

**Cash Handling Follow-Up Audit  
February 2008**

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City Auditor's Office

February 15, 2008

Honorable Mayor and Members of the City Council:

I am pleased to present the City Auditor's Office's follow-up on the Cash Handling Audit report released in June 2007. The purpose of the follow-up was to determine the implementation status of prior audit recommendations.

Our follow-up audit results indicate that management fully implemented 16 of the 24 prior audit recommendations, while partially implementing four. The remaining four recommendations were not implemented, one of which management indicated would not be implemented until September 2008.

We would like to thank management for cooperating with and assisting the City Auditor's Office during this project.

A handwritten signature in black ink that reads 'Patrice Randle'.

Patrice Randle, CPA  
City Auditor

- c: Jim Holgersson, City Manager
- Fiona Allen, Deputy City Manager
- Gilbert Perales, Deputy City Manager
- Trey Yelverton, Deputy City Manager
- Robert Byrd, Interim Deputy City Manager
- All Department Heads

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# Cash Handling Follow-Up



Office of the City Auditor

Patrice Randle, CPA  
City Auditor

Project #08-03

February 15, 2008

## *Executive Summary*

### **The City Auditor's Office reviewed cash handling activities during FY 2007**

#### ***Fully Implemented***

- *Strengthened cash handling policy*
- *Uniform manual cash receipts*
- *Revised petty cash and change funds*
- *Mandatory training requirements*

#### ***Partially Implemented***

- *Required usage of City issued manual receipts*
- *Customer refunds from petty cash*
- *Verification of collections prior to deposit*

#### ***Not Implemented***

- *Credit card receipts*
- *Deposit preparations within recreation centers*
- *Utilization of closest deposit drop-off locations*
- *Collection of liquor license fees*

As part of the 2008 Audit Plan, the City Auditor's Office has completed a follow up to the June 15, 2007 Cash Handling Audit. The follow-up audit was conducted in accordance with generally accepted government auditing standards, except for peer review. The objective of this follow-up audit was to determine the status of prior audit recommendations.

Management concurred with 22 of the 24 initial audit recommendations. Of the remaining two recommendations, management partially agreed with one and disagreed with the other.

Audit tests indicate that departments are now using bound, pre-numbered manual cash receipt booklets issued and tracked by the Financial Services Department. Petty cash and change funds have been reviewed and appropriate changes made. Also, reimbursements were obtained for temporary income benefit (TIB) checks made payable to two former city employees, totaling \$3,827.25. The Financial Services Department has begun monitoring bank deposits for timeliness, and is developing a mandatory cash handling training class.

The City Auditor's Office noted that while improvements have been made, not all recommendations have been implemented.

- TIB checks are still not being processed in a timely manner
- The expiration date and all but the last four digits of credit card numbers are still not truncated
- Policy change concerning the physical transport of money has not been made
- Cash collections and bank deposit verifications were not documented

These issues are discussed in the Status of Prior Audit Recommendations section of this report. Additional weaknesses noted are discussed at the end of the report.

## *Audit Scope and Methodology*

The City Auditor's Office reviewed cash handling activities from September 2007 through December 2007. The following methodology was used in completing the audit:

- Reviewed updated cash handling policy and procedures
- Interviewed staff within cash handling departments
- Examined new cash handling processes
- Reviewed and reconciled cash reports and receipts to deposits
- Observed the use and retention of manual cash receipts
- Assessed changes made to petty cash and change funds

## ***Status of Prior Audit Recommendations***

### **Prior Audit Recommendation:**

The Financial Services Director should enforce its requirement that all monies received on behalf of the City and manually recorded, be recorded onto pre-numbered receipts that have been issued by the Financial Services Department. Manual cash receipts from anywhere other than the Financial Services Department should be prohibited.

