

INTERNAL AUDIT REPORT

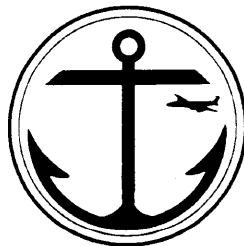
2012-09

Environmental Services Division
Cash Control Audit

Department of Health and Human Services

October 29, 2012

MUNICIPALITY OF ANCHORAGE
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Mayor Dan Sullivan

October 29, 2012

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2012-09, Environmental Services Division Cash Controls, Department of Health and Human Services** for your review. A brief summary of the report is presented below.

In accordance with the 2012 Audit Plan, we have completed an audit of the Environmental Services Division Cash Controls. The objective of this audit was to determine whether the Environmental Services Division had proper cash control procedures in place, and if these controls were in compliance with Municipal Policy and Procedure 24-1, *Collecting, Securing, Depositing and Reporting Cash*. To accomplish our objective, we performed a surprise cash count, verified that deposits were made timely, and reviewed cashier daily summary reports for completeness.

Based on our review, we determined that Environmental Services Division's cash controls could be improved. Specifically, supervisors did not perform unscheduled cash/check counts and reconciliations, unused change and petty cash funds were not returned to the Treasury Division, and cash register keys were kept in an unlocked drawer and were not secured. Finally, noise permit fees were not always collected.

There were four findings in connection with this audit. Management was responsive to the findings and recommendations.

A handwritten signature in black ink, appearing to read "Peter Raiskums".

Peter Raiskums, CIA, CFE, CGFM
Director, Internal Audit

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Internal Audit Report 2012-09
Environmental Services Division Cash Controls
Department of Health and Human Services

Introduction. The Food Safety and Sanitation Program (Program) is administered by the Environmental Services Division (Environmental Services) at the Department of Health and Human Services (Department). The Program permits, regulates, and inspects over 2,000 public facilities in the Municipality of Anchorage (Municipality). The public facilities that are regulated include food establishments, school kitchens, childcare kitchens, public pools and spas, beauty salons, barbershops, habilitative care facilities, and Correctional Community Residential Centers. Environmental Services also regulates noise, smoking, pests in rental housing, the application of pesticides and administers the test for the Anchorage Food Worker Card.

In 2011, Environmental Services collected approximately \$743,225 in Program revenues for sanitation inspection fees and administrative fines, such as food establishment permits, noise permits, beauty and barbershop permits, and public pools and spas permits.

Objective and Scope. The objective of this audit was to determine whether Environmental Services had proper cash control procedures in place, and if these controls were in compliance with Municipal Policy and Procedure (P&P) 24-1, *Collecting, Securing, Depositing and Reporting Cash*. To accomplish our objective, we performed a surprise cash count, verified that deposits were made timely, 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 June through July 2012. The audit was requested by the Administration.

Overall Evaluation. Environmental Services' cash controls could be improved. Specifically, supervisors did not perform unscheduled cash/check counts and reconciliations, unused change and petty cash funds were not returned to the Treasury Division, and cash register keys were kept in an unlocked drawer and were not secured. Finally, noise permit fees were not always collected.

FINDINGS AND RECOMMENDATIONS

1. Unscheduled Cash Count Not Conducted.

- a. Finding.** Supervisors did not perform unscheduled cash/check counts and reconciliations for each cashier on a monthly basis. Policy and Procedure 24-1 states that "...several times throughout the year, the supervisor of each collection location shall perform an unscheduled cash/check count and reconciliation for each cashier." A similar condition was reported in Internal Audit Reports 2007-12 and 1998-09.
- b. Recommendation.** The Director of Health and Human Services should ensure that unscheduled supervisory cash/check counts are performed and documented as required by P&P 24-1.
- c. Management Comments.** Management stated, "This has been addressed. Since the audit, the Public Health Division Manager has met with the Food Safety & Sanitation Supervisor and they have reviewed the requirement. The Supervisor will perform future unscheduled cash counts, document and correct any findings."
- d. Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

2. **Change and Petty Cash Funds Not Returned to Treasury.**

- a. **Finding.** Unused change and petty cash funds were not returned to the Treasury Division. An inventory of Environmental Services' safe revealed a \$500 change fund and an \$800 petty cash fund that were no longer needed because of reductions in programs. P&P 24-4, *Petty Cash and Change Fund*, states that "It is the policy of the Municipality to properly safeguard its petty cash and change funds and ensure the most efficient and effective use of those funds."
- b. **Recommendation.** The Director of Health and Human Services should return to the Treasury Division all unused change and petty cash funds.
- c. **Management Comments.** Management stated, "This has been corrected. This was an oversight by DHHS during the elimination of the IM program and the reduction of the customer service counter staff. All unused change and petty cash funds have been properly counted, documented, and returned to the Treasury Division."
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

3. **Cash Register Keys Not Secure.**

- a. **Finding.** Cash register keys were kept in an unlocked drawer and were not secured. P&P 24-1 states that "All cashier keys including but not limited to, locked cash box 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."
- b. **Recommendation.** The Director of Health and Human Services should ensure that cash register keys are properly secured according to P&P 24-1.

- c. **Management Comments.** Management stated, “This has been corrected. Cash register keys are now kept in the safe unless signed out and assigned to a Permit Clerk (keys are worn on bracelets during shift). At the end of the Permit Clerk’s shift, keys are placed in the envelope with the cash fund and dropped into the safe. The safe is kept in a locked room that is only accessible to specific staff.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

4. **Noise Permit Fee Not Always Collected.**

- a. **Finding.** Noise permit fees were not always collected. Environmental Services’ current procedure is to collect the noise permit fee after the permit has been evaluated and approved by Program staff. In some cases, Program staff had evaluated and approved the noise permit but the customer did not return to pay for and retrieve the permit. As a result, the permit fee was not collected. Without collecting the permit fee prior to evaluation and approval, Program staff time may be wasted and the fee may never be collected. At the time of our audit, there were 109 noise permits totaling \$4,103 that had not been paid from January 1, 2011 through July 24, 2012.
- b. **Recommendation.** The Director of Health and Human Services should consider revising the fee collection procedures for noise permits to collect noise permit fees at the time of application to ensure that payment is made.
- c. **Management Comments.** Management stated, “This has been corrected. Payment is now required prior to evaluating and approving noise permits. This requirement has been added to FS&S’s internal P&P for Billing and Collection.”

- 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 on September 18, 2012.

Audit Staff:
Jayi Schin