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Mayor

Municipality of Anchorage

Internal Audit



September 25, 2002

Internal Audit Report 2002-10 Customer Service Cash Control Procedures Anchorage Water and Wastewater Utility

Introduction. The Anchorage Waste & Water Utility (AWWU) Customer Service Division, Credit and Collection Section receives and processes payments received from Municipality of Anchorage (Municipal) customers for water and wastewater utility charges. The Credit and Collection Section is staffed with two cashiers, one relief cashier and a head cashier, who are responsible for receiving and processing customer water and wastewater utility payments during AWWU's business hours. In addition to receiving customer payments, the Credit and Collection Section also processes checks and payments for permits, fees, and planning from other departments housed within the AWWU facility.

Scope. The objective of this audit was to evaluate the procedures and controls at the Customer Service Division, Credit and Collection Section. 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 August 2002. The audit was requested by the Administration.

Overall Evaluation. Although AWWU has established proper cash controls and procedures for the Customer Service Division, there are several issues requiring improvement and adherence to Municipal Policies and Procedures (P&P). The cashier and relief cashier have knowledge of each other's passwords. The keys to the safe and cash change drawer are kept in the supervisor's office in an unlocked drawer. In addition, we could not find evidence that the supervisor performs monthly "unscheduled" cash/check counts on each cashier's drawer. Further, not all cashiers have received annual cash training in accordance with P&P 24-1. Cashiers have a large number of voided

transactions and are allowed to void transactions without supervisory approval. Finally, access to the customer service area, including the cashier's office, is restricted by a half-door with only a sliding lock. During the performance of this audit, Credit and Collection Section personnel took immediate steps to resolved several of the audit findings prior to the issuance of this report.

FINDINGS AND RECOMMENDATIONS

1. Cashiers Had Knowledge of Each Other's Passwords.

- a. **Finding.** Passwords and sign-on codes to the cash register system were not protected and kept confidential. We found that cashiers knew each other's passwords and sign-on codes, allowing a cashier to change or void transactions of other cashiers without their knowledge. We did find that each cashier had been provided their own till with a locking cover to secure their funds.
- b. **Recommendation.** The password and sign-on code assigned to each cashier should be kept confidential by the cashier and not be given out to other employees.
- c. **Management Comments.** Management stated, "AWWU Customer Service changed and secured all cashier passwords and sign-on codes accessing the cash register system on July 18, 2002, the day following Internal Audit's unannounced audit."
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

2. Safe and Change Fund Keys Kept in Unlocked Drawer.

- a. **Finding.** Keys to the safe and cash change till were kept in the supervisor's office in an unlocked drawer. As a result, if cash was discovered missing, it would be impossible to determine accountability over the safe and change till.

- b. **Recommendation.** In accordance with P&P 24-1, "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."

- c. **Management Comments.** Management stated, "AWWU Customer Service secured keys to the safe and change fund on July 19, 2002. Two supervisors and one Sr. Administrative Officer are now the only ones who have access to safe and change fund keys."

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

3. **Monthly Unscheduled Cash Counts Not Performed.**

- a. **Finding.** We could find no evidence that monthly unscheduled cash/check counts and reconciliations had been performed for each cashier as required by P&P 24-1.

- b. **Recommendation.** In accordance with P&P 24-1, "the supervisor of each cash collection location must perform an unscheduled cash/check count and reconciliation for each cashier at least once per month. Results of this procedure should be maintained in a file by the supervisor. On June 30 and December 31 of each year, the supervisor, by memo, will report the dates of each cash count and reconciliation to Cash Management with an explanation of any discrepancies found and the action taken."

- c. **Management Comments.** Management stated, "Cash Counts were performed sporadically, but not documented. AWWU is now performing documented monthly cash counts."

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

4. **Cashiers Had Not Attended Annual Training Sessions.**

- a. **Finding.** The cashier and relief cashier had not attended annual training sessions on cash handling and reporting procedures in either 2001 or 2002 as required by P&P 24-1.

- b. **Recommendation.** In accordance with P&P 24-1, "Agency Heads shall ensure that: . . . (6) at least annually, all cashiers and their supervisors attend training session on cash handling and reporting procedures conducted by the Finance Department/Treasury/Cash Management Section."

