



OFFICE OF THE
City Auditor

Transit Information Centre Cash Handling Review

Follow-up

November 9, 2007

Cash Handling Review

Transit Information Centre

Follow-up

1. Introduction

The OCA performed a follow-up review to determine the current status of three recommendations contained in the Transit Information Centre Cash Handling Review report which was issued on May 3, 2005. The primary objective of that 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 Transit Information Centre with the intent to minimize loss of revenue resulting from theft or error.

1.1. Summary of Original Report Issued on May 3, 2005

The OCA reviewed the physical security and cash handling procedures and practices at the Transit Information Centre and conducted several audit tests to assess the adequacy and effectiveness of cash handling controls. Areas reviewed included (a) cash equipment, vaults and skim safes; (b) controls over floats; (c) controls over refunds, voids and cancellations; (d) ticket and pass inventories and (e) reconciliation of daily sales and deposit preparation. The OCA staff reviewed cash handling procedures at the Information Centre for the period December 2004 to February 2005.

1.2. Results of Follow-up Review

To determine the status of the three recommendations, we completed the following steps:

1. Paper-based follow-up: we requested Edmonton Transit to provide us with documentation that substantiates the degree of completion of the recommendations and action plans.
2. Fieldwork: where required, we validated the information provided to support the actions taken.
3. Management confirmation: we confirmed the status of each recommendation with management.

Recommendation 1 – In Progress

The Office of the City Auditor recommends that on a periodic and random basis the area supervisor review and approve the Memorandum of Deposit forms and the Daily Sales/Deposit forms for each cashier. The review should ensure the completeness and the accuracy of the deposit form and product inventory form. The forms need to be signed and dated by the supervisor as evidence of the review.

In 2007, Transit Information Centre management began doing cashier audits every few months. Documentation of the cashier audits completed for February 8, 2007, April 18, 2007 and August 9, 2007 have been reviewed by the OCA. The cashier audit includes a review of the daily Memorandum of Deposit and Sales/Deposit forms as well as checks of the following documents for each cashier:

- Record of petty cash
- Record of the float
- Inventory

Most of the forms documenting the review of the petty cash, float and inventory had been signed by the reviewer, but none of the Memorandum of Deposit or Sales/Deposit forms had been.

In order to consider this recommendation complete, the OCA would expect all documents prepared or reviewed as part of the cashier audit to be signed as evidence of the review.

Recommendation 2 – In Progress

The Office of the City Auditor recommends that the hiring process for new cashiers include a thorough security check and a detailed and documented follow-up with listed references.

The Transit Information Centre has not hired any new cash handling staff since the original review was completed in May 2005. During the course of this follow-up review, however, they have begun the process to hire a temporary Clerk IV - Acting Team Lead. We have reviewed a copy of this posting and it specifies that security clearance from the Edmonton Police is a condition of employment.

The OCA is satisfied with the progress Transit Information Centre management has made towards completing this recommendation. In order to consider this recommendation complete, however, we will require documentation of the completed background and reference check on the successful applicant.

Recommendation 3 – In Progress

The Office of the City Auditor recommends that all cash overages and shortages be documented on the Memorandum of Deposit form and that accumulated totals be monitored by the area supervisor on a periodic basis.

Transit Centre Management has been monitoring the cumulative totals of overages and shortages as per the recommendation, but they currently do not record overages or shortages on the Memorandum of Deposit form. Overages are recorded electronically at the cashier terminal using an overage code which automatically updates the accounting records. After discussing this process with the Cash Control Officer, the OCA considers this practice acceptable and does not see the need for cashiers to also record overages on the Memorandum of Deposit form.

Cash shortages, however, should still be documented on the Memorandum of Deposit form. Currently, cashiers make up any shortages from petty cash so that the Summary Tape total equals the Grand Total on the Memorandum of Deposit form. This process does not result in any shortage being recorded in the accounting records because the Cash Control Officer manually records departmental cash shortages based on the information on the Memorandum of Deposit. There is currently no shortage code available to cashiers that would electronically update the accounting records.

In order to consider this recommendation completed, the OCA would expect that all cash shortages be recorded on the Memorandum of Deposit form and not be taken out of petty cash.

1.3. Additional Recommendation

While completing this review, we noted that cash drawers are sometimes shared between cashiers. City Policy advises that cash drawers and floats should only be used by one cashier at a time¹. Although management is aware that this practice compromises chain of custody and cashier accountability, they have found it difficult to alter their process due to the physical limitations of their work area. We believe that in order to have an effective system of controls, the Transit Information Centre must find a way to comply with this cash handling policy.

