
Cash Handling Review
Edmonton Transit
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Edmonton Transit

1. Introduction

Cash handling reviews are performed to determine whether cash resources are handled in a manner consistent with established City requirements and are adequately safeguarded against loss. They also assess the adequacy and effectiveness of internal controls within the cash handling location. These 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) completes several cash handling projects each year. Projects are selected based on a number of criteria including estimated revenue, volume of transactions processed, cash handling risk, date of any previous audit(s) undertaken in the area, and history of problems and control weaknesses identified.

2. Background

This project consisted of three separate areas selected as part of the OCA's 2006 Annual Work Plan. The project covers the following mutually exclusive cash handling areas within Edmonton Transit:

- LRT Ticket Vending Machines
- LRT Portable Fare Boxes
- Ferrier Transit Garage

Since all of the above-mentioned areas form an integral part of Edmonton Transit operations, the OCA decided to conduct the audit work separately in each area and then consolidate the results into one report.

3. Objective

The objective of this audit was to identify and assess cash handling procedures and controls for each of the three areas in Edmonton Transit mentioned above.

4. Methodology and Scope

The OCA reviewed the physical security and cash handling procedures and practices from December 2005 to January 2006 at the three areas. The OCA's audit included the following tests:

1. Reviewed written cash handling procedures.
2. Observed the physical safeguarding of cash assets.

3. Observed cash handling processes to ensure adequate chain of custody.
4. Reviewed management reports to ensure adequate accounting.
5. Observed physical cash handling procedures for each facility.
6. Interviewed staff in connection with cash handling procedures.
7. Reviewed and discussed findings with management.

5. Observations and Recommendations

After conducting the above-mentioned audit tests, the OCA is pleased to report that Edmonton Transit's cash handling procedures appear to be operating effectively to provide adequate safeguarding and chain of custody of cash. The staff and management of Edmonton Transit, Corporate Services and Corporate Security provided the OCA with valuable assistance during this review. As a result the OCA was able to develop the following recommendations to further enhance Edmonton Transit's cash handling controls.

5.1.1. Cash Handling Procedures Manual for LRT TVMs

LRT-Ticket Vending Machines (TVMs) represent new technology which provides an automated ticket vending function, allowing customers to purchase LRT and bus fare products. There are 48 TVMs which are situated along the LRT line and went into service since April 2005.

The draft cash handling procedures manual entitled, "Cash Handling Procedures LRT Ticket Vending Machines Regular Pickup," was jointly developed by Edmonton Transit and Corporate Services. The purpose of the draft manual was to provide adequate procedures to ensure cash handling controls existed when the new TVMs came into service commencing April 2005. Since the TVMs were activated, Edmonton Transit has improved the procedures. For example, the Cash Control Accounting Assistant reconciles the Coin Processing Centre's total cash count to the actual deposit. The OCA commends the Cash Control Accounting Assistant for performing this procedure in order to confirm completeness and accuracy of the daily cash deposit. However, this new procedure is not included in the draft manual.

5.1.2. Cash Handling Procedures Manual for Bus Operations

The draft cash handling procedures manual entitled, "Edmonton Transit Bus Operations Cash Handling Procedures," was jointly developed by Edmonton Transit and Corporate Services. The draft procedure manual contains unnecessary repetition of various forms. In addition, the "Incident Form" included in the manual contains information that is outdated.

Recommendation # 1	Management Response and Action Plan
<p>The OCA recommends that Edmonton Transit work with Corporate Services to:</p> <p>(A) Revise and approve the draft “Cash Handling Procedures LRT Ticket Vending Machines Regular Pickup” manual.</p> <p>(B) Revise and approve the draft “Edmonton Transit Bus Operations Cash Handling Procedures” manual.</p>	<p>Accepted</p> <p>Action Plans:</p> <p>(A) Draft procedures to be completed and will require the sign off of the Finance Department. Planned Implementation Date: September/06 Responsible Party: Director of LRT</p> <p>(B) Revised procedures are 99% complete and will require the sign-off of the Finance Department. Planned Implementation Date: March/06 Responsible Party: Director of Westwood/Mitchell Bus Operations</p>

5.1.3. Fare Maintainers Job Description - LRT TVMs

Two Fare Maintainers maintain and service the new TVMs. The Fare Maintainers’ job description has changed since the new TVMs went into service in April 2005. For example Fare Maintainer’s will occasionally handle coin or paper money during the course of their duties. However, the Fare Maintainer’s job description has not been updated to reflect their revised duties in connection with TVM maintenance and servicing.

Recommendation # 2	Management Response and Action Plan
<p>The OCA recommends that the Fare Maintainer’s job description be revised to reflect their new duties in connection with maintaining LRT TVMs.</p>	<p>Accepted</p> <p>Action Plan: The Fare Maintainers position description will be updated to reflect the new duties and will need to be reviewed with Human Resources, and sign-off. Planned Implementation Date: September/06 Responsible Party: Director of LRT</p>

5.1.4. Electronic Payment Module Option – LRT TVMs

The TVMs have an optional electronic payment module which has not been purchased. The module allows a customer to select fare payment options using credit cards or smart cards, in addition to cash. Edmonton Transit has advised the OCA that they will not consider purchasing the electronic payment module until it is properly evaluated from a cost/benefit perspective. The OCA concurs that an evaluation is required. One potential benefit of electronic payment technology is the reduced need to handle coin and paper currency, thereby enhancing control and reducing associated cash handling expense.

