



OFFICE OF THE
City Auditor

Cash Handling Review

North Eco Station

November 27, 2007

The Office of the City Auditor conducted
this project in accordance with the
*International Standards for the
Professional Practice of Internal Auditing*

Cash Handling Review North Eco Station

1. Introduction

Cash Handling 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 general operational effectiveness and efficiency of the cash handling location.

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, debit cards and monetary inventory products¹). The reviews also include a high-level assessment of operational practices and procedures relating to planning, executing and monitoring of day-to-day operations.

The Office of the City Auditor (OCA) has selected two cash handling projects for review in 2007. 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. Asset Management and Public Works – North Eco Station, with revenue of approximately \$329,964 in 2006, was selected for review based on these criteria.

2. Background

Edmonton has two Eco Stations², where citizens can bring their household hazardous waste for recycling or safe disposal. Household hazardous waste commonly brought to the Eco Stations include used oil and oil filters, waste paint, flammable materials, poisons (such as garden chemicals), partially full aerosol containers, fluorescent tubes, and a range of other items, including electronic waste. The Station accepts most clean recyclable items at no charge and charges a fee for other waste items. The North Eco Station is located at 11440 – 143 Street NW and is operated by the Waste Management Branch of the Asset Management and Public Works Department.

Facility cashiers at the Eco Station are located in a booth at the entrance to the facility. Payment for services can be made by cash, debit card and credit card. Each cashier has a separate float/drawer for each shift and a balancing and deposit preparation procedure is performed at the end of each shift. All monies deposited are reconciled to

¹ Monetary Inventory Product is a product or commodity distributed or sold by the City that has a monetary value and is accepted as payment for goods or services offered by the City (e.g., passes, tickets, coupons, gift certificates).

² A third Eco Station is expected to be operational in 2008 in Southwest Edmonton.

the cash register summary tape prior to deposit. Deposit information is forwarded to Branch finance personnel for posting into the City's accounting system SAP.

3. Objectives

The objective of this review was to assess the level of compliance with established City policies and procedures for cash handling and to evaluate the adequacy and effectiveness of controls over cash handling at the North Eco Station with the intent to minimize loss of revenue resulting from theft or error. In addition, this review included a high-level assessment of the efficiency and safe operation of the Eco Station Facilities.

4. Methodology and Scope

The OCA reviewed the physical security and cash handling procedures and practices at the facility and conducted several audit tests to assess the adequacy and effectiveness of cash handling controls. Areas reviewed included (a) cash equipment, (b) controls over floats, (c) controls over refunds, voids and cancellations, and (d) reconciliation of daily sales and deposit preparation. The OCA staff reviewed cash handling procedures during July 2007.

In addition, the OCA conducted a general data review of information contained in the Point-of-Sale (POS) system for the period July 6 to July 10, 2007 to determine whether cash-handling controls are adequate and operating as intended.

5. Observations and Recommendations

5.1. Electronic Point-of-Sale System

All transactions processed by cashiers should be recorded in an electronic POS system. Currently all transactions processed by cashiers are recorded in a stand-alone manual cash register. This could lead to potential loss of revenue due to incorrect pricing and does not allow automated detection of cash handling control violations, trends or breakdowns. The built-in reporting and data analysis functionality of a corporate point-of-sale register would provide the ability to conduct basic monitoring and reporting of cashier transactional activity and cash controls.

Early 2006, Collection Services did undertake some steps to implement the POS system *Cashier for Windows*. During the implementation three issues emerged:

1. Software could not be installed on PCs.
2. Software did not recognize cash draws.
3. Software was unable to handle free-of-charge items and produce required operational statistics.

Issues one and two were resolved by March 2007. Issue three is still outstanding. A software patch has been bought by Business Enterprise Services to fix the issue, but has not been installed and tested as of July 19, 2007.