- c. **Management Comments.** Management stated, "All cashiers have read and understand Cash Handling Policy and Procedure 24-1. The last training session conducted for Cash Handling was for supervisors held at year-end in 2001. Our office was informed that no one was conducting the Cashier Training due to reorganization in the Municipal Treasurer and Controller's office. AWWU will continue to **attempt** to comply with the this audit finding when training is available. AWWU is also willing to coordinate with MOA Finance in a "train the trainer" and conduct Cash Handling training within the Utility."

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

5. **Void Transactions Not Monitored.**

- a. **Finding.** Void transactions did not appear to be monitored by the supervisor. Our review of 40 randomly selected Cashier Daily Summary Reports revealed 132 void

transactions in 37 of the 40 days. One void was made by the cashier to correct an error in excess of \$8,000. We were told that void transactions are not reviewed nor tracked by the supervisor. The need to consistently make void transactions could be an indicator of a lack of adequate training or other potential problems.

- b. **Recommendation.** Void transactions should be monitored by the Cashier Supervisor to identify training needs and prevent future problems in collecting customer payments.

- c. **Management Comments.** Management stated, "Cashier supervisor was monitoring void transactions, but not providing documentation of that monitoring. Cashier supervisor is now providing documentation of void transaction monitoring."

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

6. **Corrections Made on Cash Register Tapes.**

- a. **Finding.** Cashiers were making corrections to the end-of-day cash register journal tapes instead of the Cashier Daily Summary Reports as required by P&P 24-1. Our review of Cashier Daily Summary Reports and supporting cash register journal tapes for 40 days revealed corrections on the register tapes for eight days.

- b. **Recommendation.** In accordance with P&P 24-1, any discrepancies found during the balancing of daily cash receipts should be recorded in the "Register Corrections" section of the Cashier Daily Summary Report and not lined through nor covered up with white out or white correction tape. The correction should show the transaction number and be explained in the cashier's comment section.

- c. **Management Comments.** Management stated, "Accept recommendation. AWWU Customer Service corrected finding in the first part of July 2002. Customer Service was aware of problems with the daily summary report and met with MOA Controller's office and MOA Treasury to clarify procedures and received instructions on how to comply with P&P 24-1 when making corrections to cashier errors."
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

7. **Controls over the Payment Drop Box Could Be Improved.**

- a. **Finding.** Payments made in the drop box located in the parking lot were not properly controlled. We were told that all Customer Service employees were allowed access to the payment drop box so that they could retrieve payments from the box during the day. As a result, accountability could not be established for any lost payments from the drop box.
- b. **Recommendation.** Access to the payment drop box should be assigned to certain designated individuals. In addition, all payments received through the drop box should be documented as to the customer account number, amount, and who retrieved the payments.
- c. **Management Comments.** Management stated, "Accepted recommendation. AWWU Customer Service has added a code to cash register program to indicate all drop box payments with a code of Drop Box checks and Drop Box cash. The drop box combination will be changed and secured with access only by Cashier, Relief Cashier, Credit & Collections Supervisor and Customer Service Administrative Officer."

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

8. **Access to the Cashier's Area Not Properly Secured.**

- a. **Finding.** The cashier's area was not properly secured to prevent unauthorized access or potential robbery. The door from the lobby into the customer service area was only a half-door secured with a sliding lock easily opened by anyone. In addition, the door into the cashier's area was always kept open due to the small area and claustrophobic feeling by the cashiers. We also noted that there was not a surveillance camera in the cashier's area. According to P&P 24-1, proper robbery and burglary prevention and detection procedures require keeping all doors locked when not in use.
- b. **Recommendation.** Management should consider alternatives to securing the cashier's area to prevent unauthorized access or potential robbery. Consideration should also be given to installing a security camera over the cashier's counter.
- c. **Management Comments.** Management stated, "The 3000 Arctic Security Improvement Project began its first phase implementation in April of 2001. Phase III implementation is planned for 2003. Security cameras for the Utility, including the Cashier's area are included in the Phase 3 plan. AWWU Customer Service accepts recommendation to secure the Cashier's area and cipher locks will be installed this month."
- 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 September 10, 2002.

Audit Staff:
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