



# MIAMIBEACH

BUDGET AND PERFORMANCE IMPROVEMENT  
Internal Audit Division

## INTERNAL AUDIT REPORT

TO: Jimmy L. Morales, City Manager  
VIA: Kathie G. Brooks, Assistant City Manager  
FROM: James J. Sutter, Internal Auditor

DATE: May 15, 2013  
AUDIT: Selected Departments' Cashiering Functions Audit  
PERIOD: October 1, 2010 through July 31, 2012

This report is the result of a regularly scheduled audit of the cashiering, reconciliation and reporting functions performed by the Building, Police (Records Management Section) and Parking Departments. Similar but separate internal audits were previously conducted of the Finance Department's Central Cashier's Office and selected cashiering locations operated by the Parks and Recreation Department.

### INTRODUCTION

Although the Finance Department's Central Cashier's Office processes a majority of the City's financial transactions, other off-site cashiering locations are scattered throughout the City to collect monies from the public. A majority of these locations (Scott Rakow Youth Center, Flamingo Park Pool, North Shore Youth Center, etc.) fall under the purview of the Parks and Recreation Department, which has also been addressed in a separate internal audit. As a result, this audit focused on the cashiering functions performed by the Building, Police (Records Management Section) and Parking Departments with a brief summary of each to follow.

The Building Department's Permit Clerks accept currency, checks, money orders and credit cards as payment for various permit fees, violations, etc. All transactions are to be recorded in the Permits Plus System which was pre-programmed to calculate the associated amounts due based on the entered data. Designated departmental reviewers will subsequently examine permit transactions to help ensure that the customer was billed accurately.

The Building Department processes a high number of transactions daily with total revenues frequently exceeding \$50,000. A \$50 petty cash bank is used to provide change as needed to any customers paying with currency, which is the least common payment method. Designated supervisors reconcile all the monies received daily with the supporting Permits Plus System reports entitled "Daily Fee Summary Excluding Lockbox and Online Permits" and the "Fee Detail Excluding Lockbox and BLDG City Jobs". Once reconciled, it is brought to the Central Cashier's Office for processing and posting to the appropriate general ledger accounts in the City's Financial System.

Secondly, the Police Department's Records Management Section accepts currency, money orders and checks in exchange for copies of police reports, fingerprints, photographs, background checks and letters of good conduct. Many of these transactions cost less than \$10 thereby increasing the need for the maintained \$50 petty cash change bank, which is secured in

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a locked bank bag at the end of each business day and is stored in the nearby Police Evidence Unit. A log book is signed indicating receipt and issuance of the bank bag to and from Records Management Section personnel.

All transactions (on average 24 per day) are to be recorded in the in-house software system created by the City's Information Technology Division in the Bbm and Sequel programming languages. Each day's monies are to be reconciled with the software system's generated Daily Receipt Transaction Reports by either the Police Records Manager or the Police Records Supervisor. Once completed, these items accompanied by a Miscellaneous Cash Receipt (MCR) are stored inside an interoffice envelope until delivered usually by a sworn police officer to the Central Cashier's Office for processing. All Records Management Section revenues are to be posted to general ledger account number 011-8000-341400 entitled "Photocopies".

Thirdly, Parking Department customers remit currency, money orders, checks or credit cards in return for parking decals, permits, etc. All amounts owed are calculated based upon the cashiers' entries into the Parking Permit Manager System. Each of the six primary cashiers received \$200 in currency to provide change as needed to customers. Two additional locked bank bags containing an additional \$500 in petty cash are also kept in the safe until needed for either change by any of the cashiers (\$400) or for a back-up cashier (\$100).

A designated Financial Analyst reviews the reconciliation of each cashier's monies and supporting documentation before they are transported by TransValue Inc.'s armored car services to SunTrust Bank. The Finance Department similarly reviews these transactions and once approved they are posted to the City's Financial System based upon the Daily MCR Report's general ledger breakdown which includes a cash over and under account for any calculated daily reconciliation differences.

The following table summarizes the monies processed during each fiscal year of the audit period by the listed departments' cashiers:

	10/01/10 – 09/30/11	10/01/11 – 07/31/12	Total
Building	\$10,275,244	\$10,747,471	\$21,022,715
Police Records	\$34,945	\$21,849	\$56,794
Parking	\$3,865,501	\$3,238,847	\$7,104,348
Total	\$14,175,690	\$14,008,167	\$28,183,857

Finally, the Building and Parking Department's cashiering functions are projected to be transferred to the Finance Department during the 2012/13 fiscal year. At this time, the payment process will be revised which will include the addition of newly cross trained employees and stronger internal controls aimed at separating those responsible for the decals from those receiving the monies.