Recommendation 1	Management Response and Action Plan
<p>The OCA recommends that management work with Business Enterprise Services to develop an action plan (with timeline) to implement the electronic POS system.</p>	<p>Accepted Comments: Collection Services attempted to address concerns with Business Enterprise Services on previous occasions. Installation of POS system completed September 14, 2007. Training to be completed by October 31, 2007.</p> <p>Planned Implementation: October, 2007 Responsible Party: Senior Recycling Foreman</p>

5.2. Vault Process Requirements

In accordance with the City of Edmonton *Handbook for the Handling of City Money*³, section 5.0 *Guidelines for the operation of cash site*, containers states that:

- Access to the vault/safe should be limited to a minimum number of employees, and each time the vault/safe is accessed, the authorized person accessing the vault/safe should record the date and time in a log and sign the log (Section 5.03).
- One employee should not have access to both the key and the combination to open a vault, safe or compartment within a safe that requires dual custody (Section 5.06).

Currently, vault procedures are not in compliance with these guidelines. This increases the Eco Station’s exposure to potential loss or theft of cash.

Recommendation 2	Management Response and Action Plan
<p>The OCA recommends that Management reviews section 2.0 <i>Money Containers, Safes & Vaults</i> of the <i>Handbook for the Handling of City Money</i>, and ensures compliance with this section (e.g. implementing a vault/safe log, changing the combination to the deposit safe compartment and updating training).</p>	<p>Accepted Comments: Safe log created and to be implemented by September 29, 2007. The combination to the deposit compartment was changed on October 1, 2007.</p> <p>Planned Implementation: end of October, 2007 Responsible Party: Senior Recycling Foreman</p>

³ City Policy A1200A *Receiving, Transporting, Storing and Depositing of City Money*, was replaced by Administrative Directive A1200B *Handling of City Money* in July 2007. As per the Administrative Directive, detailed standard procedures for the handling of City Money are provided in the City of Edmonton *Handbook for the Handling of City Money*.

5.3. Cash Handling Procedures

The City of Edmonton *Handbook for the Handling of City Money* provides detailed guidelines and procedures for City of Edmonton employees involved in money handling operations. Currently, the North Eco Station is not completely in compliance with the following sections of the handbook:

- Section 5.0: *Guidelines for the operation of cash site.*
- Section 6.17.3: *Cash Shortages and Overages.*
- Section 6.14: *Cancellations.*

In addition, all cashiers are required to sign the Cash Handling Procedure Acknowledgement Form to acknowledge that he/she has read and accepted to perform the duties described in the Handling of City Money Administrative Directive and the City of Edmonton Handbook for the Handling of City Money. Currently, the Acknowledgement Form indicates that a number of cashiers at both Eco Stations have not signed the form.

Recommendation 3	Management Response and Action Plan
<p>The OCA recommends that Management review the following sections of <i>Handbook for the Handling of City Money</i>:</p> <ul style="list-style-type: none"> • Section 5.0: <i>Guidelines for the operation of cash site.</i> • Section 6.17.3: <i>Cash Shortages and Overages.</i> • Section 6.14: <i>Cancellations.</i> <p>Management should ensure compliance with these sections (e.g. through updated training course).</p> <p>In addition, we recommend that a copy of the (new) Handbook is present in the cash kiosk for reference purposes and available to each cashier. Each cashier should read the handbook and (re-)sign the Acknowledgement Form indicating their agreement to comply with the Handbook and the Handling of City Money Administrative Directive.</p>	<p>Accepted</p> <p>Comments: Obtained a copy of new handbook as well as the updated policy/procedure A1200B and both are posted in the cash kiosk. Cashiers will be trained on the new updates. Staff will sign acknowledgement form verifying training.</p> <p>Planned Implementation: October 31, 2007.</p> <p>Responsible Party: Senior Recycling Foreman</p>

5.4. Pick-up of Deposit Envelopes by Armoured Car

A Pickup Signature List containing authorized signatures and pictures of armoured car drivers is maintained at the facility and verified on pick-up. The City of Edmonton *Handbook for the Handling of City Money*, section 5.35 *Guidelines for the operation of cash sites* states that the list should be no more than 6 months old to ensure that deposits are not picked-up by unauthorized persons. A review of the lists at both Eco Stations indicated that the lists are not updated regularly.

Additionally, in accordance with the City of Edmonton *Handbook for the Handling of City Money*, section 6.19 *Pick-up of Deposit Envelopes by Armoured Car*, the Cashier will, in the presence of the guard prepare the deposit, sign the delivery slip and obtain the guard's signature on the slip. A sample of delivery slips showed that not all slips are signed by the cashier.

