

# INTERNAL AUDIT REPORT

2020-02

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Cash Control Procedures

Customer Service Division

Public Transportation Department

February 27, 2020

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# Municipality of Anchorage

Ethan Berkowitz, Mayor  
Internal Audit Department

February 27, 2020

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2020-02, Cash Control Procedures, Customer Service Division, Public Transportation Department**. A brief summary of the report is presented below.

In accordance with the 2019 Audit Plan, we have completed an audit of the cash control procedures at the Customer Service Division in the Public Transportation Department. The objective of this audit was to determine if proper cash controls were in place at the Customer Service Division and if these controls complied with Policy and Procedure 24-1, *Collecting, Securing, Depositing and Reporting Cash*. To accomplish our objective, we performed a surprise cash count and reviewed the Customer Service Division's cash controls. In addition, we reconciled random and judgmentally selected samples from the Customer Service Division's deposits from January 2018 through October 2019 and reviewed supporting documents for compliance and accuracy. Finally, we reviewed bus pass logs from four Anchorage Public Library locations to determine if passes were properly reconciled.

Our audit revealed that procedures and controls over cash and bus passes did not always comply with the requirements of Policy and Procedure 24-1. Specifically, the safe and some of the safe's internal compartments were left unlocked during operating hours and the safe's combinations were printed on a laminated sheet of paper and left on an employee's desk. In addition, unscheduled cash counts and reconciliations for each cashier were not regularly conducted, supporting cash documents sent to the Treasury Division were not always maintained by the Customer Service Division, and bank deposits were not always secured. Moreover, over \$13,000 in Ticket Vending Machine funds had not been deposited between May 23 through September 19, 2019, and the Customer Service Division had not received a written daily deposit exception for the Ticket Vending Machine funds from the Chief Fiscal Officer. Finally, Customer Service Division staff had not reconciled bus passes sold at four Anchorage Public Library locations.

There were three findings in connection with this audit. Management was responsive to the findings and recommendations.

Michael Chadwick, CIA, CICA  
Director, Internal Audit



# Municipality of Anchorage

Ethan Berkowitz, Mayor

Internal Audit Department

February 27, 2020

**Internal Audit Report 2020-02**  
**Cash Control Procedures**  
**Customer Service Division**  
**Public Transportation Department**

**Introduction.** The Public Transportation Department, Customer Service Division (Customer Service), located at the Downtown Transit Center, is responsible for providing information to the public and for selling items, such as bus passes, ride guides, smart card bus passes, card holder clips, and lanyards. The Downtown Transit Center also has a Ticket Vending Machine (TVM) that sells bus passes and smart card bus passes. In addition, bus passes and ride guides are also sold on consignment at four Anchorage Public Library locations.

**Objective and Scope.** The objective of this audit was to determine if proper cash controls were in place at Customer Service and if these controls complied with Policy and Procedure (P&P) 24-1, *Collecting, Securing, Depositing and Reporting Cash*. Specifically, we performed a surprise cash count and reviewed Customer Service's cash controls. In addition, we reconciled random and judgmentally selected samples from Customer Service's deposits from January 2018 through October 2019 and reviewed supporting documents for compliance and accuracy. Finally, we reviewed bus pass logs from four Anchorage Public Library locations to determine if passes were properly reconciled.

We conducted this performance audit in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit was performed during the period of October through November 2019. The audit was requested by the Administration.

**Overall Evaluation.** Procedures and controls over cash and bus passes did not always comply with the requirements of P&P 24-1. Our audit revealed that the safe and some of the safe's internal compartments were left unlocked during operating hours and the safe's combinations were printed on a laminated sheet of paper and left on an employee's desk. In addition, unscheduled cash counts and reconciliations for each cashier were not regularly conducted, supporting cash documents sent to the Treasury Division (Treasury) were not always maintained by Customer Service, and bank deposits were not always secured. Moreover, over \$13,000 in TVM funds had not been deposited between May 23 through September 19, 2019, and Customer Service had not received a written daily deposit exception for the TVM funds from the Chief Fiscal Officer (CFO). Finally, Customer Service staff had not reconciled bus passes sold at four Anchorage Public Library locations.

We did not include a finding that P&P 24-1 should be updated for the implementation of SAP. This issue was addressed in Internal Audit Report 2018-02. In that report, Treasury concurred with our finding and stated, "Treasury updated P&P 24-1 in 2017 and submitted it for review by the Municipal Attorney's office through the SAP P&P coordinator sometime around mid-2017. The P&P submitted by Treasury was updated to conform with changes tied to the new SAP system. The Municipal Attorney's office confirmed in early March 2018 that the updated P&P was in their office for final review. As soon as the Municipal Attorney is done with their review of the P&P Treasury will ensure that it is properly circulated to departments city wide and posted to the municipal intranet site." At the time of this audit, P&P 24-1 had not yet been updated. The Office of Management and Budget stated that P&P 24-1 was recently sent to the Mayor's Office for approval.

