

Municipality  
of  
Anchorage



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OFFICE OF THE INTERNAL AUDITOR

August 2, 1996

**Internal Audit Report 96-08**  
**Cash Control Procedures**  
**Anchorage Parking Authority**

**Introduction.** The Anchorage Parking Authority is a public corporate authority of the Municipality of Anchorage (Municipality). Its powers, as defined by the Anchorage Municipal Code, include the operation, management and control of off-street parking facilities and all properties pertaining thereto. Operating revenue includes citation revenue, garage revenue, parking lot revenue, lease revenue, metered revenue and other miscellaneous revenue. A computerized system (Secom System) is utilized in the parking garages to control the entry, exit, payment collection, and tracking of garage activity.

**Scope.** The objective of this audit was to determine the adequacy of cash control procedures. The audit was conducted in accordance with generally accepted government auditing standards and accordingly, included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit was performed during the period of April through May 1996. The audit was requested by the Administration.

**Overall Evaluation.** Cash control procedures required strengthening in some areas. Specifically, written cash handling procedures were not adequate, physical security required strengthening, payments were not always processed through a cash register, payments were not always deposited in a timely manner, supervisory cash counts were not performed periodically, daily supervisory and reconciliation procedures were not complete, and there was no formal training program for cashiers. Our audit did not disclose any instances of misconduct or irregularities.

## FINDINGS AND RECOMMENDATIONS

### 1. Written Cash Handling Procedures Not Adequate.

- a. **Finding.** Written cash handling procedures for the Anchorage Parking Authority were not adequate. The written procedures did not include cash handling procedures specific to cash collection at parking garages and parking lots, or for leases, Saturday Market and other miscellaneous activities. In addition, the cash handling procedures did not cover all realms of the cash handling function such as petty cash and change fund procedures, deposit verification procedures performed by accounting, procedures for training cashiers, procedures for performing unscheduled cash counts and reconciliations, night drop procedures, credit card sales, or the securing of cash.
- b. **Recommendation.** Written procedures for collecting, securing, depositing, and reporting cash should be strengthened by including cash handling procedures specific to all areas for which cash is received and to include all areas of cash handling. Municipal Policy and Procedure 24-1 should be used as a guide in developing such procedures.
- c. **Management Comments.** Management stated, "Management agrees with the finding and recommendation. We will undertake a project to assess existing procedures, update them as necessary, and develop new procedures for areas which have not been properly documented. We anticipate completing working drafts of the new procedures by December 31, 1996."
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

2. **Physical Security Required Strengthening.**

a. **Finding.** Physical security over cash and related items required strengthening. Specifically, the following was noted:

- 1) Cash and checks prepared for deposit were stored in an unsecured desk until the afternoon pick-up by the security company.
- 2) Cash register operating keys were kept in the cash register rather than in the possession of the cashier.
- 3) Cash drawer keys were left in the cash register allowing unrestricted access to the cash drawers.
- 4) Check payments received for leases, Saturday Market and other miscellaneous activities were not properly secured because keys to the file cabinet, where the checks were stored for up to one week, were not secured and allowed the potential for unauthorized access.
- 5) Keys to the night drop collection box were kept on a cash register and were available to all employees in the area.

b. **Recommendation.** Physical security over cash and related items should be strengthened. Specifically, cash register keys and cash drawer keys should be kept in the possession of the assigned cashier, access to cash should be restricted to the custodian of the fund and their immediate supervisor, and cash and checks should be properly secured until they are deposited.

- c. **Management Comments.** Management stated, "Finding a1, unsecured deposits, represents a violation of existing procedures regarding safeguarding of deposits awaiting pick-up for delivery to the bank. Management agrees that non-compliance with existing procedures weaken controls over access to funds. Management has addressed this concern to all personnel responsible for securing deposits.

"Management considers findings a2 and a3 to be related and has instituted a policy of ensuring that Customer Service Representatives (CSR) keep their cash drawer keys in their possession at all times when not at the cash register. Doing so prevents access to the funds in the cash drawers. The keys are unique to each drawer thereby limiting access by another CSR. The cash register operating keys work in each of the cash registers, however, those keys alone do not provide access to the cash drawer. Management feels that daily cash balancing controls will identify and mitigate the possibility of unauthorized cash register transactions by someone other than the cashier assigned to the cash register.

