



**Cash Processing and Handling
Follow-up Audit
A2021-1**

FINAL REPORT

Issued by the
Internal Audit Office
March 26, 2021

**City of League City Internal Audit Office
Cash Processing and Handling Follow-up Audit A2021-01**

EXECUTIVE SUMMARY

The Internal Audit Office conducted a Follow-Up Audit of Cash Processing and Handling Audit Report dated January 2017. The original Audit Report contained three findings. Upon completion of the audit fieldwork, we have determined the status of the recommendation for each audit finding as outlined in the table below:

Finding No.	Description of Findings	Status
1	<p>Improving controls at some locations could help prevent errors or irregularities or make their detection easier</p> <ul style="list-style-type: none"> • Multiple employees use the same cash drawer at the same time. • The key for the cash drawers is left unsecured. • Sales in the Adult Services area are done manually, outside of the integrated Library System (ILS), Sirsi. • Revenue from the coin-operated machines is not reconciled. • The petty cash fund is no longer needed. • One employee transports the deposit to Finance unprotected. • Non-cash payments collected throughout the day are not secured. 	Partially Implemented
2	<p>Training should be provided on a recurring basis to ensure that all staff is aware of their cash handling role and can be held accountable.</p> <ul style="list-style-type: none"> • Cashier funds are distributed internally to Parks and Recreation temporary summer employees from full-time staff funds. Temporary employees are not required to sign acknowledgement forms for Finance policies related to cash handling. • Cashier funds for the Library are assigned to the Circulation Supervisor but all staff performing cashiering duties utilize that fund. The Circulation Supervisor has a signed form on file with Finance, but other cashiers are not required to sign acknowledgement forms for Finance policies related to cash handling. 	Partially Implemented
3	<p>Jail and Animal Control lack the ability to take credit card payments.</p> <ul style="list-style-type: none"> • The Jail is not able to take credit card payments to improve customer service and reduce risk related to amount of cash transaction and cash on hand. • Animal Control is not able to process credit card payments at remote locations which could increase adoptions and decrease the amount of cash that needs to be secured and transported. 	Not Implemented

For a summary detail of recommendations, agreed upon actions and action status please see the attached Management Action Plan.

City of League City Internal Audit Office
Cash Processing and Handling Follow-up Audit A2021-01

BACKGROUND

The *International Standards for the Professional Practice of Internal Auditing* (Performance Standard 2500.A1) require that the chief audit executive establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

AUDIT OBJECTIVES

The audit objective was to ensure that appropriate action was taken by management to address the recommendations detailed in the original Cash Processing and Handling Audit Report dated January 2017.

AUDIT SCOPE

The scope of the audit covered current operating practices for the Library, Finance, Building, Municipal Court and Animal Control; with respect to cash handling recommendations addressed in the original audit report.

AUDIT METHODOLOGY

To achieve our audit objectives, we:

- Conducted interviews with the management and staff of the Library, Building sections and the Finance and IT departments.
- Reviewed the Finance Petty Cash and Cash Receipts online policies.
- Observed current cash handling practices and internal controls.
- Reviewed various documents including Envisionware print job reports and Sirsi cash register receipts and system reports.
- Conducted survey of Library cashiers to obtain information on current practices and their understanding of proper protocols.

We conducted this audit in accordance with the *International Standards for the Professional Practice of Internal Auditing*. 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.

**City of League City Internal Audit Office
Cash Processing and Handling Follow-up Audit A2021-01**

CURRENT OBSERVATION AND STATUS

Based on the follow-up audit results, each original finding will be designated with one of the following six status categories:

1. Implemented: The finding has been addressed by implementing the original corrective action(s) or alternative corrective action(s).
2. Partially Implemented: The finding has been partially addressed by implementing part of the original corrective action(s) or alternative corrective action(s).
3. In Progress: The corrective action(s) was/were initiated but not complete.
4. Not Implemented: Corrective action(s) have not been initiated yet, there were changes in staffing or other resources, the recommendation was determined not be feasible, or management has decided to assume the risk.
5. Not Applicable: The recommendation is no longer applicable due to changes in procedures/processes or technology.

