


Office of the City Manager

INFORMATION CALENDAR

November 25, 2003

To: Honorable Mayor and  
Members of the City Council

From:  Phil Kamlarz, Acting City Manager

Subject: Implementation Status of Transfer Station Cash Receipts/Cash Handling Audit  
Recommendations –CF#35-03

INTRODUCTION

At its July 8, 2003 meeting, Council received a report from the City Auditor regarding an internal audit of the City's Solid Waste Transfer Station cash receipts and cash handling operations. In response, Council requested that the City Manager provide a status report on November 25, 2003, regarding the implementation of the audit recommendations.

CURRENT SITUATION AND ITS EFFECTS

Staff of the Solid Waste Management Division of the Public Works Department began implementing the audit recommendations as City Auditor staff conducted the audit and developed their findings. Staff has fully implemented 14 of the 20 recommendations made in the Auditor's final report, and has partially implemented four recommendations. Full implementation of these latter four recommendations will be achieved upon completion of a computer-cabling project, which will allow the upgrade of Transfer Station Scale House software, permitting improved security. The Finance Department is addressing the two remaining recommendations. Attachment A outlines the implementation status of each of the audit findings and recommendations.

BACKGROUND

The objectives of the Transfer Station Cash Receipts/Cash Handling Audit were to:

1. Identify concerns with the procedures used at the Public Works Transfer Station for receiving, handling, safeguarding, and depositing cash and cash equivalents; and
2. Determine if audit recommendations from earlier cash handling audits at the Transfer Station were implemented.

The audit found that the internal control structure over cash receipts at the Transfer Station is not adequate. The audit report included five major findings each addressing several concerns, with twenty recommendations for action. The audit findings are as follows:

**Finding 1** Written Procedures are Incomplete and Insufficiently Detailed

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- Finding 2** Incompatible Duties are Not Adequately Segregated
- Finding 3** Work is Not Adequately Reviewed and Corrected
- Finding 4** Lack of Accountability Over the Cashiering Duties
- Finding 5** Physical Safeguarding of Cash Receipts Needs Improvement

The specific audit recommendations, and staff responses to them, are detailed in Attachment A.

POSSIBLE FUTURE ACTION

Staff will return to Council on February 24, 2004, with a report on any recommendations from the auditor that staff has not yet fully implemented.

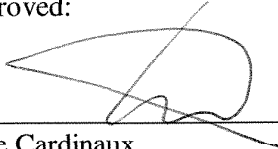
FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

None.

CONTACT PERSON

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Approved:




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Rene Cardinaux  
Director of Public Works

Attachment A: Implementation Status Summary

**Implementation Status Summary**  
**Transfer Station Cash Receipts / Cash Handling Audit Recommendations**

**Recommendation 1.1**

Provide Transfer Station supervisors with the cash handling training that they need to develop complete and sufficiently detailed written cash handling policies and procedures for the Transfer Station. Formal cash handling training should also be provided to the supervisors that review and approve the daily cash receipts reconciliation and deposit, as well as the Weighmasters.

City Manager's Response

Fully Implemented. All Weighmasters, Weighmaster Trainees, Solid Waste Supervisors, Senior Solid Waste Supervisors, and an Associate Management Analyst completed the Cash Handling 101 course presented by the Finance Department in July and August 2003. In addition, in August 2003, the Finance Department provided training to transfer station employees on the new deposit procedures, which staff implemented the following day.

**Recommendation 1.2**

Update the Transfer Station cash handling policies and procedures. They should be detailed enough so that cashiers and supervisors with the required cash handling background for their job classification can use these procedures to perform all their assigned duties as management wants them performed. Written policies and procedures should include the internal control structure required to provide reasonable assurance that fees are properly charged, and all payments are received, deposited, and properly accounted for. Staff should sign a document showing that they received the written policies and procedures, and agree to follow them. These documents should be kept on file by management.

City Manager's Response

Fully Implemented. SWMD staff completed written policies and detailed procedures for handling cash at the transfer station in October 2003. The new policies and procedures are fully responsive to the concerns regarding internal controls and proper accounting for receipts and deposits. The written procedures were provided to the Weighmasters in a training session on November 5, 2003. The document is being continuously improved based on input from front-line staff and supervisors, and in conformance with the audit recommendations.

**Recommendation 2.1**

Develop and implement procedures that provide reasonable assurance that the City is paid the market rate for all scrap metal that leaves the Transfer Station, and that this money is deposited into a City bank account. The Solid Waste Manager's idea to place scrap metal in numbered bins, and require drivers to have a work order signed by their supervisor before this metal can be taken out of the Transfer Station and sold, would meet the requirements of this recommendation. However, written procedures would have to include controls that insure scrap metal is not sold without a work order, and that all work orders are accounted for.

City Manager's Response

Fully Implemented. Staff implemented procedures conforming to this recommendation in June 2003, and written procedures were completed in October 2003. All scrap metal loads are dispatched through signed work orders from the supervisor; payments are received monthly by vendor check, reconciled by staff, and deposited to the appropriate revenue account.

