
**Cash Handling Review
Planning and Development**

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Planning and Development

Introduction

Cash Handling Reviews determine whether cash resources are handled in a manner consistent with established City requirements and whether they are adequately safeguarded against loss. They also assess the adequacy and effectiveness of internal controls within cash-handling locations. Cash Handling Reviews consist of an objective review and evaluation of the cash-handling practices and procedures relating to the receiving, transporting, storing, depositing, recording and safeguarding of City money (including cash, cheques, credit cards and debit cards).

The Office of the City Auditor (OCA) in conjunction with Corporate Services, Finance Branch selected six cash-handling projects for review in 2003. Projects were selected based on a number of criteria including estimated revenue; volume of transactions processed; cash-handling risk; date of previous audit undertaken in the area, if any; and history of problems and control weaknesses identified. Planning and Development, with estimated annual revenue of approximately \$1.5M, was selected for review based on these criteria.

Objectives

The objective of this review was to assess the level of compliance with established City policies & procedures for cash handling, and to evaluate the adequacy and effectiveness of controls over cash handling at Planning and Development.

Methodology and Scope

The review was limited to the cash handling practices at the Planning and Development customer service site in the AT&T Tower. At this site customers can purchase licenses, permits, planning services, maps, development services, and pay fines for bylaw violations.

The OCA reviewed the physical security and cash handling at the site and conducted several audit tests to assess the adequacy and effectiveness of cash-handling controls. Areas reviewed included: (a) cash register equipment, vaults and skimsafes; (b) controls over floats; (c) refunds, voids, cancellations and no sales; (d) reconciliation of daily sales and deposit preparation; and (e) reconciliation and analysis of Cashier system point-of-sale data with SAP data.

Observations

Cash Handling Procedure Manual

During a cash-out observed by the OCA, we noted that a cashier was not fully aware of all the steps and procedures required to perform the balancing and deposit preparation functions at the end of the shift. An on-site senior cashier supervised the new cashier, however no documented procedures or manual was available to assist the new cashier. Planning and Development has recently gone through a consolidation with Bylaw Services and has also recently converted to a new software system for recording cash transactions. The Department is currently in the process of standardizing and documenting all cash-handling procedures. Incomplete or inconsistent procedures or controls could result in lost, stolen, or incorrectly posted cash transactions.

Recommendation 1:

That standardized best-practice cash-handling procedures be developed, documented, and communicated to all cashiers.

Management Response

A Cash Handling Procedure manual is being developed. The formalized manual will bring together the various existing procedures covering all of the modules of the cashier job functions, cash system, and business process requirements.

Exception Reporting for Cashiers

Exception or performance reporting should exist to monitor the Cashier system activity of all cashiers. Without such monitoring or reporting, certain types of inefficient or inappropriate cashier activity could occur and not be detected. For example, a particular cashier might process a disproportionate amount of void or refund transactions. A report that highlighted this activity could be used to effect timely corrective action.

Recommendation 2:

That the Planning and Development department explore the possibility of developing some type of transaction monitoring and reporting application for all cashiers.

Management Response

Operational procedures and business processes are being documented for the Cashiers' reference. This will also include formalizing the Team Leader procedures for routine exception and performance monitoring of the cash system and cashiers activity.

Cashier hiring practices

Currently the process for hiring cashiers at the Planning and Development Department is the same as for other job classifications or descriptions. This normally includes

employment reference checks and a criminal clearance statement from the Edmonton Police Service. Individuals who handle cash on behalf of the City of Edmonton should be subject to enhanced or additional screening processes. These additional procedures could include, for example, checking credit histories and asking previous employers specifically about previous cash handling duties and responsibilities. Such procedures would help identify potential employees who have or had financial difficulties or had previous difficulties in cash handling positions.

Recommendation 3

That enhanced or additional processes and/or procedures be developed, documented and utilized for the hiring of any employee who will have cash handling duties.

Management Response

Implementation of this recommendation requires the involvement of a number of external stakeholders (to the P&D Department) as well as changes to existing HR infrastructure and recruitment practices which would require involvement of CSU52 Collective Agreement, legal, etc. Given the scope of the consultation required, it appears that this should be a corporate initiative. The Planning & Development Department will consult with HR as a preliminary discussion with regard to determine whether or not enhanced hiring or screening practices can be implemented.

Treasury Management Recommendations for Improving Controls

On November 12, 2002, the Treasury Management Division of Corporate Services issued a report that contained 10 recommendations for improving cashier operations at the Planning and Development Department. Recommendations were provided to improve depositing procedures, system logons, cash register operations, payment processing, void transaction documentation, and usage of counterfeit currency detection devices. These recommendations have been generally accepted by Planning and Development and are currently in various stages of implementation.

Recommendation 4:

Each of the recommendations contained in the report should be formally addressed and responded to. Each recommendation should indicate the level of acceptance as well as an appropriate management initiative and timeline for implementation.

Management Response

Nine of 10 recommendations have been accepted and the majority of the observations implemented/resolved on an operational level. Completion of the written procedures and the formalized Team Leader monitoring procedures will alleviate some of the inconsistent practices, which were observed at the time.

It should be noted that when the Treasury Review of the Cash Handling was being carried out, the Development Compliance Branch was in the process of integrating the

business processes/practices of the Business Licensing/Bylaw and Compliance/Planning & Development. This also included working on two separate computer systems (POSSE/BLIS). In addition, the reorganization of the Branch involved training and cross training of staff in the new organization.

Since the Treasury Review, many of the processes have been streamlined, staff trained, and the BLIS system converted to POSSE. As a result, most of the observations noted have been resolved.

Although a number of the cash handling procedures have been documented, the final phase is to bring all related cashier procedures together into a formal manual. This will serve as a training manual for new staff as well as a reference guide on a day to day basis.

Different Cash Float Amounts

The OCA noted that one of the cashiers stored a portion of their float in the safe, as opposed to storing the entire float amount in their cash drawer. If the current float amount (\$300) is excessive, then a smaller float would be prudent.

Recommendation 5:

An appropriate float level should be determined and all cashiers need to store their float funds in their cash drawers.

Management Response

The cash float level for each cashier is the same. Each cashier has a separate cash box which locks with a separate key and is stored in the Vault when not being used by the cashier. Generally, we agree with the recommendation. This will be reflected in the operational standards procedure, which is being prepared for the Cashiers.

Conclusions

In all cash reviews conducted by the OCA, the OCA's goal is to provide assistance in helping the Administration to strengthen internal controls and to improve methods of prevention and detection of fraud. Throughout this review the OCA discussed the control weaknesses and recommendations to improve controls with Planning and Development representatives. Those representatives were very receptive to all recommendations made by the OCA, and have taken steps to ensure that their cash handling procedures are updated to reflect these control recommendations.

We wish to thank the staff at Planning and Development for their cooperation and support during this review.