The Parking Department also issued Request For Proposal No. 55-11/12 on July 26, 2012 as the City intends to migrate to a License Plate Recognition (LPR) enforcement system and eventually have "paperless" parking payment options and solutions. One distinct advantage

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would be the elimination of parking permits and decals which are currently handled, monitored and safeguarded by the Parking Department's cashiers. City Resolution No. 2012-27986 was adopted on September 12, 2012 authorizing the Administration to enter into negotiations with ParkTrak for the handheld LPR parking enforcement system as it was deemed the sole responsive proposer. Meanwhile, the Administration's purchase of a mobile LPR parking system is still being investigated.

## **OVERALL OPINION**

Overall monies received are properly deposited and reported based on the testing performed on the documentation provided and the internal controls implemented. Tested reconciliations were performed timely and correctly. Despite these and other positive factors, the following weaknesses separated by department, were noted and are in need of improvement and/or corrective action:

### **Building Department**

- The maintained petty cash change bank used to absorb daily overages and shortages is not reported in the City's Financial System.
- The Building Department set restrictive terms against returned check payees that were not uniformly enforced during the audit period.
- Security weaknesses are identified that if not timely corrected could possibly increase the City's risk of loss.
- The Development Review Service Coordinator's job duties are not always properly assigned to satisfy the segregation of duties principle.

### **Police Department's Records Management Section (RMS)**

- Noted daily reconciliation shortcomings were observed.
- Current software system deficiencies in need of corrective action are identified.
- Credit cards are not accepted resulting in the receipt of more currency and checks with their additional inherent risks.
- All revenues are recorded to general ledger account 011-8000-341400 whereby its entered description hindered location and reconciliation.

### **Parking Department**

- The safe used to secure daily revenues and petty cash remained open during daily operations thereby placing too much dependence on the camera's recordings as a preventive internal control.

### **All Tested Divisions/Departments Affected**

- Internal control and financial reporting weaknesses were observed in the returned or NSF checks process.
- Departmental policies and procedures tended to be either non-existent, incomplete or not form approved by management.

## **PURPOSE**

The purpose of this audit was to determine whether the Building, Police and Parking Departments maintained updated policies and procedures that were known and followed by staff; whether City assets and personnel were adequately safeguarded and accounted for; whether sufficient documentation and internal controls were implemented to help determine the completeness and correctness of tested transactions; and whether these tested transactions were accurately recorded into the City's Financial System.

## **SCOPE**

This report does not focus on the Permits Plus System deficiencies, which have been well documented in previous audit reports considering that it is projected to be replaced by Accela during the 2012/13 fiscal year.

1. Confirm that effective and detailed operating policies and procedures have been developed and are being utilized for the proper control and accountability of all related transactions.
2. Confirm that collections are adequately safeguarded, that access to key supporting documents and records is properly restricted to authorized employees and permitted only in accordance with management policy.
3. Confirm that proper segregation of duties and internal controls are followed to provide reasonable assurance that all monies are accounted for.
4. Confirm that all files and records are neatly organized and properly maintained.
5. Confirm that sampled collections were timely and correctly processed by the Central Cashier's Office and posted in the City's Financial System.

## **FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES**

### **BUILDING DEPARTMENT**

1. Finding: *The Maintained Petty Cash Change Bank Used to Absorb Daily Overages and Shortages is Not Reported in the City's Financial System*  
More than ten years ago, the Building Department was given petty cash monies to provide change as needed to its paying customers. The balance maintained was gradually reduced over time until it reached \$50 during the 2003/04 fiscal year.

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The Finance Department began requiring City departments/divisions with petty cash funds during the 2008/09 fiscal year to perform quarterly reconciliements so that the corresponding year end cash counts could be recorded in the City's Financial System. In response, the Building Department stated that they did not know the location of the monies so the \$50 was expensed to general ledger account number 011-1510-000343 (other operating expenditures).

However, the petty cash funds have continued to be used for change purposes by the department's Permit Clerks. In fact, testing found that the balance had grown to \$139.62 as of June 20, 2012 since the Building Department adjusts the daily petty cash change bank balance accordingly for any overages and/or shortages identified during reconciling.

