



CITY OF TAMPA

Pam Iorio, Mayor

Internal Audit Department

Roger Strout, Internal Audit Director

September 30, 2008

Honorable Pam Iorio
Mayor, City of Tampa
1 City Hall Plaza
Tampa, Florida

RE: Revenue and Finance - Banking and Central Cashier, Audit 08-05

Dear Mayor Iorio:

Attached is the Internal Audit Department's report on Banking and Central Cashier.

The Banking Division of Revenue and Finance has already taken positive actions in response to our recommendations. We thank the management and staff of the Revenue and Finance, Public Works, and Growth Management and Development Services for their cooperation and assistance during this audit.

Sincerely,

/s/ Roger Strout

Roger Strout
Internal Audit Director

cc: Darrell Smith, Chief of Staff
Bonnie Wise, Revenue and Finance Director
Lee Huffstutler, Chief Accountant
Cynthia Miller, Growth Management and Development Services Director
Irvin Lee, Public Works Director

**DEPARTMENT OF REVENUE AND FINANCE
BANKING DIVISION
BANKING AND CENTRAL CASHIER
AUDIT 08-05
SEPTEMBER 30, 2008**

**DEPARTMENT OF REVENUE AND FINANCE
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/s/ Vivian N Walker

Auditor

/s/ Roger Strout

Audit Director

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INTRODUCTION

The Banking and Debt Management Division (Division) is a unit of the Revenue and Finance Department and has an authorized position count of 11. These positions are comprised of: Accountant III, Accountant II – Supervisor, Accountant I (two), Accounting Technician II (two), Accounting Clerk II, Administrative Assistant I, Customer Service Representative I, and Customer Service Clerk II (two).

The Division is responsible for: receiving deposits, processing of payments into the Cashweb system; recording of the city's investments and associated transactions; billing accounts receivables for Police Extra Duty and McKay Bay Refuse to Energy Plant; as well as reviewing and providing customer service support for the city's eGovernment (on-line payment) process.

STATEMENT OF OBJECTIVES

This audit was conducted in accordance with the Internal Audit Department's FY08 Audit Agenda. The objectives of this audit were to ensure that:

1. Controls for securing cash receipts were adequate.
2. Record keeping of cash on hand was adequate.
3. Accounts receivables were properly monitored for timely collection; or written off in a timely manner.
4. Transaction reversals were properly documented and approved.

STATEMENT OF SCOPE

The audit period covered cashiering activity that occurred from January 2007 to April 2008. Source documentation was obtained from the Banking Division of Revenue and Finance in addition to City cashiering locations or City facilities accepting payment for City services. Original records as well as copies were used as evidence and verified through physical examination.

STATEMENT OF METHODOLOGY

The sample size and selection were statistically generated using a desired confidence level of 90 percent, expected error rate of 5 percent, and a desired precision of 10 percent. Statistical

sampling was used in order to infer the conclusions of test work performed on a sample to the population from which it was drawn and to obtain estimates of sampling error involved. When appropriate, judgmental sampling was used to improve the overall efficiency of the audit.

To achieve the audit's objectives, reliance was placed on computer-processed data contained in the City's financial and Central Cashiering – CashWeb System. The City's financial system was previously determined to be reliable and no additional work was necessary. We assessed the reliability of the data contained in the Central Cashiering – CashWeb System and conducted sufficient tests of the data contained therein. Based on these assessments and tests, we concluded the data generated through the Central Cashiering system appears to be reliable.

STATEMENT OF AUDITING STANDARDS

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT CONCLUSIONS

Based upon the test work performed and the audit findings noted below, we conclude that:

1. Controls for securing cash receipts could be improved.
2. Record keeping of cash on hand could be improved.
3. Accounts receivables were monitored; however, the documentation to support the collection and / or write - off policy could be improved.
4. Transaction reversals were not always properly documented and approved.

While the findings discussed below may not, individually or in the aggregate, significantly impair the operations of the Banking Division, they do present risks that can be more effectively controlled.

Before we completed our audit, Banking Division personnel implemented some of the Internal Audit Department's recommendations.

TRANSACTION REVERSALS

A sample of 79 transactions initiated by “walk-up” customers was selected using Automated Computer Language (ACL) software. Our review of the items selected identified 27 instances without documentation that indicated the reason for the reversal, or without documentation indicating that the transaction was reviewed or approved by someone other than the cashier who processed it.

We performed additional reviews of the 27 reversal transactions to determine if any revenues were lost. The additional reviews provided the following details:

- All cashiers use a generic transaction code and description of “deleted account”. We noted eight transactions with this description; and as a result, the effected account could not be readily determined.
- Six transactions identified the account affected, however, upon further review of the account history we could not determine that the reversed amount was received.

The overall process for reversals allows the cashier to have full control over these transactions. Specifically, the cashier is able to both process a payment as well as process the reversal of the payment. However, we did note one department within the City whose cashiers had implemented oversight for transaction reversals.

All refunds of revenues should be properly supported with documentation that outlines the reason for the refund. Additionally, there should be an approval or other documentation that indicates Management’s awareness of the reversal.

