

September 30, 2003

**Internal Audit Report 2003-10**  
**Cash Handling Procedures**  
**Customer Service Division**  
**Public Transportation Department**

**Introduction.** The Public Transportation Department, Customer Service Division (Customer Service), located at the 6th Avenue Parking Garage Transit Center, is responsible for providing information to the public and for selling and distributing items such as bus passes, tokens, ride guides, clips and laminates directly to the public. Some of these items are also sold on consignment and via TransitChecks to Municipal and non-municipal agencies and businesses in Anchorage. TransitChecks are vouchers for adult monthly bus passes used in connection with the employer-sponsored bus pass program.

**Objective and Scope.** The objective of this audit was to determine whether cash handling procedures at Customer Service complied with Municipal Policy and Procedure (P&P) 24-1, Collecting, Securing, Depositing and Reporting Cash, and are sound cash control procedures. Our audit included the following: A review of 64 TransitCheck transactions that were traced to reimbursement; an examination of 24 judgmentally selected Cashier Daily Summary Reports; the reconciliation of all adult, youth and reduced rate bus passes for June 2003 and the reconciliation of all day passes purchased in March 2003; and a review of cash handling training records.

The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit period was January through June 2003. The audit was performed during June through August 2003. The audit was requested by the Public Transportation Department.

**Overall Evaluation.** Procedures and controls over cash, bus passes and tokens at Customer Service did not always comply with the requirements of P&P 24-1. Our audit revealed that sales transactions were not always processed through the register and void transactions were not properly approved by a supervisor. Also, unscheduled cash counts and reconciliations for each cashier were not conducted on a monthly basis. In addition, we found that all bus passes were not accounted for and cashier supervisors did not attend mandatory cash handling and reporting training sessions annually. Finally, our audit revealed that Cashier Daily Summary Reports were not accurately completed. As a result, an environment existed where undetected losses and misappropriations could occur.

## **FINDINGS AND RECOMMENDATIONS**

### **1. Cash Handling Procedures Need Improvement.**

- a. Finding.** Cash handling procedures did not always comply with the requirements of P&P 24-1 and were not adequate to provide necessary controls over cash and cash items. As a result, an environment existed where undetected losses or misappropriations could occur. We found the following:
- 1) **Unprocessed Sales Transactions** - Sales transactions were not always processed through the cash register. Specifically, in reviewing all 64 TransitCheck transactions between January and June 2003, we found no evidence that 54 of the TransitCheck transactions were run through the cash register. A similar finding was noted in Internal Audit Report 98-02.
  - 2) **Voided Transactions Not Approved** - Void transactions lacked necessary approval by supervisor. Our judgmental selection and examination of eight voided transactions found that only one transaction had been properly approved by a supervisor.

- 3) **Surprise Cash Counts Not Conducted** - Unscheduled cash counts and reconciliations for each cashier were not regularly conducted on a monthly basis. We found that in 2002, only 3 of 12 required cash counts and reconciliations had been completed and in 2003 none had been completed as of June. In addition, P&P 24-1 requires that “. . . on June 30 and December 31 of each year, the supervisor, by memo, will report the dates of each cash count and reconciliation to Cash Management with an explanation of any discrepancy found and the action taken.” Cash Management did not receive any cash count reports from Customer Service during 2002 and 2003.
- 4) **Keys Not Properly Secured** - During our surprise cash count, we found cash register keys in the trash. Allegedly, an employee found the keys in the safe and, since she did not know what they were for, she threw the keys in the trash.

One contributing factor to the problems noted may have been the cashier turnover during the past two years with nine new employees for the two cashier positions. Further, we were told that the desk procedures manual for cashiers was only implemented six months ago.

- b. **Recommendation.** The Customer Service Manager should ensure that the cash handling procedures are in compliance with the requirements of P&P 24-1. Specifically, all transactions should be processed through the cash register and supervisory approval should be obtained for void transactions. In addition, unscheduled cash audits and reconciliations should be performed and reported to Treasury and cash register keys should be properly secured.
- c. **Management Comments.** Management stated, “Management concurs with audit recommendations. Procedures are now in place to properly record Transit Checks

through the cash register. All cashiers have been notified of the requirement for void transactions to be approved by a supervisor. Monthly unscheduled cash audits will be conducted and findings reported to Treasury in June and December as required by P&P 24-1. Employees have been advised that keys are to be kept in a secure location and not to be disposed of without approval.”