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

*Treasury has developed pre-numbered receipts in bound booklet form. All departments will be required to use the new receipt booklets. No other receipt forms will be allowed except those issued by Treasury. Treasury will audit periodically to ensure compliance.*

*Target Date: July 15, 2007*

*Responsibility: Anna Mosqueda, Financial Services Director  
Paulette Uzee, Treasury Analyst*

### **Implementation Status:**

Partially Implemented. The City's cash handling policy has been revised to prohibit the use of manual cash receipts issued from anywhere other than the Financial Services Department. At the time of this audit, all but three departments that collect money on behalf of the City had been issued receipt booklets from the Financial Services Department. Those three departments were: Traffic Engineering (a division of Public Works), the Municipal Court, and the Workforce Services Department. While the Municipal Court issues system-generated cash receipts, manual cash receipts would be used in the event of a system failure. These departments have since obtained manual cash receipt booklets from the Financial Services Department.

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### **Prior Audit Recommendation:**

The Financial Services Director should require that the Financial Services Department track the numerical sequencing of cash receipts issued to user departments.

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

*Treasury has developed and instituted a log sheet to track the numerical sequencing of cash receipt books issued to user departments. The log will be maintained by Financial Services Administrative Aide.*

*Target Date: Completed*

*Responsibility: Anna Mosqueda, Financial Services Director  
Paulette Uzee, Treasury Analyst*

**Implementation Status:**

Fully Implemented. The Financial Services Department has instituted a cash receipt book log sheet on which they track the numerical sequencing of receipt booklets issued to user departments.

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**Prior Audit Recommendation:**

The Financial Services Director should require that Department Heads ensure that:

- all manual cash receipts are properly accounted for;
- at least one receipt copy is retained in a cash receipt book; and,
- receipt books are retained as required by the State's records retention law.

**Management's Response:**

*Treasury will update the cash handling policy to address the points listed above. The Financial Services Director will present policy revisions at a joint directors/assistant directors meeting and issue notification of policy change. Treasury will audit periodically to ensure compliance.*

*Target Date: August 1, 2007*

*Responsibility: Anna Mosqueda, Financial Services Director  
Paulette Uzee, Treasury Analyst*

**Implementation Status:**

Fully Implemented. Initially, City-issued manual cash receipts did not include a date field. Several departments, therefore, did not document cash receipt dates onto the manual cash receipts. This made accounting for each cash receipt difficult. The Financial Services Department has since ordered new cash receipt booklets that include a date field.

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**Prior Audit Recommendation:**

The Financial Services Director should require that City-issued, pre-numbered manual cash receipts be issued in booklets and that user departments assign the booklets to their staff on an individual basis, if appropriate. If a receipt book is to be shared among employees, the Financial Services Director should require that the employee, receiving the money, sign the manual cash receipt (as it is issued) to evidence that he/she personally received the funds.

**Management's Response:**

*Treasury has developed and instituted a log to track the numerical sequencing of cash receipt books issued to user departments. The cash handling policy will be revised to require that user departments either assign receipt books to staff on an individual basis or direct staff to personally sign manual cash receipts as they receive funds. The Financial Services Director will communicate policy revisions. Treasury will audit periodically to ensure compliance.*

*Target Date:* August 1, 2007  
*Responsibility:* Anna Mosqueda, Financial Services Director  
Paulette Uzee, Treasury Analyst

**Implementation Status:**

Fully Implemented. The Financial Services Department now orders and issues bound, pre-numbered, manual cash receipt booklets. Each booklet is issued to a department representative who is responsible for distributing the receipt booklets within their department.

The City's cash handling policy has also been updated to reflect these changes. These policy changes were delivered to management via a staff meeting, distributed in an email, and are available on the Financial Services Department's intranet portal.

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**Prior Audit Recommendation:**

The Financial Services Director should require that pre-numbered manual cash receipts, issued by the Financial Services Department, be revised to require the method of payment.

**Management's Response:**

*Treasury has developed pre-numbered receipts in bound booklet form. The new design includes a field for method of payment.*

*Target Date:* August 1, 2007  
*Responsibility:* Paulette Uzee, Treasury Analyst

**Implementation Status:**

Fully Implemented. The City-issued receipts include a field for the method of payment.

