three trust accounts, in addition to

holding a line of credit and note. Although requested, we were not provided with a written agreement evidencing the terms and conditions for the provision of certain services and the associated fees. Written agreements assist in reducing questions regarding the basis and assessment of various fees. In the past, the Center did not competitively solicit banking services. Competitively soliciting services provides assurance of receiving the best services for the best price.

**We Recommend** that the Center's management solicits proposals for banking services to ensure the best services at the best price are obtained. Executed written agreements of services should be retained evidencing the agreement.

**Management's Response:**

Concur. Several years ago banking services were competitively solicited and SunTrust was awarded the account. We have obtained a current fee schedule and now have on file the written agreement, which was executed in 1995.

**5. Documentation of Human Resource Activities and Payroll Actions Should Be Improved**

A review of the employee hiring, promotion, termination, and resignation processes and other personnel and payroll functions revealed the following:

- A) Insufficient documentation was noted in a review of documents maintained for ten new hires in the audit period as noted below:
- Employee hiring requisitions were not used during the audit period for any of the positions tested. Employee requisitions justify and authorize the hiring of employees;
  - Employment applications were not on file in three instances;



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- There was no evidence that information contained in six applications was verified; and
- In all ten instances, there were no interview/selection worksheets to show that the best candidate was employed.

Good personnel practices require adequate documentation of the hiring process. Verification of candidates' qualifications and references assists in assuring selection of the best qualified candidate. Without adequate documentation, the Center may not be able to support equal opportunity employment practices.

B) Documents to support compensation and benefits awarded to employees were not maintained as noted:

- Personnel Action Forms (Gold Sheets) used to support payroll data of authorized position, wage rate, and effective dates were not found for nine percent of employee disbursements tested (3 of 34).
- Forty-one percent (7 of 17) personnel records reviewed did not contain employee signed authorizations for pay deductions taken from the employees' wages.

Proper documentation of personnel/payroll actions reduces the risk of individuals contesting compensation and/or deductions required for elected benefits coverage. The risk that errors and omissions may occur and remain undetected increases without adequate documentation of employee authorized deductions.

C) Approximately 20 percent of payroll/personnel records reviewed did not contain appropriate documentation or forms required by the Internal Revenue Service, Immigration and Naturalization Service and Social Security Administration to be maintained by

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employers. These agencies may assess penalties if proper forms are not maintained.

D) Insufficient documentation was noted in a review of records maintained for a sample of five terminated employees as described below:

- There was no written evidence that an exit interview was conducted for any of the five terminated employees. Good personnel practices include an exit interview with terminated employees particularly in a climate of high staff turnover. As noted previously, there was continued reduction in staff due to budgetary constraints. An exit interview is a useful tool to help improve operations.
- Four of the five terminated employees' records did not contain a letter of resignation, or supervisors' notification of position abandonment.
- Final timesheets or record of final payout for the five terminated employees could not be determined or located. As a result, we could not verify the accuracy of the final hours worked and the corresponding final salary payments.

**We Recommend** that the Center's management ensures that:

- A) The hiring process is adequately documented by maintaining position requisitions, employee applications, applicant interview/selection worksheets, and evidence of background and experience verification.
- B) Compensation and benefits are appropriately supported by:

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- Personnel Action Forms completed and retained for all personnel/pay actions.
  - Employee signed deduction authorizations for all pay deductions.
- C) Employee informational forms as required by various Federal agencies to support employment eligibility and tax withholdings are obtained and maintained.
- D) Resignation/termination procedures document:
- Exit interviews conducted where appropriate.
  - Final time sheets and final compensation agreements executed.

### **Management's Response:**

- A) Concur. Effective July 1, 2001, OSC has budgeted for a part-time human resource clerk to assist with keeping personnel records complete and filing up to date. In May, 2001, OSC implemented a "new hire checklist" of 23 steps and a "termination checklist" of 16 steps, which will assure that hiring requisitions, employment applications, applicant interview/selection worksheets, evidence of background and experience verification, etc. are all completed and filed in each individual personnel file.
- B) Concur. OSC's policy is to require completed Personnel Action Forms to support all personnel/pay actions, and to retain and file signed authorizations from employees for all deductions from pay. A review of all personnel files is currently underway to assure that such forms are on file for all employees. The review will be completed by July 1.
- C) Concur. OSC is currently reviewing all personnel files to assure that all required forms are complete and on file. The review will be completed by July 1.

- D) Effective immediately OSC will ensure that exit interviews are completed for each employee upon resignation or termination and that final time sheets and/or final compensation agreements are completed and filed appropriately.