City of League City Internal Audit Office
Cash Processing and Handling Follow-up Audit A2021-01

Finding 1

Current Observation

Multiple employees use the same cash drawer at the same time.

The City Librarian has followed up again with the software company regarding implementation of functionality to assign individual cashier codes; there is no indication this feature will be added.

Circulation section staffing levels have not changed such that assigning individuals to the cash registers on an hourly basis is a feasible option. The City Librarian indicated that it would be difficult to require staff to remain at the desk because they are all assigned specific responsibilities in other areas of the Library.

During our review, several methods of control were noted that help mitigate the risk of having multiple people use the same cash drawer:

- As of January 2021, a new process was implemented requiring the cashiers to provide a receipt to every patron for all purchases made at the Library. The receipt shows the sales detail and total as well as any change back the patron should receive.
- Sales items and pricing in the Sirsi system are hard coded so cannot be manipulated.
- The Sirsi system generates a daily sales report that cannot be modified. Library staff members, who do not prepare deposits, are assigned the responsibility to count out and secure the cash drawers nightly and fill out a form which both signs. The Circulation Supervisor or another full-time staff member will reconcile the system generated daily sales report to the deposit amount and prepare a deposit slip.
- There is a security camera that covers the front desk area which is maintained by IT and tested on a periodic basis.

The key for the cash drawers is left unsecured.

The Circulation Supervisor has possession of one key another is kept locked in the safe and the third is kept in bag in an office desk during the day. Cashiers indicated that they have free access to this office during the day. During site visits it was noted that the door to the office was unlocked and left open. In addition, there is a door to an adjoining office that locks when closed but can only be opened from the adjoining office. This would need to be addressed for the office to be secured.

Based on responses from cashiers surveyed, the general protocol is to ask the Circulation Supervisor for the key to the cash drawer if available. If the Circulation Supervisor is not available, the cashiers obtain the key from the desk drawer or unlock the safe and retrieve that key. The requirement for a second person to be present to open a cash drawer with a key has not been implemented.

Sales in the Adult Services area are done manually, outside of the integrated Library System (ILS), Sirsi.

A review of the bill breakdown report from the Sirsi system validated that codes have been created to record sales made in the Adult Services area.

Revenue from the coin-operated machines is not reconciled.

Library staff has followed up with the software provider on improving the system reports but there are still no plans to change the reports. We performed a review of the print job reports generated by

City of League City Internal Audit Office
Cash Processing and Handling Follow-up Audit A2021-01

Envisionware and determined that the report is inadequate and can only be relied anecdotally for reconciliation purposes.

The petty cash fund is no longer needed.

Documentation obtained from Finance confirmed that the Library no longer has a petty cash fund.

One employee transports the deposit to Finance unprotected.

Based on our inquiries, we determined that the general practice currently being following is that an unescorted individual delivers the daily deposit to Finance and typically walks behind the building.

Non-cash payments collected throughout the day are not secured.

Subsequent to original audit report being issued there was a change in management for this area. The new Chief Building Official and Permits Supervisor were unaware of the recommendations relating to permits cashiering. Once they received notice of this follow-up audit and a copy of the original report, they began looking into the options to implement the recommendation.

During the onsite visit, we noted that security of the cashiering area had been improved by the addition of windows that provide a barrier between the cashiers and the lobby. Because other City employees have access to the cashiering area, we recommended to proceed with purchasing locking bank bags.

On 3/4/21 we were notified by the Permits Supervisor that locking bank bags had been received. Each permit tech was issued a bag and instructed to lock the bag when they leave their desks during the day.

Finding 1 Status

Partially Implemented

**City of League City Internal Audit Office
Cash Processing and Handling Follow-up Audit A2021-01**

Finding 2

Current Observation

Cashier funds are distributed internally to Parks and Recreation temporary summer employees from full-time staff funds. Temporary employees are not required to sign acknowledgement forms for Finance policies related to cash handling.

