
City of Edmonton
Community Services Revenue Controls Review

October 2002

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Introduction

In the fall of 2001 The Office of the City Auditor (OCA) conducted a series of cash handling reviews at various Community Services Recreation Branch Facilities. One of the findings common to all sites was that the risk of theft of cash at remote cash handling sites was high.

The Community Services Department requested the assistance of the OCA to identify and quantify the inherent risks of unrecorded revenues and to identify cost-effective controls.

Background

The typical working environment for a cashier at a Community Services Recreational Facility site is characterized by the following:

- A cashier working alone in a secure enclosed area and sometimes handling a significant amount of cash.
- A remote site with little opportunity for direct supervision.
- Customers who do not require or typically request a receipt for amounts paid and/or require a facsimile (e.g., ticket, pass, admission badge, etc) for entrance into the facility.

In the opinion of the OCA, in these types of environments, the level of risk of misappropriation of cash is inherently high. The Association of Certified Fraud Examiners in its most recent annual report on fraud estimates that organizations typically lose 6% of their annual revenue to fraud. Appendix 1 indicates that for the year 2001, the Branch had \$21M of revenue of which \$5.5M was cash. Given the high-risk control environment at cash handling sites, the fraud exposure for the Branch is high.

Methodology and Scope

To address the identified risk, the OCA and Community Services worked jointly to carry out the following procedures:

- Met with representatives from Community Services, Corporate Security, Treasury Operations and Risk Management to outline and agree upon the nature, extent and reporting of the review.
- Using industry benchmarks and other appropriate measures, determined the department's exposure (financial and non-financial) to theft at its cash handling sites.
- Discussed the level of exposure that the department is willing to accept.
- Based on the exposures documented above, identified cost effective solutions to mitigate unacceptable exposures.

General Observations

The committee’s research into mitigating the identified risks found that the various types of control options available (see appendix 2 for complete list) typically fall into one of 3 categories:

Category	Advantages	Disadvantages
Increased Staffing	<ul style="list-style-type: none"> • could provide for increased supervision of cashiers • doubling-up of cashiers 	<ul style="list-style-type: none"> • high cost • inefficient • potential for negative public perception
Mandatory receipts or tickets	<ul style="list-style-type: none"> • low start up costs • efficient control • can utilize existing staff 	<ul style="list-style-type: none"> • negative service impact on customers • difficult to sustain effort required to maintain control
Video Surveillance	<ul style="list-style-type: none"> • highly effective control • allows for off-site monitoring and supervision 	<ul style="list-style-type: none"> • high initial cost • possible FOIP constraints • can be perceived negatively by employees

Results and Deliverables

A committee with representation from each of the above groups was created. The Committee requested that a summary of potential solutions, with input from all members, be created and given to Community Services. The following deliverables were provided to the Community Services Management Team.

- Appendix 1: Recreation Facilities Cash Profile
- Appendix 2: Summary of Revenue Control Alternatives
- Appendix 3: Video Surveillance General Cost Information

Conclusion

Because each control alternative has different resource and logistics implications, the OCA is recommending that the final decision on selection and implementation be left to the Community Services Management Team. The implementation decisions may require prioritization of potential solutions as part of the selection process.

We would like to acknowledge the high level of cooperation and support we received from the each of the support areas mentioned above in the Methodology.