

INTERNAL AUDIT REPORT

2015-04

Front Counter Cash Controls

Anchorage Police Department

April 29, 2015

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Mayor Dan Sullivan

April 29, 2015

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2015-04; Front Counter Cash Controls; Anchorage Police Department**. A brief summary of the report is presented below.

In accordance with the 2014 Audit Plan, we have completed an audit of the front counter cash controls at the Anchorage Police Department. The objective of this audit was to determine whether adequate cash controls were in place over the traffic citations and cash receipts processed by the Anchorage Police Department's Records Section and to ensure that all funds received were deposited properly. Specifically, we judgmentally selected a sample of 205 traffic citations and 50 Cashier Daily Summary Reports. We tested them for compliance and accuracy, and traced the corresponding deposit amounts to PeopleSoft records. Our audit also included a surprise cash count.

Based on our review, it is our opinion that cash controls at Anchorage Police Department's Records Section require strengthening. Specifically, overages and shortages were not always calculated correctly in the Cashier Daily Summary Reports. In addition, the Records Section's cash handling practices did not always comply with Municipal Policy and Procedure 24-1, *Collecting, Securing, Depositing and Reporting Cash*. Moreover, the computer systems used to process citations and corresponding payments were not fully integrated to facilitate the tracking of citations from issuance to payment. Furthermore, the number of Records Section clerks who performed cashiering duties was excessive. Finally, the Municipality's Treasury Division has not provided cash handling training for several years.

There were five findings in connection with this audit. The Anchorage Police Department was responsive to the findings and recommendations. The Treasury Division was partially responsive to the finding and recommendation.

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Introduction. The Records Section of the Anchorage Police Department (APD) is responsible for accepting and processing payments for up to sixteen different fees such as correctable and optional traffic citations; photocopying and photo lab services; criminal history, driving, and other records; alarm, firearm, and witness fees; and subpoenas. The Records Section clerks provide staffing for the front counter where payments are made. The front counter is equipped with a disk operating system (DOS) based computer to process payments for citation fines. A cash register is used for all other payments. Currently there are 25 employees (23 clerks and 2 supervisors) that perform cashiering and other relevant duties on a rotating basis. In 2014, APD front counter fines were budgeted at \$764,526 and about \$1.0 million was collected in revenue.

Objective and Scope. The objective of this audit was to determine whether adequate cash controls were in place over the traffic citations and cash receipts processed by the Records Section and to ensure that all funds received were deposited properly. Specifically, we judgmentally selected a sample of 205 traffic citations and 50 Cashier Daily Summary Reports (CDSR). We tested them for compliance and accuracy, and traced the corresponding deposit amounts to PeopleSoft records. Our audit also included a surprise cash count.

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 in December 2014 through January 2015.

Overall Evaluation. Cash controls at APD's Records Section require strengthening. Specifically, overages and shortages were not always calculated correctly in the CDSRs. In addition, the Records

Section's cash handling practices did not always comply with Municipal Policy and Procedure (P&P) 24-1, *Collecting, Securing, Depositing and Reporting Cash*. Moreover, the computer systems used to process citations and corresponding payments were not fully integrated to facilitate the tracking of citations from issuance to payment. Furthermore, the number of Records Section clerks who performed cashiering duties was excessive. Finally, the Municipality's Treasury Division has not provided cash handling training for several years.

FINDINGS AND RECOMMENDATIONS

1. Overages and Shortages Not Always Correct.

- a. **Finding.** Overages and shortages were not always calculated correctly on the CDSRs. Specifically, 7 of 50 tested CDSRs indicated overages and shortages ranging from \$-692 to \$5,585. However, when we reviewed the overage and shortage calculations we found that they were much smaller than reported and in many cases did not exist. Incomplete CDSRs may weaken the cash control environment and may result in possible irregularities.
- b. **Recommendation.** The Records Supervisors should make sure that the CDSR's are accurate, complete, and in compliance with P&P 24-1.
- c. **Management Comments.** Management concurred and stated, "As new clerks were learning the process, they did make clerical errors. Actual financial overages and shortages were not typical. Supervisors and trainers are now more cognizant of this issue."
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