**6. Employee Performance Evaluations Should Be Performed Annually**

Personnel performance evaluations were not completed in the audit period. We were informed that none were prepared or provided for the past two years. Performance evaluations are an appropriate method for management to assess employees' effectiveness and efficiency at their position. Evaluations also assist staff in developing career/position goals and skills enhancement. Timely performance evaluations are essential for good human resource management.

**We Recommend** that appropriate supervisory personnel provide each employee an annual performance evaluation.

**Management's Response:**

Concur. As part of the annual process of developing the business plan and budget, department heads create annual departmental goals and objectives, and individual employees work with their supervisors to create individual annual objectives, which support the overall plan. These objectives are periodically reviewed with employees and have formed the basis of informal evaluations. OSC has committed to developing a more formal process of staff evaluation during the next fiscal year.

**7. A Pay Plan and Criteria for Granting Pay Increases Should Be Developed and Established**

The Center does not have written guidelines for the administration of employee wages.

- A) The Center does not have an adopted pay plan. Although the annually adopted budget does include information related to the total number of authorized positions and the related salary expense related to the positions, a separate pay plan has not been maintained. A pay plan assists the organization in providing consistency in compensation awards by linking the award to levels established based on position value, skills, and responsibilities. Pay plans normally encompass all aspects of compensation from the establishment of entry level offers to average “market value” levels and maximum compensation paid for a position, to management of pay increases based upon performance of both the individual employee and the organization.
  
- B) Written guidelines for pay increases have not been established. Such guidelines are needed to describe the plan, provide eligibility criteria, and the rate and basis of the increase. We noted that sixty-two percent of the pay increases reviewed did not contain support for the criteria considered in granting the wage increase (16 of 26 sampled individuals). Often the personnel action form documenting the pay increase only noted “promotion”, “bring to market”, or “change in duties”.
  
- C) We noted in one instance an employee was provided additional compensation based upon certain performance measures met. This pay was based on a verbal agreement and an unsigned memorandum. A formal compensation agreement was not executed. Written agreements confirm the understanding of compensation and pay increases between the employee and management.

**We Recommend** that the Center’s management establishes an annual pay plan and provides written guidelines for the administration of all compensation elements including pay increases. Additional compensation granted outside of the pay plan should be formalized by a written agreement executed by the Chief Executive Officer.

**Management's Response:**

Concur. The Center does have a pay plan, which places every position into a salary grade structure. It is based on national science museum/center industry salary surveys and local comparable salary surveys. It provides a minimum, 25<sup>th</sup> quartile, midpoint, 75<sup>th</sup> quartile, and maximum pay for each position. This pay plan was used from 1994 – 1999; with the extensive reorganization and downsizing that has occurred over the past two years, the plan is now out-of-date. Revisions will be complete by July 1, 2001. Written guidelines are already part of OSC's employee handbook, including provisions for the CEO to approve additional compensation outside of such pay guidelines. These guidelines are currently being reviewed to ensure that pay increase guidelines conform to OSC's annual budgeting process.

**8. Employee Attendance Should Be Properly Documented**

Although required by the Center's policies, twelve percent (\$3,543 of \$28,473) of employees' pay disbursements tested did not have documented support of the dates and hours worked, or of the employees' and supervisors' approval of reported hours. All of the instances were associated with manually prepared paychecks. Many of the individuals noted were exempt employees who did not utilize the timekeeping software application. Other instances related to hourly personnel receiving pay for additional hours not recorded through the timekeeping software application. Our review indicates that manual checks were issued based upon a supervisor's e-mail notification or memorandum to payroll of the net correction required (as in additional total wage or hours unreported).

Detailed time records for exempt employees provide management with information regarding the time efforts of the employee in performing their exempt position. This can be used in determining compensation levels or needs for additional positions in support of the employee. Non-exempt

(hourly) employees should have time records of dates and hours, authorized by the appropriate supervisor, before payment is issued. Proper payment can not be verified without such detailed time records.

**We Recommend** that the Center's management ensures that appropriate detailed time records are maintained to support all payments to all employees.

**Management's Response:**

Concur. OSC does require proper management approval of all payments to employees. However, our filing of such documentation has fallen behind because of staff reductions. A new full time payroll clerk was hired in early June, who will be responsible for keeping such records up to date.