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**Prior Audit Recommendation:**

The Fire Chief should require that each cashier provide a signed document evidencing the total monies collected on a daily basis, by type (e.g., cash, check, credit card). Management should then reconcile the daily AMANDA activity report, by cashier, to the cashiers' reported collections. If any discrepancies are noted, the manager and cashier should make every effort to resolve any exceptions on the same day.

The AMANDA report, by cashier, should only be accessible to those given the responsibility to verify cashier collections.

**Management's Response:**

*The Fire Department requested in February 2007 that the Information Technology Department provide a solution to our inability to consolidate daily revenue due to the fact that we share the same "Batch" or register as Planning Development in AMANDA. In response to this request, a*

*solution was offered through One-Start Cashier. This system would provide a log for each user to consolidate his/her daily collections; however, it has not been implemented due to a couple of problems, which IT is still looking into.*

*Target Date: June 29, 2007  
(based on IT issue resolution - work order # 56629)*

*Responsibility: Brian Riley, Assistant Fire Chief / Fire Marshal*

**Implementation Status:**

Fully Implemented. The City Auditor's Office reviewed deposits from the Fire Department and noted that each cashier provided a signed report evidencing total monies collected. These reports are not daily since the Fire Department does not collect money every day. However, there is a Department Payment Detail Report produced by AMANDA that segregates collections by cashier.

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**Prior Audit Recommendation:**

The Information Technology (IT) Director should require that IT staff review the AMANDA system and determine whether AMANDA is capable of producing reports that segregate payments entered, by department. If it is possible to produce reports that segregate payments entered into AMANDA, by department, those reports should be made available to Planning and Fire staff as soon as possible.

**Management's Response:**

*Creating a report that segregates payments entered by department is only one step in resolving the problem. The other steps involved are cleaning up (standardizing) the existing department name data and creating a procedure where the department name associated with users is consistent (such as obtaining the department name from Lawson). Information Technology will facilitate discussions with departments to determine the best way to ensure department names are entered consistently. Information Technology has determined that with the aforementioned changes, the report can be created and should produce the desired results. Information Technology will create the requested report or contract with Canadian software Development Company (CSDC) to create the report. [CSDC is the company that makes the AMANDA software].*

*Target Date: August 2007*

*Responsibility: Tom Wilson, Assistant Information Technology Director*

**Implementation Status:**

Fully Implemented. The Information Technology Department has developed a report that segregates payments received by the Community Development and Planning Department from those received by the Fire Department.

**Prior Audit Recommendation:**

The Community Development and Planning Director and the Management Resources Director should determine the most appropriate department/division to collect liquor license fees, taking into account, the nature of the business and the additional burden on staff.

**Management's Response:**

*The Community Development and Planning Department will consider taking over the entire liquor permit process with the implementation of AMANDA Phase II in FY 2008. If this is deemed to be possible, the entire liquor license process will be brought from the City Secretary's Office to the Community Development and Planning Department. This will allow the liquor license process, administration and fee collection, to remain within a single office, and avoid any disruption of customer service in this area.*

*Target Date: September 30, 2008*

*Responsibility: Barbara Heptig, City Secretary  
Jim Parajon, Community Development and Planning Director  
Jennifer Wichmann, Administrative Services Manager*

**Implementation Status:**

Not Implemented. During the initial Cash Handling Audit, management indicated that this recommendation would be addressed by September 2008. There has been no early implementation of this prior audit recommendation.

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**Prior Audit Recommendation:**

The Financial Services Director should ensure that Financial Services staff monitors the deposit log for untimely deposits. Department Heads should be notified of noncompliance. Repetitive noncompliance should be communicated to the appropriate Deputy City Manager.

