

INTERNAL AUDIT REPORT

2013-06

Customer Service Division
Cash Controls

Anchorage Water and Wastewater Utility

August 5, 2013

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Mayor Dan Sullivan

August 5, 2013

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2013-06, Customer Service Division Cash Controls, Anchorage Water and Wastewater Utility** for your review. A brief summary of the report is presented below.

In accordance with the 2013 Audit Plan, we have completed an audit of Customer Service Division Cash Controls. The objective of this audit was to determine whether Anchorage Water and Wastewater Utility had proper cash controls 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.

Internal controls over cash were generally adequate. Deposits were made timely and Cashier Daily Summary Reports were generally accurate. However, none of Anchorage Water and Wastewater Utility's cashiers and supervisors had received mandatory training in the last several years. In addition, we found that Anchorage Water and Wastewater Utility staff did not report the reportable cash overages and shortages to the Internal Audit Department and the Treasury Division.

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

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Director, Internal Audit

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Customer Service Division Cash Controls
Anchorage Water and Wastewater Utility

Introduction. Anchorage Water and Wastewater Utility (AWWU) is the largest water and wastewater utility in Alaska serving Anchorage including Chugiak, Eagle River, Peters Creek, Eklutna and Girdwood. AWWU's Customer Service Division (Division) provides billing and collection services for over 52,000 water customers and 52,500 wastewater customers within the Anchorage area. The Division collects revenue from water and wastewater billings, special assessments, various permits issued by AWWU, and for other Municipal Agencies, such as electric billings for Municipal Light and Power. According to the Division, they collected approximately \$9.2 million in 2012.

Objective and Scope. The objective of this audit was to determine whether the Division had proper cash controls 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 (CDSR) 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 May through June 2013. The audit was requested by the Administration.

Overall Evaluation. Internal controls over cash were generally adequate. Deposits were made timely and Cashier Daily Summary Reports were generally accurate. However, none of the Division cashiers and supervisors had received mandatory training in the last several years. In addition, we found that Division staff did not report the reportable cash overages and shortages to the Internal Audit Department and the Treasury Division.

FINDINGS AND RECOMMENDATIONS

1. **Cashier/Supervisor Mandatory Training Class Not Attended.**

- a. **Finding.** None of the Division cashiers and supervisors had received mandatory training in the last several years. P&P 24-1 requires that all cashiers and their supervisors attend training annually conducted by the Treasury Division. According to Division and Treasury Division staff, the Treasury Division has not provided training sessions due to staffing shortfalls and resources diverted for the implementation of the Municipality's new financial system.
- b. **Recommendation.** The Division Director should coordinate with the Treasury Division to ensure all Division employees with cashier responsibilities attend annual training.
- c. **Management Comments.** Management stated, "AWWU Management Concur.

"The Cashier and Supervisory training is required to be conducted by the Municipal Treasury Division semi-annually for cashiers, and annually for supervisors. This training has not been completed in several years by the Treasury Division due to staffing shortages and the Municipal SAP implementation.

“AWWU has requested the Treasury Division schedule a training class for our staff as soon as possible in order to comply with P&P 24-1. Because of the resource limitations, AWWU has conducted our own internal training with staff and assured that all cashiers and supervisors are familiar with the Cashier Guide and Cashier Supervisor Guide. AWWU Management will continue to request Cashier Training classes be scheduled with the Municipal Treasury Division Office.”

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

2. **Cash Overages/Shortages Not Properly Reported.**

- a. **Finding.** Our review found that Division staff did not report the reportable cash overages and shortages to the Internal Audit Department and the Treasury Division. For example, the January 2, 2013, CDSR showed a \$100 shortage. However, the shortage was not reported to the Internal Audit Department and the Treasury Division. The Municipality’s Supervisor Guide, *Procedures for Collecting, Securing, Depositing & Reporting Cash*, requires that all cash overages/shortages of \$10 or more be reported to the Internal Audit Department and the Treasury Division.
- b. **Recommendation.** The Division Director should ensure that all reportable cash overages/shortages are reported to the Internal Audit Department and Treasury Division as required by the Municipality’s Supervisor Guide, *Procedures for Collecting, Securing, Depositing & Reporting Cash*.
- c. **Management Comments.** Management stated, “AWWU Management Concur.

“The audit revealed that overage or shortage information was not being reported to Internal Audit. AWWU does complete a CDSR (Cashier Daily Summary Report)

and a cash receipt to record the overage or shortage. AWWU staff routes that paperwork to the Treasury Division, but we have not been notifying Internal Audit of the same. AWWU Supervisors will immediately begin to advise Internal Audit of any over or shortage via email.

“To further address any cash overages or shortages within the AWWU Customer Service Division, management has implemented a documentation review with our cashiers that formally acknowledges the overage or shortage with the employee and requires review of all steps to identify the discrepancy. The document further reminds the staff of management’s expectations for the day’s work to be in balance. That document is signed and dated by the cashier and the supervisor and kept in a departmental folder for the employee.”

- 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 June 18, 2013.

Audit Staff:
Scott Lee