

January 12, 1998

**Internal Audit Report 98-02
Customer Service Cash Controls
Public Transportation Department**

Introduction. The Public Transportation Department, Customer Service Division (Customer Service) is responsible for selling and distributing bus passes and tokens and providing information to the public. Cash receipts are derived from the sale of bus passes, tokens and other items such as ride guides, maps, clips and laminates. These items are sold at the Transit Center and off-site facilities such as the Municipal Libraries, University of Alaska and small businesses in Anchorage.

Scope. The objective of this audit was to determine whether the procedures and controls over cash, bus passes and tokens at Customer Service were adequate and in compliance with Anchorage Municipal Code (AMC) and Municipal Policy and Procedure (P&P) requirements. The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit period was January through July 1997. The audit was performed during July through September 1997.

Overall Evaluation. Procedures and controls over cash, bus passes and tokens at Customer Service were not in compliance with AMC or P&P requirements. Specifically, the following deficiencies were found: sales transactions were not always processed through the cash register; supervisory approval was not required for void transactions; safes containing cash and cash items were not locked at all times; all bus passes were not accounted for; accountability over ride guides, clips and laminates was not maintained; gift certificates were not adequately controlled; consignment forms

were not always signed by the recipient; management approval of donations was not always documented; office security required strengthening; and, employees had not attended mandatory cash handling training.

FINDINGS AND RECOMMENDATIONS

1. Cash Handling Procedures Required Improvement.

- a. Finding.** Cash handling procedures were not in compliance with the requirements of AMC 6.70.080 and P&P 24-1, Collecting, Securing, Depositing and Reporting Cash, and were not adequate to provide necessary controls over cash and cash items. We found the following:

- 1) Void transactions, credit card purchases and other sales transactions were not always processed through the cash register.
- 2) Supervisory approval was not required for void transactions.
- 3) Safes containing cash and cash items were not locked at all times.

As a result, an environment existed where undetected losses or misappropriation could occur.

- b. Recommendation.** Cash handling procedures should be revised to be in compliance with the requirements of P&P 24-1, Collecting, Securing, Depositing and Reporting Cash. Specifically, all transactions should be processed through the cash register and deposited daily, supervisory approval should be obtained for void transactions, and safes should be locked at all times.

- c. **Management Comments.** Management stated, “*(Not always processed through the cash register)* The Public Transportation Department concurs with the finding and recommendation. A separate cash drawer will be established to process credit card purchases and other sales transactions. This cash drawer will be assigned to the Accounting Clerk. Every void transaction will be processed through the register and noted on days receipts.

“*(Supervisory approval for void transactions)* The Public Transportation Department concurs with the finding and recommendation. Either the Customer Service Supervisor or Accounting Clerk will approve void transactions. Approval will be listed on cash register tape.

“*(Safes were not locked at all times)* The Public Transportation Department concurs with the finding and recommendation. Each cashier has been assigned specific space in the safe in which to store their cash drawer and other “for sale” items. The cashier is responsible for securing their area of the safe. The Customer Service Supervisor and Accounting Clerk are responsible for assuring that all nine safe drawers are secured. Only one compartment of the safe has been left open in order to accommodate easy access to gift certificates and semester stickers during normal work hours. All other safe drawers are locked at all times. The Customer Service Supervisor and Accounting Clerk will now unlock drawer and disburse gift certificates and semester passes on an as needed basis. All safe drawers will remain locked at all times.”

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

2. All Bus Passes Were Not Accounted for.

- a. **Finding.** All bus passes were not accounted for. Our inventory of bus passes revealed 12 missing day passes and 2 missing visitor passes. Customer Service personnel thought that the day passes had been damaged by the printer and thus not received. However, we could find no documented explanation for the missing items.
- b. **Recommendation.** All bus passes should be accounted for. The number of passes received from the printer should be compared to purchasing documentation to determine whether all passes ordered were received. Any discrepancy should be researched and documented.
- c. **Management Comments.** Management stated, "The Public Transportation Department concurs with the finding and recommendation. Since the missing 12 day passes occurred at the beginning of a 20,000 day pass printing run, we concluded that these missing passes were probably damaged by the printer during the printing process. Special efforts will be made to research and document any discrepancy."
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

3. Accountability Over Ride Guides, Clips and Laminates Was Not Maintained.

- a. **Finding.** Accountability over ride guides, clips and laminates was not maintained. Each day cashiers entered beginning quantities of these items on their Transit Center Cashier Report and obtained additional quantities at their discretion without a supervisor controlling or verifying stocks. As a result, accountability was not

established by which to verify cash receipts at the end of their shift. These items were sold for \$.50 to \$1.00 each.

- b. **Recommendation.** All items provided to cashiers for sale should be issued by a supervisor and entered on each Transit Center Cashier Report. Accordingly, at the end of the shift, the supervisor should reconcile all cash and remaining stock to the sales records.

 - c. **Management Comments.** Management stated, "The Public Transportation Department concurs with the finding and recommendation. Ride Guides, clips and laminates will be issued by the Customer Services Supervisor or Accounting Clerk. Inventoried stock will be entered on the Transit Center Cashier Report. The Customer Service Supervisor or Accounting Clerk will reconcile all cash and remaining stock."

 - d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.
4. **Gift Certificates Were Not Adequately Controlled.**
- a. **Finding.** Gift Certificates were not controlled to prevent loss or misappropriation. Specifically, we noted the following:
 - 1) Gift certificates were printed by the Customer Service Supervisor rather than an independent source.

