



AUDIT HIGHLIGHTS

Cash Handling Controls and Accountability

April 8, 2016

Audit Report No. 1611

WHY WE DID THIS AUDIT

The audit was included on the Council-approved FY 2015/16 Audit Plan to review cash handling processes and controls for effectiveness and compliance with related Administrative Regulations (ARs).

BACKGROUND

Cash handling encompasses the controls and processes to account for and safeguard monies received in cash, check or electronic form. AR 268 provides the required controls for the City's cash handling staff, while AR 270 specifies controls for staff with petty cash funds.

During FY 2014/15, staff at 55 locations throughout the City collected approximately \$532 million for various fines, fees, services and products representing about 90% of the \$594 million in revenues received by the City during the fiscal year.

Auditors made unannounced visits at 40 cash handling locations.

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WHAT WE FOUND

1. Improving controls at some locations could help prevent errors or irregularities or make their detection easier.

Cash handling controls at the 40 audited sites were generally operating appropriately, but improvements can be made at some locations. Specifically:

- Several aspects of individual accountability are not being maintained.
- Deposits are not prepared daily and receipts from multiple days are combined for deposit.
- Supervisory reviews are not consistently recorded.
- Access to some safes is not sufficiently restricted.
- Some locations do not immediately record transactions or do not have access to one of the City's cashiering systems.
- Segregation of duties in some programs is not adequate.
- Dual custody is sometimes not maintained for mail and honor box receipts.
- Cash handling practices and forms varied widely among different locations within some departments.
- Financial records the divisions produce are not on their Records Inventories with the associated retention requirements.

2. Accounting Department oversight can be improved.

Increased oversight and compliance with administrative regulations could improve cash handling accountability. Specifically:

- Cash handling training has not been provided to a majority of the City's current cash handlers.
- Accounting staff has not performed documented cash verifications since June 2012.
- Revoked AR exceptions have not been adequately communicated to cash handling locations.

WHAT WE RECOMMEND

1. Division management should require compliance with AR 268 *Cash Handling* and establish effective controls over other aspects of cash handling, such as consistent forms and formalized records retention.
2. The City Treasurer should ensure Accounting staff provides regular cash handling training, removes the requirement for unannounced verifications or ensures they are performed on a recurring basis, and communicates when AR exceptions are revoked.

MANAGEMENT RESPONSE

Division management generally agreed with the audit recommendations and will request exceptions in the limited situations when compliance is deemed infeasible. The City Treasurer's Office agreed with the audit recommendations.