

June 7, 2007

**Internal Audit Report 2007-7
Front Counter Cash Controls
Anchorage Police Department**

Introduction. The Records Section of the Anchorage Police Department (APD) is responsible for accepting and processing payments for correctable and optional traffic citations and for other incidental charges, such as photocopying or photo lab services. The Records Section clerks provide staffing for the front counter where payments are made. The front counter is equipped with a citation cash drawer (citation register), which is used to process payments for citation fines only, and a regular cash register (daily receipts register), which is used for all other payments. Currently, there are thirty-two clerks and three supervisors that perform cashiering and other relevant duties on a rotating basis. In 2006, APD counter fines were budgeted at \$2.9 million and about \$1.5 million was collected in revenue.

Objective and Scope. The objective of this audit was to determine whether adequate cash controls were in place over cash receipts and the traffic citations processed by the Records Section and to ensure all funds received were deposited properly. Specifically, we judgmentally selected a sample of thirty-nine Cashier Daily Summary Reports and tested them for compliance and accuracy. Our audit also included a review of cashiers' training records and unscheduled cash counts. Furthermore, we researched and observed how payments were processed in the Records Section.

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 was performed in February 2007. The audit was requested by the Administration.

Overall Evaluation. Cash controls at APD's Records Section require strengthening. Cash deposits were not reconciled with citations paid as recorded in the Alaska Public Safety Information Network (APSIN) system; and cash collection duties were not adequately segregated. Our review also revealed that cash control procedures were not always in compliance with Municipal Policy and Procedure (P&P) 24-1, *Collecting, Securing, Depositing and Reporting Cash*. In addition, an excessive number of Records Section clerks performed cashiering duties. Finally, APD accounts receivable have not been managed effectively.

FINDINGS AND RECOMMENDATIONS

1. Reconciliation Not Performed for Paid Tickets.

- a. Finding.** Cash deposits were not reconciled with citations paid as recorded in the State's APSIN system. As a result, there was no positive assurance that all payments were processed through the APD cash register and deposited. APD currently does not have one system that tracks traffic citations from the time of issue to the final disposition. One system (APSIN) records all issued citations, and another system (Receipting system) documents citations paid at the front counter. However, if a payment is not recorded in the Receipting system and is misappropriated, the loss will not be detected if the citation is relieved in the APSIN system. Citations entered in the APSIN system by the Records Section are tracked by APSIN until they are cleared either through payment or Court action. However, a payment can be entered by Records Section personnel without assurance that the payment was deposited. In addition, the current payment process does not adequately segregate accounts receivable from cash collection. For example, Records Section personnel have access to entering and relieving citations in APSIN and collecting a payment.

- b. Recommendation.** The Chief of Police should request State personnel responsible for the APSIN system to provide reports showing all citations cleared through payment at APD. In addition, the Chief of Police should remove the cash collection function from the Records Section to ensure that duties are adequately segregated.
- c. Management Comments.** Management stated, “APD management concurs with this finding. There is no reconciliation of the entry in APSIN that shows a citation resolved and the action which resolved it. The State APSIN system, however, is not a receipting, nor an accounts receivable data base system. APD is in the process of establishing another work process/flow, through the Court View data base and receipting system, which is intended to relieve these concerns. A visual representation of the system which is expected to be in place by the end of the year is attached. Transfer of information, at that time, will largely be automatic and reconcilable.” (See Attachment A)
- d. Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

2. Cash Controls Not in Compliance With P&P 24-1.

- a. Finding.** The Records Section’s cash control procedures did not always comply with P&P 24-1. Non-compliance with applicable policies and procedures may weaken the cash control environment and may result in possible irregularities. For example, in 2006, there were 64 instances of cash overages and shortages. Specifically, we found the following:

 - ***Unscheduled Cash Counts Not Performed*** - Supervisors did not perform unscheduled cash/check counts and reconciliations for each cashier on a monthly basis. According to P&P 24-1, “The supervisor of each collection

location must perform an unscheduled cash/check count and reconciliation for each cashier at least once per month. Results of this procedure should be maintained in a file by the supervisor.” Lack of unscheduled cash counts may lead to inadequate preventive controls, decreased personal accountability by each cashier, and risk of misappropriations.

- ***Cashier Mandatory Training Class Not Attended*** - In 2006, twenty-four of thirty-two clerks who covered as cashiers and two of three supervisors had not attended annual mandatory cash handling and reporting training. In addition, none of the Records Section’s employees attended any training sessions in 2005. P&P 24-1 “. . . requires that cashiers and their supervisors annually attend training sessions on cash handling and reporting procedures conducted by the Finance Department/Treasury Division/Cash Management Section.”
- ***Cashiers Not Sub-Totaling Register Activity and Not Reconciling Cash Collected*** - Cashiers did not subtotal cash register activity and reconcile cash collected during their shift when there was a change of cashiers. P&P 24-1 requires each cashier, when relieved from the cash register, to “. . . take a reading of the register to get a sub-total of cash collected and count all cash.” It further states, “This must be done each time there is a change of cashiers unless there are separate cash drawers for alternate or relief cashiers.” Separate cash drawers were not provided for each cashier.

- b. **Recommendation.** The Chief of Police should ensure that cash controls at the Records Section comply with P&P 24-1.