"Management concurs with finding a4, however, the response to finding #3, Payments Not always Processed Through a Cash Register, will address this finding.

"Finding a5, access to night drop collection box, represents a violation of existing procedures and has been corrected."

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

3. **Payments Not Always Processed Through a Cash Register.**

- a. **Finding.** Checks received for lease payments, Saturday Market space rentals, and other miscellaneous activities such as JC Penney and Nordstrom payments for validated parking were not processed through a cash register. These payments were distributed directly to the person responsible for tracking the receipt and preparing the deposit. Because these payments were not processed by someone assigned cash handling responsibilities, the payments were not included in the daily balancing procedures and were not subject to supervisory review and reconciliation procedures.
- b. **Recommendation.** In order to strengthen controls over the receipt of payments, all payments should be processed through a cash register and balanced to a record of the daily receipts at the end of the day.
- c. **Management Comments.** Management stated, "Management agrees with the finding. We intend to revise the current procedures for receipt of the checks in question and will separate the function of receipt of funds from the accountability for the activities. All receipts will be processed through the cash register to allow for daily balancing and supervisory review and reconciliation. These procedure will ensure that payments referred to in finding #2 are not left unsecured. We anticipate having this new procedure in place by September 30."
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

4. **Payments Were Not Always Deposited Timely.**

- a. **Finding.** Cash receipts from off-street parking facilities were not always deposited in a timely manner. Our review of 21 deposits for off-street parking revealed that 14 were made 3 to 6 days after they were received. As a result, there was an increased risk of loss or theft of the deposits.
- b. **Recommendation.** Payments should be deposited on the day of receipt to provide for proper controls.
- c. **Management Comments.** Management stated, "Management concurs with the finding and recommendation. The finding represents a violation of existing policies and has been closely monitored. To address this issue, Management is considering an RFP for cash pick-up, deposit verification, and delivery services. This service will help to free-up time to perform more supervisory and reconciliation duties in the area of off-street operations. We anticipate having an RFP prepare and ready for bidding by the beginning of 1997."
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

5. **Supervisory Surprise Cash Counts Not Performed Periodically.**

- a. **Finding.** Supervisory surprise cash counts and reconciliations were not performed periodically. Our discussions with management personnel revealed that there were no set procedures for performing surprise cash counts. However, their policy was to perform surprise cash counts at least once a year. Documentation could not be located for the last surprise cash counts performed.

- b. **Recommendation.** Surprise cash counts should be performed periodically for each cashier. In addition, the surprise cash counts should be documented to provide evidence of the results of the cash counts.
  
- c. **Management Comments.** Management stated, "Management concurs with the finding and will institute procedures to perform supervisory cash counts on a quarterly basis. We anticipate instituting these procedures in the fourth quarter of 1996."
  
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

6. **Daily Supervisory and Reconciliation Procedures Not Complete.**

- a. **Finding.** Daily supervisory and reconciliation procedures for parking garage receipts did not include validated parking. Only cash receipts were reconciled daily to the Secom System reports. Because validated parking tickets replace cash receipts for the first two hours of parking, control and reconciliation is important to prevent potential misappropriation and loss of cash.
  
- b. **Recommendation.** Daily supervisory and reconciliation procedures for parking garage receipts should include a reconciliation of the validated tickets to the Secom System reports.
  
- c. **Management Comments.** Management stated, "Management agrees with the finding. Management has placed an emphasis on this process, however, currently due to the amount of time spent by supervisory personnel in off-street operations on daily deposits, these procedures are not always being performed. Management



feels that contracting out the daily cash pick-up, deposit and verification activities in the off-street area will free-up sufficient time to perform more supervisory and reconciliation functions.”

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

7. **No Formal Training Program For Cashiers.**

- a. **Finding.** There was no formal training program for cashiers. Even though new personnel received hands-on cashier training before they were assigned to cashiering functions, no other training was provided. In contrast, Municipal procedures require annual cash handling training.
- b. **Recommendation.** A formal training program should be established for all individuals assigned cash handling responsibilities. The program should include annual training sessions on cash handling and reporting procedures conducted by the Finance Department, Treasury Division, Cash Management Section of the Municipality of Anchorage.
- c. **Management Comments.** Management stated, “Management concurs and will formalize training for new and existing cash handlers by using the Municipality of Anchorage training program along with in-house training.”
- 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 officials on June 20, 1996.

Audit Staff:  
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