**Recommendation 2.2**

For each job classification or position that is involved with Transfer Station cash receipts, identify and document the duties each can and can't perform so that incompatible duties are adequately segregated. Incorporate this information into the written policies and procedures. If an employee must be authorized to perform incompatible duties, the mitigating control that will be in place to provide reasonable assurance that errors and irregularities are identified and corrected should be identified as well.

City Manager's Response

Fully Implemented. Staff developed a matrix of incompatible duties in July 2003 and incorporated it into the policies and procedures document in October 2003. Each of the standard operating procedures identifies incompatible duties and mitigating controls.

**Recommendation 3.1**

Management must clearly establish who is accountable for each error or irregularity that could occur. Cash receipts should not be brought to Treasury and deposited until the reviewer has provided evidence of his or her written approval. Written approval of the daily cash receipts reconciliation documentation and Treasury Deposit should not be given until the reviewer has found that all documentation has been provided, documentation is properly completed with required signatures and initials present, documentation contains no mathematical errors, and all the reviewer's questions have been satisfactorily answered. The reviewer should be a higher-level employee than those whose work they are reviewing, and have adequate knowledge on the subject of proper cash handling.

City Manager's Response

Fully Implemented. In August 2003, at the direction of Finance, Weighmasters began bagging their deposits individually rather than aggregating funds for a single scale house deposit. Cash receipts are delivered to the Treasury only when the Solid Waste Supervisor has ensured that each Weighmaster has completed all required documentation without error or omission.

**Recommendation 3.2**

Cashiering transactions that require voiding should be reviewed and approved in writing by a supervisor at the time the transaction occurs. For times when a supervisor is not available, it is further recommended that a co-worker be permitted to approve the voiding of some transactions, such as small dollar transactions. The circumstances when a co-worker can review and approve the voiding of another cashier's transaction should be addressed in the written procedures.

City Manager's Response

Fully Implemented. Voids are reviewed and approved according to the recommendation. The procedures for voids, and the circumstances under which a co-worker reviews and approves voids, are described in the policies and procedures completed in October 2003.

**Recommendation 3.3**

A supervisor should continue to perform a review of customer receipts while the customers are still present. However, receipts should be reviewed at a point in time after the customers being reviewed have paid their dumping fees and have their receipts. One way to accomplish this would be to have a supervisor observe a small sample of vehicles as they enter the Transfer Station, or possibly as they are dumping, and then review their receipts as they are leaving. The Weighmasters should not know what customers the supervisor will review, since they might alter their behavior when under review. This activity, including the outcome of each transaction reviewed, should be documented. Concerns should be reported to the Manager of Solid Waste and Recycling. These procedures should be documented.

City Manager’s Response

Fully Implemented. The Solid Waste Supervisor performs a weekly site survey that includes checking customer receipts before the customers leave. This activity began in August 2003. The weekly site survey is described in the policy and procedures completed by staff in October 2003, and the form is included in the appendix. Records of completed surveys are filed in the scale house office.

**Recommendation 3.4**

Follow-up to determine whether the City has received the October 4, 2002, credit card payments totaling \$1,549 and that it has been properly accounted for as Transfer Station revenue, rather than posted in error to another revenue code. Investigate to determine what happened, and update written procedures to prevent this type of error from re-occurring.

City Manager’s Response

Not Implemented. The Finance Department has not completed its investigation of the October 4, 2002 credit card payment. Estimated completion date: December 30, 2003.

**Recommendation 4.1**

As soon as the cash register software allows each cashier’s user ID to be password protected, each cashier should be held solely accountable for all work performed under his or her user ID. This software change should be made as soon as possible. Written policies and procedures should be updated, clearly prohibiting any employee from sharing, or allowing another employee (including their supervisor) to use their automated cash register user ID or till.

City Manager’s Response

Partially Implemented. Staff developed written policies and procedures that prohibit activities as described in this recommendation. The computer cabling project required for upgrading the cash register software was recently completed, and a contractor will install new software when staff has completed network adjustments. Once new software is installed, additional password and ID security will be available. Estimated completion date: November 30, 2003.

**Recommendation 4.2**

Use industry standards, actual employee performance, and need requirements, to establish cashiering performance measures. Start with performance standards for cash receipts overages

and shortages, and cash register system input accuracy, for the cashiers. Additionally, a performance standard pertaining to the supervisor's quality of review of cash receipts documentation should also be established. Performance standards versus actual performance should be documented. Problems should be addressed through methods such as providing the employee applicable training, and up to disciplinary action.

City Manager's Response

Partially Implemented. Staff has identified and discussed industry standards. However, in most cases, the actual performance of individual Weighmasters cannot be measured until the cash register software is upgraded. Once the software is updated, staff will develop performance standards based on industry standards and the specifics of the transfer station operations. Estimated completion date: December 30, 2003.

**Recommendation 4.3**

On a monthly basis, compare total debris that enters the Transfer Station with total debris that leaves the Transfer Station. Determine the reason for significant variances. Pay particular attention to indications that the Transfer Station may not be receiving payment for all the debris it is receiving, or the scrap metal it is selling. Concerns should be brought to management's attention, and the problems corrected. This work should be documented and the documentation should be retained.