Additional Recommendation 1	Management Response and Action Plan
<p>The OCA recommends that the Transit Information Centre work with Treasury Management to see if there are process changes that would allow them to maintain cashier accountability. If process changes are unable to accomplish this, then a cost benefit analysis should be completed for a change in the physical space or location of the cashiers.</p>	<p>Accepted Comments: Contact to be made with Treasury Management to undertake review and then introduce process changes, if possible.</p> <p>Planned Implementation: January 2008 Responsible Party: Director of Community Relations</p>

¹ The City of Edmonton *Handbook for the Handling of City Money* Section 5.15. 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*.

2. Conclusion

The Transit Information Centre has made reasonable progress in completing the recommendations contained in our original report of May 3, 2005. As a result, controls over cash handling have improved, but further enhancements are still necessary. During this follow up, the OCA also noted an additional opportunity to strengthen controls that was not noted in the original review. The OCA will follow up on all of these recommendations again in the spring of 2008.

The OCA would like to thank all City staff who participated in this follow up review for their support, cooperation and feedback.

Appendix A – Status of Outstanding Recommendations

Original Recommendation 1	Original Management Response
<p>The Office of the City Auditor recommends that on a periodic and random basis the area supervisor review and approve the Memorandum of Deposit forms and the Daily Sales/Deposit forms for each cashier. The review should ensure the completeness and the accuracy of the deposit form and product inventory form. The forms need to be signed and dated by the supervisor as evidence of the review.</p>	<p>Accepted Comments: Random checks of the Memorandum of Deposit form and Daily Sales/Deposit forms will be performed by a supervisor every three months or as required. Planned Implementation: June 30, 2005 Responsible Party: Director, Community Relations - ETS</p>
Follow-up Review – Implementation Status:	
<p><input checked="" type="checkbox"/> In progress <input type="checkbox"/> Not implemented <input type="checkbox"/> No longer applicable</p>	
<p>Management Response to Follow-up Recommendations:</p> <ul style="list-style-type: none"> • Periodic and random reviews have been implemented. • Most forms signed by supervisor with exception of Memorandum of Deposit or Sales/Deposit forms (these were reviewed by supervisor but not signed). • These forms will be signed in the next random review. <p>Revised Implementation Date: December 2007</p>	

Original Recommendation 2	Original Management Response
<p>The Office of the City Auditor recommends that the hiring process for new cashiers include a thorough security check and a detailed and documented follow-up with listed references.</p>	<p>Accepted Comments: The Transit Information Centre will work with Human Resources Personnel to implement enhanced screening procedures.</p> <p>Planned Implementation: June 30, 2005 Responsible Party: Director, Community Relations - ETS</p>
Follow-up Review – Implementation Status:	
<p><input checked="" type="checkbox"/> In progress <input type="checkbox"/> Not implemented <input type="checkbox"/> No longer applicable</p> <p>Management Response to Follow-up Recommendations:</p> <ul style="list-style-type: none"> • No opportunity to implement this recommendation due to no new hires. • We will conduct security check with acting Team Lead position posting. <p>Revised Implementation Date: November 2007</p>	

Original Recommendation #3	Original Management Response
<p>The Office of the City Auditor recommends that all cash overages and shortages be documented on the Memorandum of Deposit form and that accumulated totals be monitored by the area supervisor on a periodic basis.</p>	<p>Accepted Comments: Cash handling procedures and the Memorandum of Deposit form will be changed to show cash overages and shortages. Accumulated amounts will be monitored by the area supervisor.</p> <p>Planned Implementation: May 2, 2005 Responsible Party: Director, Community Relations – ETS</p>
Follow-up Review – Implementation Status:	
<input checked="" type="checkbox"/> In progress <input type="checkbox"/> Not implemented <input type="checkbox"/> No longer applicable	
<p>Management Response to Follow-up Recommendations:</p> <ul style="list-style-type: none"> • Accumulated totals are being monitored. • Currently no shortage code available to cashiers to electronically update accounting records. As per September 26, 2007 email from OCA on this subject, shortages will be recorded on the Memorandum of Deposit forms using the “Explanation for Adjustment” area and will not be taken out of petty cash. <p>Revised Implementation Date: November 2007</p>	