Recommendation # 3	Management Response and Action Plan
<p>The OCA recommends that Edmonton Transit complete a cost/benefit analysis to determine whether it would be advantageous to install the electronic fare payment module option on TVMs.</p>	<p>Accepted Action Plan: Complete cost/benefit analysis to determine feasibility of installing electronic fare payment module option on TVM's. If results are positive implementation of equipment installation would be pending budget approval. Planned Implementation Date: June/2006. Responsible Party: Director of Business Development</p>

5.1.5. Cash Receipts Management Report – LRT Portable Fare Boxes

LRT Portable Fare Boxes are used by Edmonton Transit to collect LRT fares from a large number of passengers attending specific events, such as Edmonton Oilers hockey games, Edmonton Eskimos football games, and the World Master Games.

The OCA noted that there is no report which provides management with information to determine the reasonableness of cash collected while using LRT Portable Fare Boxes in relation to activity (passenger volumes or number of LRT train cars used during the specific event, etc). Such a report could be used to provide assurance that the cash collected was reasonable in relation to volume activity levels for each event, thereby reducing the risk of theft.

The OCA noted that the cash collected is processed at the Coin Processing Centre, which is managed by Corporate Services. As a result Edmonton Transit and Corporate Services would need to work together to jointly develop the above mentioned report.

5.1.6. Cash Receipts Management Report – Transit Garages

The OCA noted that there is no report which provides management with the information to determine reasonableness of cash collected at each of the three Transit Garages. Such a report could be used to provide management the opportunity to review reasonableness of cash collected in relation to passenger volumes, thereby reducing the risk of theft.

The OCA noted that the cash collected is processed at the Coin Processing Centre, which is managed by Corporate Services. As a result Edmonton Transit and Corporate Services would need to work together to jointly develop the above mentioned report.

Recommendation # 4	Management Response and Action Plan
<p>The OCA recommends that Edmonton Transit work with Corporate Services to:</p> <p>(A) Develop a management report to facilitate review of the reasonableness of cash fares collected in relation to passenger volume (or other reasonable basis) for events where LRT Portable Fare Boxes are used.</p> <p>(B) Develop a management report to facilitate review of the reasonableness of cash fares collected in relation to passenger volume (or other reasonable basis) for each of the three Transit Garage cash-handling sites.</p>	<p>Accepted</p> <p>Action Plan:</p> <p>(A) A protocol for rationalizing passenger volumes to fares collected will be developed for incidents when the LRT Portable Fare Boxes are used. With the data obtained through this protocol a management report detailing fares collected and passenger volumes with variance explanations will be developed.</p> <p>Planned Implementation Date: January 1/07 Responsible Party: Director of Ferrier Operations & Security/Service Support</p> <p>(B) Cash Consultant – Corporate Finance is reviewing and would supply the cash report. We could then compare to like days (i.e. Tuesday’s) in the year.</p> <p>Planned Implementation Date: January 1/07 Responsible Party: Director of Westwood Operations & Resource Management.</p>

5.1.7. Cash Vault Access Door Alarm Procedure

Each access door to Edmonton Transit’s cash vault rooms has an alarm system which is activated in the event that the door is opened without the proper security code. The OCA noted that the access door alarm response procedures, which are managed by Corporate Security, are outdated. These procedures need to be updated to ensure adequate response when the access door alarm is activated, thereby reducing the risk of theft.

5.1.8. CCTV Monitoring – Cash Vault Rooms

The OCA determined that cash handling activities which occur in Edmonton Transit’s cash vault rooms are not being monitored via the CCTV system. In addition, no procedures exist to guide the staff on how to use the CCTV system to monitor activities that occur in Edmonton Transit’s cash vault rooms.

Monitoring the CCTV feed of activities which occur in Edmonton Transit’s cash vault rooms is required in order to reduce the risk of theft.

Recommendation # 5	Management Response and Action Plan
<p>The OCA recommends that Edmonton Transit work with Corporate Security to:</p> <p>(A) Update the alarm response procedures in the event that the access door alarms are activated.</p> <p>(B) Develop procedures to ensure the activities which occur in the cash vault rooms are adequately monitored, using the CCTV feed, on a random basis.</p>	<p>Accepted</p> <p>Action Plan:</p> <p>(A) With input from Corporate Security, Bus, LRT and DATS Operations, an alarm response procedure will be developed to provide a standard operating procedure for all incidents when an vault access alarm is activated.</p> <p>Planned Implementation Date: January/07 Responsible Party: Director of Ferrier Operations & Security/Service Support</p> <p>(B) With input from Corporate Security, Bus, LRT and DATS Operations and with input from Corporate Finance, a procedure will be developed to ensure the activities which occur in the cash vault rooms are adequately monitored on a random basis. The developed procedure will utilize existing CCTV infrastructure and other security systems as required.</p> <p>Planned Implementation Date: January/07 Responsible Party: Director of Ferrier Operations & Security/Service Support</p>

6. Conclusion

The OCA, Edmonton Transit, Corporate Services and Corporate Security believe that implementation of the above mentioned recommendations will improve the cash-handling controls and reduce the risk for loss of revenue from theft or error. Management has accepted all recommendations and the OCA believes that their action plans and planned implementation dates are reasonable.

We thank the staff and management of Edmonton Transit, Corporate Services and Corporate Security for their cooperation during this review.