City Manager's Response

Fully Implemented. Staff has been examining monthly inbound and outbound tonnages on a quarterly basis since January 2002, and increased review frequency to a monthly basis in July 2003. These reports are prepared by the SWMD analysts and provided to the Recycling Program Manager. Discrepancies of less than five percent are considered acceptable, but larger discrepancies are brought to the attention of the division manager, and sometimes to the department manager, and investigated until a resolution is found.

**Recommendation 5.1**

Document and implement procedures that prohibit any one employee from accessing or handling cash receipts alone, except a cashier who is solely responsible for his or her own till. Dual custody activity should be documented, indicating both employees agree with the cash total, the specific moneybags being given to a courier, etc. Carefully limiting who has access to keys to the doors, alarm, and the combination to the safes, will be a required part of the new procedure.

City Manager's Response

Fully Implemented. Dual custody requirements, and access limitations, are fully described in the cash handling policies and procedures that were completed in October 2003. Dual custody activity is documented by Public Works per instructions from Finance, provided in August 2003.

**Recommendation 5.2**

The combination to the safe must be changed, and keys that would allow unauthorized access to cash receipts or cash receipts area, such as keys to Transfer Station doors and the alarm, must be returned, immediately after an employee is transferred, reassigned, or leaves employment with the City. This procedure should be incorporated into the written policies and procedures, and

performed in accordance with Administrative Regulation 2.6, "City Property – Issuance and Retrieval." Written procedures should also include a current list identifying every employee position authorized to have the combination to the safes, door keys, the alarm key, and moneybag keys.

City Manager's Response

Fully Implemented. Staff has developed written procedures responsive to this recommendation, which are included in the policies and procedures that were completed in October 2003. Public Works maintains current lists identifying by name the employees who have specific keys and safe combinations.

**Recommendation 5.3**

Develop and implement a written procedure that provides reasonable assurance that cashiers immediately endorse all the checks with the City's endorsement stamp. The procedure should include a backup endorsement stamp, and supervisory review of checks for timely restrictive endorsement.

City Manager's Response

Fully Implemented. Problems with the check endorsement mentioned in the audit were corrected immediately upon identification. Staff developed a written procedure responsive to this recommendation, which is included in the policies and procedures that were completed in October 2003.

**Recommendation 5.4**

Safeguard the surveillance video recorder from unauthorized access to the machine and videotapes using approved methods.

City Manager's Response

Fully Implemented. The video recorder used for site surveillance and security has been secured in a locked cabinet, to which only the transfer station supervisor and senior supervisor have access, since June 2003. Staff continues to explore available technologies for improving site security including options for improved video surveillance.

**Recommendation 5.5**

Post signage at the Scale House that informs customers that they are to receive a receipt each time they pay a fee, or each time a fee is charged to their Transfer Station account. Policy should be set in place to include incentives for customers to report wrongdoing. To reduce the risk that customers do not receive a receipt, incentives encouraging customers to report instances when they do not receive a receipt should be explored, and the best incentive implemented.

City Manager's Response

Fully Implemented. Staff posted signage regarding receipts in June 2003. The transfer station Supervisor performs a weekly site survey that includes checking customer receipts before the customers leave. The weekly site survey is described in the policy and procedures completed by staff in October 2003.

**Recommendation 5.6**

Within two months of this report being presented to Council, upgrade the automated cash register software and cabling so that cashier user IDs can be password restricted. Cash register keys should be stamped “Do Not Duplicate.” Management should also consider assigning each cashier his or her own lockable till, and restricting access to this key to only the cashier.

City Manager’s Response

Partially Implemented. Cash register keys were stamped “Do Not Duplicate” in September 2003. Each cashier has been assigned his/her own lockable till, with restricted keys. The upgrade to the cash register software is delayed pending post-cabling network adjustments. Estimated completion date: November 30, 2003.

**Recommendation 5.7**

Access to the inventory of debris and refuse bags and tags should be adequately restricted to prevent unauthorized use. Consider assigning each cashier a specific number of bags and tags, then having the cashier run a cash register report showing these bags were sold and this activity was recorded in the cash register, before the cashier’s personal inventory is replenished.

City Manager’s Response

Partially Implemented. Plant debris and refuse bags for “pre-paid” service are now stored in a locked container next to the Transfer Station Scale House and only the (activity) Refuse Supervisor has the key. The new cash register software will be able to track bag sales. Estimated completion date: November 30, 2003.

**Recommendation 5.8**

The Transfer Station should post signage encouraging customers to use exact change and small currency to pay their invoice.

City Manager’s Response

Fully Implemented. Staff posted the recommended signage at the transfer station in June 2003.

**Recommendation 5.9**

When Finance – Treasury is not open to receive Transfer Station cash receipts, such as Saturdays and holidays, this money should be brought daily to a secure alternative location.

City Manager’s Response

Not Implemented. The Finance Department is developing plans to employ a courier service that will be available on weekends and holidays. Estimated completion date: December 30, 2003.