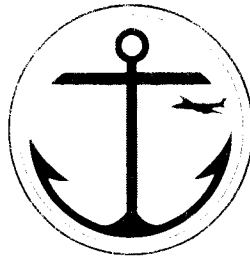


Municipality of Anchorage



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George P. Wuerch, Mayor

OFFICE OF THE INTERNAL AUDITOR

August 1, 2000

Internal Audit Report 2000-8

Cash Controls

Prosecution Division

Municipal Attorney

Introduction. The Municipal Prosecutor's Office administers the Pre-Trial Diversion Program where first time offenders are allowed to pay a fine and/or do community service in lieu of going to court and serving a sentence. Fines are collected at the Prosecutor's Office and the Municipal Treasury Division. If the fines are not paid within the allotted time period, 30 to 90 days, the cases revert back to the court system. For the year ending December 31, 1999, the program generated \$114,662.31 in revenue. For January through May of this year, \$39,785.62 has been collected. Weekly deposits ranged from \$350 to \$3,090 during 2000.

Scope. The objective of this audit was to determine whether proper cash controls exist at the Prosecutor's Office. 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 May 2000. The audit was part of the 2000 Audit Plan.

Overall Evaluation. Cash controls at the Prosecutor's Office required strengthening. Specifically, there was a lack of segregation of duties between collecting and recording cash collection, cash receipts were not always deposited weekly, and a deposit log was not used to document the receipt of cash until the weekly deposit.

FINDINGS AND RECOMMENDATIONS

1. Lack of Segregation of Duties.

- a. **Finding.** There was a lack of segregation of duties of collecting and recording cash. One individual was responsible for collecting cash receipts, entering the amount collected into the Pre-Trial Diversion Program caseload management system, preparing and making the cash deposit, and submitting the required documentation to Cash Management. In addition, there was no supervisory review of the deposit documentation or a reconciliation of the deposited amount to the caseload management system.
- b. **Recommendation.** The duties of collecting and recording cash should be assigned to different individuals to provide for a proper segregation of duties. If this is not possible due to office staffing, procedures should be implemented to require supervisory review of cash deposits and supporting documentation.
- c. **Management Comments.** Management stated, "The following corrective action has been taken: There are now two individuals who cross-check each other."
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

2. Cash Control Procedures Require Strengthening.

- a. **Finding.** Cash control procedures require strengthening. Specifically, we found the following conditions which were either not in compliance with Policy and Procedure (P&P) 24-1, Collecting, Securing, Depositing and Reporting Cash, or not in accordance with good cash control practices:

- 1) Cash was not always deposited weekly as required. Our surprise cash count revealed one check still undeposited that had been received 19 days prior.
- 2) Surprise cash counts had not been conducted as required. P&P 24-1 requires a supervisor to perform an unscheduled cash count and reconciliation at least once a month.
- 3) The keys to the cash box, which contained cash collected during the week, were not properly secured. Although the cash box was secured in a locking filing cabinet, the extra set of keys was kept in an unsecured desk. P&P 24-1 states that, "Safe keys should be in the personal possession of an authorized individual and NEVER kept in an unlocked desk drawer or other place that is accessible to unauthorized personnel."

b. Recommendation. Controls over cash receipts should be improved. Specifically,

- 1) Deposits should be made on a weekly basis as authorized by the Chief Fiscal Officer in the memo dated November 30, 1999.
- 2) Surprise cash counts should be performed as required by P&P 24-1.
- 3) Keys to the cash box should not be kept in an unsecured place.

c. Management Comments. Management stated,

"The following corrective action has been taken:

- 1) Cash is now deposited every Friday.
- 2) John Richards or Bruce Roberts will conduct surprise cash counts.

3) Each set of keys to the cash box will be kept in the possession of each person dealing with the Pre-Trial Diversion Program.”

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

3. **Payments Received Through the Mail Not Recorded at Time of Receipt.**

a. **Finding.** Payments received through the mail were not recorded at the time of receipt. As a result, any loss could go undetected since there was no record of the payment being received. Although a log was used by the Prosecutor’s Office to document all payments until the beginning of the year, it was discontinued when the Cash Receipt Forms were prepared by the Prosecutor’s Office instead of the Treasury Division. Currently, all payments received through the mail are held until the end of the week when the weekly cash deposit is made. At that time, the payments received through the mail are entered on one Cash Receipt Form and are included in the deposit.

b. **Recommendation.** All payments received should be entered on a record of accountability at the time of receipt. The former deposit log is one method of documenting the receipt of payments and could be used again to document payments.

c. **Management Comments.** Management stated, “The following corrective action has been taken: The Receptionist now informs Pre-Trial Diversion personnel of any checks or money orders received thru the mail. They are handled the same as cash received and a receipt is written out.”

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 June 26, 2000.

Audit Staff:
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