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Internal Audit Report 95-06
Controls Over Cash
Transit Department

Introduction. The Transit Department Customer Service Section is responsible for selling and distributing bus passes and tokens and providing information to the public. Cash receipts are derived from sales of monthly passes, day passes and tokens at the Transit Center as well as at off-site facilities such as the Municipal Libraries, University of Alaska, the Bus Stop Shop grocery store and other small businesses. Billing statements are generated by the miscellaneous accounts receivable system and are sent to the non-municipal sales outlets. Besides sales to individuals, quantity sales are made to various agencies for their employees' use.

Scope. Our audit objective was to determine the adequacy of controls over cash, bus passes and tokens. The audit included tests of accounting records and such other procedures as we considered necessary in the circumstances. The audit period was January through August 1994. The audit was requested by the Transit Department.

Overall Evaluation. Controls over cash, bus passes and tokens in the Customer Services Section were not always adequate.

FINDINGS AND RECOMMENDATIONS

1. Controls Over Cash, Bus Passes and Tokens Required Strengthening.

a. **Finding.** The requirements of Municipal Policy and Procedure (P&P) 24-1, Collecting, Securing, Depositing and Reporting Cash, were not always followed by the Customer Service Section. Specifically:

- 1) Safes containing cash, bus passes, tokens and gift certificates were not locked at all times.
- 2) Not all employees had attended cash handling training on an annual basis.
- 3) Checks were not always deposited when received.

b. **Recommendation.** The Customer Service Section should follow the procedures contained in P&P 24-1 to safeguard and control cash, bus passes and tokens.

c. **Management Comments.** The Transit Department concurred with the finding and recommendation and stated, "A new safe has been

ordered to assist in correcting some security problems. The new safe will replace all three safes currently in use. Cashiers will have their own locked drawer space in which to store complete cash drawer and other for sale items. With the arrival of the new safe, the Customer Services Supervisor will assign a key to each cashier for their assigned safe space and consign a specific number of gift certificates and semester passes to each cashier. The cashier will be responsible for securing their area of the safe. The Customer Services Supervisor will be responsible for assuring that this procedure is followed.

"Individuals responsible for cash handling will attend the Cash Handling Training Class provided by the Municipal Treasury Division. Attendees will assure their name has been placed on the attendance log.

"It is the procedure to deposit all checks within a 24-hour period."

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

2. **Gift Certificates Not Adequately Controlled.**

- a. **Finding.** Gift certificates were not controlled to prevent loss or misappropriation. The gift certificates, ranging from \$10 to \$30, were printed by a Customer Service employee. As a result, total

accountability over gift certificates was weakened and revenue from the sale of gift certificates could not be reconciled to inventory records to ensure that all sales proceeds were properly deposited and that the gift certificates were all accounted for.

- b. **Recommendation.** Gift certificates should be controlled from the time of acquisition to final sale. Gift certificates should preferably be procured from an independent source to establish accountability. Blank stocks should be properly safeguarded, entered on records of accountability and inventoried periodically. The inventory results should be reconciled to the records of accountability and sales receipts.
- c. **Management Comments.** The Transit Department concurred with the finding and stated, "A gift certificate entitles the bearer to receive a monthly bus pass. The bearer presents the gift certificate to a Transit Center cashier and, in return, the bearer receives a monthly pass. Since gift certificates make up a small portion of total Transit sales and must be passed to a cashier for redemption, customer service employees will continue to print and number gift certificates.

"As indicated in Number One, the Customer Services Supervisor will consign a specific number of gift certificates to each cashier. When sold the cashier will retrieve a gift certificate from their area of the new safe, ring it up on the cash register, and record the sale on the

cashier's sheet with its number. When a gift certificate is redeemed, it will be stapled to the cashier's sheet. An additional log will be kept by the Customer Services Supervisor listing the gift certificate numbers, gift certificates consigned, and gift certificates redeemed."

