



City of
Corpus
Christi

**CA14-003
Police Department
Animal Shelter Cash Count**

**Office of the City Auditor
Arlena Sones, CPA, CIA, CGAP
City Auditor**

January 28, 2014

Executive Summary

As part of our annual Audit Plan, we conducted an unannounced cash count of the Animal Shelter which falls under the direction of the Police Department. We followed-up on five issues previously reported in CA13-001 Animal Shelter Surprise Cash Count dated November 28, 2012.

Cash was found to be intact, and four of the five previous audit recommendations had been implemented. See a list of all five recommendations in Appendix A on page 5. The one remaining issue is that deposits are not being made daily.

Additionally, sales transactions were not being recorded properly on the day of the cash count.

The Animal Shelter has made significant improvements in its cash handling functions over the past year and should be commended for its efforts.

Management of the Police Department agrees with this report. See the responses at Appendix B.

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Animal Shelter Cash Count

Background

The City Auditor's Office conducted an unannounced cash count of the Police Department, Animal Shelter facilities. The Animal Shelter had previously been audited in November 2012.

Municipal Guidelines

In conducting our audit, we relied on the following authoritative guidelines to serve as criteria for the audit:

- City Policy F-3, Depositing, Disbursing, and Check Cashing Policy and Procedures

Audit Objective, Scope and Methodology

The audit objective is to determine the existence and completeness of the cashier change fund assigned to the Animal Shelter and to determine the status of the five issues reported in the November 28, 2012 cash count report.

Our scope of work included a cash count of the cashier change funds including the day's revenue. Because of the issues noted during the cash count, we expanded our fieldwork to review the activity reported on the Cash Receipts Report for the prior two weeks. We traced recent deposits to the bank statement to determine if deposits are being made daily.

We relied on general ledger data from the City's financial system of record, PeopleSoft, to obtain the amount of the cashier fund; however, we did not audit the system's general or application controls because the system is slated to be replaced within the year.

This audit report provides independent, objective analysis, recommendations, and information concerning the activities reviewed. The report is a tool to help management discern and implement specific improvements. The report is not an appraisal or rating of management.

City management is responsible for establishing and maintaining a system of internal controls to ensure assets are safeguarded, financial activity is accurately reported and reliable, and management and their employees are in compliance with laws, regulations, and agreements with other entities.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit

to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions based on our audit objectives.

Audit Conclusion

Management of the animal shelter has made significant improvements in its cash handling function. Four of the five previously reported issues have been corrected; however, one issue remains in that deposits are not made daily. See Appendix A for a summary of the implementation status.

Also, sales transactions were not being recorded properly on the day of the cash count which can be attributed to a lack of formal training. Lack of formal cash handling training for employees is a city-wide issue.

Audit Results and Recommendations

A. Cash Count

Cash was found to be intact and significant improvements were made in internal controls over cash. See Appendix A for a summary of the prior recommendations and the implementation status.

Recommendation: None.

B. Deposits Not Made Daily

The Animal Shelter deposits funds twice per week which is an improvement over the last audit findings; however, daily deposits are required by Policy F-3.0. This issue was brought to light in the prior audit report.

Recommendation: The Animal Shelter should make daily deposits or request an exemption from this policy from the Director of Financial Services.

C. Unreported Transactions

The cash count revealed that two transactions had not been recorded in the Chameleon system; however, no cash was missing from the till. Management acknowledged the errors and stated that the cashier in question was new in the position.

Finance Policy F-3.0 specifies that an automated receipt is to be generated for all payments made to the City. Failure to record sales transactions results in underreported revenues and it creates opportunity for theft that would likely remain undetected.

One of the key components of internal control is adequately trained employees. The City does not require or provide formal training for employees in sensitive cash handling positions. Insufficient training increases the City's risk of loss or theft of funds and increases the risk of inaccurate accounting of sales transaction. Sufficient training must be provided to enhance an employee's likelihood for success.