Cashier funds for the Library are assigned to the Circulation Supervisor but all staff performing cashiering duties utilize that fund. The Circulation Supervisor has a signed form on file with Finance, but other cashiers are not required to sign acknowledgement forms for Finance policies related to cash handling.

Cash Receipts & Petty Cash policies are maintained on Policy Tech, which is a centralized repository accessible to all employees.

Cash handling training and acknowledgement of policies is not occurring on an annual basis.

Review of departmental acknowledgments for Parks and Recreation and the Library has not been incorporated into the audits conducted by accounting.

Subsequent to original audit report being issued, there have been multiple changes in Finance Department management. The current Finance Director and Controller were unaware of the recommendations relating to Finance until they received notice of this follow-up audit and a copy of the original report. They plan to immediately address the deficiencies.

Finding 2 Status

Partially Implemented

**City of League City Internal Audit Office
Cash Processing and Handling Follow-up Audit A2021-01**

Finding 3

Current Observation

The Jail is not able to take credit card payments to improve customer service and reduce risk related to amount of cash transaction and cash on hand.

Subsequent to the audit report being issued, Municipal Court staff determined that allowing use of a credit card to bond out would pose some risk to the City. The concern was that people could bond out and then cancel the credit card. An alternative solution implemented was to install ATMs in the jail and court lobbies. However, these were recently removed by the bank due to low usage. Consideration is being given to purchasing an ATM which would be maintained by City staff.

Animal Control is not able to process credit card payments at remote locations which could increase adoptions and decrease the amount of cash that needs to be secured and transported.

The former Finance Director did not give approval to utilize a remote credit card machine for remote Animal Control events due to high transaction fees. However, the current Animal Services Manager is interested in implementing this recommendation and has initiated discussions with the current Finance Director.

Finding 3 Status

Not Implemented

INHERENT LIMITATIONS

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods beyond the Audit Report date are subject to the risk that procedures may become inadequate due to changes in conditions, management override of internal controls, or that the degree of compliance with the procedures may deteriorate. This was a limited scope audit which only reviewed the areas stated in the Audit Objectives during the Audit Scope period. No representations of assurance are made to other areas or periods not covered by this audit.

CONCLUSION

We have concluded our audit work on the objectives of the Cash Processing and Handling Follow-Up Audit. The audit evidence used in the analysis is sufficient and appropriate for addressing the objectives and supporting the observations and conclusion. In accordance with Generally Accepted Government Auditing

City of League City Internal Audit Office
Cash Processing and Handling Follow-up Audit A2021-01

Standards, we are required to conclude on whether the auditees met the objectives of this Follow-Up Audit.

Based on our audit work, we have determined that the Library met three out of nine audit objectives. Of the remaining six objectives, three are considered closed due to management's decision to not implement or constraints preventing implementation of the recommendation. Management has agreed to address the remaining three outstanding action items.

Based on our audit work, we have determined that the Building Section met their one audit objective.

Based on our audit work, we have determined that the Finance Department met one out of three audit objectives. Current management was not aware of the recommendations until this follow-up audit and has agreed to address the remaining two outstanding action items.

Based on our audit work, we have determined that the Municipal Court did not meet their one audit objective. However, this matter is considered closed due to management's decision to not implement or constraints preventing implementation of the recommendation.

Based on our audit work, we have determined that Animal Control did not meet their one audit objective due to decision made by a Former Finance Director. Management has decided to pursue implementation of the action item.

We wish to thank Finance, IT, Building, Animal Control and Library management and staff for their cooperation and assistance extended during the completion of this audit.

