

MUNICIPALITY OF ANCHORAGE



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Internal Audit Report 2011-05
Cash Register Controls
Finance Department

Introduction. According to Municipal Policy and Procedure (P&P) 24-1, *Collecting, Securing, Depositing and Reporting Cash*, all agencies receiving cash for Municipal services are required to use a cash register, unless exempted by Treasury, and must use a fireproof combination lock safe to secure funds during non-working hours. Three agencies, Anchorage Water and Wastewater (AWWU) Customer Service, Building Safety Customer Service, and Treasury Division, use PC (personal computer) based cash registers with software specialized for the needs of government agencies and their policies and procedural requirements. This system generates a Video Journal tape that reports all cash register activities including monetary transactions, logons, logoffs, voids, and deleted transactions. In addition, a printed Tender Totals by Cashier tape ("Z" tape) provides an additional summary of only monetary transactions. The cash register control features can be customized to facilitate individual department needs.

Objective and Scope. The objectives of this audit were to determine whether proper cash controls were implemented at the three locations using PC based cash registers and if these controls complied with P&P 24-1. To accomplish our objectives we performed a risk analysis of the cash register system, observed the process for entering transactions into the cash register, reviewed detailed Video Journal tapes to identify incomplete and voided transactions, researched the incomplete and voided transactions, and reviewed cashier daily summary reports for completeness.

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 October 2010. The audit was requested by the Administration.

Overall Evaluation. Cash register controls at Building Safety and Treasury need improvement. Specifically, the cash registers at Building Safety and Treasury permitted the cashiers to continue with a cash receipt transaction even though the transaction type had not been indicated. In addition, the Video Journal tape showing all cash register transactions was not printed or archived at Building Safety. Finally, a refund slip was not always used when giving a refund to a customer by Treasury and Building Safety cashiers.

FINDINGS AND RECOMMENDATIONS

1. Cash Register System Allowed Incomplete Transactions.

- a. Finding.** The cash registers at Building Safety and Treasury permitted the cashiers to continue with a cash receipt transaction even though the transaction type had not been indicated. When a cashier entered an amount received, the system requested the type of transaction and what the form of payment was such as cash, check, or credit card. The system then printed a validation that payment had been received. If the cashier failed to enter the form of payment, the cash register shuts down with a message of “power failure”. The cashier could then log back on the cash register and have the cash register print a receipt for the customer. However, no amount was recorded in the system and the summary “Z” tape did not show any cash receipt for the transaction. This control weakness could allow a cashier to collect cash from a customer, provide a receipt to the customer, not include the cash in the day’s deposit, yet still balance at the end of the day. The cash register at AWWU had been programmed to automatically default to a cash transaction if the cashier failed to enter the form of payment.
- b. Recommendation.** The Municipal Treasurer should ensure that all PC based cash registers are programmed to require that the form of payment be entered before the transaction can be completed.

- c. **Management Comments.** Management stated, “Management agrees with the finding. We are in the process of modifying the affected system ensuring that tender type will default to cash when other payment types are not selected.”
 - d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.
2. **Video Journal Report Not Printed or Archived.**
- a. **Finding.** The Video Journal tape showing all cash register transactions was not printed or archived at Building Safety. The only tape printed and attached to the Cashier Daily Summary Report (CDSR) was the “Z” tape which only included summary totals by category (i.e. cash, check, credit card, void) with no supporting detail and did not include incomplete transactions. As a result, it was impossible to research errors or suspicious activity from a prior period.
 - b. **Recommendation.** The Municipal Treasurer should revise P&P 24-1 to require that the Video Journal tape be printed and attached to the CDSR.
 - c. **Management Comments.** Management stated, “Management agrees with the need to ensure daily video journal tapes are printed and forwarded to Treasury as well as require electronically archived journals over the maximum 6 month period allowed by the system. Management will ensure that P & P 24-1 is revised to make reference to the requirement for departments with pc-based cash registers to submit daily printouts to Treasury of the video journals showing all transactional data including voids and refunds. Additionally Treasury subsequently issued a memo on November 5, 2010 directing the Building Safety Department to immediately comply with the existing P & P requirements associated with video journal tapes.”

