



CASHIER OPERATIONS
INTERNAL AUDIT

March 2017





RubinBrown LLP
Certified Public Accountants
& Business Consultants

One North Brentwood
Saint Louis, MO 63105

T 314.290.3300
F 314.290.3400

W rubinbrown.com
E info@rubinbrown.com

June 9, 2017

Finance and Administration Committee
City of Springfield
840 Boonville Ave.
Springfield, Missouri 65802

Re: Cashier Operations Internal Audit

Dear Committee Members:

In conjunction with our overall engagement to provide internal audit services to the City of Springfield (City), we have completed our internal audit of the cashier operations process and the associated internal controls. Our services were performed in accordance with the International Standards for the Professional Practice of Internal Auditing, as promulgated by the Institute of Internal Auditors (IIA).

The accompanying report includes an Executive Summary, our Observations and Recommendations, and Process Improvement Opportunities. Because the procedures performed in conjunction with the review are more limited than would be necessary to provide an opinion on the system of internal accounting controls taken as a whole, such an opinion is not expressed. In addition, the engagement did not include a detailed audit of transactions that would be required to discover fraud, defalcations or other irregularities.

This report is intended solely for the information and use of management and the City Council and is not intended to be, and should not be, used by anyone other than the specified parties. City of Springfield external auditors may be provided with a copy of this report in connection with fulfilling their responsibilities. In addition, we understand that the City may be required to make our report, once finalized, available under sunshine laws.

We would like to express our gratitude to all employees involved with this project. Each person involved was accessible and responsive to our requests for information.

Sincerely,

RUBINBROWN LLP

A handwritten signature in black ink that reads "Christina Solomon".

Christina Solomon, CPA
Partner
Direct Dial Number: 314.290.3497
E-mail: christina.solomon@rubinbrown.com

cc: David Holtmann

CITY OF SPRINGFIELD
CASHIER OPERATIONS INTERNAL AUDIT

Table of Contents

	Page
Executive Summary	1
Observations and Recommendations	3
Process Improvement Opportunities	6

CITY OF SPRINGFIELD
Cashier Operations Internal Audit
Executive Summary

Project Overview and Scope

We completed our audit of the City of Springfield's cashier operations process and the associated internal controls. The objectives of our audit were to:

- Ensure adequate internal controls exist over the cashier operations processes and are operating effectively.
- Evaluate the cashier operations process for operating efficiencies and applicability of best practices.

Our audit included remittances between January 1, 2016 and December 31, 2016. We completed the following procedures:

- Conducted in-person interviews with the Cashier and finance personnel. The objective of these interviews was to gain an understanding of the cashier operations' processes.
- Observed the Cashier's activities to assess the efficiencies and effectiveness of the process.
- Documented the current procedures in place for the cashier operations process, including procedures for:
 - Balancing incoming remittances to the applicable journal entry support.
 - Balancing the total intake for the day and preparing the deposit.
 - Reconciliations performed by independent finance department personnel.
- Tested a sample of remittances to ensure procedures are operating as documented.

Background

The City employs a full-time Cashier at the Busch Municipal Building to collect, balance, and deposit payments on behalf of several city departments. The payroll clerk within the Finance Department is trained on the Cashier's duties and serves as Cashier when the head Cashier is absent for more than one day. Both employees are under the direction of the Director of Finance.

The Parks, Municipal Courts, and Airport collect enough revenue to have their own cash deposit procedures and do not go through the City Cashier to deposit revenue from normal operations. Accordingly, remittances from these three departments did not fall under the scope of this audit but have been reviewed in other internal audits.

CITY OF SPRINGFIELD
Cashier Operations Internal Audit
Executive Summary

Best Practices

Based on our review, the cashier operations process has adequate internal controls, except as provided in our observations below. The following are some of the observations indicative of the Cashier's adherence to best practice internal controls:

- The Cashier maintains a log of remittances in Excel which is used to assist with daily reconciliations.
- The Cashier has several checks and balances in place during the daily close process to ensure all funds are captured and the deposit is prepared correctly. Daily reconciliations are performed to the penny.
- Finance Department personnel perform adequate reconciliations that are independent of the Cashier on a daily basis designed to ensure that all funds remitted to the Cashier reached the bank and were recorded in Oracle.
- Policy requires that the Cashier's office is always locked and access restricted to authorized personnel only.

Observations and Recommendations

We noted the following observations during our review:

- Journal entries posted by the Cashier are not always reviewed for accuracy in Oracle by the department that prepared the entry.
- In testing a sample of remittances, a \$50 payment was applied to an improper credit that was previously placed on the customer's account due to error.
- Vault and safe combinations within the Finance Department are not changed as frequently as policy requires.

