



Date: September 20, 2017

To: Bob Wingenroth, City Manager

From: Carol Holley, Internal Auditor *CH*

Subject: Community & Recreation Services Cash Handling Audit - Internal Audit Report

As part of the FY2017 Annual Audit Plan, the Internal Auditor has completed the Community & Recreation Services (CRS) Cash Handling Audit. The audit report contains 12 opportunities to strengthen and enhance internal controls over the CRS cash handling procedures.

Internal Audit extends its appreciation to the CRS for their assistance throughout the audit.

Attachment

CC: Diane Arthur, Marketing & Communications Director
Lindsey Duncan, Finance Director
Nicole Lance, Assistant City Manager
Robert Wingo, City Attorney

BACKGROUND:

In 2015, the Finance Department developed Cash Handling Policies and Procedures (Policy) to establish citywide best practices for handling cash and cash equivalents to minimize the opportunity for mismanagement or theft of City funds. It is the responsibility of each City department to understand and appropriately apply the policies and procedures. Departments may develop additional procedures to complement and strengthen controls over cash and cash equivalents.

The Community & Recreation Services (CRS) Administrative group provides central deposit consolidation services for CRS Divisions. Division custodians are assigned cash drawer funds by the Finance Department. Each Division is tasked with the responsibility of safeguarding funds and processing receipts in compliance with the Policy. In June 2017 a surprise cash count was performed on five CRS Divisions: Surprise Tennis Facility (\$300), Aquatic Center Concessions (\$200), Aquatic Center (\$200), Hollyhock Community Pool (\$100), and Sierra Montana Recreation Center (\$100).

CRS is in the process of upgrading to a new cashiering system and the surprise cash audits did not include procedures related to the cashier module beyond the reported receipts totals reflected in the system for the scope period.

The below table summarizes the cash and cash equivalent (\$442,310) collected by each Division for the period of July 1, 2016 to May 31, 2017:

Division Name	Cash	Checks	Credit Cards
*Aquatic Center	\$54,931	\$7,557	\$52,543
Hollyhock Community Pool	\$2,614	-0-	\$2,194
Sierra Montana Recreation Center	\$16,873	\$902	\$2,712
Tennis Facility	\$81,906	\$25,394	\$177,749
Totals	\$156,324	\$50,788	\$235,198

*Includes two cashiering areas.



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INTERNAL AUDIT

CRS Cash Handling Audit

June 29, 2017

Conclusion:

In June 2017, Internal Audit (IA) performed five surprise CRS Division cash drawer counts. No overages or shortages were noted during the counts. IA noted areas where best practices were in place, such as :

- ◆ Cash register drawers are assigned to one cashier
- ◆ Deposits are stored in locked bank deposit bags and cashier does not have access to the keys
- ◆ Deposits are prepared and verified by an independent second verifier
- ◆ Video surveillance and a duress alarms are in place and periodically tested
- ◆ Voids require a supervisor's authorization

All change cash drawers were accounted for. The audit identified opportunities to further enhance staff safety and the security of City funds.

IA extends its appreciation to the CRS Divisions for their participation in the audit.

AUDIT HIGHLIGHTS:

- ◆ Access to cashiering areas should be restricted to City staff only
- ◆ Door security should be enhanced at facilities
- ◆ Cash should be counted out of view of the general public
- ◆ Training for processing counterfeit bills is necessary

Opportunities:

Criteria	Audit Observation	Opportunity	Management Action Plan
Policy #16 - Credit cards presented on-site for payment must be inspected for agreement with government-issued photo identification including matching the signatures.	Credit card payments are accepted without prior inspection of cards for signatures and agreement with government issued photo identification.	Ensure staff correctly validates credit cards presented for payment in compliance with the Policy.	Concur. Aquatics Staff was given a refresher course on the Cash Handling Policy on June 12, 2017. Tennis staff will be presented with the same refresher by July 14, 2017.

OBJECTIVE:

- ◆ Determine whether administration of City cash funds are in compliance with City policies and procedures
- ◆ Assess whether City funds are adequately safeguarded and protected against theft and misappropriation

SCOPE & METHODOLOGY

The scope of the audit was for the period of July 1, 2016 to May 31, 2017 and included:

- ◆ Interviews with staff
- ◆ Observation of cash handing procedures
- ◆ Review of policies and procedures
- ◆ Review of daily deposit supporting documentation
- ◆ Review of various cashing reports
- ◆ Review of available security video surveillance recordings