2. **Cash Handling Practices Not Always in Compliance.**

- a. **Finding.** The Records Section’s cash handling practices did not always comply with P&P 24-1. Non-compliance with applicable policies and procedures may weaken the cash control environment and increase the risk of misappropriations. Specifically, we found the following:

Individual Cashiers Not Sub-Totaling Register Activity – Cashiers did not subtotal cash register activity (run an X-tape) and reconcile cash collected during their shift when there was a change of cashiers. The Cashier Guide requires each cashier, when relieved from the cash register, to “. . . take a reading of the register (‘X’ tape) to get a sub-total of cash collected and count all cash.” It further states, “This must be done each time there is a change of cashiers unless there are separate cash drawers for alternate or relief cashiers.” Separate cash drawers were not provided for each cashier.

Surprise Cash Counts Not Performed – Supervisors did not perform surprise cash/check counts and reconciliations for each cashier. According to P&P 24-1, “several times throughout the year, the supervisor of each collection location shall perform an unscheduled cash/check count and reconciliation for each cashier. The supervisor must report findings to the Department Head in writing. Copies are to be sent to Internal Audit and the information should be used to evaluate employee performance.” Lack of unscheduled cash counts may lead to inadequate preventive controls, decreased personal accountability by each cashier, and an increased risk of misappropriations.

Checks Not Always Deposited Timely – Checks were not always deposited timely. Specifically, we found two checks dated August 1, 2014 and October 17, 2014 for \$24.00 and \$6.00 respectively, that were not deposited as of the end of 2014. The Records Section had received these checks about the same time they were written.

Policy and Procedure 24-1 requires that, “cash received is immediately secured, accounted for, and deposited on a DAILY basis. . . .”

- b. **Recommendation.** The Chief of Police should ensure that cash controls at the Records Section comply with P&P 24-1.

- c. **Management Comments.** Management concurred and stated,

“Individual Cashiers Not Sub-Totaling Register Activity - We will begin running X-Tapes when clerks rotate in/out of the cash register.

“Surprise Cash Counts Not Performed - There are 25 clerks designated as cashiers. Supervisors will conduct a minimum of two unscheduled cash/check counts and reconciliations for each cashier annually.

“Checks Not Always Deposited Timely - We were not always able to immediately process requests that came in through the mail or the front counter. Currently we are processing all checks on the day they are received. We have streamlined our mail and email request process with new templates that include a courtesy letter, new form request and a response letter. This process should improve our process significantly.

“We request a waiver for Subpoenas. We do not always know at the time of accepting a subpoena if we are actually able to process the subpoena without contacting the Legal Department for assistance and/or approval. Response by the Legal Department is not always immediate.”

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

3. **Computer Systems Not Fully Integrated.**

- a. **Finding.** The computer systems used to process citations and corresponding payments were not fully integrated to facilitate the tracking of citations from issuance to payment. As a result, basic management information was not available to manage accounts receivable and facilitate the reconciliation of citations. A similar condition was reported in our previous audits, Internal Audit Report 2005-9 and Internal Audit Report 2007-7.

The computer systems used to manage accounts receivable were the following:

Packet Writer - The system used by APD's police officers to write traffic citations electronically. The BIO-Key interface is used to upload citation information from the Packet Writer database to the Tiburon database.

Tiburon - The Anchorage Police Department's system that stores citation data uploaded from Packet Writer. In addition, it stores citation data manually entered from handwritten citations. The system allows payment-related information to be entered indicating the citation was paid. It is linked to the State-owned APSIN (Alaska Public Safety Information Network) where citation data gets uploaded. Citations that were contested, sent over to Traffic Court for default judgment, or corrected are marked appropriately in the system.

Receipting - The system used by APD's cashiers to record payments accepted in person or by mail for traffic citations. This system does not interface with other programs and its primary use is limited to issuing receipts only. The system is not designed to easily retrieve payment data recorded by each cashier and can not be relied upon to accurately record transactions.

