



**Special Project: Animal Welfare Center
Follow Up - Cash Handling Internal Controls
June 30, 2018**

Office of the City Auditor

EXECUTIVE SUMMARY

Background

In 2009, City executive management requested the Office of the City Auditor to conduct a special project to evaluate Animal Welfare Center (AWC) cash handling operations as a result of missing bank deposits. This follow up project updates the implementation status of those recommendations.

Results of follow-up review procedures:

Seven control recommendations in the 2009 report had been implemented. Seven other control recommendations were not in place, or were not functioning effectively, at the time of our initial follow up review visits:

1. Inconsistent use of user ids and passwords in the transaction processing system, limit the audit trail of transaction entry.
2. Cash deposit transport is done using high density plastic bags, rather than recommended locking bags.
3. Multiple employees are using a single cash drawer, making individual accountability for cash difficult
4. The cash drawer in use in the front office area had a broken lock, reducing cash security during working hours.
5. Scheduled cash deposit pickup was not consistently occurring in November 2017 due to deposits being unprocessed during staff absence and illness.
6. The lock and key restricting front cashier area access was the same as the front door lock, reducing the effectiveness and intent of the cashier lock control.
7. The Remittance Source Documents created to improve deposit remittance and balancing revealed continuing out of balance situations totaling \$1700 over the 4 month period from July – October 2017. Deposit processing and balancing controls have continuing control weakness. Management believes this is being caused by a transaction system processing error.

Management's response indicated recommendations number 1, 4, and 6 have been resolved.

Management is researching recommendations number 3, 5 and 7 for future resolution:

- Management has assured the City Auditor's office alternatives to obtain a system which allocates a secure, individual cash supply to each worker dealing with cash are being evaluated. At present, management believes the likely best next opportunity to address the issue will be as part of the Center's upcoming expansion, funded by the Vision funding package. This is planned to occur in the next 2-3 years.
- An ad hoc deposit pick up, usable when staff absence prevents deposits from being processed, is under research and will have an action plan/response by 9/30/18.
- Management agreed to develop an action plan by 9/30/18 to resolve the transaction system error.

Management elected not to implement recommendation number 2 due to financial resource limitations. Locking deposit bags are not used due to the return trips a reusable bag would necessitate for a limited courier staff. Transport in high density plastic bags will continue.

Auditor's comment:

High density cash bags will indicate if the cash bag has been tampered with. While not as secure as locking bags, this method provides some reduction of risk.

We emphasize to Center management the need for continuing awareness of cash controls and training for AWC staff who handle cash

Animal Welfare Center Follow Up Review - Cash Handling Controls

INTRODUCTION/BACKGROUND

The Animal Welfare Center (AWC, or the Center) is a division of the Working Neighborhoods department and serves a unique purpose, providing Tulsa animal control, shelter and adoption services. In addition, the adoption of a shelter animal requires spaying/neutering, providing additional animal population control benefits. The Center often has high volumes of customer traffic, and also typically houses a high number of animals in the facility.

In 2009, at the request of City executive management, the Office of the City Auditor conducted a special project to evaluate Animal Welfare Cash Handling Operations as a result of missing bank deposits. The 2009 project produced multiple control improvement recommendations. This special project updates the implementation status of those recommendations.

Our review was conducted in multiple visits to the Center in June, August, October, and November 2017. AWC management discussed various findings and options for control enhancements over a 3 month period in the spring of 2018. The results of these reviews and discussions are further detailed below.

FULLY IMPLEMENTED PRIOR CONTROL RECOMMENDATIONS:

Our work noted the AWC has implemented multiple control enhancements, including:

1. Policies/procedures have been created for AWC cash handling.
2. A standard Remittance Source Document (RSD) form has been created to record daily transaction activity for deposit preparation/summarization.
3. AWC revenue is now reconciled to the general ledger by Finance Department Treasury Division personnel.
4. Transactions are entered into the software system at occurrence, and transaction receipts are generated.
5. Numbered deposit bags are in use to establish security and an audit trail for cash deposit transport.
6. Direct delivery of receipts to Revenue Processing is now performed by City Security couriers.
7. Written procedures are now in place to improve control over the AWC locking safe.