Recommendation(s):

The petty cash fund balance should be reduced to the approved \$50 maximum so that it can be reported in the City's Financial System under general ledger account number 011-7000-102056. Going forward, any identified reconciliation differences should be recorded in a designated cash over and short account rather than adjusting the petty cash fund balance accordingly. Finally, the balance should be counted quarterly by a Building Department employee independent of the cashiering function so that it can be accurately reported in the City's Financial System.

Management Response (Building Department):

The Building Department does not currently handle cash transactions and does not have a petty cash fund. All cash transactions were transferred to Finance Department on August 27<sup>th</sup> 2012 and the petty cash was closed effective September 5<sup>th</sup>, 2012. The balance of \$32.38 was returned to the Finance Department.

Management Response (Finance Department):

Once the Finance Department took over the Building Department's cashiering functions in September 2012, the petty cash, a total of \$32.38, was returned to the Finance Department. The Finance Department, in turn, deposited the funds in the bank on October 19, 2012, and it was recorded in general ledger account 011-8000-369990.

2. Finding: *The Building Department Set Restrictive Terms Against Returned Check Payees that Were Not Uniformly Enforced During the Audit Period*

The Building Department maintained an Excel schedule showing that a total of 379 NSF customer checks were returned by the bank due to insufficient funds in their account between January 2006 and July 2011. The department implemented its own policy whereby these customers were to be restricted from writing the Building Department another check for six months after the first offense, one year after the second offense, five years after the third offense, etc. However, this detailed schedule has not been updated since July 2011 but its terms continue to be followed by the Permit Clerks for any previously listed customers.

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Recommendation(s):

A Citywide policy on returned checks should be created that is uniformly and consistently applied by all departments/divisions.

Management Response (Building Department):

The Building Department agrees to follow any adopted Citywide policy concerning the receipt of any returned or NSF customer checks.

3. Finding: *Security Weaknesses are Identified that Increase the City's Risk of Loss*  
Although the Building Department's cashiering functions will soon be eliminated with the Finance Department's planned consolidation of operations in the 1700 Meridian Avenue building, the current implemented security procedures were reviewed with the following weaknesses noted:
- a. The Building Department properly instituted sound cash handling procedures that appear to have been followed and work well. However, one drawback noted was that the simplistic cash register was used primarily as a cash drawer which can be easily accessed by any City employees behind the counter. As a result, it would be difficult to identify the employee(s) responsible for any calculated currency shortages.
  - b. The \$139.62 petty cash change bank is stored in a locked desk drawer when not in use. In addition, the daily proceeds are stored overnight in this same drawer whenever time prohibits Building Department employees from furnishing the monies to the Central Cashier's Office for processing. A key to open this drawer is maintained in the Development Review Coordinator's office where it can be retrieved by anyone knowing its location.
  - c. The Building Department installed cameras but they are focused primarily on the customer waiting areas to be used in determining the length of the queue. Few were aimed on the money collection areas, with none aimed at the cash register.
  - d. Although a blue light scanner was provided some time ago to help detect counterfeit currency, it is not being used as the departmental employees instead rely on the accuracy of the less effective counterfeit pen.

Recommendation(s):

Given the pending elimination of cashiering functions by the Building Department, management should consider the feasibility of correcting these identified shortcomings. However, the blue light scanner should be used and the keys to the desk drawer protecting the department's monies should be better safeguarded at a minimum.

Management Response (Building Department):

All cash transactions are now handled by the Finance Department rendering some of these suggestions moot. However, management agrees that cameras should be focused on staff as well as the lobby area and will make this correction if it has not been done already. Once pay-ease kiosks are operational, the Building Department will transfer all other cashier functions (credit card and check payments) to the kiosks and

Finance Department cashiers.

4. Finding: *The Segregation of Duties Principle is Violated which may Potentially Result in Misappropriations if not Corrected*

The Development Review Service Coordinator that typically performs the daily reconciliation also participates in receiving monies and processing transactions. Furthermore, all Building Department employees having access have the ability to backdate transactions and to perform voids. This scenario contradicts the segregation of duties principle which warrants a separation of those handling the monies from those performing the reconciliation and if not corrected could possibly lead to misappropriated monies going undetected.

Recommendation(s):

The designated Building Department employee performing the daily reconciliation should not also receive monies and process transactions. Instead, the reconciler should be an independent third party who signs the reconciliation documentation indicating his/her review and approval. Finally, employees should not have the ability to backdate transactions while only supervisors should have the ability to make adjustments in the Permits Plus System and they should be sufficiently documented providing a proper audit trail.