**Management's Response:**

*Financial Services staff currently logs each deposit brought into the department. The log indicates the date the deposit was prepared. The Treasury Analyst uses this log to monitor the timeliness of the deposits. Also, the bank reconciliation accountant monitors deposit dates. The Financial Services Director will be notified of untimely deposits and will communicate the noncompliance to department heads. Repetitive non-compliance will be brought to the attention of the appropriate Deputy City Manager.*

*Target Date: Completed*

*Responsibility: Anna Mosqueda, Financial Services Director*

**Implementation Status:**

Fully Implemented. The Treasury Analyst within the Financial Services Department currently monitors the deposit log for untimely deposits. The Financial Services Department indicated that

they consider deposits untimely when the collection date is more than seven calendar days from the bank deposit date. For those deposits that consist of multiple cash collection days, the Financial Services Department uses the most recent collection date when determining timeliness, rather than the oldest. For example, for a deposit that includes collections received from 9/1/07 through 9/5/07, Finance would base timeliness on the number of days between 9/5/07 and the bank deposit date, rather than the number of days between 9/1/07 and the bank deposit date.

Per the cash handling policy, deposits should be made daily, or if less than \$500, when the total on hand reaches \$500. If the total on hand is less than \$500, deposits are to be made weekly. In a sample of nine deposits made by the Parks and Recreation Department, only one was in compliance with the cash handling policy. Collection amounts that were included in a single deposit should have been separated into two to three separate deposits. However, Parks' facility deposits are only processed by Parks Administration on specific days, resulting in multiple days' worth of facility collections on hand. By not making timely deposits, the City is not maximizing interest that could be earned.

The following chart illustrates this exception:

	<u>Deposit Made</u>	<u>Deposits Required</u>	<u>Days of Collections</u>
<b>Facility 1</b>	\$3,254.00	\$851.00	1
		\$1,262.75	3
		<u>\$1,140.25</u>	1
		\$3,254.00	
<b>Facility 2</b>	\$2,125.50	\$665.50	2
		\$590.00	4
		<u>\$870.00</u>	3
		\$2,125.50	

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#### **Prior Audit Recommendation:**

The Financial Services Director should require that all departments immediately conduct a petty cash and change fund usage review. Based on the results, Department Heads (in conjunction with the Financial Services Director) should determine whether each fund is necessary, adequate, or excessive. Unnecessary funds should be closed out, inadequate funds should be increased, and excessive funds should be reduced. When determining necessity for petty cash funds, the number and amount of petty cash funds at each City facility should be considered.

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

*Petty cash and change funds have been reviewed. Unnecessary and excessive funds have been identified. Financial Services will address with Department Heads the closing or decreasing of funds.*

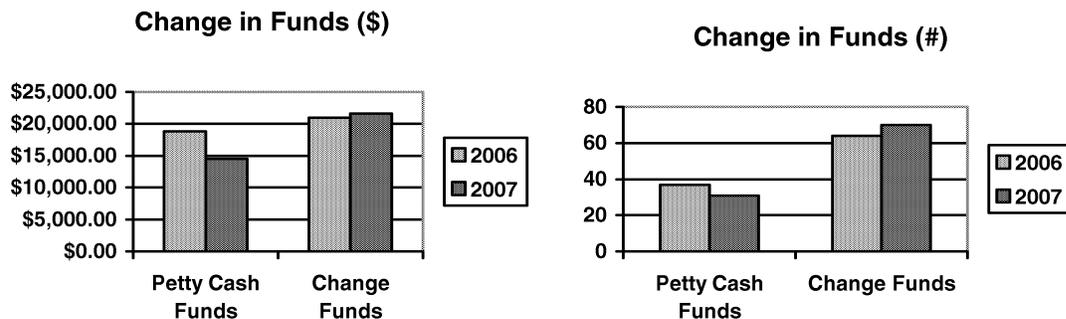
*Target Date: August 1, 2007*

*Responsibility: Sherry Wright, City Controller*

### Implementation Status:

Fully Implemented. Petty cash and change funds were reviewed and the total number of funds and the monies contained within those funds have changed since the initial audit.

- As of October 1, 2006, the City had 37 petty cash funds totaling \$18,800. As of September 30, 2007, there were only 31 funds totaling \$14,550.
- As of October 1, 2006, there were 64 change funds totaling \$20,960. As of September 30, 2007, there were 70 change funds totaling \$21,620. The increase in the amount and number of funds can be attributed to new facilities (e.g., Southwest Branch Library).