## **FINDINGS AND RECOMMENDATIONS**

### **1. Cash Control Procedures Not in Compliance with P&P 24-1.**

- a. Finding.** Cash control procedures at Customer Service did not always comply with the requirements of P&P 24-1. As a result, an environment existed where undetected losses or misappropriations could occur. We found the following:

- *Safe and Internal Compartments Unlocked* – The safe and some of the safe’s internal compartments were left unlocked during operating hours. We observed multiple instances of Customer Service staff opening the safe without entering the combination and the middle internal compartment being left unlocked despite containing active bus passes and cash. Policy and Procedure 24-1 states that, “The safe door must be locked at all times except when items are being secured or removed from the safe.”
- *Safe Combinations Not Secured* – The combinations for the safe and the safe’s internal compartments were printed on a laminated sheet of paper and left on an employee’s desk. We also observed staff using the paper when opening an internal compartment of the safe. Policy and Procedure 24-1 states that “Combinations to safes and cash storage areas should be memorized . . . .”
- *Unscheduled Cash Counts Not Performed* – Unscheduled cash counts and reconciliations for each cashier were not regularly conducted. According to Customer Service management, unscheduled cash counts were only conducted with new employees for training purposes, but not regularly conducted. In addition, Customer Service staff were unable to provide any documentation for the unscheduled cash counts that were conducted. Policy and Procedure 24-1 states that, “. . . several times throughout the year, the supervisor of each collection location shall perform an unscheduled cash/check count and reconciliation for each cashier.” A similar finding was noted in Internal Audit Report 2003-10.
- *Complete Cash Journal Documents Not Always Kept/Maintained* – Supporting cash documents sent to Treasury were not always maintained by Customer Service. The Cashier Guide that accompanies P&P 24-1 states that “Each department MUST retain copies of any documentation sent to Treasury.” For example, Customer Service’s October 21, 2019, cash journal supporting documents contained a cash

journal cover page, a deposit slip, two cashier daily summary reports, cash drawer verifying forms, and four destroyed bus passes. However, the cash journal supporting documents sent to Treasury contained additional documentation, such as sales summary information, a general sales summary by date, a sales by method report, a drop report, and a void report.

- *Bank Deposits Not Always Secured* – During the surprise cash count we observed a clear, unsealed deposit bag with money in it sitting on a desk. When asked about the deposit bag, staff said that bank deposit bags are left unsealed in case the cashiers need to make change for larger bills throughout the day. The bags are then sealed before the armored vehicle transports them to the bank for deposit. The Supervisor Guide that accompanies P&P 24-1 recommends that “Money should be kept in a locked or combination safe.”

b. **Recommendation.** The Customer Service Manager should ensure that cash control procedures comply with the requirements of P&P 24-1. Specifically, the safe and its combinations should be properly secured, unscheduled cash counts and reconciliations should be performed, supporting cash documents sent to Treasury should be maintained, and bank deposits should be properly secured.

c. **Management Comments.** Management stated,

**“Safe and Internal Compartments Unlocked – Concur**

“Public Transportation was not in compliance with P&P 24-1 as it is written, and an exception was requested and approved by the Chief Fiscal Officer in February 2020. At the time of this incident the Lead Sales Coordinator was preparing a bulk order request for a client. Preparing these requests can take time as individual orders must be bundled and scanned into the Productive Solutions sales system and then placed back into the vault until they are purchased. As it stands, securing the safe door except when items

are being secured or removed from the safe adds additional time in assisting Municipal constituents and is detrimental to the service we provide them. The safe is in a secured area only accessible by Customer Service staff and is securely locked at times when staff are not present.

“In the interim, all Customer Service staff have been reminded to properly secure the safe door when not being used and have reviewed P&P 24-1. If an exception is not granted to this written policy another form of safe/lockbox that is more easily accessible by key may be required or the safe may be moved into a secured room with a locked door.

**“Safe Combinations Not Secured – Concur**

“Public Transportation was not in compliance with P&P 24-1 as it is written, and an exception was requested and approved by the Chief Fiscal Officer in February 2020. At the time of this incident the Lead Sales Coordinator was asked to open a section of the vault rarely accessed. The combination card, which was issued to the employee, was used to open the lower safe. After the Internal Auditor was supplied with access, the employee placed the combination card face down on their desk and walked away to an adjoining room which held our Xerox machine. In that short time the Internal Auditor went to the employee’s desk and retrieved it. As it stands the safe within Customer Service has six separate combinations which makes memorizing them all very difficult. Customer Service has had five openings in 2019 alone, requiring the combinations to be changed frequently.

“In the interim, all Customer Service staff have been reminded to properly secure combinations and keys to the safe and have reviewed P&P 24-1. If an exception is not granted to this written policy, the five internal safes may require being issued the same combination, so it is easier to memorize.