- 2) Control logs used to account for gift certificates were not complete. Our review revealed that 29 gift certificates valued at \$550 were not included on the control log.
- 3) The numbering sequence for youth and senior citizen gift certificates could not be verified.
- 4) Blank gift certificates were not secured during business hours.
- 5) Redeemed gift certificates were not compared with issued certificates to ensure gift certificates were not duplicated or redeemed more than once.

As a result, control and accountability over gift certificates were not adequate. A similar finding was noted in Internal Audit Report 95-06.

- b. **Recommendation.** The Public Transportation Director should consider purchasing gift certificates from an independent source to establish accountability. Blank stocks of gift certificates should be properly safeguarded, entered on records of accountability and inventoried periodically. The inventory results should be reconciled to records of accountability and sales receipts.
- c. **Management Comments.** Management stated, “*(Printing gift certificates)* The Public Transportation Department concurs with the finding and conditionally concurs with the recommendation. Since the Public Transportation Department only prints a limited number of gift certificates, it will continue to print them by Customer Service Supervisor. The Customer Service Supervisor will forward the Gift Certificates to the Public Transportation Director for dual signature and numbering.

“(Gift certificates Log) The Public Transportation Department concurs with the finding and the recommendation. After the Public Transportation Director has signed and numbered the gift certificates, he will return them to the Customer Service Supervisor. The Customer Service Supervisor will maintain a log listing certificate number and status.

“(Numbering sequence) The Public Transportation Department concurs with the finding and the recommendation. The Public Transportation Director (or designee) will sign and number all Gift Certificates.

“(Gift certificates not secured) The Public Transportation Department concurs with the finding and the recommendation. The Customer Service Supervisor and Accounting Clerk will ensure that gift certificates are secured in the safe.

“(Gift certificates duplicate) The Public Transportation Department concurs with the finding and conditionally concurs with the recommendation. Redeemed gift certificates will be compared with issued certificates to ensure gift certificates were not duplicated or redeemed more than once.”

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

5. **Consignment Forms Not Always Signed by the Recipient.**

- a. **Finding.** Consignment forms were not always signed by the recipient. Consignment forms were used to document the transfer of bus passes, tokens and other items to non-transportation department sales outlets. Our review of 68 randomly selected consignment forms revealed that 5 (7%) were not signed by the recipient. The lack

of a recipient's signature documenting a transfer of accountability for the passes, tokens and other items resulted in a loss of control and a risk of undetected misappropriation.

- b. **Recommendation.** The Customer Service Supervisor should ensure that all consignment forms are signed by the recipient to document the transfer of bus passes, tokens and other items for resale.
 - c. **Management Comments.** Management stated, "The Public Transportation Department concurs with the finding and the recommendation. The Customer Service Supervisor will ensure that all consignment forms are signed by the recipient and form has been changed to reflect this requirement."
 - d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.
6. **Management Approval of Donations of Bus Passes, Tokens and Gift Certificates Not Always Documented.**
- a. **Finding.** The donation of bus passes, tokens and gift certificates was not always approved by management. We found no evidence of management approval for 34 of 44 bus pass and token donations made in 1997. In addition, 31 (69%) consignment forms documenting these donations were not signed by the recipient to verify receipt. We also did not find documentation to verify that the donations of seven gift certificates had been approved or that the recipient had received the gift certificate.

- b. **Recommendation.** All donations of items should be approved in advance by the Director of the Public Transportation Department. In addition, a signature signifying receipt should be obtained from all individuals receiving donated items, where possible.

- c. **Management Comments.** Management stated, “The Public Transportation Department concurs with the finding and the recommendation. The Public Transportation Director will approve all donated items in advance of the donation. Individuals receiving the donated items, will sign a receipt.”

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

7. **Office Security Required Strengthening.**

- a. **Finding.** Office security required strengthening. Access was not physically controlled from the front lobby area to the area containing the safe and cash registers. During the audit we observed a customer wander unescorted into the area containing the safe before staff identified his presence and offered assistance. A similar finding was noted in Internal Audit Report 95-06.

- b. **Recommendation.** Access should be restricted from the front lobby area to the area containing safes and cash registers. Consideration should be given to constructing a counter or at least installing a door ringer so that Customer Service employees would know when someone has entered the office.

- c. **Management Comments.** Management stated, “The Public Transportation Department concurs with the finding and the recommendation. Office security

continues to be strengthened. A door ringer has been installed so that employees will know when someone has entered the office. A security door will be installed at the front counter to ensure better security of the employee and cash.”

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

8. **Customer Service Cashiers and Their Supervisors had Not Attended Annual Municipal Cash Handling Training.**

- a. **Finding.** Customer Service cashiers and their supervisors had not attended annual cash handling training. A review of attendance records for the training sessions for 1995, 1996, and January through July 1997, revealed that the last time a Customer Service cashier or supervisor attended the training was in 1995. A similar finding was noted in Internal Audit Report 95-06. P&P 24-1, Collecting, Securing, Depositing and Reporting Cash, requires cashiers and their supervisors attend cash handling training annually.
- b. **Recommendation.** The Public Transportation Director should ensure all cashiers and their supervisors attend cash handling training annually.
- c. **Management Comments.** Management stated, “The Public Transportation Department concurs with the finding and recommendation. Since this audit, all individuals responsible for cash handling have attended the Cash Handling Training Class provided by the Municipal Treasury Division. The Public Transportation Director will ensure that all cashiers and their supervisors will attend the cash handling training annually.”

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- 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 December 16, 1997.

Audit Staff:
Brenda Applegate
Alice Jensen