Management Response (Building Department):

Once the transfer of cashiering functions to the Finance Department is complete, reconciliations will be a function of the Finance Department. In the short term, the Department will assign reconciliation responsibilities to another employee. Currently, only supervisors have the ability to void transactions and transfer payments. Once Accela Automation has been implemented, better auditing capabilities and security measures will be implemented. At this time, permits plus lacks the ability to restrict backdating, but such practices are not part of the Department's operational protocols.

**POLICE DEPARTMENT'S RECORDS MANAGEMENT SECTION (RMS)**

5. Finding: *Noted Daily Reconciliation Shortcomings were Observed*

The following shortcomings were noted during our review of the Records Management System's (RMS) reconciliation process:

- a. Proper segregation of duties is an essential internal control and job duties need to be assigned accordingly. One basic tenet is that the individual receiving and processing the monies should be independent of the one performing daily reconciliations. Yet, RMS's designated reconcilers can perform both of these functions daily and void transactions as needed.
- b. Any of up to four RMS personnel are typically assigned the responsibility of processing customer transactions on a given day thereby making it difficult to determine who was responsible for any identified cash shortages.

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- c. Instead of reporting the amount of the overage or shortage during the reconciliation process like the Police Records Supervisor, the Police Records Manager maintained an envelope with slightly more than \$13 on June 29, 2012 that was used for any calculated differences. Therefore, this balance would increase for any overages and conversely would decrease for any identified shortages and it was not recorded on the City's Financial System.
- d. The Daily Receipts for Deposit cover letter is prepared electronically with the name of a designated RMS employee that supposedly verified the reconciliation's results. However, inquiries determined that this individual rarely reviewed the reconciliation as it was typically performed by only one supervisor.
- e. Although the day's revenues are usually transported to the Central Cashier's Office by a sworn police officer, they are delivered in an interoffice envelope which could be comprised.
- f. The Police Department's Financial Management Unit does not periodically perform unannounced site visits to confirm that the petty cash change bank balance is correct. Also, inquiries found that they have not been verifying that the supporting documentation equals the amounts posted to the City's Financial System and that each day's receipts are accounted for.
- g. The daily receipts were not always posted to the City's Financial System timely. For example, the largest calculated differences were for the 11/15/11 and 11/16/11 daily receipts which were not posted in the Eden System until 06/13/12 (211 days) and 06/21/12 (218 days) respectively. Furthermore, it was found on 08/21/12 that the daily receipts for 06/08/12, 06/19/12 and 07/03/12 were still present in the RMS and had not yet been deposited and posted.

Recommendation(s):

The implementation of the following recommendations should help improve the RMS reconciliation process:

- a. The designated individual responsible for reconciling the monies with the documentation should also not have the ability to process transactions and to perform voids.
- b. Access to the cash drawer should be restricted to a minimum number of people.
- c. The petty cash fund balance should be reduced to the approved \$50 maximum with the excess reported in the City's Financial System. Additionally, the Finance Department should consider creating an over and short account to capture any reconciliation differences.
- d. A designated employee should review the day's reconciliation with both individuals signing the Daily Receipts for Deposit cover letter attesting to its accuracy and completeness.
- e. The day's revenues should be secured in a locked bank bag until transported to the Central Cashier's Office similar to the one used to safeguard the \$50 petty cash monies each night.
- f. The Police Department's Financial Management Unit should periodically confirm that the petty cash funds balance is correct and that the supporting

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documentation equals the amounts posted to the City's Financial System and that each day's receipts are accounted for.

- g. All RMS monies should be processed by the Central Cashier's Office within three business days to facilitate reconciliation with postings, expedite departmental access to the funds, reduce the likelihood that the monies may be misappropriated, etc.

Management Response (Records Management Section):

- a. The current software is set up so that only the two supervisors have the ability to perform voids as well as having the ability to process transactions. The software would have to be changed to exclude us from being able to perform transactions. However, current staffing levels prohibit the implementation of these changes.
- b. Only people responsible for the cash drawer will be issued keys for key control access.
- c. The petty cash fund currently maintained is \$50. The previously identified \$13 plus overage has been processed by the Central Cashier's Office thereby increasing RMS's revenues accordingly.
- d. Due to the small amounts of monies received daily and current staffing levels, RMS believes that the attestation of one supervisor should be sufficient. As a result, we will remove the name of the other supervisor from the Daily Receipts for Deposit cover letter to remove any confusion as to the individual performing the reconciliation.
- e. The Records Manager will purchase another bank bag with two keys. One key will be given to the Central Cashier.
- f. The FMU's most recent audit was October 4, 2012 but their focus is typically on ensuring that the sampled day's transactions and current petty cash balance is correct. Going forward, the Police Records Manager agrees to periodically reconcile the amounts posted to the City's Financial System to the day's supporting documentation once the city creates a budget code for Records. Any noted differences will be further investigated.
- g. All RMS monies will be delivered to the Central Cashier's Office within three business days. We will be requesting the Central Cashier's Office to send RMS a scan of the processed/validated MCR to expedite the reconciliation process.