During the writing of this report the OCA was informed that a contract with a new armoured car service provider will commence October 1, 2007. This contract does not specify the new service provider must supply a Pickup Signature List containing authorized signatures and pictures of armoured car drivers, nor does the new service provider normally provide this service. Treasury Management is currently working towards resolving this issue and will be updating all written procedures accordingly.

Recommendation 4	Management Response and Action Plan
<p>The OCA recommends that management work with Treasury Management to ensure there are appropriate controls in place that reduce the risk of transferring money to unauthorized persons.</p>	<p>Accepted Comments: Management will work with Treasury Management to ensure controls are updated as policies and procedures are changed to accommodate new service provider.</p> <p>Planned Implementation: October 31, 2007. Responsible Party: Senior Recycling Foreman</p>

Recommendation 5	Management Response and Action Plan
<p>The OCA recommends that the Eco Station foreman check if delivery/pick-up slips are signed by cashier and armoured car driver.</p>	<p>Accepted Comments: Eco Station Foremen to ensure slips are signed by cashier and driver.</p> <p>Planned Implementation: October 31, 2007. Responsible Party: Senior Recycling Foreman</p>

5.5. Eco Station Attendants Orientation Manual

Every new staff member receives the Eco Station Attendants Orientation Manual. Currently, the Manual is not user friendly; it does not contain a table of contents, page numbering or section numbering for easy referencing. In addition, the Manual does not include (an overview or summary of) all critical operational activities, policies, procedures and directives, staff need know to perform their individual responsibilities.

Recommendation 6	Management Response and Action Plan
<p>The OCA recommends that the Eco Station Attendant Orientation Manual be updated to include:</p> <ul style="list-style-type: none"> • A summary or overview of all policies, procedures, directives etc. necessary for a safe and efficient operation of the Eco Station. • A table of contents. • Section and page referencing. 	<p>Accepted</p> <p>Comments: Orientation manuals for Collection Services are currently being updated to be consistent. They will include Table of Contents, section headings, and page referencing, as well as summary overview of all policies, procedures, and directives.</p> <p>Planned Implementation: Spring of 2008, prior to new hires.</p> <p>Responsible Party: Senior Recycling Foreman</p>

5.6. Operational Review

A wide range of operational data is being collected by the Eco Stations on a daily basis and forwarded to Kennedale Administration. In some instances, the same data is recorded more than once. In addition, Management has identified performance measures for Eco Stations (balanced scorecard), but performance measures are not communicated to staff regularly. Performance measures focus primarily on input and output measures. Performance measures should be a mix of input, output, outcome and efficiency measures.

Recommendation 7	Management Response and Action Plan
<p>The OCA recommends that the Eco Stations evaluate the appropriateness and usefulness of its performance measures and the operational data that is being collected. In addition, we recommend that Collection Services develops a process for reporting and communicating the performance measures and the balance scorecard to staff on a regular basis.</p>	<p>Accepted</p> <p>Comments: Updated stats will be provided and posted to staff. Data is collected for Operational needs.</p> <p>Planned Implementation: September 30, 2007.</p> <p>Responsible Party: Director Collection Services (Waste & Recyclables)</p>

5.7. Safety Review

The Eco Stations collect and store a significant amount of household hazardous waste, including flammables. The stations both have a stand-alone fire alarm, with no direct link to the fire department or any other monitoring facility. The OCA had some concerns regarding the prompt detection of fires and the subsequent risks to surrounding areas. The OCA was informed by management that both Eco Station facilities are in compliance with fire regulations and building codes and that according to Fire Prevention (Fire Rescue Services) a direct lined fire alarm system is not required. The OCA did observe that the North Eco Station does have partial video surveillance and that both stations are fenced and secured with gates.

6. Conclusion

The OCA believes that the recommendations developed during this audit will significantly improve the cash-handling controls at the North Eco Station and reduce the City's risk of losing cash revenue. Management has accepted all seven recommendations and the OCA believes that their action plans and planned implementation dates are reasonable.

We thank the staff and management of the North Eco Station for their cooperation and support during this review.