




Office of the City Manager

## INFORMATION CALENDAR

October 28, 2014

To: Honorable Mayor and Members of the City Council  
 From:  Christine Daniel, City Manager  
 Submitted by: Scott Ferris, Director, Parks Recreation & Waterfront  
 Subject: Audit Implementation Status Report: Parks Recreation & Waterfront  
 Department Cash Handling Audit

### INTRODUCTION & SUMMARY

On April 1, 2014, Council received an audit of cash handling in the Parks, Recreation & Waterfront Department that was conducted by the City Auditor on April 1, 2014<sup>1</sup>. The purpose of the audit was to quantify a theft that had occurred in the department, to identify weaknesses that allowed the theft to occur; and make stronger recommendations to ensure that appropriate procedures are implemented citywide to prevent future thefts of City funds.

The purpose of this report is to provide an update on the implementation of recommendations contained in the audit report. Contained herein is a summary of each recommendation as well as the status of implementation efforts to-date. Attachment 1 to this report contains the full text detail of the recommendations and the status of implementation efforts to-date.

### CURRENT SITUATION AND ITS EFFECTS

The audit contained 17 recommendations described in detail in Attachment 1. Seven have been fully implemented; six are partially implemented, and four have not been implemented. This is the first report on the status of implementing the outstanding recommendations. The next report will be submitted to Council in April 2015.

**Recommendation 1.1** Require all City staff with cash-handling responsibilities to read the following immediately and at least annually thereafter, and new employees to read the documents prior to being assigned cash handling tasks:

- Administrative Regulation 3.20, Cash Handling Policy and Guidelines
- Administrative Regulation 3.17, Fraud, Abuse and Misuse of City Resources
- The Basics: Cash Handling Training 101 – a PowerPoint presentation in the Finance section of Groupware

<sup>1</sup> [http://www.cityofberkeley.info/Clerk/City\\_Council/2014/04\\_Apr/Documents/2014-04-01\\_Item\\_23\\_\\$52,000\\_Theft\\_More\\_Can\\_Be\\_Expected.aspx](http://www.cityofberkeley.info/Clerk/City_Council/2014/04_Apr/Documents/2014-04-01_Item_23_$52,000_Theft_More_Can_Be_Expected.aspx)

**Status:** Implemented. - All Departments with cash handling staff have complied and acknowledgement forms are on file in the Human Resources Department.

**Recommendation 1.2** Require each cash-handling supervisor to:

- instruct all staff reporting to her or him to abide by the requirements in the documents listed in Recommendation 1.1;
- take appropriate disciplinary action when staff do not abide by the requirements; and
- obtain written approval from the department director, after discussing the risks with Finance, to implement mitigating procedures when staffing levels do not allow full compliance with the requirements in those documents.

**Status:** Implemented. - Directions were issued to departments that supervisors in each department reinforce the requirements set forth in the documents referenced in Finding 1.1. With respect to disciplinary action, managers and supervisors will abide by the appropriate progressive discipline process as set forth in the various memoranda of agreement with the bargaining units.

**Recommendation 1.3** Require cash-handling supervisors to identify requirements in the documents listed in Recommendation 1.1 that currently are not being followed and whether any of the cash-handling deficiencies identified by the Auditor's Office and listed in Appendix F exist in each supervisor's area of responsibility. Take immediate corrective action to ensure compliance with City cash-handling policies and to eliminate deficiencies listed in Appendix F.

**Status:** Partially Implemented. - A Memorandum to Department Directors was issued February 28, 2014 containing the information included in this Finding. The Parks Recreation & Waterfront (PRW) Department has completed an assessment of all cash handling sites. Supervisory staff at each site are preparing and implementing corrective action plans.

**Recommendation 1.4** Communicate with department directors the City's commitment to reaching goals for revenue maximization by requiring departments to take various related actions.

**Status:** Implemented. - A Memorandum to Department Directors was issued February 28, 2014 containing the information included in this Finding. The Memorandum offered the assistance of the Budget Office with regard to processes for budget analyses and modifications should Departments need assistance in improving their processes.

