

INTERNAL AUDIT REPORT

2022-10

Front Counter Cash Controls

Anchorage Police Department

November 30, 2022

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MUNICIPALITY OF ANCHORAGE
MAYOR DAVE BRONSON

OFFICE OF INTERNAL AUDIT

November 30, 2022

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2022-10, Front Counter Cash Controls, Anchorage Police Department**. A summary of the report is presented below.

In accordance with the 2022 Audit Plan, we have completed an audit of front counter cash controls at the Anchorage Police Department. The objective of this audit was to determine whether adequate cash controls were in place over cash receipts and traffic citations processed by the Records Section and ensure that all cash receipts were deposited daily as required by Municipal Policy and Procedure 24-1, *Collecting, Securing, Depositing, and Reporting Cash*. Our audit included a review of thirty-four judgmentally selected Anchorage Police Department cash journal SAP records from May 2021 to April 2022. Specifically, we compared the electronic SAP records to the supporting hard copy daily cash drawer summary reports and corresponding bank deposit paperwork to determine the accuracy of the data and timeliness of the deposits.

Although cash controls at the Anchorage Police Department's Records Section have improved since our previous audit in 2015, additional measures are needed to further strengthen cash controls. Specifically, the Records Section's cash handling practices did not always comply with Municipal Policy and Procedure 24-1, *Collecting, Securing, Depositing, and Reporting Cash*, regarding the daily deposit of cash receipts, the performance of unscheduled cash counts and reconciliations for cashiers, and attendance at annual mandatory cash handling and reporting training. Finally, the computer systems used to process citations and corresponding payments (accounts receivable) were not fully integrated to facilitate the tracking of citations from issuance to payment.

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

Michael Chadwick, CIA, CICA
Director, Internal Audit



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Introduction. The Anchorage Police Department's (APD) Records Section is responsible for accepting and processing a variety of different payments from the public. These include payment of fines for traffic citations; as well as fees for photocopying and photo lab services, police reports, dispatch records, 911 call recordings, address searches, microfiche records, etc. Payments for these fines and fees may be submitted by phone, mail (check), online, or in person at APD Headquarters.

For in person payments, the Records Section clerks provide staffing for the front counter at APD Headquarters. The front counter is equipped with a point of sale (POS) system from Productive Solutions, Inc. This system operates two cash drawers to accept and record all in person payments tendered by cash, check, or credit card. Each cash drawer is staffed by an assigned Records Section clerk for the duration of the shift. In 2021, the APD front counter fines were budgeted at \$1.8 million and about \$2.2 million was collected.

Objective and Scope. The objective of this audit was to determine whether adequate cash controls were in place over cash receipts and traffic citations processed by the Records Section and ensure that all cash receipts were deposited daily as required by Municipal Policy and Procedure (P&P) 24-1, *Collecting, Securing, Depositing, and Reporting Cash*. Our audit included a review of thirty-four judgmentally selected APD cash journal SAP records from May 2021 to April 2022. Specifically, we compared the electronic SAP records to the supporting hard copy daily cash drawer summary reports and corresponding bank deposit paperwork to determine the accuracy of the data and timeliness of the deposits.

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 requested by the Administration.

Overall Evaluation. Although cash controls at APD's Records Section have improved since our previous audit in 2015, additional measures are needed to further strengthen cash controls. Specifically, the Records Section's cash handling practices did not always comply with P&P 24-1 regarding the daily deposit of cash receipts, the performance of unscheduled cash counts and reconciliations for cashiers, and attendance at annual mandatory cash handling and reporting training. Finally, the computer systems used to process citations and corresponding payments (accounts receivable) were not fully integrated to facilitate the tracking of citations from issuance to payment.

FINDINGS AND RECOMMENDATIONS

1. Cash Deposits Not Always Made Daily.

- a. **Finding.** The Anchorage Police Department did not always deposit cash receipts daily as required by P&P 24-1. Specifically, our review of selected 2021 and 2022 daily bank deposit ticket records processed by the Municipality's Treasury Division (Treasury) revealed instances of multiple deposits from APD spanning more than one day in a single day's batch. For example, according to the deposit transmittal log, the cash deposit bag transferred from Treasury by armored courier to the bank on February 14, 2022, contained seven separate daily cash deposit tickets dated between February 2, 2022, through February 10, 2022, and were submitted by APD to Treasury on the same day. These deposits had been sent to the Treasury between two to seven business days after the payments were received by APD. In addition, according to the log every cash deposit Treasury received from APD, that we reviewed, contained more than one daily cash deposit ticket. This indicated that deposits for multiple days were made in batches, not daily as required by P&P 24-1.