RECOMMENDATION 1

The process of reversing transactions should be improved to require that adequate documentation be retained. Additionally, there should be documentation to support that Management or Supervisory level personnel are aware of and approved the transactions.

AUDITEE RESPONSE

We agree with the recommendations, some of which we've already undertaken. On Wednesday, September 24, 2008, we instituted this procedure:

When a cashier reverses a transaction, they will note on the reversal the reason for the reversal, the original transaction number and have their Supervisor sign the reversal.

CASHIERING POLICIES AND PROCEDURES

There is currently no approved policies and procedures manual for the Banking Division. However, City Code Chapter 2-46(a), states “Departments shall create and maintain all records with adequate and proper documentation of the organization, together with the functions, policies, decisions, procedures, and essential transactions, of the department.” Additionally, without written guidelines, inconsistencies may occur for the same processes that typically result in inefficiencies and / or ineffective operations.

Cash Receipts

There are various City locations that accept and retain cash receipts on-site. However, there are no consistent guidelines for safeguarding the receipts or how they are remitted to the bank. Additionally, requirements for changing combinations need to be established.

Discussions with City personnel at the facilities identified various practices concerning the frequency of remittal of cash receipts, either to another location or deposited directly with the bank. Security for employees walking deposits to the bank and the facilities accepting payments should be reviewed.

In order to determine timeliness of deposits made by remote City locations, a judgmental sample of 30 cash receipts were traced to the City of Tampa’s Pooled Cash bank statement. Using a basis of three business days, it was determined that five cash receipts (typically part of a multiple receipt deposit) did not post to the City’s account within the three business days. These five deposits, although small, averaged 13 business days from the date of the receipt to the date posted on the City’s bank statement.

Cashier Base Funds

Surprise cash counts were performed for all locations that handle currency. This review identified opportunities for improvement in several areas of cash handling:

- Documentation of the starting currency for each cashier.
- Established “bait” lists for each cashier.
- Handling of “counterfeit” currency.
- Multiple cashiers (different operator identification number) using the same cashier drawer of currency.
- Establishing periodic “surprise” cash counts.

Currently, the Revenue and Finance Department does not provide “oversight” for cashiers in other departments. However, because the Banking Division of Revenue and Finance has the responsibility for accounting for revenues received and deposited, policies and procedures for cash handling should be developed and disseminated to all City facilities.

RECOMMENDATION 2

Management should develop policies and procedures to address cash handling for all cashiers. These procedures should include reference to handling of monies received as well as establishing guidelines for “base” issuance, “surprise” cash counts, and the recordkeeping that should be prepared.

Policies and procedures should also include a requirement to change a combination / or lock where monies are kept, should the personnel assigned this information no longer be employed by the City, and on a periodic basis, to help ensure safeguarding of City assets.

Additionally, the policy should identify who is authorized direct access to financial institutions.

AUDITEE RESPONSE

We agree with the recommendations. We are in the process of developing written Policies and Procedures and expect to have them in final draft form by October 15. These Policies and Procedures will establish Citywide Cash Handling Procedures.

ACCOUNTS RECEIVABLE

The Banking Division is responsible for billing, payment receipt, and recordkeeping for several City of Tampa departments' accounts receivable. However, there are no written policies and procedures for establishing the minimum deposit amounts for new accounts, the reconciliation of the accounts receivable, or, when necessary, collection efforts to be performed.

A review of detailed information maintained for the McKay Bay Refuse to Energy Plant's receivables identified several opportunities to improve the documentation. The current sub-ledger maintained does not always accurately reflect an account's balance at a particular point in time. Specifically, in trying to determine the amount outstanding more than 30 days, the sub-ledger sheets could not be used. Additionally, the number of days an account may have been past due could not be easily determined.

The policy for flagging accounts with an outstanding balance at McKay Bay should also be reviewed for practicality and to determine if an alternate method should be used. Currently, if an account is "flagged" for past due balances, the customer is notified and if the original deposit provided is insufficient, the customer must pay in cash in order to use the facility at McKay Bay. This process does not necessarily motivate payment of the outstanding balance and unless the Scale House cashiers determine that the customer is the same as the one flagged and enforce denial of service, a delinquency could remain indefinitely or until a determination is made to write-off the account receivable.

RECOMMENDATION 3

Management should develop and document policies and procedures to be followed for all City of Tampa accounts receivable processed through the Revenue and Finance Department. The policies and procedures should include the requirements for deposits, when collection efforts are performed, the method of collection, as well as when an account should be written off for non-payment, and how a customer will continue to be serviced if amounts due are written-off.

AUDITEE RESPONSE

We agree with the recommendations. We are developing written Policies and Procedures for Accounts Receivables processed through the Revenue and Finance Department.

The City's Solid Waste Department is currently updating their Scale House software package, which will automatically flag accounts where their unpaid charges will exceed their deposit. This will replace the manual process, which we currently have in place. Based on a September 23, 2008 telephone conference call, the software should be operational by March 2009.