



December 26, 2000

**Internal Audit Report 2000-11**  
**Cash Control Procedures**  
**Municipal Light and Power**

**Introduction.** Municipal Light and Power (ML&P) is a Municipal owned utility serving an area of Anchorage roughly north of Tudor Road and west of Boniface Parkway. ML&P also serves Fort Richardson and Elmendorf Air Force Base. The utility serves approximately 30,000 customers and generated approximately \$76,849,000 in revenue during 1999. The Customer Service Division of ML&P accepts payments for a variety of Municipal accounts, including all Municipal utility bills and property taxes.

**Scope.** The objective of this audit was to determine whether the Customer Service Division's procedures and controls for collecting and depositing cash were adequate. Specifically, we reviewed electronic fund transfers, credit card payments and over-the-counter cash receipts. We also reviewed 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 the period of July through October 2000. The audit was requested by the Management.

**Overall Evaluation.** Overall, procedures and controls for collecting and depositing cash receipts were proper and complete. No weaknesses were noted for electronic fund transfers and credit card payments. However, compliance with P&P 24-1 required improvement. Monthly cash counts were not consistently being performed, cashiers were not properly transferring cash drawers, and Cashier Daily Summary Reports were not being correctly completed.

## FINDINGS AND RECOMMENDATIONS

### 1. Monthly Unscheduled Cash Counts Not Performed for All Cashiers.

- a. **Finding.** The Customer Service supervisor had not conducted unscheduled cash counts for each cashier at least once per month as required by P&P 24-1. Unscheduled cash counts are a primary control in ensuring that cash receipts are recorded and deposited to the proper accounts and should not be dismissed. Our review of cash count documentation revealed that, on the average, 43% of the cashiers did not have unscheduled monthly cash counts each month during the period of February through July 2000.
- b. **Recommendation.** The Customer Service supervisor should conduct unscheduled cash counts for each cashier at least once per month. Results of this procedure should be maintained in a file by the supervisor. We recommend that a tracking system be maintained to assist in ensuring that required cash counts are conducted for all cashiers.
- c. **Management Comments.** Management concurred and stated, "The Customer Service Division Manager will ensure that the Customer Service Supervisor conducts an unscheduled cash count for each scheduled cashier each month. It should be pointed out that due to utilizing rotating cashiers, business hours, unscheduled cashier absences and unforeseen situations, an employee not scheduled to perform cashier functions in a particular month may be required to do so. It is not feasible to have an unscheduled cash count for each occurrence where an employee cashiers for an unforeseen or unscheduled situation."
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

2. **Accountability Over Cash Drawers Not Always Properly Transferred Between Cashiers.**

- a. **Finding.** Accountability was not always properly transferred between cashiers when a cashier was relieved by another cashier to go on a break. P&P 24-1 states that only one cashier can be assigned to a cash register drawer. Relief cashiers must be provided with their own cash register drawer. If the relief cashier does not have their own drawer, then a reading of the register must be taken, all cash in the drawer must be counted, and the cash register tape must be initialed by both the cashier and the relief cashier. Our review of cashier documentation revealed that in 14 out of 15 transfers, there was no evidence that these procedures were followed. Since relief cashiers were not provided with their own cash register drawer, a joint balancing of cash is mandatory to properly assign accountability over cash in the cash register drawer.
- b. **Recommendation.** Management should consider providing relief cashiers with their own cash register drawer. If this is not considered possible, then cashiers should be required to follow the procedures contained in P&P 24-1 for the proper transfer of accountability when one cashier relieves another cashier.
- c. **Management Comments.** Management concurred and stated, "P&P 24-1, V.1.h will be reviewed with the cashiers to ensure they understand their responsibilities when relieving another cashier."
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

3. **Cashier Daily Summary Reports (CDSR) Not Completed Properly.**

- a. **Finding.** CDSR's were not completed properly. CDSR's document each day's cash collection activity and are used to reconcile the total dollar amount of cash receipts written, the total amount of money collected, the total dollar amount of payment transactions keyed into the cash register and the total amount of cash deposited. Each cashier operating a cash register during the day is required to complete a CDSR and reconcile the documentation to cash received. The CDSR must be verified by another cashier and approved by their supervisor. Our review of 60 CDSR's for a selected 20-day period revealed numerous errors and omissions on the CDSR's. Examples of errors noted include: cash receipt numbers not properly referenced, wrong deposit ticket numbers, opening and closing counts not documented, erroneous transactions not properly corrected, and supervisory review not always documented. Since the verification and supervisory review had not detected these errors, we question the adequacy of the supervisory review.
- b. **Recommendation.** Cashiers should be instructed on the proper procedures for preparing CDSR's as specified in P&P 24-1. In addition, supervisory review and approval should be improved to detect errors and omissions so that proper control of cash receipts and deposits can be maintained.
- c. **Management Comments.** Management concurred and stated, "Cashiers will be re-instructed on the proper completion of the Cashier Daily Summary Report. Supervisory responsibilities relating to review and approval will be reinforced for those performing this function."
- 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 November 21, 2000.

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