### Prior Audit Recommendation:

The Parks and Recreation Director should require that applicable managers routinely conduct unannounced petty cash fund reviews. Petty cash custodians who continue to reimburse employees prior to obtaining necessary approval, signatures, etc. should be relieved of petty cash custodian duties.

### Management's Response:

*Concur. Petty cash custodians have been reminded that all reimbursement request forms must be complete and include proper approval signatures prior to reimbursing the employee. Staff recommends a progressive discipline approach first before relieving employee of duties that may impact the workload of other employees. We suggest that the periodic auditing of petty cash funds be assigned to the Parks Accounts Analyst as a core responsibility.*

*Target Date: June 2007*

*Responsibility: Parks Accounts Analyst*

**Implementation Status:**

Fully Implemented. The Parks Accounts Analyst conducted two petty cash reviews since the initial Cash Handling Audit.

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**Prior Audit Recommendation:**

The Financial Services Director should prohibit staff from using petty cash to refund customers, and should require that petty cash only be used to reimburse or advance employees for incidental purchases made on behalf of the City.

**Management's Response:**

*Current threshold for petty cash reimbursement is limited to \$50.00 for all locations except for six whose threshold is \$100.00. Treasury will revise the petty cash policy to more clearly state that petty cash is to be used only to reimburse or advance employees for incidental purchases made on behalf of the City. Language will also be incorporated to prohibit use of petty cash to refund customers. Non-compliance will be grounds for Financial Services to consider closing the petty cash fund.*

*Target Date: August 1, 2007*

*Responsibility: Anna Mosqueda, Financial Services Director  
Paulette Uzee, Treasury Analyst*

**Implementation Status:**

Partially Implemented. The City's revised cash handling policy states that petty cash is to be used to reimburse/advance employees for incidental purchases only and that it is prohibited from being used for cash refunds.

The City Auditor's Office noted that since the release of the initial Cash Handling Audit, the Parks and Recreation Department refunded customers from petty cash on three occasions. There is no documentation that these instances were addressed by the Financial Services Department at the time of the petty cash fund replenishment.

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**Prior Audit Recommendation:**

The Financial Services Director should revisit the City's practice for issuing cash refunds.

**Management's Response:**

*The petty cash policy will be amended to prohibit staff from using petty cash to refund customers. Non-compliance will be grounds for Financial Services to consider closing the petty cash fund.*

*Target Date: August 1, 2007*  
*Responsibility: Anna Mosqueda, Financial Services Director*  
*Paulette Uzee, Treasury Analyst*

**Implementation Status:**

Fully Implemented. The City's cash handling policy was revised in August 2007 to prohibit the issuance of customer refunds from petty cash funds.

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**Prior Audit Recommendation:**

The Parks and Recreation Director should require that at the end of each shift, collections reported by Service Representatives be verified by a second party within that facility, preferably a supervisor or manager, in the presence of the Service Representative. The verification should take place prior to sealing the deposit bag.

**Management's Response:**

*Concur. The Parks and Recreation Department agrees that the best scenario is that a supervisor verifies the collections reported by the Customer Service Representative, in the presence of the Customer Service Representative (CSR), at the end of their shift. Following their shift, the CSR must reconcile any receipts out of public view for safety reasons. Revenue reconciliation during the business day would require a minimum of three employees on site; two to reconcile collections and one or more employees to manage the service counter. Some facilities run with only one counter employee at times and facility managers are not typically on duty when buildings close. The department is seeking additional funding in FY 2008 to ensure adequate facility staffing.*

*Target Date: June 2007*  
*Responsibility: Wendy Parker, Athletic Programs Manager*  
*Yvonne Falgout, Center Programs Manager*  
*Sheryl Osborn, Tennis Facility Manager*

**Implementation Status:**

Partially Implemented. According to the Parks and Recreation Department, dual verification is performed when possible. However, such verification was not documented. The City Auditor's Office spoke with managers from two Parks' facilities who confirmed that collections are verified by another employee whenever possible, but that no documentation is required.

