

Municipality  
of  
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*Rick Mystrom, Mayor*

OFFICE OF THE INTERNAL AUDITOR

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**Internal Audit Report 96-10**  
**Cash Control Procedures**  
**Transportation Inspection Office**

**Introduction.** The Transportation Commission regulates all taxicabs, limousines, vehicles for hire, chauffeurs and dispatch services. The Transportation Inspector, as the chief administrative officer of the Transportation Inspection Office, maintains all records, processes all applications for permits and licences, collects all fees, and investigates, inspects and examines vehicles, drivers and records related to the transportation industry.

**Scope.** The objective of this audit was to determine the adequacy of cash control procedures. Specifically, we assessed compliance with Municipal policy and procedures and evaluated physical safeguards. The audit was conducted in accordance with generally accepted government auditing standards and accordingly, included tests of records and such other auditing procedures as we considered necessary in the circumstances. The audit period was January through June 1996. The audit was performed during July 1996. The audit was requested by the Administration.

**Overall Evaluation.** Cash control procedures were generally adequate. However, we found several instances of noncompliance with Municipal policy and procedure (P&P) requirements.

## FINDINGS AND RECOMMENDATIONS

### 1. Non-Compliance With Municipal Cash Control Procedures.

- a. **Finding.** The Transportation Inspection Office did not always comply with the requirements of P&P 24-1, Collecting, Securing, Depositing and Reporting Cash. Specifically, the office staff did not verify checks for more than \$2,500 with the bank prior to depositing them. P&P 24-1 requires the verification to minimize potential loss due to insufficient funds. We also found that cash receipts were not being deposited as required. The current procedures approved by the Chief Fiscal Officer required that a deposit be made when currency and coin surpassed \$100 or when total receipts exceeded \$500. Our review revealed that deposits were generally made once a week regardless of the amount of cash receipts on hand. The current procedures also required a daily verification of cash receipts by a documented count of the receipts prior to being placed into the safe. We found that this requirement also was not followed. Finally, we found that the key to the safe was not properly safeguarded as required. Instead, it was stored in an unlocked drawer in the Transportation Inspection Office.
- b. **Recommendation.** The Transportation Inspection Office should ensure that the requirements of P&P 24-1, dealing with the handling of cash, are followed.
- c. **Management Comments.** Management concurred and stated, "Steps have been taken to ensure P&P 24-1, Collecting, Securing, Depositing and Reporting Cash, is followed.

"P&P 24-1 has been studied by office personnel who collect, secure, deposit and report cash transactions in Transportation Inspection. New procedures have been implemented as follows to comply with audit findings:

"1. Checks for more than \$2,500 are first verified with the bank on which they are written before being accepted in Transportation Inspection. Procedure will be followed in this regard, however, a request for exception has been submitted to the Treasurer. Checks of this amount are received in Transportation Inspection only during permit renewal in December. Permits have a cash value of \$60,000 and failure to pay the Municipality the annual permit fee with a valid check would mean revocation of the permit and a loss to the individual of \$60,000.

"2. Daily verification of cash receipts is performed at the end of each work day before receipts are placed in the safe. A deposit is made when cash and coin surpass \$100 or when total receipts exceed \$500.

"3. The key to the safe is now in the possession of the cashier at all times and locked in a secure area after hours."

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

2. **Imprest Fund Expenditures Not Documented.**

a. **Finding.** The Transportation Inspection Office did not maintain supporting documentation for expenditures made from an imprest fund. The \$250 fund was maintained for use by the two enforcement officers in monitoring taxicabs and was

replenished periodically when the cash was used up. Proper documentation of expenditures is important to maintain accountability of the fund.

- b. **Recommendation.** The Transportation Inspection Office should maintain supporting documentation to evidence the expenditure of all funds.
- c. **Management Comments.** Management concurred and stated, "The Transportation Inspection Office will maintain detailed documentation of expenditures from the imprest fund. An office procedure is being developed outlining the requirements for documentation of imprest fund expenditures."
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

**Discussion With Responsible Officials.** The results of this audit were discussed with appropriate Municipal officials on September 4, 1996.

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