Additionally, we provided six process improvement opportunities related to security and cost efficiencies. All observations, recommendations, and process improvement opportunities were discussed with management. Details are noted in the tables attached immediately hereafter.

City of Springfield
 CASHIER OPERATIONS INTERNAL AUDIT
 OBSERVATIONS AND RECOMMENDATIONS



	Process/Procedure	Observation and Risk	Recommendation	Management Response
1	<p>Certain departments throughout the City remit customer funds to the City Cashier. The Cashier balances the incoming funds to a journal entry prepared by the department on a standard Remittance Request Form. The Cashier enters the entry into Oracle and sends a copy of the form back to the remitting department with the journal entry number written indicating it has been entered into Oracle.</p>	<p>Observation: A segregation of duties conflict is present because the Cashier collects the funds and posts the related journal entry. A mitigating control is in place but not operating effectively.</p> <p>The remitting department is required to review the journal entry for accuracy. We inquired of three departments who commonly remit to the Cashier and determined that one department was not reviewing the journal entry posted by the Cashier in Oracle.</p> <p>Risk: Misapplication of payments to Oracle due to fraud or error.</p>	<p>Require all departments that have the Cashier post journal entries sign-off on the copy of the Remittance Form received from the Cashier next to the Oracle remittance number.</p> <p>The purpose of this sign-off is to show that the remitting department verified that the entry was posted to the correct accounts and for the correct amount in Oracle.</p>	<p>The Director of Finance agrees with the recommendation. Each remitting department is required to reconcile their remittances to the Oracle system. We will continue to work with each department in providing training to ensure the required reconciliation is completed.</p> <p>Our target date to complete this action is March 31st, 2018.</p>

City of Springfield
 CASHIER OPERATIONS INTERNAL AUDIT
 OBSERVATIONS AND RECOMMENDATIONS



	Process/Procedure	Observation and Risk	Recommendation	Management Response
2	<p>Two external recordkeeping software systems are used by the City.</p> <p>The Animal Control facility uses Shelter Pro; Departments that issue permits, such as the Health department, use Tidemark. Each night, Shelter Pro and Tidemark automatically upload daily revenue transactions in a batch process to Oracle.</p> <p>The Finance Department Accountant reconciles the total amounts posted by Tidemark/Shelter Pro to Oracle daily.</p>	<p>Observation: We tested six (6) remittances that are processed through Shelter Pro or Tidemark to verify they were posted to Oracle correctly. The batch upload for one (1) daily remittance related to Shelter Pro did not record a \$50.00 customer transaction. The payment was applied to an improper credit that was previously placed on the customer's account due to error.</p> <p>The Finance Department's daily reconciliation captured the variance and it was listed as a reconciling item on the bank reconciliation until it was resolved two months later. At that time, Animal Control personnel cleared approximately seven (7) improper credits in customer accounts.</p> <p>Risk: Improper or incomplete revenue recognition in Oracle.</p>	<p>Perform a semi-annual review of customer accounts in each system to ensure there are no inappropriate credit balances.</p> <p>Conduct refresher training for employees who post customer transactions to help reduce the number of manual errors.</p>	<p>The Director of Finance agrees with the recommendation and will work with the Health department to ensure they review their customer accounts. Our target date to complete this action is March 31st, 2018.</p> <p>The Finance Department has conducted training related to cash handling and related controls (most recently in April 2016) and will continue to offer training at least once a year.</p>

City of Springfield
 CASHIER OPERATIONS INTERNAL AUDIT
 OBSERVATIONS AND RECOMMENDATIONS



	Process/Procedure	Observation and Risk	Recommendation	Management Response
3	<p>The Financial Control Procedures for the City of Springfield require that safe or vault combinations be changed at least annually or when employee terminations occur.</p>	<p>Observation: Per inquiry with City personnel, it was determined that the combinations for the vault and the Cashier’s safe within the vault are changed only when terminations occur and not annually.</p> <p>Changing the vault combination can be costly (at least \$150) and take several hours.</p> <p>Risk: Improper access to cash and other valuables.</p>	<p>Amend policy so that safe and vault combinations are required to be changed only in the event of a termination.</p> <p>This recommended policy change is reasonable because:</p> <ul style="list-style-type: none"> • There are a limited number of employees that have access to the vault and safe combination. • The Cashier’s office has low turnover. • Management would not be precluded from changing the combinations more frequently. 	<p>The Director of Finance agrees with the recommendation. We will amend the policy with our next review of the Financial Control Procedures manual later this year. Our target date to complete this action is March 31st, 2018.</p>

City of Springfield
 CASHIER OPERATIONS INTERNAL AUDIT
 PROCESS IMPROVEMENT OPPORTUNITIES



We noted the following process improvements during our review. These observations are not considered internal control weaknesses; however, we do recommend management consider each observation and take action where appropriate.