**Recommendation 1.5** Work with the Department of Human Resources to establish a list of all positions that have cash-handling responsibilities to identify positions that require background checks as part of the hiring process.

**Status:** Implemented. - All departments with cash handling staff have identified positions with cash handling responsibilities and provided that information to the Human Resources Department. The PRW Department has implemented the background checks for all new employees with cash handling responsibilities.

**Recommendation 1.6** Establish a requirement to have staff who currently perform cash-handling activities undergo the same thorough background check that is required for potential new cash handlers, if they were grandfathered in after City established the requirement. Take immediate action to perform the background checks, if agreement is reached.

**Status:** Not Implemented. - The Meet and Confer meetings with the bargaining units are pending and have not yet been scheduled.

**Recommendation 1.7** Work with Finance to dedicate personnel to be responsible for citywide cash-handling improvements.

**Status:** Partially Implemented. - The Revenue Collections Manager has assumed this responsibility, and the audit recommendations are being evaluated within the context of current Department priorities.

**Recommendation 1.8** In collaboration with the Department of Information Technology, implement a general cash-handling system to serve as the city's single portal for all cash-collection activities.

**Status:** Not Implemented. - The departments of Finance and Information Technology have begun the research and investigation of various software options.

**Recommendation 1.9** Rewrite Administrative Regulation 3.20, Cash Handling Policy and Guidelines.

**Status:** Partially Implemented. - The revision of the Administrative Regulation is in progress. Finance staff has reviewed the existing AR and is developing a process for its revision within the next 6 to 8 months.

**Recommendation 1.10** - Provide ongoing training to staff with cash-handling and fiscal operations responsibilities.

**Status:** Partially Implemented. - Finance staff prepared and presented to PRW Recreation staff a targeted cash handling training for new and returning program staff whose job duties require them to handle cash. These included Recreation Activity Leaders and Aquatics Specialists who are also direct service providers for the department. Additional targeted trainings are being developed.

**Recommendation 1.11** Provide ongoing monitoring of cash-handling and fiscal operations.

**Status:** Not Implemented. - The Revenue Collections Manager has assumed this responsibility, and the audit recommendations are being evaluated within the context of current Department priorities.

**Recommendation 1.12** Revise citywide cash-handling policies and procedures.

**Status:** Not Implemented. - The Finance Department has started the revision of the policies and procedures.

**Recommendation 1.13** Develop supplemental cash-handling procedures describing activities unique to site-specific operations to accompany Finance's cash-handling manual. Obtain guidance from Finance to ensure that these procedures adequately protect cash and cash handlers.

**Status:** Partially Implemented. - This recommendation has been implemented for the Parks Recreation and Waterfront Department. Other City departments are in the process of completing site-specific cash handling procedures.

**Recommendation 1.14** Install a launch-ramp ticket machine that accepts credit and debit cards for payment.

**Status:** Implemented. - A new machine that accepts cash and credit cards was purchased and installed at the Marina launch ramp in February 2014.

**Recommendation 1.15** In connection with Recommendation 1.14, install an access system such as barrier arms that open only after providing a paid ticket at the launch area to ensure boaters pay for a launch before using the ramp.

**Status:** Partially Implemented. - The Parks Recreation and Waterfront Department has determined the operation and design for the barrier arm at the Marina Launch Ramp facility, and installation will be complete by December 2014.

**Recommendation 1.16** Require customers to pay for their goods at the time of purchase and cease the use of tabs at camps and other locations, if any, that allow for this practice.

**Status:** Implemented. - The practice of allowing tabs occurred only at the Berkeley Tuolumne Camp. This practice has been eliminated.

**Recommendation 1.17** Enforce its budget modification procedures by requiring a signature on the support documentation from the supervisor who approves budget

modifications, and reject budget modifications that lack signatures from both the preparer and approver.

**Status:** Implemented. - The importance of enforcing the dual signature policy has been reiterated to Budget Office staff.

### BACKGROUND

The cash handling audit work began in February 2013 and was completed in February 2014. A summary of audit findings and recommendations was issued on February 26, 2014 for review and comment by participating departments. The summary contained 17 recommendations which focused on measures to ensure that procedures governing cash handling ensure the accuracy of collections and deposits, and implement policies and practices that protect not only the cash, but the cash handlers as well. The recommendations focus on the development of appropriate procedures, the provision of training, and the ongoing monitoring to guard against financial loss.