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

- “1. ***Unscheduled Cash Counts Not Performed*** – Supervisors or their designees count out and balance the tills each day. This is not done by any of the persons who actually worked in the cashiering position that day. Although these are not unscheduled cash/check counts, they meet the intent of monitoring the activity and work of the employees. Any errors which may occur are found either as a new cashier counts out the till when relieving, or at the end of the day when it is counted out by a non-cashier. Yet another cash count during the day (there is already a minimum of 5 – two shifts relieved for lunch plus final count), would not have a likelihood of providing any additional preventive control, therefore, the intent of the P& P is met.
2. ***Cashier Mandatory Training Class Not Attended*** – APD management concurs with this finding. Due to staff shortages and work load deadlines (UCR reporting) time for this training was not identified. Significant effort will be made to comply with this requirement in the future.
3. ***Cashiers Not Sub-totaling Register Activity and Not Reconciling Cash Collected*** – Although Cashiers did count cash and checks from the cash register activity, on the citation receipting drawer, they did not reconcile against totals in transactions made in that register during their shift when there was a change of cashiers. Neither did they do so in the cash receipt register.

“To correct the problem found in this finding, the process and procedure for the cash receipt register has been changed. Only the identified cashier will have access and the till will be counted out with each change of cashier and balanced against the recorded activity of each register.”

- d. **Evaluation of Management Comments.** Management comments were partially responsive to the audit finding and recommendation. The intent of P&P 24-1 is to conduct an unscheduled cash count. Daily supervisory review of cash deposits is not a substitute for unscheduled cash counts.

3. **Number of Cashiers Excessive.**

- a. **Finding.** The number of Records Section clerks who performed cashiering duties was excessive. We identified thirty-two different Records Section clerks who were assigned cashiering duties. All cashiers worked out of one cash register drawer to receive citation payments. As a result, accountability for the cashiering function was diffused throughout the Records Section. In addition, another cash register drawer used to process miscellaneous payments was also used by these same Records Section clerks, as well as other APD personnel. According to P&P 24-1, the Municipality's policy is "... to identify and attach responsibility and accountability for Municipal transactions involving the collection, securing, depositing, and reporting of cash."
- b. **Recommendation.** The Chief of Police should consider reducing the number of Records Section clerks who are allowed to perform cashiering duties.
- c. **Management Comments.** Management stated, "The number of Records Section clerks who perform cashiering duties is a business necessity. Payment collection is not a primary duty for the APD Records Section, but rather one of many 'add on' responsibilities absorbed when payment collection had a negative impact on the court system. Consequently, to accomplish the myriad tasks required of the Records Section, across 24/ 7 staffing, cross training in the various tasks is necessary."

“It is true that all cashiers work out of one cash register drawer for citations and again one for miscellaneous payments. The newly enacted procedure change which requires a till balance with a change of cashier, however, will ‘...identify and attach responsibility and accountability for Municipal transactions involving the collection, securing, depositing, and reporting of cash.’

“It may be time to consider transferring the responsibility of receiving citation payments to Treasury where their primary duty is funds collection. As such, they have established appropriate accounting methods and have refined systems for providing responsibility and accountability. Up to this point, an inability to easily provide Treasury with citation information made this impossible, however once the Court View process is up and running, this would no longer be an issue. The capability of on line payment processing may also reduce the number of both mail payments and walk-in payments. Further exploration of this possibility is in order.”

- d. **Evaluation of Management Comments.** Management comments were generally responsive to the audit finding and recommendation. In our opinion, cashier duties should not be assigned to thirty-two different Records Section employees who have not received adequate cashier training.

4. **APD Accounts Receivable Not Managed Effectively.**

- a. **Finding.** APD accounts receivable have not been managed effectively. Our review identified four computer systems that did not effectively track citations from issuance to payment. None of these computer systems interfaced with each other and three of them required separate manual entries for each citation. As a result, basic management information was not available to manage accounts receivable. Moreover, numerous manual entries increased the chance of errors in each system.

A similar condition was reported in our previous audit, Internal Audit Report 2005-9.

The computer systems used to manage accounts receivable were the following:

Packet Writer - APD's system that is used by police officers to write traffic citations electronically. This system stores the image of a citation allowing Records Section clerks to interpret recorded information more accurately than hand-written citations. It does not interface with any other computer system.

Receipting - APD's system that is used by 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 is not designed to easily retrieve payment data recorded by each cashier.

Tiburon - APD's system that stores citation data entered manually by Records Section clerks. The system does not allow payment-related information to be entered indicating that the citation was paid. It is linked to the State-owned APSIN where citation data gets uploaded. Citations that were contested, or 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 information. It generates warning letters for delinquent citations based on the citation issue date transmitted from Tiburon.

- b. Recommendation.** The Chief of Police should consider assessing all computer systems to determine how they can interface electronically or be improved to provide complete information regarding accounts receivable.

- c. **Management Comments.** Management stated, “APD management concurred with the finding in Internal Audit Report 2005-9 and has diligently worked with other agencies to correct the deficiency. Unfortunately, budget restraints and multiple priorities have not allowed us to complete this task as quickly as preferred. We are currently expecting to have access to Court View up and working, by the end of the year, which will provide ease of payment, tracking from issue to resolution, and a significant reduction in manual effort and data entry.

“Please find two (2) attached flow charts representing the current document flow and the proposed flow using Court View.” (See Attachment A)

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

Discussion With Responsible Officials. The results of this audit were discussed with appropriate Municipal officials on May 9, 2007.

Audit Staff:
Marina Mazour

(Source: Anchorage Police Department)

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