



CONSENT CALENDAR

Office of the City Auditor

September 17, 2002

To: Honorable Mayor and
Members of the City Council

From: Ann-Marie Hogan, City Auditor

Subject: TREASURY CASH RECEIPTS / CASH HANDLING AUDIT

RECOMMENDATIONS:

That Council request the City Manager to report back to Council in March 2003, and again in July 2003, regarding final implementation of the Auditor's recommendations in the attached report.

BACKGROUND:

An audit of the cash receipts and cash handling operations in Finance – Treasury (Treasury) was performed. The purpose was to identify the procedures used to receive, handle, safeguard, and deposit cash and cash equivalents, and to identify any concerns with these procedures. Most of the cash and cash equivalents (checks, credit card payments, etc.) that the City's departments receive are brought to Treasury. Areas reviewed included:

- Physical security of assets.
- Procedures for review and reconciliation of accounting records.
- Segregation of duties, which provide for separate accountability and responsibility for initiating and reviewing work, in order to prevent the commitment and then concealment of an error or irregularity.
- Compliance with City policies and procedures.

Findings included:

- There were some instances where there was a lack of adequate segregation of duties or other compensating controls.
- Several employees had more authorization and access to applications and functions in the City's automated accounting system (FUNDS) than they needed.
- Too many employees could give others access to FUNDS cash receipts applications and functions.
- The Treasury Counting Room location, design, and policies and practices, should be strengthened to enhance the physical safeguards over cash.
- Work sometimes lacked review / evidence of review.
- Written policies and procedures had not been approved by management, had not been provided to staff, and did not cover some important procedures.

- There was a petty cash fund that was not being properly maintained, with a balance that was in excess of authorized amounts.
- There was an unnecessary cash fund being maintained.
- There was duplication of efforts, i.e., unnecessary cash recounts.
- A shortage / overage account was being used inappropriately.
- Bank deposit errors by AMPCO, the contractor who operates the City parking garages and lots, were not being addressed.
- Business license tax payments that were too often not timely deposited and accounted for.

FINANCIAL IMPLICATIONS:

Although the financial impact could not yet be determined, it should be considered in conjunction with the fiscal implications associated with Finance implementing the recommendations that were made in the Parks Recreation & Waterfront Cash Receipts/Cash Handling Audit on tonight's agenda.

CONTACT PERSON:

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Approved by:

Ann-Marie Hogan, City Auditor
Office of the City Auditor