APSIN - A State-owned system that stores traffic citation data, including payment related data. It generates warning letters for delinquent citations based on the citation issue data transmitted from Tiburon.

- b. **Recommendation.** The Chief of Police should consider assessing all computer systems to determine how they can interface electronically or be improved to provide complete information regarding account receivable.
- c. **Management Comments.** Management concurred and stated, “APD’s current Records Management System (RMS), Tiburon, is capable of interfacing with any POS system if APD should choose to purchase a new POS system, however, APD is in the process of purchasing a new RMS and it would not be fiscally prudent for APD to make a new POS purchase without knowing with certainty that it will interface with the new RMS system (which is yet to be determined). It is APD’s desire to purchase a system that will interface.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

4. **Number of Cashiers Excessive.**

- a. **Finding.** The number of Records Section clerks who performed cashiering duties was excessive. We identified 25 different Records Section clerks and supervisors who were assigned cashiering duties. All cashiers worked out of the same cash drawer to receive citation payments. Because payment collection was not the primary duty for Records Section clerks, but was one of their many duties, cross training in various tasks was necessary. As a result, accountability for the cashiering function was defused. In addition, another cash register drawer used to process miscellaneous payments was also used by these same clerks and supervisors. According to P&P 24-

1, the policy is “. . . to identify and attach responsibility and accountability for Municipal transactions involving the collection, securing, depositing and reporting of cash. . . .” A similar condition was reported in our previous audit report, Internal Audit Report 2007-7.

b. **Recommendation.** The Chief of Police should consider creating a cashier position or consider transferring the responsibility of receiving citation payments to Treasury. In addition, the Chief of Police should consider installing cameras at the cashier stations as an additional internal control over cash collections.

c. **Management Comments.** Management concurred and stated, “It is not currently reasonable to have only a select few Clerks continually work one position due to staffing limitations, however, APD will consider creating new cashier positions when next able to increase staffing levels.

“APD is reviewing the cost of purchasing, installing, and storing data for additional cameras in the cash collection area, if necessary.

“APD is in agreement that responsibility of receipt of citation payments should be transferred to Treasury.”

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

5. **Cashier Training Not Provided.**

a. **Finding.** The Municipality’s Treasury Division has not provided cash handling training for several years. Policy and Procedure 24-1 states that they are to “provide a minimum of semi-annual training for cashiers and annual training for their

supervisors on cash handling and reporting procedures.” Many of the problems identified in this report could have been avoided if proper training had been provided. Without training, the Municipality puts itself at risk with a weakened cash control environment and an increased risk of misappropriation.

b. **Recommendation.** The Treasury Division should provide cashier training as required by P&P 24-1 or seek an exemption from this requirement.

c. **Management Comments.** The Treasury Division partially concurred and stated, “The Finance Department / Treasury Division agrees that group training as envisioned in P & P 24-1 has not occurred for some time due to a shortage of available resources. However, training in other forms has been provided by Treasury to the Police department and other departments on a continuous basis through phone contact, hardcopy corrections, and email correspondence. Treasury expects to be able to resource group training at a future date. It is important for Police department staff to be well represented when group training is offered. Due to varied schedules, Police department supervisors should consider utilizing Treasury’s training CD’s to deliver Cashier training to their staff. This training style has many advantages: onsite delivery (reduces staff impact); supervisors can contribute department specific content; and training can be held outside of standard business hours (i.e., after 5PM or on weekends).”

The Anchorage Police Department concurred and stated, “APD is ready and able to schedule on-site training whenever Treasury is able to provide the training. Currently Treasury has been unable to provide the training necessary to comply with this part of P&P 24-1.”

d. **Evaluation of Management Comments.** The Treasury Division was partially responsive to the audit finding and recommendation. Policy and Procedure 24-1

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required semiannual training for cashiers and annual training for their supervisors.
Policy and Procedure 24-1 contains no language regarding self training.

The Anchorage Police Department 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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