### ENVIRONMENTAL SUSTAINABILITY

There are no identifiable environmental effects or opportunities associated with the subject of this report.

### POSSIBLE FUTURE ACTIONS

One measure under consideration is the purchase of centralized cashiering software for installation at various City sites that could allow the City to:

1. Implement automated restrictions to prevent staff from performing cash handling activities if they are not authorized or have not completed required training;
2. Automate input/output for cash handling receipting processes;
3. Drastically decrease the number of paper-based and manual cash handling processes (e.g., reconciliations), and free up staff to perform other work; and
4. Help produce workflow maps to explain cash handling processing procedures.

### FISCAL IMPACTS OF POSSIBLE FUTURE ACTIONS

The costs of acquiring and installing a centralized cashiering system are unknown at this time. More analysis of business practices and operational requirements is needed. Additional information on the software acquisition will be provided in the April 2015 audit implementation status update.

### CONTACT PERSON

Peggy Gibbons, Deputy Director, 981-6712

### Attachments

- 1: Summary of Audit Recommendations and Responses

**City of Berkeley  
City Auditor’s Office  
Audit Findings and Recommendations Response Form**

<b>Audit Title: \$52,000 Theft: More Can Be Expected Without Citywide Changes in Culture and Procedures</b>				
<b>Findings and Recommendations</b>	<b>Lead Dept.</b>	<b>Agree, Partially Agree, or Do Not Agree and Corrective Action Plan</b>	<b>Expected or Actual Implementation Date</b>	<b>Status of Outstanding Audit Recommendations and Implementation Progress Summary</b>
<b>Finding:</b> Revenue collection and monitoring: theft of at least \$52,000; other thefts; and sharp, unexpected revenue declines				
1.1 Require all City staff with cash-handling responsibilities to read the following immediately and at least annually thereafter, and new employees to read the documents prior to being assigned cash handling tasks: <ul style="list-style-type: none"> <li>▪ Administrative Regulation 3.20, Cash Handling Policy and Guidelines</li> <li>▪ Administrative Regulation 3.17, Fraud, Abuse and Misuse of City Resources</li> <li>▪ The Basics: Cash Handling Training 101 – a PowerPoint presentation in the Finance section of Groupware</li> </ul>	City Manager	<b>Agree.</b> The City Manager will issue a memorandum to all City Department Directors by March 15, 2014, and annually thereafter, directing them to assign all employees with cash-handling responsibilities to read the policies and regulations referenced in Finding 1.1. That same memorandum will direct that new employees with cash handling assignments will be provided copies of those documents in their first week of employment.	May 30, 2014	<b>Initial Status:</b> Memo distributed February 28, 2014  <b>Status Update 10/28/14:</b> <u>Implemented</u> . All Departments with cash handling staff have complied and acknowledgement forms are on file in the Human Resources Department.
1.2 Require each cash-handling supervisor to:	City Manager	<b>Agree.</b> The Memorandum to Department Directors noted in response to Finding 1.1 above will also include a directive that	June 30, 2014	<b>Initial Status:</b> Memo distributed February 28,

## Audit Findings and Recommendations Response Form

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<ul style="list-style-type: none"> <li>▪ instruct all staff reporting to her or him to abide by the requirements in the documents listed in recommendation 1.1.</li> <li>▪ take appropriate disciplinary action when staff do not abide by the requirements.</li> <li>▪ obtain written approval from the department director, after discussing the risks with Finance, to implement mitigating procedures when staffing levels do not allow full compliance with the requirements in those documents.</li> </ul>		<p>supervisors in each Department reinforce the requirements set forth in the documents referenced in Finding 1.1. With respect to disciplinary action, managers and supervisors will abide by the appropriate progressive discipline process as set forth in the various memoranda of agreement with the bargaining units.</p>		<p>2014</p> <p><b>Status Update 10/28/14: <a href="#">Implemented.</a></b></p>	
1.3	City Manager	<p><b>Agree.</b> The City Manager will issue a Memorandum to all Department Directors by March 15, 2014 that requests each Department to identify any cash handling deficiencies in its operations and to work with the Finance Department as needed to resolve those deficiencies as soon as possible.</p>	June 30, 2014	<p><b>Initial Status:</b> Memo distributed February 28, 2014</p> <p><b>Status Update 10/28/14: <a href="#">Partially implemented for Parks</a></b></p>	