PRIOR CONTROL RECOMMENDATIONS NOT FULLY IMPLEMENTED:

Several previous control recommendations were not in place, as follows:

1. Consistent use of individual user id/passwords in the Chameleon system isn't practiced.
 - **MANAGEMENT ACTION/RESPONSE:** Management has re-emphasized the importance of using personal ids and passwords to staff.
2. Cash transport is logged, **but not made using locking/secured bags** – they are high density plastic adhesive closing, rather than locking bags; they are tamper-evident, rather than tamper preventive.
 - **MANAGEMENT ACTION/RESPONSE:** Security courier staffing resource limitations make this unfeasible. Staff levels are not sufficient to return locking bags to the Center after deposit drop off; single use high-density plastic bags have been chosen instead.
3. Multiple employees are accessing a single cash drawer, making accountability for particular transactions or cash outages difficult to establish. Cash drawers for each staff member were previously recommended.
 - **MANAGEMENT ACTION/RESPONSE:** Establishing multiple cash drawers has not been pursued due to limited financial resources for the needed purchase and installation of the drawers.
4. The Center's cash drawer could not be locked, reducing the security of cash in the cashier area during working hours. AWC Policy and Procedure requires a lock for cash drawers.
 - **MANAGEMENT ACTION/RESPONSE:** A locking cash drawer has been purchased and will be installed.
5. Weekly cash pickups by Security courier are not consistently occurring. One RSD and two escrows were received by Treasury in the 11/8/17-12/12/17 period; this should have been 4 pickup dates given the weekly schedule (excluding Thanksgiving). Risk is increased when cash is allowed to accumulate.
 - **MANAGEMENT ACTION/RESPONSE:** This was caused by staff illness and vacation. Management is attempting to work with Security to develop ad hoc deposit pick up days if staff availability limits/disrupts the deposit processing and pick up schedule. Management will finalize their approach and response to this finding by 9/30/18.

6. The lock intended to restrict access to the cashier area was the same as the front door lock, making the intended restriction much less effective
 - **MANAGEMENT ACTION/RESPONSE:** The front door lock has been changed.

7. The RSDs created by/in the Chameleon transaction processing system are not consistently in balance with the Deposit Slip and Credit Card Settlement report. A 12/7/17 deposit reviewed was out of balance by an \$80 'split' transaction between an \$80 credit card payment and \$10 cash payment, and could not be processed due to the out of balance situation. Further research noted a total of approximately \$1700 in out of balance differences documented on RSDs for the the period of July 16 – October 17, 2017.
 - **MANAGEMENT ACTION/RESPONSE:** Management has researched the difference in deposit balancing in split transaction situations and has committed to development of an action plan by 9/30/18. At present, management believes that the transaction processing system is incorrectly capturing and reporting such transactions. Management indicates the Center has purchased support services from the system vendor for the coming year; it is anticipated this may prove a route to resolve these issues.

CONCLUSION

Management has implemented multiple prior control recommendations, and also corrected multiple control weaknesses noted during our review. We emphasize to Center management the need to remain aware of cash control practices as a part of ongoing operations.

Management has committed to have action plans/responses in place by 9/30/18 to pursue:

- Regular deposit processing during staff absences by adopting additional ad hoc (vs. scheduled) deposit courier pick ups, and
- Further transaction processing system research to resolve remittance deposit balancing issues.

Recommendations to strengthen cash controls by:

- establishing cash drawers for individual staff members and
- switching from high-density plastic bags to locking deposit bags

were not implemented due to financial and staffing constraints, respectively. Cash drawer installation would result in asset and installation expense, and locking deposit bags would cause a round trip return run by couriers to the Center, for which Security staffing is too limited. Due to these constraints, management has accepted these control risks. Such decisions are made at management's discretion.

Control weaknesses noted in this review will be used in the Office of the City Auditor's ongoing risk assessment, which guides our selection of audit projects. We thank Animal Welfare Center and Treasury personnel for their assistance with this project.