**9. Documentation of Procurement and Payment Procedures Should Be Improved**

The Center's purchasing function is decentralized. Personnel in their respective departments complete purchase orders on blank stock issued from the Finance Department. We noted the following in our review of written procedures and a sample of 25 checks issued in the audit period for payment of 43 invoices:

- A) The existing written policies provide for the responsible staff purchaser to investigate costs and submit written evidence of alternative quotes or prices obtained. Our review of the vendor history and disbursement files did not reveal such documentation of competitive pricing received prior to the issuance of the purchase order. Price quotes should be retained to document and ensure that goods and services were procured at competitive prices.
- B) The Controller and Chief Financial Officer have the highest level of authorization for purchase orders and payment release, and were also the check signers in the review period. Separation of responsibilities for

procurement authorization and vendor selection helps ensure competitive pricing is received, and the best goods or services are received for the best price. Independently documenting actual receipt of goods and services prior to payment provides verification that the goods and services obtained were received by the Center for valid purposes. Appropriate review and approval of purchase orders and all invoices should be noted on the supporting documents together with the cancellation of the invoice to ensure that expenditures serve a valid purpose, are authorized, and invoiced amounts agree to the purchase order or contract. We noted the following:

- In reviewing a sample of paid invoices, five percent (2 of 40) did not contain appropriate signatures evidencing prior approval of the related purchase.
  - Individuals independent of the Finance Department did not evidence the receipt of goods and services in 47 percent (18 of 38) of paid invoices reviewed.
- C) We noted that in 22 percent (6 of 27) of the applicable reviewed invoices from the audit period, the goods or services were received prior to the date of the purchase orders. We were unable to determine if the goods or services were received prior to payment in fifteen percent (6 of 40) of the reviewed invoices because receiving dates were not noted. Evidence of receipt is used to verify that actual items and services received are in the proper quantities and quality (condition) to initiate payment. Properly approved purchase orders and evidence of receipt of goods and services before payment are essential control procedures to reduce the risk of unauthorized purchase and payment for goods and services.



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**We Recommend** that the Center's management implements procedures to document compliance with existing policies and procedures to ensure:

- A) Appropriate competitive procurement procedures are followed and documented.
- B) Purchase orders are properly authorized and issued prior to placing the order and actual receipt of the goods or services.
- C) Receipts of goods and services are appropriately documented and evidence retained.

**Management's Response:**

- A) Concur. OSC's normal purchasing practice is to solicit alternative quotes or prices. However, after the vendor has been selected we have not retained the quotes from the vendors not selected. As of July 1, 2001 we will retain old quotes on all major or reoccurring items.
- B) Concur. OSC's standard procedure for all expenditures requires a pre-approved purchase order, except in those instances in which OSC has previously executed a signed contract or the purchase is for utilities.
- C) Concur. It is OSC's policy to document receipt of goods or services by either a packing receipt or the signed goldenrod copy of the purchase order.

Appendix –  
Management's Supplemental Response



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June 25, 2001

Martha O. Haynie, CPA  
County Comptroller  
109 E. Church Street  
Suite 220  
Orlando, FL 32801

Hand Delivery

Dear Comptroller Haynie,

The Orlando Science Center has reviewed the findings and recommendations of the County's audit staff. Our responses are attached hereto. The report included a number of useful recommendations, which OSC is currently implementing.

In addition to our specific responses to specific recommendations, however, we note the following important points:


- The Orlando Science Center has extensive budgeting and monitoring controls which routinely include daily review of earned revenue results by senior management; monthly review of operating results by senior management, the CFO, the CEO, the Finance Committee of the Board of Trustees and the full Board; and an annual audit by an independent certified public accounting firm. We believe these supervisory controls serve to mitigate, to an extent, weaknesses identified regarding segregation of duties.
- The OSC during the past year had an accounting staff of only three, which included the CFO, Controller, and an Accounts Payable/Payroll clerk. Full segregation of duties under such a scenario is difficult as a practical matter. For the coming fiscal year, accounting staff has been increased by at least one additional position, which will augment OSC's ability to segregate duties more fully. Further, the Board Treasurer, the Finance

Committee Chair and members of the Finance Committee stand ready to accept additional responsibilities to ensure that segregation of duties is adequate.

- OSC will complete its current fiscal year, ending June 30, 2001, in the black after experiencing a more than one million dollar deficit in the prior year. This achievement is clear evidence of the effectiveness and commitment to fiscal responsibility of OSC's management team and Board of Trustees.

We appreciate the time and energy expended by County staff in conducting this audit and we appreciate the opportunity to comment.

Sincerely,



Kim L. Cavendish  
President/CEO



Rick Cloyd  
Chairman, Board of Trustees

Cc: J. Carl Smith, Director  
County Audit Division