

INTERNAL AUDIT REPORT

2018-02

Environmental Health Services Program
Cash Controls

Administration Division
Department of Health and Human Services

April 12, 2018

MUNICIPALITY OF ANCHORAGE
Internal Audit Department
632 W 6th Avenue, Suite 600
P.O. Box 196650
Anchorage, Alaska 99519-6650
www.muni.org/departments/internal_audit



INTERNAL AUDIT DEPARTMENT
Michael Chadwick, CIA, CICA
Director
Phone: (907) 343-4438
Fax: (907) 343-4370
E-Mail: chadwickmb@muni.org



Municipality of Anchorage

Ethan Berkowitz, Mayor

Internal Audit Department

April 12, 2018

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2018-02, Environmental Health Services Program Cash Controls, Administration Division, Department of Health and Human Services**. A brief summary of the report is presented below.

In accordance with the 2018 Audit Plan, we have completed an audit of the Environmental Health Services Program Cash Controls for the Administration Division. The objective of this audit was to determine whether the Environmental Health Services Program 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 calendar year 2017 deposits were properly recorded in PeopleSoft and in Systems, Applications, and Products, and whether proper supporting documentation was maintained. We also verified calendar year 2017 invoices and Noise Permit payments that were processed in the Traffic Department for proper allocation of the fees.

Our audit revealed that the Environmental Health Services Program had controls in place to ensure that cash was properly collected, secured, deposited, and reported. However, with the implementation of Systems, Applications, and Products, the Municipal Treasurer needs to update Policy and Procedure 24-1, with its accompanying Cashier Guide and Cashier Supervisor Guide. In addition, we did not have a finding regarding cashier/supervisor training that should be provided by Treasury Division staff since this same issue was addressed in our December 7, 2017, Internal Audit Report 2017-12. In that report, the Treasury Division acknowledged that Cashier Training had not occurred for some time due to a number of variables, such as staff turnover and Systems, Applications, and Products go-live. In addition, the Treasury Division stated that "Once SAP has stabilized and the defects have lessened, Treasury is committed to providing a fresh round of training specific to P&P 24-1 in conjunction with the new SAP system."

There was one finding in connection with this audit. Management was responsive to the finding and recommendation.

Michael Chadwick, CIA, CICA
Director, Internal Audit



Municipality of Anchorage

Ethan Berkowitz, Mayor

Internal Audit Department

April 12, 2018

Internal Audit Report 2018-02
Environmental Health Services Program Cash Controls
Administration Division
Department of Health and Human Services

Introduction. The Environmental Health Services Program (Program) is administered by the Administration Division at the Department of Health and Human Services. 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. The Program also regulates noise, smoking, pests in rental housing, the application of pesticides, and oversees the delivery of training and testing for the Anchorage Food Worker Card. The Program collected approximately \$960,351 in 2017 in inspection fees, permit fees, and fines.

Objective and Scope. The objective of this audit was to determine whether the Program 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 calendar year (CY) 2017 deposits were properly recorded in PeopleSoft and in Systems, Applications, and Products (SAP), and whether proper supporting documentation was maintained. We also verified CY 2017 invoices and Noise Permit payments that were processed in the Traffic Department for proper allocation of the fees.

We conducted this performance audit in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence

obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit was performed during the period of January through February 2018. The audit was requested by the Administration.

Overall Evaluation. Based on our review, the Program had controls in place to ensure that cash was properly collected, secured, deposited, and reported. However, with the implementation of SAP, the Municipal Treasurer needs to update P&P 24-1, with its accompanying Cashier Guide and Cashier Supervisor Guide. In addition, we did not have a finding regarding cashier/supervisor training that should be provided by Treasury Division (Treasury) staff since this same issue was addressed in our December 7, 2017, Internal Audit Report 2017-12. In that report, Treasury acknowledged that Cashier Training had not occurred for some time due to a number of variables, such as staff turnover and SAP go-live. In addition, Treasury stated that “Once SAP has stabilized and the defects have lessened, Treasury is committed to providing a fresh round of training specific to P&P 24-1 in conjunction with the new SAP system.”

FINDING AND RECOMMENDATION

1. Policy and Procedure 24-1 Needs Updating.

- a. Finding.** Policy and Procedure 24-1 needs to be updated. P&P 24-1 was last updated September 1, 2008, and the accompanying Cashier Guide and Cashier Supervisor Guide were updated in August 2008. As a result of the Municipality’s implementation of SAP in October 2017, business processes have changed. For example, P&P 24-1 requires a cash receipt form, a cashier daily summary report, and daily deposit documentation to be submitted to Treasury each day. With the implementation of SAP, these practices are no longer required. According to Treasury staff, now that SAP is in use and they better understand how it works, P&P 24-1 can be updated.

- b. **Recommendation.** The Municipal Treasurer should ensure that P&P 24-1 is updated to reflect the new cash handling practices as a result of the SAP implementation.

- c. **Management Comments.** Management concurred and stated, “Treasury updated P&P 24-1 in 2017 and submitted it for review by the Municipal Attorney’s office through the SAP P&P coordinator sometime around mid-2017. The P&P submitted by Treasury was updated to conform with changes tied to the new SAP system. The Municipal Attorney’s office confirmed in early March 2018 that the updated P&P was in their office for final review. As soon as the Municipal Attorney is done with their review of the P&P Treasury will ensure that it is properly circulated to departments city wide and posted to the municipal intranet site. Treasury will also incorporate the updated P&P in future planned cashier training that we expect to be led by a newly hired section supervisor in late 2018 / early 2019.”

- 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 March 6, 2018.

Audit Staff:
Dechen Dechen, CFE