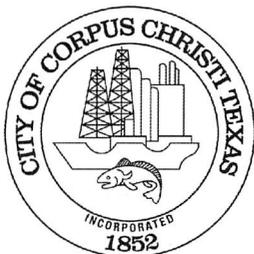
In the prior audit report, Issue #4 recommended that formal training be provided to staff, and it was; however, each new employee must be adequately trained prior to being put into a cash handling position.

Recommendation: Management should ensure that all sales transactions are recorded accurately into the Chameleon system by providing more oversight and training to each new cashier.

Appendix A - Summary of Recommendations

Issue No.	Summary of Recommendations	Status
1	Funds should be processed and deposited on a daily basis in accordance with City policy.	Not Implemented
2	Checks and money orders should be restrictively endorsed upon receipt in accordance to City policy.	Implemented
3	Checks received by mail should be processed and deposited on a timely basis. A mail log should be used to document collections received through the mail. Collections should be held in a secured area until deposited.	Implemented
4	Coordinate with Finance to develop policies and procedures to address cash variances on registers. Cashier overages and shortages should be documented on a daily basis, maintained on file, and investigated.	Implemented
5	Collaborate with Finance to receive copies of the City's cash handling policies and procedures and training for individuals responsible for receipting, depositing, and reconciling City funds.	Implemented

Appendix B - Management Response



MEMORANDUM

To: Ron Olson City Manager
Thru: Susan Thorpe, ACM *ST*
From: Floyd Simpson, Chief of Police *F Simpson 1/16/14*
Date: January 15, 2014
Subject: Management Responses to Audit, CA13-003 Police Department, Animal Shelter Cash Count

We have carefully reviewed the issues presented in the audit report and our plans to correct the issues are described below:

B. DEPOSITS NOT MADE DAILY

The Animal Shelter deposits funds twice per week which is an improvement over the last audit findings; however, daily deposits are required by Policy F-3.0.

Recommendation: The Animal Shelter should make daily deposits or request an exemption from this policy from the Director of Financial Services.

Agree/Disagree	Responsible Party, Title	Completion Date
Agree	Kellie Ramos, Administrative Asst.	12/18/2013

Action Plan: Email was sent on 12/17/2013 to Finance Department to request waiver from daily deposits. Front office staff will count money at the end of the business day and prepare deposits to be dropped off at least twice a week. On 12/17/2013, an email was sent to Ms. Sanchez, Director of Finance, to request updated training is provided to ACS staff. On Jan. 15, 2014 Terri Lugo from Finance met with Animal Care Services Front office staff and managers to review money handling procedures. Waiver from daily deposit requirement was granted – T. Green #564

Appendix B - Management Response

C. UNREPORTED TRANSACTIONS

The cash count revealed that two transactions had not been recorded in the Chameleon system; however, no cash was missing from the till. Management acknowledged the errors and stated that the cashier in question was new in the position.

Recommendation: Management should ensure that all sales transactions are recorded accurately into the Chameleon database by providing more oversight to new cashiers.

Agree/Disagree	Responsible Party, Title	Completion Date
Agree	Monica Martinez, ACO – Office Manager	12/18/2013
<i>Action Plan: Count money at the end of business day with supervisor. Actively train and monitor new staff to ensure retention. On 12/17/2013, an email was sent to Ms. Sanchez, Director of Finance, to request updated training be provided to ACS staff. Front office staff has set up training on February 13, 2013 with Kathy Gonzales of Central Cashiering. – H. Hedrick</i>		

We are committed to correcting the issues in the audit report by implementing the action plans described above.

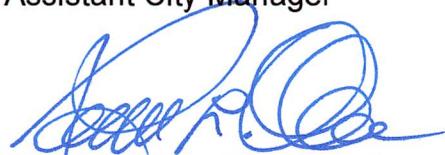
Sincerely,



Floyd Simpson, Chief
Police Department



Susan Thorpe
Assistant City Manager



Ronald L. Olson
City Manager