## Audit Findings and Recommendations Response Form

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<p>handling deficiencies identified by the Auditor's Office and listed in Appendix F exist in each supervisor's area of responsibility. Take immediate corrective action to ensure compliance with City cash-handling policies and to eliminate deficiencies listed in Appendix F.</p>				<p>Recreation &amp; Waterfront Department. Corrective Action Plans for all PRW cash handling sites have been prepared and supervisory staff at each site are in the process of implementing them.</p>	
<p>1.4 Communicate with department directors the City's commitment to reaching goals for revenue maximization by requiring departments to:</p> <ul style="list-style-type: none"> <li>▪ Perform revenue trend analyses at a granular level to look for unexpected and unexplained changes in revenue by activity, for example, boat launch and camp registrations. The analyses should include year-to-year comparisons with</li> </ul>	City Manager	<p><b>Agree.</b> The City Manager will issue a Memorandum to Department Directors with the information included in this Finding. The Memorandum will offer the assistance of the Budget Office with regard to processes for budget analyses and modifications should Departments need assistance in improving their processes.</p>	June 30, 2014	<p><b>Initial Status:</b> Memo distributed February 28, 2014</p> <p><b>Status Update 10/28/14:</b> <a href="#">Implemented.</a></p>	



## Audit Findings and Recommendations Response Form

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<p>detail by month so management can compare activity against prior years to see if it is consistent or reflects changes, such as fee increases.</p> <ul style="list-style-type: none"> <li>▪ Work with Finance to investigate anomalies that signal theft or other significant problems affecting the City's ability to maximize revenue and reach targets.</li> <li>▪ Provide oversight of adjusting journal entries and nonroutine budget modifications so that someone does not both request and approve entries.</li> </ul> <p>Oversight options include:</p> <ul style="list-style-type: none"> <li>▫ Having a department manager approve entries that are requested by a supervisor but prepared by clerical staff.</li> <li>▫ Having another employee who does not directly</li> </ul>				

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<p>report to the supervisor who requested the entry approve it, so long as that person has a reasonable understanding of departmental and City operations and enough authority to raise concerns about the entry.</p> <ul style="list-style-type: none"> <li>▫ Having a manager not involved with adjusting journal entries and budget modifications sample nonroutine adjustments on a regular basis (for example, monthly) to check that the entries were for a legitimate need.</li> </ul>				
<p>1.5 Work with the Department of Human Resources to establish a list of all positions that have cash-handling responsibilities to identify positions that require</p>	<p>City Manager</p>	<p><b>Agree.</b></p>	<p>December 31, 2014</p>	<p><b>Initial Status:</b> <u>Partially implemented.</u> The Department of Parks Recreation &amp; Waterfront has identified all positions</p>

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background checks as part of the hiring process.				<p>for which cash handling is a responsibility and provided that information to Human Resources on January 17, 2014. For any position identified as responsible for handling cash, background checks will be performed for the recommended candidates.</p> <p><b>Status Update 10/28/14:</b>  <u>Implemented.</u> All departments with cash handling staff have identified positions with cash handling responsibilities and provided that information to the Human Resources Department. The PRW Department has implemented the</p>