Signature on File

Candace Brown, CIA, MAcc, MBA
City Auditor

Distribution List:

Council
John Baumgartner, City Manager
Bo Bass, Assistant City Manager
Michael Kramm, Assistant City Manager
David Hoover, Executive Director Development Services
Chien Wei, Director Parks & Cultural Services
Gary Ratliff, Chief of Police
Kristine Polian, Director Finance
Ryan Smith, Director Information Technology & Facilities

ATTACHMENTS (Management Action Plan)

City of League City Internal Audit Office

Cash Processing and Handling Follow-up Audit A2021-01

MANAGEMENT ACTION PLAN							
CASH PROCESSING & HANDLING AUDIT FOLLOW-UP A2021-1							
Finding 1. Improving controls at some locations could help prevent errors or irregularities or make their detection easier.							
Department / Section	Agreed Upon Action	Responsible Person(s)	Status	Risk Exposure of Actions Not Implemented	New Target Date	Comments	
Library	Working with IT, the Library should research Sirsi and see if there is any way to assign individual cashier codes.	Sirsi was contacted about assigning individual cashier codes but the system does not have that capability.	Chien Wei / Teresa Potter-Reyes	Not Implemented - Considered Closed	Risk Exposure- Low Other internal controls are in place to mitigate not having this capability	N/A	This matter is considered closed. Subsequent to the initial audit report, the City Librarian has followed up with the software company. There is no indication that this functionality will be added in the near future.
Library	Consider scheduling the clerks for longer shifts at the circulation (front) desk, so individuals can be responsible for their money, rather than the Library, as a whole, having responsibility.	Current staff capacity does not allow assigning individual employees to each of the two cash registers for each hourly shift of the day. If future staff capacity allows, this will be considered.	Chien Wei / Teresa Potter-Reyes	Not Implemented Considered Closed	Risk Exposure - Low /Medium The ideal would be to have dedicated cashiers responsible for their own cash drawer. However, other internal controls are in place to help mitigate not having this capability.	N/A	This matter is considered closed. Staff capacity at the Library has not increased since the release of the audit report. Management has determined that implementation of this recommendation cannot be supported at current staff levels without impacting customer service.
Library	Assign one key holder per shift for the cash drawer to wear the key and be present to unlock the cash drawer if needed.	The three keys to the cash drawers are all kept in secure locations. The Circulation Supervisor has a key at all times, one key is kept in a locked office and one is locked in the safe.	Chien Wei / Teresa Potter-Reyes	Partially Implemented	Risk Exposure- Medium Having controls over access to the cash drawer mitigates the potential for theft.	Two people will be present to unlock cash drawer - Will be implemented immediately Lock will be installed on office door - 7/31/2021	The Circulation Supervisor has a key and another is locked in the safe at all times. The third key is kept in a desk drawer in an unsecured office which will require installation of a lock. The requirement to have two people present when using a key to unlock a cash drawer has not been put into practice.
Library	Working with IT, The Library should research Sirsi and see if there is a way to program additional accounts and/or sales into the system to be able to account for small items that are sold in the Adult Services area.	Additional sale items were added to the Sirsi system to account for small items sales which are included in the bill breakdown report of all transactions.	Chien Wei / Teresa Potter-Reyes	Implemented		N/A	Verified on bill breakdown report that adult services items have been added to the system.
Library	With the aid of IT, review the print job reports from the coin operated copier/printers to determine if there is a way to reconcile the number of print jobs with the weekly cash collected from the machines.	The company providing software and hardware for public printing indicated that report parameters cannot be changed. Staff reviewed other libraries practices and found that Harris County Public Library System does not analyze the print job reports beyond reconciling print revenue to cash collected.	Chien Wei / Teresa Potter-Reyes	Not Implemented Considered Closed	Risk Exposure- Low Other internal controls are in place to mitigate not having this capability	N/A	This matter is considered closed. Upon additional review of the print job report, it was determined that this report is ineffective and cannot be utilized in the recommended manner. Library staff has followed up with the software provider on improving the system reports with no results.
Library	Turn in the petty cash fund.	The fund was turned in on October 18, 2021	Chien Wei / Teresa Potter-Reyes	Implemented		N/A	Verified that the Library does not currently have a petty cash fund.