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**Prior Audit Recommendation:**

The Parks and Recreation Director should require that facility supervisors or managers, available at the end of a Service Representative's shift, reconcile the CLASS activity report to the verified collections (discussed in the preceding recommendation) and make every effort to resolve any

discrepancies, on the same day. Any discrepancy between the total deposit and CLASS should be reported to the Financial Services Department as cash over or short.

On days when the facility supervisor or manager is not available at the end of a Service Representative's shift, the facility supervisor or manager should reconcile the CLASS activity report to collections and the deposit ticket, and make every effort to resolve any discrepancies as soon as possible. Any discrepancy between the total deposit and CLASS should be reported to the Financial Services Department as cash over or short.

**Management's Response:**

*Partial Agreement. Current processes are in place to compare revenue receipts to the CLASS daily cash balance report and then to the deposit slip. Customer Service Representatives are required to contact a supervisor if their collections do not balance with the CLASS daily cash balance report. CSRs are required to document any discrepancy on the report. This report is included in the cash transmittal bag and is reviewed by the Parks Administration staff person that prepares the deposit. Parks Administration notifies the CSR's supervisor of any discrepancies along with any error resolution details. This information is noted as over/short on the revenue report and any transaction details are submitted to Finance.*

*Staff notes that the recommendation to require deposit preparation by location cannot be implemented and sustained with the current level of management assigned to each location. Resources are not available to verify and reconcile same day revenue activity.*

*Target Date: June 2007*

*Responsibility: Wendy Parker, Athletic Programs Manager  
Yvonne Falgout, Center Programs Manager  
Sheryl Osborn, Tennis Facility Manager*

**Implementation Status:**

Not Implemented. While management agreed that this recommendation provides a good practice, they believe that the practices they have in place are sufficient. Customer Service Representatives (CSRs) are required to contact a supervisor if their collections do not balance with the CLASS report. In addition, the CLASS report is sent with collections to Parks Administration for review and deposit preparation. According to the Parks and Recreation Department, any discrepancies are reported to a supervisor.

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**Prior Audit Recommendation:**

The Parks and Recreation Director should require that each facility prepare its own bank deposit and take advantage of the clear plastic bank bags that are provided to the City at no charge.

**Management's Response:**

*Disagree. The Department's centralized revenue processing system was implemented as a result of the March 11, 1994 audit that made a recommendation to "Consider working with Internal*

*Audit and the Area Coordinators to establish a Central Cashier function for Parks Administration. We believe a Central Cashier function will significantly strengthen internal controls. A centralized front desk could effectively give the individual coordinators in the six areas more time to manage their operations.”*

*Management’s opinion is that the current process has significant checks and balances in place to quickly identify problems. Requiring all locations (11) to prepare their own deposits would create additional work demands for facility managers and could result in revenue processing delays.*

*Target Date: No changes recommended*

*Responsibility: Not applicable*

**Prior Audit Comment:**

The City Auditor’s Office does not feel that the recommended process would create additional work demands that are unreasonable, nor do we feel that it would result in any additional revenue processing delays.

**Implementation Status:**

Not Implemented. The City Auditor’s Office’s examination of deposit records at five Parks’ facilities revealed that Parks Administration is still preparing a majority of the deposits. The Parks and Recreation Department is, therefore, still purchasing deposit bags from an outside vendor rather than utilizing the free bags provided by the bank.

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**Prior Audit Recommendation:**

The Workforce Services Director should determine whether the City can legally seek reimbursement for TIB payments made payable to the two former employees.

**Management’s Response:**

*We have requested that the checks be re-issued and they will be marked as “Deposit Only” and be deposited back into the appropriate departmental accounts. According to our policy, the former employees accepted their pay, therefore we can legally deposit the checks.*

*At this time, Specialty Risk - Hartford (our previous Workers’ Comp TPA) has told the Workforce Services Department that the checks will be processed. However, we do not have a solid date as to when we will receive them.*

*Target Date: mid-June 2007*

*Responsibility: Cynthia Fountain, Administrative Aide II*

**Implementation Status:**

Fully Implemented. Bank deposit records indicate that Temporary Income Benefit (TIB) checks for two former City employees, totaling \$3,827.25, were included in a June 2007 deposit.