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				background checks for all new employees with cash handling responsibilities.	
1.6	City Manager	<p><b>Agree.</b> Compliance with this Finding is dependent upon a meet and confer process with the affected Unions. The City Manager agrees to request that the Unions participate in a meet and confer process regarding this issue and agrees to report on the outcome of that process once concluded. The meet and confer process will also need to address the outcome should an existing employee undergo a background check that identifies an area of concern based on the Auditor's recommendation, yet this employee has never received any disciplinary action during their tenure with the City.</p>	June 30, 2015	<p><b>Status Update 10/28/14:</b> Not implemented. The Meet and Confer meetings are pending and have not yet been scheduled.</p>	
1.7	City Manager	<p>Work with Finance to dedicate personnel to be responsible for citywide cash-handling improvements. The personnel should:</p> <ul style="list-style-type: none"> <li>▪ Be classified at a sufficiently senior level to be able to</li> </ul>	June 30, 2015	<p><b>Status Update 10/28/14: Partially implemented.</b> The Revenue Collections Manager has assumed this responsibility, and the audit recommendations are</p>	

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<p>provide definitive guidance to senior management on a reasonably equal footing.</p> <ul style="list-style-type: none"> <li>▪ Have a strong background in accounting, auditing, and policies, practices, and procedures for cash handling.</li> <li>▪ Excellent written and oral communication skills.</li> <li>▪ Be responsible for:                             <ul style="list-style-type: none"> <li>▫ Giving guidance to staff in all City departments.</li> <li>▫ Rewriting cash-handling and related administrative regulations.</li> <li>▫ Developing standard citywide cash-handling procedures.</li> <li>▫ Providing ongoing cash-handling training and monitoring.</li> <li>▫ Enforcing cash-handling policies.</li> </ul> </li> </ul> <p>Also see recommendations 1.9 to</p>		<p>Payments for on-line payments for various lines of business including building permits and implementation of an updated General Cashiering system that is vital to City-wide operations.</p> <p>The plan will be to utilize the Revenue Collection Manager in the Treasury Division, the Revenue Development Supervisor and a Revenue Development Specialist (to be hired), under the direction of the Finance Director to accomplish these responsibilities.</p> <p>The Finance Department restarted citywide cash-handling training on November 15, 2012, and will restart ongoing monitoring of cash-handling operations at all of the City's cash-handling sites, to ensure compliance with cash-handling policies and procedures, as soon as several technology upgrades are completed and personnel are available.</p>		<p>being evaluated within the context of current Department priorities.</p>

## Audit Findings and Recommendations Response Form

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1.13.				
<p>1.8 In collaboration with the Department of Information Technology, implement a general cash-handling system to serve as the city's single portal for all cash-collection activities. Such a system would allow Finance to:</p> <ul style="list-style-type: none"> <li>▪ Integrate with the City's financial system, FUND\$, for automatic input of cash receipts.</li> <li>▪ Remove manual processes (e.g., reconciliations) and free up staff time to perform other cash-handling oversight activities.</li> <li>▪ Develop graphic workflow maps that can generate procedures for processing cash transactions, and identify the specific positions assigned to each step in the cash-handling</li> </ul>	Finance	<p><b>Agree.</b></p> <p>To deal with the impact on cash-handling and cash reconciliations of other City departments upgrading their software, plans are already underway to procure centralized cashiering software. <i>Centralized cashiering software is software that all kinds of other operating software, including financial, can integrate with seamlessly. It could allow the City to:</i></p> <ol style="list-style-type: none"> <li>1. <i>Implement automated restrictions to prevent staff from processing , if they are not authorized or have not completed required training;</i></li> <li>2. <i>Automate input/output for receipting;</i></li> <li>3. <i>Drastically decrease the number of paper-based and manual processes (e.g., reconciliations), and free staff time to perform other work; and,</i></li> <li>4. <i>Help produce workflow maps to explain processing procedures.</i></li> </ol> <p><i>Currently, each of the new non-FUND\$ software</i></p>	June 30, 2015	<p><b>Status Update 10/28/14: Not implemented.</b> The departments of Finance and Information Technology have begun the research and investigation of various software options.</p>