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

3. **Customer Refunds Not Always Documented and Approved.**

- a. **Finding.** A refund slip was not always used when giving a refund to a customer by Treasury Division cashiers and Building Safety cashiers. Instead, the transaction was voided by the cashier without supervisory approval if the transaction had occurred that day. According to Treasury staff, the transactions voided by the Treasury Division were the result of customers changing their mind and receiving a refund of the payment. P&P 24-1 requires that a municipal Refund Slip (Form 40-026) be used when providing a customer any type of refund. This form must be completed by the cashier, signed by the customer and reviewed and signed by the cashier's supervisor to fully authorize the refund. Without a properly completed Refund Slip, there is no assurance that a customer actually received the refund.
- b. **Recommendation.** The Municipal Treasurer should ensure that all refunds are processed using Form 40-026 as required by P&P 24-1.
- c. **Management Comments.** Management stated, "Management has improved controls over the refund process for property tax payments. Immediate refunds will be processed by Treasury cashiers only for payments or overpayments made earlier the same day and return of cash or check will occur only when the original cash register receipt is provided to the cashier by the customer. Form 40-026, Refund Slip, will be filled out by the cashier, and signed by the customer acknowledging refund of payment before cash or check is returned to the customer. Supervisor, if available, will review the completed Refund Slip immediately; if supervisor is not available, the cashier will issue the refund and the supervisor will review when subsequently reviewing the cashiers' work of the day."

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

4. **Voided Transactions Not Properly Documented.**

- a. **Finding.** Voided transactions were not always properly explained and were not approved by a supervisor. The Cashier Guide requires that both the cashiers and supervisors explain any voids on the CDSR. We reviewed voided transactions from Treasury and Building Safety and found that they were not explained on the CDSR. However, at Building Safety the cashiers had provided explanations on voided receipts.
- b. **Recommendation.** The Municipal Treasurer should consider revising P&P 24-1 to include supervisory approval of voided transactions. In addition, Treasury should enforce their requirement that voided transactions are explained by the cashier and the supervisor on the CDSR.
- c. **Management Comments.** Management stated, “Management agrees to ensure regular documentation explaining the nature of any voided transaction going forward. The CDSR document will show such explanation and will be subject to supervisor review and approval. A revision of P & P 24-1 is not necessary since the CDSR approval by supervisors is already required.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

5. **Cash Register Keys Not Secured.**

- a. **Finding.** Cash register keys were not protected and were readily available to front line staff and other unauthorized personnel. At Building Safety, the cash register keys were found hanging on a door handle. At Treasury, the cash register keys were kept in the cash register locking mechanism. P&P 24-1 states, “All cashier keys . . . shall be in the personal possession of an authorized individual and not kept in an unlocked desk drawer or other place that is accessible to unauthorized personnel.” Further, most cash registers provide two levels of keys, one for the cashier and the other for a supervisor. The supervisor key allows printing a “Z” tape which clears the transactions from the register as well as other transactions requiring supervisory approval. Providing both keys to the cashier reduces supervisory control over cash register operations.
- b. **Recommendation.** The Municipal Treasurer should require that all cashier keys are maintained as required by P&P 24-1.
- c. **Management Comments.** Management stated, “Management agrees with the finding that the cash register keys should be controlled and in the possession of an employee at all times and we will proactively send out a written reminder of this internal control standard to Citywide departments with cash register functions currently in place. Sufficient compensating controls exist within Treasury to offset the need for supervisory intervention during the cashiers’ closing routine. Cost-effective compensating controls include: a cashiering system software that ensures all daily register transactions are captured for subsequent management review (even if a cashier performs multiple closing processes during a single day and zeroes out earlier transactions) and a cashier area that is continually monitored via a modern digital video recording security system that captures clear images of the cashiers at work with time and date stamp also recorded. Existing internal controls are sufficient to

detect errors or irregularities that may occur as well as the identity of the persons involved. Existing internal controls are also cost-effective and allow Treasury to protect municipal assets while meeting its performance goal of providing increased levels of customer service.”

- 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.

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