**Prior Audit Recommendation:**

The Workforce Services Director should explore other options that result in the City being able to process the TIB checks in a timely manner. Existing personnel policies and procedures should then be revised accordingly.

**Management's Response:**

*The process has been reviewed. It has been slightly altered but does not require changes to the existing policy and procedures. Workforce Services' Administrative Aide II contacts the individuals and when there is no response, she leverages the WFS Consultants to reach out to the individual and their supervisor when necessary. This results in eliminating the issues that occurred in the past.*

*Target Date: Completed*

*Responsibility: Cynthia Fountain - Administrative Aide II*

**Implementation Status:**

Fully Implemented. Workforce Services indicated that Matrix, the third party administrator, will be setting up a process in which Matrix transfers TIB funds to the City rather than seeking reimbursement through employees.

On 11/9/07, the City Auditor's Office observed 28 TIB checks, totaling \$25,683.56, for eight current City employees. During the initial Cash Handling Audit, 27 checks totaling approximately \$15,000 were observed. It should be noted that the 28 checks observed during the follow-up were not the same checks that were observed during the initial Cash Handling Audit.

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**Prior Audit Recommendation:**

The City Manager should review the City's current policy and/or practices related to staff physically transporting cash and ensure that procedures emphasize employee safety.

**Management's Response:**

*Additional courier pick-ups have been scheduled for various departments, decreasing the number of departments physically transporting cash. The Financial Services Director will discuss the City's current practices for the remaining departments that transport cash with the City Managers' Office.*

*Target Date: August 1, 2007*

*Responsibility: Anna Mosqueda, Financial Services Director*

**Implementation Status:**

Fully Implemented. As of November 1, 2007, additional courier pick-up locations were scheduled for the Parks and Recreation Administrative offices and the Animal Services Division.

While changes have been made to practice, there have been no policy changes. The revised cash handling policy makes no mention of the physical transport of money or related safety procedures.

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**Prior Audit Recommendation:**

The Financial Services Director, in conjunction with the Municipal Court Director, should amend the current courier contract to include an additional stop at the Municipal Court. If the current contract cannot be amended, a separate contract should be considered.

**Management's Response:**

*An additional courier pick-up is now occurring for Municipal Court.*

*Target Date: Completed*

*Responsibility: Paulette Uzee, Treasury Analyst*

**Implementation Status:**

Fully Implemented. The Financial Services Department added a courier pick up at the Municipal Court for a short time after the release of the initial Cash Handling Audit. However, upon contract renewal, management decided against the additional pick-up due to the \$164 monthly fee. Currently, an armed, sworn bailiff transports the money from the Municipal Court to the Financial Services Department.

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**Prior Audit Recommendation:**

The Financial Services Director should prohibit departments from using interoffice mail to transport monies that are to be deposited.

**Management's Response:**

*The Director of Financial Services will notify all department heads and deposit contacts informing them that all monies to be deposited must be hand delivered and that the use of inter-office mail to deliver monies is prohibited. The cash handling policy will be revised to include this directive.*

*Target Date: August 1, 2007*

*Responsibility: Anna Mosqueda, Financial Services Director  
Paulette Uzee, Treasury Analyst*

**Implementation Status:**

Fully Implemented. The cash handling policy has been revised to prohibit the use of interoffice mail to transport monies for deposit. The Treasury Division confirmed that collections are no longer received via interoffice mail.

**Prior Audit Recommendation:**

The Financial Services Director should provide restrictive endorsement stamps to all departments that collect money on behalf of the City, and require that departments restrictively endorse checks and money orders upon receipt, prepare their own deposit slips and utilize deposit drop-off points that are in the closest proximity to their worksite.