## Audit Findings and Recommendations Response Form

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<ul style="list-style-type: none"> <li>▪ sequence.</li> <li>▪ Use automated restrictions to prevent staff from processing cash transactions when they:                             <ul style="list-style-type: none"> <li>▫ Have not taken the required cash-handling training.</li> <li>▫ Are not assigned to processing cash-receipt transactions.</li> </ul> </li> </ul>		<p><i>has its own cashiering system. As software in operating departments is added or replaced, it causes additional cash balancing steps and results in an inefficient reconciliation process, and challenges data integrity. Centralized cashiering software can resolve these problems for the Finance Customer Service Counter and Accounting staff.</i></p>		
<p>1.9 Rewrite Administrative Regulation 3.20, Cash Handling Policy and Guidelines to:</p> <ul style="list-style-type: none"> <li>▪ Define the roles of the personnel dedicated to citywide cash-handling improvements. Also see recommendation 1.7.</li> <li>▪ Make it City policy that:                             <ul style="list-style-type: none"> <li>▫ Cash-handling guidance and policy enforcement is a centralized function in Finance.</li> <li>▫ Finance is responsible for</li> </ul> </li> </ul>	Finance	<p><b>Agree.</b></p> <p>AR 3.20 will be revised to include the roles of the Finance staff dedicated to citywide cash-handling operations and the roles of City departments that manage cash-handling operations.</p> <p>The AR will be clear that Finance is responsible for providing guidance to departments by developing citywide cash-handling guidelines, and by providing guidance to departments' in the departments' development of supplemental procedures tailored to their cash-handling operations.</p> <p>The AR will also be revised to detail the mandatory training requirements and other</p>	June 30, 2015	<p><b>Status Update</b>  <b>10/28/14: Partially implemented.</b> The revision of the Administrative Regulation is in progress. Finance staff has reviewed the existing AR and is developing a process for its revision within the next 6 to 8 months.</p>

## Audit Findings and Recommendations Response Form

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<p>establishing a single set of citywide cash-handling procedures so that staff throughout the City use standard best practices. Also see recommendation 1.12.</p> <ul style="list-style-type: none"> <li>▫ Finance is responsible for providing guidance to departments in developing supplemental procedures to address activities that apply only to a particular location, for example, securing and monitoring boat launch revenues at the Marina.</li> </ul> <p>Also see recommendation 1.13.</p> <ul style="list-style-type: none"> <li>▫ Department managers report in writing to the City Manager, with a copy to the Finance Director, the risk to revenue and staff when resource limitations prevent</li> </ul>		<p>steps required before employees can handle City cash.</p>		



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<p>them from following cash-handling best practices.</p> <ul style="list-style-type: none"> <li>▫ Cash-handling training is mandatory for new cash handlers before they begin handling cash, at least every two years for current employees, and every five years for management. Also see recommendation 1.10.</li> <li>▫ Cash handlers read the documents as discussed in recommendations 1.1.</li> <li>▫ Supervisors perform the review of cash-handling operations as discussed in recommendation 1.3.</li> </ul>				
1.10	Finance	<b>Agree.</b>	June 30, 2015	<b>Status Update</b>

## Audit Findings and Recommendations Response Form

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<p>with cash-handling and fiscal operations responsibilities. Training can be accomplished using in-person and online formats and should include:</p> <ul style="list-style-type: none"> <li>▪ General and supervisor sessions covering the City standards discussed in Administrative Regulation 3.20: Cash Handling Policy and Guidelines, and the citywide cash-handling procedures. Also see recommendations 1.9 and 1.12.</li> <li>▪ Site-specific sessions to cover supplemental procedures to City standards for cash-handling needs unique to different locations. Also see recommendation 1.9, 1.12, and 1.13.</li> <li>▪ New-employee sessions for employees hired for seasonal work and who may have no</li> </ul>		<p>The ongoing cash-handling training will be modified to incorporate training specifically for new employees who may not have work experience, or unique cash-handling operations, and training specifically geared towards managers and their responsibilities for establishing, monitoring, evaluating, and adjusting internal control procedures.</p>		<p><b>10/28/14: Partially implemented.</b> Finance staff prepared and presented to PRW Recreation staff a targeted cash handling training for new and returning program staff whose job duties require them to handle cash. These included Recreation Activity Leaders and Aquatics Specialist who are also direct service providers for the department. Other potential targeted trainings are pending.</p>