Library	When available, it is recommended that two employees transport the deposit to Finance. If two employees are not available, then it is recommended to walk in front of the building where there are more cameras and citizens.	When available, two employees transport the deposit to Finance. If two employees are not available, the person responsible for transporting the deposit walks in front of the building where there are more cameras and citizens.	Chien Wei / Teresa Potter-Reyes	Not Implemented	Risk Exposure- Medium/High Transport of daily deposit by one individual in an unsecured area increases opportunity of potential robbery and employee safety risk.	Will be implemented immediately	The deposit is generally delivered to Finance by only one person. The typical route to deliver the deposit is behind the building instead of in front as recommended.
Building	Payments collected throughout the day should be kept secure in a locked bag/box or cash drawer	All payments will be kept secure throughout the day (including checks and credit card receipts) in a locked box/cash drawer. At the end of the day, the daily deposit will be secured in the locking bank bag in the safe.	Paul Menzies / Barbara Roberts / David Reagan / Kate Hartis	Implemented		N/A	Current managers were unaware of this recommendation, which was not implemented by former management. Subsequent to receiving notice of this follow-up, locking bank bags were purchased and put into place.
2. Training should be provided on a recurring basis to ensure that all staff is aware of their cash handling role and can be held accountable.							
Department / Section	Agreed Upon Action	Responsible Person(s)	Status	Risk Exposure of Actions Not Implemented	New Target Date	Comments	
Finance	Finance should keep the Cash Receipts & Petty Cash policies in a central location readily accessible to employees.	Policies will be stored in Policy Tech, a centralized location for all employees.	Rebecca Underhill / Kristine Pollan / Deborah Jordan	Implemented		N/A	Verified that these policies are available on Policy Tech to all employees.
Finance	Mandatory cash handling training and acknowledgement of policies should occur on an annual basis.	All employees will be required to review the policies on an annual basis and an electronic acknowledgement of this review will be stored within Policy Tech - will be kept on file in Finance.	Rebecca Underhill / Kristine Pollan / Deborah Jordan	Not Implemented	Risk Exposure- Low As part of an internal control program, it is best practice to ensure staff is reminded periodically of policies and procedures.	Will be implemented immediately	Current managers were unaware of this recommendation, which was not implemented by former management.
Finance	Finance should review the departmental acknowledgements for Parks and Recreation and the Library during their surprise or annual audits	The Accounting Manager will be responsible for continuing to perform routine surprise audits on an annual basis for all cash handling areas. The audit for each area will include acknowledgement by the department.	Rebecca Underhill / Kristine Pollan / Deborah Jordan	Not Implemented	Risk Exposure - Low/Medium As part of an internal control program it is best practice to ensure that staff is aware of their stewardship responsibilities for City funds and understand the	Will be implemented immediately	Current managers were unaware of this recommendation, which was not implemented by former management.
3. Jail and Animal Control lack the ability to take credit card payments.							
Department / Section	Agreed Upon Action	Responsible Person(s)	Status	Risk Exposure of Actions Not Implemented	New Target Date	Comments	
Municipal Court	IT should research options for mobile credit card transactions that could be utilized by the Jail and animal Control at their offsite events.	Accounting will work with Bank of America to establish both a jail and a mobile machine. The "mobile" machine will be used for offsite events (such as Animal Control) and to serve as a backup.	Ryan Smith	Not Implemented Considered Closed	Risk Exposure- Low The intent of this was to provide a convenience to customers and reduce the amount of cash handled by the court cashiers but would not eliminate the need to handle cash.	N/A	This matter is considered closed. Municipal Court staff determined that allowing use of a credit card to pay bonds would pose risk to the City. The concern was that the cardholder would cancel the transaction after bonding out.
Animal Control		Accounting will work with Bank of America to establish both a jail and a mobile machine. The "mobile" machine will be used for offsite events (such as Animal Control) and to serve as a backup.	1st Follow-up Ryan Smith 2nd Follow-up Jasmine O'Keefe	Not Implemented	Risk Exposure- Low The intent of this was to provide a convenience to customers at offsite events but would not eliminate the need to accept cash and checks.	3/11/2022	The former Finance Director did not approve use of a remote credit card machine due to transaction fees. However, Animal Control is still interested in implementing this recommendation and will work with Finance and IT to determine if there is a feasible way to accomplish this.