
Cash Handling Review
Point of Sale Transactional Review

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1 Introduction

Each year the OCA selects various City of Edmonton cash handling sites for review. Typically these reviews 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 projects are 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.

As a result of 2 previous frauds and an overall high risk assessment for fraud, the OCA designed a project that would look at transaction profiles for all cashiers working at the various Recreation Facility Branches of the Community Services Department. These transaction profiles would identify cashiers whose average per-shift cash intake was below the norm.

2 Background

The Recreation Facilities Branch is responsible for the operation and programming of all municipal recreation facilities. This Branch includes the operations of Community Leisure Centres. Edmonton's Community Leisure Centre facilities accommodate approximately 4,026,000 visits annually. Operated by 75 full-time and approximately 440 part-time staff, the City of Edmonton's Leisure Centres have an annual operating budget of \$13,928,000 (2005) with revenues of approximately \$7,107,000 annually. The volume of cash handled makes Leisure Centre facilities especially susceptible to misappropriation of funds. The Association of Certified Fraud Examiners has reported that the industry average for losses attributed to fraud is about 6% of gross sales.

As a result of analyses initiated and performed in 2004 by the OCA, cash handling irregularities were discovered at two recreation facilities. Subsequent video surveillance revealed evidence of fraudulent activities by 2 part-time employees. In response to those frauds, the Recreation Services Branch instituted several new controls as follows:

- In conjunction with the Office of the City Auditor, Corporate Security, Edmonton Police Services, Human Resources and Finance, Community Services has developed and delivered workshops on theft and fraud awareness and prevention. All cashiers and cashier supervisors have attended the workshops.
- Cashier Supervisors conduct unannounced cash counts of floats and receipts.
- Transaction reports are being produced in the CLASS¹ system and analyzed by Cashier Supervisors and management to monitor cashier activity.

¹CLASS is a Windows-based software product that automates activity registration, facility reservation, membership management, point of sale, financial management and reporting used primarily by the Recreation Services Branch.

- Permanent video surveillance will eventually be installed at all recreation facilities. Currently, four facilities are equipped with surveillance cameras which can be used to monitor cashier activity.

3 Scope and Methodology

As a follow-up to the 2004 transactional review, the OCA included in its 2006 audit plan, a project to perform a similar analysis using up-to-date cashier data contained in the Branch's Point of Sale System. This analysis was performed using specialized audit software that can analyze entire populations of data, rather than small samples. Using this technology, the OCA was able to analyze and compare individual cashier's activity for each shift at each of the 13 swimming and fitness facilities.

The OCA analyzed over 3.7 million transactions recorded from July 2003 to March 2006 and identified individual cashiers whose transaction profiles were similar to those cashiers identified in 2004. For these individuals, other shifts were analyzed to determine if they also had below average cash receipts on those shifts.

4 Observations/Results

The OCA's analysis identified three individual cashiers whose transaction patterns appeared to be out of the ordinary regardless of the shift or facility worked. The OCA obtained video surveillance for these three individuals and reviewed the videos to identify any fraudulent activity. After examining the videos and comparing them to CLASS transaction logs, the OCA determined that these cashiers were recording all revenues received.

5 Conclusions and Recommendation

The OCA commends the staff and management of the Recreation Facilities Branch of the Community Services Department for their commitment to strengthen internal controls around cash handling. The results of this review indicate that the new procedures in place were effective for ensuring that revenues received are properly recorded. The OCA encourages the Branch to continue its vigilance with the new controls and to move forward as quickly as possible with the installation of video surveillance equipment for all cash handling sites.

In all cash and cash-related reviews conducted by the OCA, the OCA's goal is to provide assistance in helping the Administration strengthen internal controls and to improve methods of prevention and detection of fraud.

The OCA thanks the staff and management of the Recreation Facilities Branch for their cooperation and support during this review.