**Management's Response:**

*The Treasury Division surveyed all departments. Additional stamps have been ordered, received, and issued with communication to those departments who did not already have or were not properly using endorsement stamps. Treasury will instruct departments on proper endorsement stamp procedures and monitor to insure compliance.*

*Target Date: Completed*

*Responsibility: Paulette Uzee, Treasury Analyst*

**Implementation Status:**

Partially Implemented. Restrictive endorsement stamps have been issued to departments in which none had been issued.

Not all departments are utilizing deposit drop off points that are in the closest proximity to their worksite. Management Resources, Risk Management, and Traffic Engineering physically transport their deposits from City Hall to the Financial Services Department, which is located in the Municipal Office Tower. Finance has indicated that due to infrequency of deposits, these departments are not responsible for preparing their own deposits and, therefore, do not utilize the deposit drop off point assigned within City Hall.

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**Prior Audit Recommendation:**

The Financial Services Director should conduct mandatory cash handling training sessions for all employees that handle money on behalf of the City, on at least an annual basis.

**Management's Response:**

*Treasury employees and key cash handling staff from various departments will attend a cash handling seminar on July 27, 2007. Also, the Treasury Division will identify cash handlers throughout the City and conduct a training session for them. The Treasury Division will conduct this training annually thereafter. All employees identified as cash handlers will be required to attend the city's cash handling training.*

*Target Date: August 31, 2007*

*Responsibility: Anna Mosqueda, Financial Services Director  
Corrine Steeger, Treasury Manager*

**Implementation Status:**

Fully Implemented. A cash handling seminar presented by the Association of Public Treasurers of the United States and Canada was held on June 27, 2007. City departments represented included: Water Utilities, Parks and Recreation, Financial Services, Municipal Court, and the Arlington Public Library.

The City held a follow-up to this meeting in September 2007 during which Parks and Recreation, Vital Statistics, Financial Services, Municipal Court and Library representatives attended.

A mandatory citywide cash handling training class is planned for spring 2008. The Financial Services Department is also in the process of coordinating cash handling training for applicable new hires.

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**Prior Audit Recommendation:**

The Financial Services Director should require that customer and merchant credit card receipt copies show only the last four digits of the credit card numbers, and exclude the printing of the credit card expiration dates.

**Management's Response:**

*The Cash and Debt Administrator will contact all departments that currently use credit card machines and identify which machines need to be reprogrammed to eliminate printing of the customer's credit card number and expiration date. Department procedures will be revised to accommodate the changes.*

*Target Date: August 1, 2007*

*Responsibility: Corrine Steeger, Treasury Manager  
David Balsamo, Cash and Debt Administrator*

**Implementation Status:**

Not Implemented. The City Auditor's Office noted that only three of the ten departments and facilities sampled were currently truncating the expiration date and all but the last four digits of the credit card number on the merchant copy of the credit card receipt. On Tuesday, February 12, 2008, the Financial Services Department presented the Mayor and City Council with an amendment to the bank contract to add credit card processing services. Management has estimated that this contract amendment will result in an annual savings of \$20,000.

### *Additional Weaknesses Noted*

During the Cash Handling follow-up, the City Auditor's Office also noted the following weaknesses:

- The Cash Handling policy states that upon suspicion of fraud, the departmental supervisor should immediately notify Internal Audit. The policy does not clearly outline procedures that staff should take such as filing a police report, contacting the appropriate Deputy City Manager, etc.
- Parks Administration and the Tierra Verde Golf Course do not reconcile collections received by cashier. Segregating receipts by cashier helps establish employee accountability.
- Employees at Tierra Verde do not consistently enter the correct method of payment. The City Auditor's Office noted a variance of \$4,584.50 during a five-day sample period between the checks deposited and the checks recorded in ProShop Keeper. Although Internal Audit understands that human error will occur, it is recommended that directors and managers, *citywide*, emphasize the importance of entering accurate methods of payment. Collection reports that detail monies received by method of payment are important controls that help establish employee accountability and detect kiting of funds.
- Five incomplete vouchers were noted during an unannounced petty cash count within the Workforce Services Department. Although the disbursements appeared to be legitimate, these vouchers were missing the signature of the custodian, approver, or both.