	Observation	Process Improvement	Management Response
1	The Busch Municipal Building has multiple cash collection points throughout the building. Many employees, such as those in Building Development Services and Licensing, collect payments from customers directly from their desks.	Reduce the number of cash collection points throughout the building to make cash collection more centralized. As the number of cash collection points is reduced, the risk related to misappropriation of assets is reduced.	The Director of Finance agrees with this recommendation and will be moving forward with this approach in our implementation process of the new InFor software for each of our cash collections points within the municipal complex. Our intent is to have a centralized collection point that will serve all departments within the Busch building. The centralized cashier module within the InFor software allows on-line payments, collections of multiple payments, and robust controls and procedures for payments received by the City. This will also allow the city to replicate similar controls and procedures for collection points outside of the municipal complex. The first phase go-live date for the InFor project is slated for the first quarter of 2018 with phase two and three scheduled to follow phase one.

City of Springfield
CASHIER OPERATIONS INTERNAL AUDIT
PROCESS IMPROVEMENT OPPORTUNITIES



	Observation	Process Improvement	Management Response
2	<p>In evaluating security controls around the cash collection process, RubinBrown noted:</p> <ul style="list-style-type: none"> • A portion of the cash and checks remitted to the Cashier come in locked bank bags that are unlocked by the Cashier; other remittances come in standard bank bags without a lock feature. • The Cashier's office does not have surveillance cameras. 	<p>Require all remittances to the Cashier be placed in a bank bag with a lock feature.</p> <p>Install an overhead surveillance camera in the Cashier's office that can be used to help protect the City's assets in the event of a discrepancy or security breach.</p>	<p>The Finance Department will require all remittances be placed in bank bags with locking features by July 1, 2017.</p> <p>The Finance Department will investigate the costs of a surveillance camera. The compensating control to the Cashier's office at this time is that only the cashier, back-up Cashier, and Director of Finance have access to the Cashier's office. No other keys were created when the office was secured.</p>
3	<p>In testing a sample of remittances during the year, RubinBrown noted a check for \$0.66 was remitted to the City by an employee for the portion of the cell phone bill related to personal use. Further inquiry with the Cashier determined that remittances under \$1.00 are collected by the Finance Department from employees related to slight overages on travel expenses.</p> <p>Processing remittances for minimal amounts may cost more in labor dollars than the City receives in funds back from employees.</p>	<p>Set a minimum threshold (\$10.00, for example) for employee reimbursements to accumulate to before they are processed by the City. Once the amount owed by an employee exceeds the established minimum threshold, collect the funds from the employee.</p>	<p>The Director of Finance agrees with the recommendation and will work with the Finance and Administration Committee to set the appropriate reimbursement threshold.</p>

City of Springfield
CASHIER OPERATIONS INTERNAL AUDIT
PROCESS IMPROVEMENT OPPORTUNITIES



	Observation	Process Improvement	Management Response
4	Through inquiry with the Cashier, it was determined that the Cashier uses a judgmentally selected dollar-threshold when determining whether to accept errors in incoming remittances or notify the remitting department of the error. This threshold is often \$1.00 but is determined on a case-by-case basis.	Establish a variance threshold for the Cashier's balancing of incoming remittances. Require that remittances containing a variance greater than this threshold include supporting documentation and a description of the change, if applicable. This threshold should be documented among the Cashier's written procedures.	The Finance Department agrees with the recommendation and will establish a formal policy by July 1, 2017.
5	The City of Springfield allows employees to cash personal checks at the Cashier's desk up to \$100 per day. Per inquiry with the Cashier and observation of remittance logs, the program is seldom utilized; the total number of personal checks cashed by employees averages about 5-7 checks per week.	Consider removing this employee benefit as it represents an unnecessary risk to the City and is seldom used.	The Director of Finance agrees with the recommendation and will eliminate this process by July 1, 2017.
6	The City does not have a mandatory vacation policy for its Head Cashier. Although the current Cashier is using her available vacation throughout the year, it is common practice for high-risk positions involving cash to require mandatory vacations. This time away could allow another employee to catch potential unscrupulous acts or inefficiencies.	Create a formal policy that the City Cashier must take at least one consecutive week of vacation per year. A stipulation could be added to the policy allowing for temporary reassignment if the Cashier does not want to take vacation in a one-week increment. Evaluate cash handling positions in other departments and determine whether this requirement should be expanded to those positions as well.	The Director of Finance agrees with the recommendation and will formalize a policy requiring the Cashier to be reassigned for at least one week each year if a week-long vacation has not occurred.