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

2. **All Bus Passes Were Not Accounted for.**

- a. **Finding.** All bus passes were not accounted for. We inventoried all bus passes for the month of June 2003 as well as an order of new day passes received by Customer Service in March 2003. Our inventory revealed 44 missing day passes, 7 missing adult passes and 30 missing reduced rate passes with a total value of \$662. Customer Service personnel were unable to provide documentation supporting the sale of the missing passes. A similar finding was noted in Internal Audit Report 98-02.

This problem could have been avoided if Customer Service personnel had enforced their records management procedures. Ideally, bus pass sales and corresponding serial numbers are first recorded on consignment forms, authorizing the release of bus passes to third-party vendors. Bus pass serial numbers and vendor names are then recorded on internal control logs.

Although Customer Service personnel had made efforts to improve records management, we still found that control log data was inconsistent and, in some instances, did not match consignment form entries. For example, per the consignment form of March 24, 2003, Customer Service personnel consigned adult pass serial numbers 448 through 697 to Bus Stop Grocery. However, the

corresponding control log entry showed a consignment of adult pass serial numbers 447 through 500 to the Arc of Anchorage.

In addition, some consignment forms were filed incorrectly or found in various locations throughout the office. Moreover, several consignment forms and control log entries were missing. Since records were not properly managed, Customer Service recently wrote-off \$257.90 in accounts receivables because supporting documentation could not be found.

- b. **Recommendation.** All bus passes should be accounted for. In addition, the Customer Service Manager should implement proper records management procedures to ensure all sales transactions are clearly documented and the documentation is readily available for examination.
- c. **Management Comments.** Management stated, “Management concurs with the audit findings that better pass accountability is needed. Employees have been advised that passes are to be issued in numeric order for easier tracking. Pass logs will be kept current and all returned passes will be recorded in the appropriate log. The department will work on implementing an electronic system for recording of pass sales and hopes to have that project complete in 2004.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

### 3. **Cashier Training Class Not Attended.**

- a. **Finding.** Cashier supervisors had not attended cash handling and reporting training. Our review of 2001, 2002, and 2003 training attendance records revealed that two key employees had not attended a training session on an annual basis. P&P 24-1

requires, “. . . at least annually, all cashiers and their supervisors attend training sessions on cash handling and reporting procedures conducted by the Finance Department/Treasury/Cash Management Section.” A similar finding was noted in Internal Audit Reports 95-06 and 98-02.

- b. **Recommendation.** All cashier supervisors should attend cash handling and reporting training on an annual basis as required by P&P 24-1.
- c. **Management Comments.** Management stated, “Management concurs with the audit findings. All cashiers are now up-to-date with mandatory annual cashier training.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

4. **Cashier Daily Summary Reports Not Properly Completed.**

- a. **Finding.** Cashier Daily Summary Reports were not properly completed as required by P&P 24-1. Specifically, we found the following:
  - 1) **Reports Prepared and Verified by Same Person** - Of 24 Cashier Daily Summary Reports reviewed, 15 were prepared and verified by the same person.
  - 2) **Reports Not Approved** - Three reports had not been approved and signed by the appropriate supervisor.
  - 3) **Excessive Overages/Shortages** - The Cashier Daily Summary Reports contained excessive overages/shortages. Specifically, we found three

shortages and one overage for the month of June: shortages of \$18.25 on June 2, \$17.00 on June 4, and \$8 on June 6; and an overage of \$18.00 on June 27, 2003. P&P 24-1 defines an excessive overage/shortage as: “(1) Any single cash overage/shortage of \$10.00 or more at any given time; (2) Two overages/shortages in a one month period; (3) four overages/shortages in a calendar quarter.” Although some explanations were provided for these overages/shortages, P&P 24-1 requires that corrective action be taken.

- 4) **Journal Tapes Not Sent to Treasury** - Cashier journal tapes were not included in reports sent to Treasury/Cash Management. Cashier journal tapes provide a detailed summary of daily transactions and are used as back-up information for cash register tapes.

As a result of these findings, an environment exists where undetected losses or misappropriations could occur.

- b. **Recommendation.** Cashier Daily Summary Reports should be accurate and complete in accordance with the requirements of P&P 24-1.
- c. **Management Comments.** Management stated, “Management concurs with the audit findings. Procedures are now in place for Cashier Summary Daily Reports to be verified as required by P&P 24-1. We met with and discussed these findings with Cash Management staff and appropriate journal tapes are now being sent to Treasury/Cash Management. Excessive overages and shortages will be reported as outlined in P&P 24-1.”
- d. **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 28, 2003.

Audit Staff:  
Birgit Arroyo