



Office of the City Auditor

CONSENT CALENDAR

April 8, 2003

To: Honorable Mayor and
Members of the City Council

From: Ann-Marie Hogan, City Auditor

Subject: Customer Service - Cash Receipts / Cash Handling Audit

RECOMMENDATION

That Council request the City Manager to report back on September 16, 2003, (and every five months thereafter) regarding the implementation status of each of the Auditor's recommendations in the attached report, until all recommendations have been implemented.

SUMMARY

At the request of the Director of Finance and the City Manager, an audit of the current cash receipt, handling, and deposit procedures and practices being used by the Finance – Customer Service front counter cashiers at 2020 Center Street was performed. Audit fieldwork, and audit follow-up work, began on September 4, 2002, and concluded December 17, 2002.

During the audit, three additional areas of concern were identified and reviewed. These three areas dealt with the adequacy of procedures designed to prevent and detect parking ticket system input errors and irregularities; the reasons why a recent accounting system software upgrade had so many problems; and concerns about a large and very old accounts receivable balance in the Miscellaneous Receivables module of the City's automated accounting system, FUNDS.

The audit report includes 12 audit findings and 23 recommendations.

FISCAL IMPACTS OF RECOMMENDATION

The audit did not look at the cost to implement the audit recommendations. To the extent that Finance has worked to implement recommendations already, there will not be significant additional cost to the City to implement many of the recommendations. The cost of improvements to computer software testing and installation, and the cost to review employee FUNDS access for incompatible authorization, cannot be determined at this time but could be significant.

CURRENT SITUATION AND ITS EFFECTS

The audit identified 12 findings, which address concerns in the following areas:

- Reconciliation of each cashier's daily cash receipts is not being adequately reviewed. (Finding 1)

- Prevention and detection procedures over erroneous parking ticket payment, adjustment, and dismissal entries have not been established. (Finding 2)
- Accounting software applications and functions given to cashiers and the cashiering supervisor sometimes allow them to perform tasks they should not perform. (Findings 3,5)
- Write-off of uncollectible accounts receivable is not being performed. (Finding 6).
- Physical safeguarding of payments and counter staff needs improvement. (Findings 7,8, 10-12)
- Testing and debugging of accounting system software upgrades is not always adequate. (Finding 4)
- Written procedures addressing when and how to issue manual receipts (when the cash register is not working) are not available. (Finding 9)

RATIONALE FOR RECOMMENDATIONS

Most of the findings identified in the audit report indicate that Finance is not placing enough emphasis on procedures designed to help ensure that all payments received at the Customer Service front counter are adequately safeguarded, deposited, and properly recorded. The implementation of our recommendations will significantly improve internal controls over cash receipts.

CONTACT PERSON

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Approved:

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