**“Unscheduled Cash Counts Not Performed – Concur**

“Public Transportation was not in compliance with P&P 24-1 as it is written. Each Cashier / Information Clerk is issued two individual teller drawers, not one as in most Municipal Departments. Following established end of day procedures from the Cashier Guide, each employee reconciles their own drawer and bundles their deposit. The following business morning the drawers, sales inventory and deposits are audited by either the Customer Service Manager or the Lead Sales Coordinator for each employee. As one drawer is being audited the second drawer is being used by the employee. This process ensures that a teller drawer is always available to the employee, and that sales inventory and beginning till are accurate. This makes the surprise cash counts unnecessary. Audits are frequently done by the Customer Service Manager when new Cashier / Information Clerks are in their first few months of training to ensure their drawers and sales inventory are organized and balanced.

“The Customer Service Manager has been reminded to do unscheduled monthly audits of all teller drawers even though the process is done every morning to stay in compliance with P&P 24-1.

**“Complete Cash Journal Documents Not Always Kept / Maintained – Concur**

“Public Transportation was not in compliance with P&P 24-1 as it is written. Copies of supporting documents that were sent to Treasury were not always retained in the department. This was a training issue and was immediately rectified with the Lead Sales Coordinator. Documents that were discovered are easily reprinted from the Productive Solutions sales system.

**“Bank Deposits Not Always Secured – Concur**

“Public Transportation was not in compliance with P&P 24-1 as it is written. The deposit was not secured in a locked or combination safe during this instance. Currency from the deposit is exchanged throughout the day to ensure the teller drawers have ample change to give customers. The financial institution used to exchange currency in

downtown Anchorage was closed, making this a necessity. The deposit is in a secured area only accessible by Customer Service staff and is securely locked at times when staff are not present.

“All Customer Service staff have been reminded to properly secure the monies from the deposit and have reviewed P&P 24-1. A locked cabinet at the Lead Sales Coordinator’s desk is being utilized to secure the deposit until the armored courier arrives each day.”

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

## 2. **Ticket Vending Machine Deposits Not Made Daily.**

- a. **Finding.** Ticket Vending Machine funds were not deposited daily and Customer Service had not received a written daily deposit exception for the TVM funds from the CFO. For example, during our surprise count, we found over \$13,000 in TVM funds that had not been deposited between May 23 through September 19, 2019. This money had been removed from the TVM and stored in the safe. Customer Service staff said they did not know how to deposit TVM funds since the previous employee responsible for making TVM deposits had transferred to another Municipal department after the last deposit was made on May 22. Policy and Procedure 24-1 states that “cash received is immediately secured, accounted for, and deposited on a DAILY basis . . . ” and that exceptions to this requirement need to be obtained from the CFO.
- b. **Recommendation.** The Customer Service Manager should ensure that TVM funds are deposited timely or obtain, if necessary, an exception for daily TVM deposits from the CFO.
- c. **Management Comments.** Management stated, “Concur. The Customer Service Manager is aware of the importance of depositing the TVM funds in a timely manner

and has done so in the past. However, TVM's in general are not configured to allow for daily deposits, and an exception was requested and approved by the Chief Fiscal Officer in November 2019.

“During the summer of 2019 the TVM suffered several catastrophic errors. While under repair the Customer Service Manager requested to pull all funds from the TVM, both change funds and currency received for purchases. When the cannisters were pulled on September 19, 2019, no balancing reports generated from the TVM, making it impossible at the time to ensure an accurate deposit. Under dual control the Customer Service Manager and the Lead Sales Coordinator counted each cannister and bundled the cash received for a deposit of \$12,207.65. Since there was no known way to verify the amount, the funds were left secured in the safe in a sealed mylar bag. After some research the Customer Service Manager was able to retrieve reports from another system to identify the deposit totals. The TVM deposit was made on October 16, 2019.

“After the TVM was repaired regular deposits were completed as previously done in the past. In Public Transportation's view it was more important to ensure an accurate deposit than a timely one with errors that would have to be adjusted later.”

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

### 3. **Library Bus Pass Sales Not Reconciled.**

- a. **Finding.** Customer Service staff had not reconciled bus passes sold at four Anchorage Public Library locations. Specifically, Customer Service staff had not reconciled bus pass serial numbers the Library had sold and had not monitored if bus pass inventories had been sold before further bus passes were supplied. Reconciliation of bus passes can help uncover differences that may need further investigating, detect errors on the part of the Library staff and/or Customer Service, and ensure that collected revenue is accurate.

- b. **Recommendation.** The Customer Service Manager should reconcile bus passes provided to the Library with bus passes sold by the Library to ensure that all bus passes are properly accounted for.
  
- c. **Management Comments.** Management stated, “Concur. It is agreed that a standard invoicing / reconciling log should be used by all library outlets. Anchorage Municipal Libraries have been used as sales outlets for People Mover passes for over ten years. The process has remained the same, the library places an order and the passes are bundled and an invoice generated to them. Each library has been responsible for their own sales and tracking of inventory. At the end of the month each library sends a report of what inventory has been sold and the totals are entered into SAP. At this time, it may not be feasible for Customer Service to take on the additional task of reconciling orders placed by the libraries.”
  
- d. **Evaluation of Management Comments.** Management comments were generally responsive to the audit finding and recommendation.

**Discussion With Responsible Officials.** The results of this audit were discussed with appropriate Municipal officials on January 13, 2020.

Audit Staff:  
Dalton Benson