## Audit Findings and Recommendations Response Form

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<p>work or cash-handling experience.</p> <ul style="list-style-type: none"> <li>▪ Management sessions covering best practices and mitigating procedures, monitoring those in charge of fiscal operations, and identifying signs of theft.</li> </ul>				
<p>1.11 Provide ongoing monitoring of cash-handling and fiscal operations. This includes:</p> <ul style="list-style-type: none"> <li>▪ Reviewing a sample of the work done by those with cash-handling oversight responsibilities to ensure they are not performing work for which they provide oversight.</li> <li>▪ Ensuring compliance with cash-handling policies and procedures.</li> <li>▪ Performing surprise cash counts and evaluations of actual practices.</li> <li>▪ Ensuring access to accounting</li> </ul>	Finance	<p><b>Agree.</b></p> <p>After the Revenue Development Specialist position is filled, Finance will re-start the ongoing monitoring of citywide cash-handling operations. This review will include, among other things, monitoring for compliance with cash-handling policies and procedures, and the performance of surprise cash counts.</p>	June 30, 2015	<p><b>Status Update</b>  <b>10/28/14: Not implemented.</b> The Revenue Collections Manager has assumed this responsibility, and the audit recommendations are being evaluated within the context of current Department priorities.</p>

## Audit Findings and Recommendations Response Form

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<p>systems, safes, and cash-handling locations is restricted to the minimum number of staff needed to perform authorized tasks, and that access is divided among enough staff to prevent an individual from being able to steal and conceal the theft.</p> <ul style="list-style-type: none"> <li>▪ Denying exceptions to daily deposits for departments that have known cash-handling deficiencies.</li> <li>▪ Reexamining cash-handling activities annually for all locations that have daily-deposit exceptions to ensure they continue to meet City standards.</li> </ul>				
1.12	Finance	<p><b>Agree.</b></p> <p>The citywide cash-handling procedures will be revised to include the following:</p> <ol style="list-style-type: none"> <li>1. Detailed explanation of each of the</li> </ol>	June 30, 2015	<p><b>Status Update</b></p> <p><b>10/28/14: Not implemented.</b> The Finance Department has started on revisions of</p>

## Audit Findings and Recommendations Response Form

<b>Audit Title: \$52,000 Theft: More Can Be Expected Without Citywide Changes in Culture and Procedures</b>				
Findings and Recommendations	Lead Dept.	Agree, Partially Agree, or Do Not Agree and Corrective Action Plan	Expected or Actual Implementation Date	Status of Outstanding Audit Recommendations and Implementation Progress Summary
<p>procedures should:</p> <ul style="list-style-type: none"> <li>▪ Explain cash-handling policies, practices, and procedures in such a way that it can be understood by those who are not experts in cash handling.</li> <li>▪ Incorporate best practices for cash handling, which includes separating tasks among employees to ensure they cannot perform inappropriate combinations of activities that would allow them to commit or conceal theft. Also see Appendix D.</li> <li>▪ Describe mitigating practices that are acceptable for departments to follow when best practices cannot be used because of limited staffing, money, or time.</li> <li>▪ Explain “<b>why</b>”: why cash-handling activities are separated, why tasks must be</li> </ul>		<p>policies or procedures , and their purpose</p> <ol style="list-style-type: none"> <li>2. Best practices for segregating duties and responsibilities</li> <li>3. Best practices for receiving funds</li> <li>4. Best practices for custody of funds</li> <li>5. Best practices for depositing funds</li> <li>6. Best practices for reconciling funds</li> </ol>		<p>the policies and procedures.</p>

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<p>performed so staff understand the importance of their work, and why omitting steps could make the City vulnerable to theft and loss and compromise their safety.</p> <ul style="list-style-type: none"> <li>▪ Define the standard forms, equipment, and supplies staff are to use for cash-handling activities. For example, standard deposit forms, safes, cash registers, and tamperproof bags.</li> <li>▪ Explain every employee's responsibility to protect the City against fraud, abuse, and misuse, and report suspected or known fraud, abuse, and misuse in accordance with the requirements in Administrative Regulation 3.20, Cash Handling Policy and Guidelines.</li> <li>▪ Require supervisors who do not accept and record cash to</li> </ul>				