Policy and Procedure 24-1, requires that “. . . cash received is immediately secured, accounted for, and deposited on a daily basis. . . .” This requirement is meant to prevent large accumulations of cash received over multiple days from accruing at any single location and held for long periods (e.g., overnight or weekends), which could increase the chances for theft or loss.

- b. **Recommendation.** The Chief of Police should ensure that cash deposits at the Records Section are made daily as required by P&P 24-1.
- c. **Management Comments.** Management concurred and stated, “Effective 01 October 2022 APD front counter operations will be adjusted to ensure personnel make daily cash deposits.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

2. **Unscheduled Cash Counts Not Performed.**

- a. **Finding.** Unscheduled cash counts and reconciliations for each cashier were not performed as required by P&P 24-1. 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.” Lack of unscheduled cash counts may lead to inadequate preventive controls, decreased personal accountability by individual cashiers, and an increased risk of misappropriation. A similar condition was reported in Internal Audit Report 2007-7 and Internal Audit Report 2015-04.
- b. **Recommendation.** The Chief of Police should ensure that unscheduled cash counts are performed as required by P&P 24-1.

- c. **Management Comments.** Management concurred and stated, “Effective 05 September 2022 a records supervisor will conduct and register an unscheduled cash count at least once a quarter.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

3. **Cashier Training Not Attended.**

- a. **Finding.** Cashiers at APD’s Records Section had not attended annual mandatory cash handling and reporting training for several years as required by P&P 24-1. Policy and Procedure 24-1 states that, “. . . at least annually, all cashiers and their supervisors attend training sessions conducted by the Finance Department/Treasury Division on cash handling and reporting procedures in accordance with this policy. . . .”

The problems identified in Findings 1 and 2 of this audit report may have been avoided if annual mandatory training had been attended. Without training attendance, the Municipality of Anchorage puts itself at risk with a weakened cash control environment and an increased risk of misappropriation. A similar condition was reported in Internal Audit Report 2007-7 and Internal Audit Report 2015-04.

- b. **Recommendation.** The Chief of Police should ensure that APD’s Records Section cashiers attend training sessions provided by Treasury as required by P&P 24-1.
- c. **Management Comments.** Management concurred and stated, “Effective 05 September 2022 APD will schedule training with the MOA Finance Department for new hires to complete the training during academy attendance. In service training will be scheduled for current employees within the next 120 days, and then annually thereafter.”

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

4. **Citation Computer Tracking Systems Not Fully Integrated.**

- a. **Finding.** The computer systems used to process citations and corresponding payments (accounts receivable) were not fully integrated to facilitate the tracking of citations from issuance to payment. As a result, basic management information was not available to manage accounts receivable and facilitate the reconciliation of citations. A similar condition was reported in Internal Audit Report 2005-9, Internal Audit Report 2007-7, and Internal Audit Report 2015-4. In response to the finding in Internal Audit Report 2015-04, APD concurred and stated that they were in the process of purchasing a new records management system.

The computer systems used to manage citation related payment (accounts receivable) and disposition at APD's Records Section were the following:

- *Packet Writer* – The system used by APD's police officers to write traffic citations electronically. The BIO-Key interface is used to upload citation information from the Packet Writer database to the Tiburon database.
- *Tiburon* – The Anchorage Police Department's system that stores citation data uploaded from Packet Writer. In addition, it stores citation data manually entered from handwritten citations. The system allows payment-related information to be manually entered indicating that a citation was paid. It is linked to the State-owned APSIN (Alaska Public Safety Information Network) where citation data is uploaded. Citations that were contested, sent over to Traffic Court for default judgment, or corrected are marked appropriately in the system.

- *APSIN* – A State-owned system that stores traffic citation data, including payment related data. This system tracks Department of Motor Vehicle driver’s license “points” based on the citation issue data transmitted from Tiburon.
- *Productive Solutions POS* – The system used by APD’s cashiers to record payments accepted in person or by mail for traffic citations. This system does not interface with other programs and its primary use is limited to issuing receipts only. The system does not automatically interface with SAP. Cash journal entries must be manually entered into SAP from the daily cash drawer reports generated by the POS system. Additionally, as stated above, traffic citation payment information must also be manually transferred from the POS system to the Tiburon and APSIN systems upon receipt of payment.

Manually transferring data between computer systems increases the workload on individuals and increases the chance for human error. This decreases overall efficiency, reliability, and productivity.

- Recommendation.** The Chief of Police should consider assessing all computer systems to determine how they can interface electronically or be improved to streamline workflow and provide complete information regarding accounts receivable.
- Management Comments.** Management concurred and stated, “This system is anticipated to be integrated when our new CAD/RMS system is fully functioning. Estimated completion is early 2024.”
- Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

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Discussion With Responsible Officials. The results of this audit were discussed with appropriate Municipal officials on August 3, 2022.

Audit Staff:
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