

March 17, 1998

**Internal Audit Report 98-09**  
**Cash Control Procedures**  
**Environmental Services Division**  
**Community Health Services Division**  
**Health and Human Services Department**

**Introduction.** The Environmental Services Division receives over \$2 million per year from the On-Site Water and Sewer Quality Section, Public Facilities Environmental Sanitation Section, and Vehicle Inspection and Maintenance Section. The Community Health Services Division is responsible for collection of almost \$300,000 a year in service fees from the Family Planning Clinic, the Sexually Transmitted Disease Clinic and the Chronic Disease Prevention Clinic.

**Scope.** The objective of this audit was to determine whether cash control procedures at the Environmental Services Division and Community Health Services Division were adequate and in compliance with Municipal Policy and Procedure (P&P) 24-1, Collecting, Securing, Depositing and Reporting Cash. 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 was performed during December 1997. The audit was part of the 1997 audit plan.

**Overall Evaluation.** Cash control procedures were generally satisfactory in the Environmental Services Division. However, cash controls required strengthening in the Community Health Services Division. Cashier Daily Summary Reports were not always sent daily to the Finance Department, Treasury Division (Treasury), payments received through the mail were not processed daily, physical security over cash required strengthening and supervisory cash counts were not performed.

## **FINDINGS AND RECOMMENDATIONS**

### **1. Cashier Daily Summary Reports Were Not Sent Daily to Treasury.**

- a. Finding.** Community Health Services Division personnel did not send Cashier Daily Summary Reports to Treasury daily. Our audit revealed Cashier Daily Summary Reports with all supporting documentation for six days of operation still in the cashier area. We were told that current procedures were to send the cash receipt documentation to Treasury weekly. However, Municipal P&P 24-1 requires that all cash receipt documentation be sent to Treasury daily.
- b. Recommendation.** Cash receipt documentation should be sent to Treasury on a daily basis in compliance with Municipal P&P 24-1.
- c. Management Comments.** Management stated, "We concur with the finding and recommendation and will send summary reports daily to Treasury in compliance with P&P 24-1. This will be implemented immediately."
- d. Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

### **2. Payments by Mail Were Not Processed Properly.**

- a. Finding.** Payments received through the mail were not processed and deposited when received by Community Health Services Division staff. Approximately three times a week the Community Health Services accounting clerk opened the mail, matched the payment to the invoice, entered the payment into the accounts receivable

system and processed the payment through the cash register. Municipal P&P 24-1 requires that payments received by mail be processed, reported and deposited on the date of receipt. In addition, allowing the same individual to receive, record and deposit cash provides an environment where undetected losses could occur.

- b. **Recommendation.** All payments received through the mail should be processed, reported and deposited daily as required by Municipal P&P 24-1. In addition, cash handling and record keeping functions should be assigned to different individuals.
- c. **Management Comments.** Management stated, “We concur with the finding and recommendation and will process and record cash receipts daily. Cash handling and record keeping functions will be separated and assigned to different individuals as much as practical due to limited staff. We will implement the recommendation beginning in March business.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

3. **Supervisory Surprise Cash Counts Were Not Performed and Reported to Treasury.**

- a. **Finding.** Unscheduled supervisory cash counts had not been performed monthly in both the Environmental Services and Community Health Services Divisions. Municipal P&P 24-1 states that the supervisor of each collection location must perform an unscheduled cash count and reconciliation at least once a month and report the results on June 30 and December 31 of each year to Treasury.

- b. Recommendation.** Unscheduled supervisory cash counts should be performed at least monthly. The results should be communicated to Treasury on June 30 and December 31 of each year.
  - c. Management Comments.** Management stated, “We concur with the finding and recommendation and will conduct monthly unscheduled supervisory cash counts and report the results to Treasury June 30 and December 31. We will implement the recommendation in March business.”
  - d. Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.
- 4. Physical Security Over Cash Required Strengthening.**
- a. Finding.** Physical security over cash required strengthening in the Community Health Services Division. Specifically, we found that keys to the vault, cash register drawers and bank bags were stored in an unlocked desk drawer during the day. Municipal P&P 24-1 requires that keys be stored in a secure location only accessible to the cashier and immediate supervisor and access to safes and cash registers be restricted to the cashier, cashier’s supervisor, agency head and personnel authorized by the agency head in writing.
  - b. Recommendation.** All keys to the vault, cash register and bank bags should be secured at all times to prevent unauthorized use.
  - c. Management Comments.** Management stated, “We concur with the finding and recommendation and will ensure that all keys to the vault, cash register and bank

bags are secured to prevent unauthorized use. This recommendation will be implemented immediately.”

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

5. **Cash Deposits Not Reconciled to Municipal Financial Information Systems Reports.**

- a. **Finding.** Cash deposits were not reconciled to monthly Municipal Financial Information Systems (FIS) reports to verify the proper posting of revenue for the Community Health Services Division. Per discussion with Community Health Services personnel, attempts have been made to reconcile cash receipts to the FIS reports for each clinic. However, the closest a clinic reconciliation has been is \$1,800. As a result, Community Health Services Division personnel do not know whether cash receipts have been properly recorded in the FIS reports.
- b. **Recommendation.** Municipal cash receipt documents should be reconciled to the FIS reports on a regular basis and corrections made as errors are found.
- c. **Management Comments.** Management stated, “We concur with the finding and recommendation and will implement a monthly reconciliation of cash deposits to verify that the proper posting of revenue has been made to the FIS reports. Any posting errors will be corrected when found. This recommendation will be implemented in March business.”
- 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 9, 1998.

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