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INTERNAL AUDIT

CRS Cash Handling Audit		June 29, 2017	
Criteria	Audit Observation	Opportunity	Management Action Plan
<p>Policy #5—City staff handling cash should be working within a controlled access area, so that members of the public or other unauthorized personnel may not enter. Doors must be locked at all times and a sign stating that requirement should be mounted on the interior of the door.</p>	<p>Doors that provide access to the cashiering areas are not always secured and lead to general public access areas or to an external street.</p>	<p>Staff should ensure that doors are always secured. Doors leading to cashiering areas should never be left ajar when not in use.</p>	<p>Concur. Staff has been instructed to ensure that doors leading to cashier areas should always be closed and secured and never propped open.</p>
	<p>The identity of an individual is not always verified before opening doors.</p>	<p>Install a security peephole on office doors to enhance the safety of staff handling cash. Staff should utilize the security peephole to verify an individual's identity before opening doors that provide access to the cashiering area.</p>	<p>A security viewing hole will be installed on the west door of the concession room at the Aquatic Center by September 1, 2017.</p>
	<p>Customers are granted access to the administration area to use the office phone. The area leads to the cashiering station.</p>	<p>Discontinue the practice of granting the general public access to the office phone. The general public should not have access to the general cashiering areas. Consider installing a public or courtesy phone in the lobby for customer use.</p>	<p>Division Manager will conduct research with Information Technology Department to determine a solution for the need of a courtesy phone for customers. The solution will be determined and installed by November 1, 2017.</p>
<p>The required safety signage is not mounted on the interior of applicable doors.</p>	<p>Mount a sign on the interior of applicable doors stating doors must be locked at all times.</p>	<p>Signs stating DOORS MUST REMAIN LOCKED AT ALL TIMES were installed on July 10, 2017 on the interior of areas where staff may handle cash where applicable.</p>	

Criteria	Audit Observation	Opportunity	Management Action Plan
<p>Policy #6 - Identifies procedures for processing counterfeit bills.</p> <p>Policy #6.a. States, “Under no circumstances will the suspected bill be returned to the customer. “</p> <p>Policy #6.e. The City Police Department should be contacted and informed when counterfeit bills are received.</p>	<p>Staff, at one location, correctly identified a counterfeit bill received from a customer and incorrectly returned the bill to the customer. No supporting documentation was available to substantiate that all protocol measures were taken, such as notifying the City Police Department. Staff was unaware of the counterfeit policy.</p>	<p>Ensure staff review Policy #6 and access the online Secret Service internet page to identify the correct procedures for processing counterfeit bills. Staff should periodically review the information as part of the required annual cashier training.</p>	<p>Concur. Cash Handling Policy refresher courses will be held at the end of July and will review the process when a counterfeit bill has been discovered. How to spot a counterfeit information will also be posted in the employee area.</p>
<p>Deposit reconciliation and preparations should not be performed in view of the general public.</p>	<p>Cash drawer reconciliation and deposit preparations at one location are prepared in view of the general public.</p>	<p>Discontinue the practice of counting daily deposits in view of the general public.</p> <p>Insert blinders or objects in the windows to block the view of the public when counting funds or move funds out of the view of the general public when reconciling. If funds are relocated for the reconciliation process, ensure dual custody is maintained, or funds remain in view of the video surveillance cameras.</p>	<p>Concur. Retractable blinds will be installed in the concession stand at the Aquatic Center by September 1, 2017.</p>
<p>Policy #18 – A clear and unbroken chain of custody over cash must be maintained.</p>	<p>Sealed daily deposit bags are picked up by CRS Administration staff without documenting the custody transfer of funds.</p>	<p>Create a log to track the release of daily deposit to ensure accountability of funds is maintained at all times.</p>	<p>Concur. A deposit pick-up log has been created and will be implemented at all sites by August 1, 2017.</p>
<p>Policy #4.a. Cash handling sites should have a cash register and a safe. Site which do not have access to a cash register should employ locking cash drawers and appropriate key control.</p>	<p>One out of five (20%) sites audited does not employ a locking cash drawer.</p> <p>One out of five (20%) sites audited did not have a cash register.</p>	<p>Ensure that all cash register funds are maintained in a locking cash drawer. Access to the keys should be limited to the cashier .</p>	<p>Concur. A lock will be installed on the desk used to hold the cash drawer at the Hollyhock Pool. Additionally, lockable cash drawers will be purchased.</p>
<p>Policy #4.e. Safe combinations should be comprised of random numbers and should be changed twice a year and when staff turnover occurs.</p>	<p>The safe combination at one site location cannot be changed.</p> <p>Staff at one site could not confirm the last time the safe combination was changed .</p>	<p>Ensure that safe combinations are changed twice a year and when staff turnover occurs.</p>	<p>Concur. Combinations on all safes will be changed on August 1 and February 1 of each year. At this time, staff will reestablish control of who has access to the combination as indicated in the Cash Handling Policy per site. Staff will be instructed that the combination should not be posted or shared.</p>
<p>The safe combination should be secured and access limited to as few staff members as possible.</p>	<p>The safe combination at one location is kept in an unsecured location.</p>	<p>Discontinue the practice of leaving the safe combination in an unsecured location. The safe combination should be changed and access to the new combination should be limited based upon job duties.</p>	<p>Concur. See Management Response to Policy #4.e.</p>