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

3. **Day Passes Were Not Controlled.**

- a. **Finding.** Day passes were not controlled to prevent loss or misappropriation. Each day pass was printed to be usable during a two year period. The day passes were printed at the Municipal Print Shop but were not numbered by the Print Shop and were not provided any additional security but were placed on a shelf with other completed printing projects, accessible by anyone entering the Print Shop. Further, Transit personnel did not count the printed passes to determine the exact number of passes they received. After the passes were taken to the Customer Service Section, the passes were sequentially numbered. However, we found approximately 5,000 unnumbered passes on hand during the audit.
- b. **Recommendation.** Day passes should be controlled from the time of printing to the time of final sale including pre-numbering. Consideration should be given to decreasing the time period day

passes are usable. Further, steps should be taken to make day passes less generic and therefore less susceptible to undetected reproduction. Blank stocks and printed day passes should be safeguarded, entered on records of accountability and periodically inventoried.

- c. **Management Comments.** The Transit Department concurred and stated, "The layout and artwork for the day passes are prepared by the Transit Customer Services Supervisor. The Municipal Print Shop prints the day passes; however, it is unable to number the passes.

"As of mid-February, 1995, a new procedure was established. Layout and printing continue to be done within the Municipality. After printing, the Transit Department attests to the quantity of day passes which are sent to an outside print shop for numbering. After numbering, the Transit Department will place the day passes in a new larger safe. Day passes will be accounted for and inventoried regularly."

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

4. **Bus Passes Sold by Municipal Libraries Not Properly Accounted For.**

- a. **Finding.** Bus passes issued to Municipal libraries for resale were not properly accounted for. Transit Department personnel did not perform

a reconciliation of sold and returned passes to the amount of cash deposited by library personnel to determine if the correct amount of cash was deposited and all unsold passes were returned. A similar finding was contained in Audit Report 88-03, dated February 18, 1988.

- b. **Recommendation.** Bus passes issued to Municipal libraries for resale should be accounted for to ensure that all unsold bus passes are returned and that cash is deposited for all passes sold.

- c. **Management Comments.** The Transit Department concurred with the finding and recommendation and stated, "In an effort to better control bus pass consignment to the Libraries, a new log form has been developed. Library personnel are requested to record a customer name, date of sale, items sold, and cash receipt number for all transit pass sales. This log is then returned to the Transit Customer Service Section along with copies of individual cash receipts. This procedure was initiated in February 1995 and has been successful. Training of Library personnel on the new procedure was conducted by Transit Customer Service personnel."

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

5. **Office Security Required Strengthening.**

- a. **Finding.** Office security required strengthening. The cashiers' area was easily accessible by the public because there was no physical barrier to prevent entrance. In addition, the back door of the main office was unlocked during office hours. A safe was kept close to the back door and individuals working in the building had access to the back hallway where the door was located.
- b. **Recommendation.** During the audit, Transit personnel took action to prevent unauthorized access to the cashier's area. However, a combination lock should be installed on the back door to prevent unauthorized access.
- c. **Management Comments.** The Transit Department concurred and stated, "Glass cashier shields and a front gate have been installed at the front counter area along with a warning system. A Cypher lock has been ordered and will be installed on the back door by Property and Facility Management upon receipt."
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

6. **Fees for Fixed Charges Were Not Authorized On The Municipal Schedule of Fees.**

- a. **Finding.** All fees charged to the public were not included on the Municipal Schedule of Fees as required by P&P 24-2. The following fixed fees were being charged to the public but were not included in the Schedule of Fees.

Publication, "The Ride Guide"	\$1.00
Laminates	\$1.00
Photo ID's	\$2.00
System Maps	\$.50

- b. **Recommendation.** Fixed fees charged to the public should be approved and listed in the Municipal Schedule of Fees as required by the P&P 24-2.
- c. **Management Comments.** The Transit Department concurred with the finding and recommendation and stated, "We will provide the Municipal Finance Department with a listing of the items for inclusion in the Schedule of Fees."
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

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Discussion With Responsible Officials. The results of this audit were discussed with appropriate Municipal Officials on February 13, 1995.



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