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<p>reconcile standalone accounting systems to the City's financial system, FUNDS, and investigate variances.</p> <ul style="list-style-type: none"> <li>▪ Explain that departments must provide Finance with assurance that a location requesting a daily-deposit exception, including exception renewals, has the ability to secure and protect City money from loss until it can make the deposit before Finance will approve an exception.</li> <li>▪ Require daily-deposit exception approvals to have one-year expiration dates and for Finance to renew the exception before a department can continue with its exception to daily deposits.</li> </ul>				
1.13	All Departments	<b>Agree.</b> Each City cash-handling site will have specific procedures tailored to site-specific operations. Departments will obtain guidance	June 30, 2015	<b>Initial Status:</b> <u>Partially implemented.</u> Many City cash handling sites

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activities unique to site-specific operations to accompany Finance's cash-handling manual. Obtain guidance from Finance to ensure that these procedures adequately protect cash and cash handlers. Also see recommendations 1.9 and 1.12.		from Finance regarding whether or not these procedures secure cash and protect cash handlers.		(including all PRW sites) already have cash handling procedures. PRW procedures are currently being revised and updated. <b>Status Update 10/24/14:</b> Partially implemented. Implemented for PRW. Other City departments are in the process of completing site-specific cash handling procedures.	
1.14 Install a launch-ramp ticket machine that accepts credit and debit cards for payment.	PRW	<b>Agree.</b> A new machine that accepts cash and credit cards has been purchased and installed at the Marina launch ramp.	February 1, 2014	<b>Initial Status:</b> Implemented February 2014.	
1.15 In connection with recommendation 1.14, install an access system such as barrier arms that open only after providing a paid ticket at the launch area to ensure boaters pay	PRW	<b>Agree.</b> The PRW Department will design and install a barrier arm system in concert with the launch ramp ticket machine.	September 2014	<b>Initial Status:</b> Design and configuration options are under consideration. Approximate one-time construction and installation costs will be	



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					<p>\$55,000; and annual costs for service and maintenance will be approximately \$10,000.</p> <p><b>Status Update</b>  <a href="#">10/28/14: Partially Implemented.</a> The Department has determined the operation and design and will install the barrier arm by December 2014.</p>
1.16	PRW	<p><b>Agree.</b> The Department agrees that there was some inherent risk in the practice of allowing campers at the Berkeley Tuolumne Camp to run tabs for purchases at the camp store. It was a much appreciated service that the BTC campers relied on to protect children at the camp from carrying sums of money for small purchases at the camp store. However, the Department is</p>	May 1, 2014	<p><b>Initial Status:</b> The practice of allowing tabs occurred only at the Berkeley Tuolumne Camp. This practice has been suspended and risk-mitigating options for providing this service</p>	<p>for a launch before using the ramp. This may require PRW to redesign the parking area to provide enough space for boaters to park their vehicles and trailers after they pay for the launch ticket and still have access to the amenities (boat washing stations, etc.). The parking area should have a separate exit that opens by sensing that a vehicle has driven up to it so that boaters are not required to use a ticket to exit, since there is a likelihood tickets will get wet, which could cause machinery to malfunction.</p> <p>Require customers to pay for their goods at the time of purchase and cease the use of tabs at camps and other locations, if any, that allow for this practice.</p>

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		evaluating the risk and will propose an alternative, risk-mitigating action for the 2014 family camp.		are under consideration for the summer 2014 camp season.  <b>Status Update 10/28/14:</b> <u>Implemented.</u> We have eliminated the practices of allowing campers to run tabs.	
1.17 Enforce its budget modification procedures by requiring a signature on the support documentation from the supervisor who approves budget modifications, and reject budget modifications that lack signatures from both the preparer and approver.	Budget Office	<b>Agree.</b> All budget modifications should have two signatures, one signature not being that of the same person who prepared the modification in FUNDS. This dual signature policy will be enforced and the Budget Office will (1) reject budget modifications that do not contain dual signatures, and (2) ensure that one of the signatures is not that of the preparer of the budget modification.	February 13, 2014	<b>Initial Status:</b> Implemented 2/13/14. The importance of enforcing the dual signature policy has been reiterated to Budget Office staff.	