6. Finding: *Current Software System Deficiencies are Identified which are in need of Corrective Action*

Various testing performed on the software created by the City's Information Technology Division for RMS found the following opportunities for improvement:

- a. Internal Audit's comparison of 12/28/10 daily receipts with the corresponding Eden System entries found an \$850 difference which was later determined to be caused by the incorrect processing of two customers' false alarm payments as RMS payments. Further testing found that the proper entries were made in the City's Financial System as the \$850 was posted to general ledger number 011-8000-354001. However, the two transactions totaling \$850 were not voided in

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- the RMS system thereby inflating the division's revenues.
- b. Anyone inside RMS can open the cash drawer by merely pressing a button as there is no documented record of the individual(s) accessing the monies. Although typically not containing large amounts of money, this scenario makes it difficult to hold anyone accountable in the event of a shortage.
  - c. The Daily Photo Receipt Transaction Report, which may or may not contain daily transactions, was not automatically generated when the Daily Receipt Transaction Report was run. Instead, it must be selected from a menu and run separately as RMS personnel must remember to include it when performing their daily reconciliations.

Recommendation(s):

The implementation of the following software system recommendations should help improve RMS operations:

- a. Management should void the two false alarm payments from the RMS system so that it agrees to the Eden System's entries and any future analyses conducted on these entries are accurate.
- b. The opening of the cash drawer should be linked to the software system so that only authorized employees can access its contents after entering their password and a valid transaction.
- c. The software system should be re-programmed to have all the daily transaction reports combined or run simultaneously to help ensure that all transactions are captured and the daily reconciliation is accurate.

Management Response (Records Management Section):

- a. The two false alarm transactions incorrectly entered into the RMS system were voided so that it agrees to the City's Financial System entries.
- b. We believe that the better solution is the issuance of keys to relevant personnel as addressed above in the management response to finding #5b.
- c. The Records Manager will contact the Information Technology Division to determine the costs associated with reprogramming the system. If not deemed feasible, then we will continue our current practice of running all daily reports. The existence of any money shortages typically alerts us to the possibility of any photograph transactions.

7. Finding: *Credit and/or Debit Cards are Presently Not Accepted Resulting in the Receipt of More Currency and Checks along with their Additional Inherent Risks*

RMS currently does not accept credit and/or debit cards as payment for their services; only currency, money orders and checks. This practice may result in more currency transactions thereby increasing the likelihood that received monies may be misappropriated, misplaced, etc. Similarly, the acceptance of more checks could result in the receipt of additional returned or NSF checks for which collection becomes difficult.

Recommendation(s):

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The acceptance of credit and/or debit cards should help reduce the number of currency and check transactions. However, RMS should first conduct a cost benefit analysis with respect to the acquisition and maintenance of the credit card machine due to its associated fees prior to its implementation.

Management Response (Records Management Section):

The cost for copies is .15 cents per page for single sided copies and \$.20 per page for double sided copies. Case reports are usually 2 pages (\$.30) and accident reports are 7 double sided pages (\$1.40). RMS does not get many requests to pay by credit or debit card. Therefore, we believe that the cost to acquire and maintain a credit card machine would not be cost effective.

8. Finding: *Received RMS Revenues are Recorded to General Ledger Account 011-8000-341400 whereby it's entered description hindered location and reconciliation.*

RMS customers pay pre-determined amounts for copies of police reports, fingerprints, letters of good conduct, background checks, etc. However, all the corresponding revenues received (usually in excess of \$30,000 annually) are commingled into one general ledger account 011-8000-341400 (photocopies) that also contains entries by other departments thereby making it difficult to determine the amount of RMS revenues.

Also, the Central Cashier's Office normally lists the Miscellaneous Cash Receipt (MCR) number in the description field when posting to the Eden System. While important information, the inclusion of the date in which the monies were received by RMS is omitted which would facilitate location and reconciliation by independent third parties.

Recommendation(s):

The Finance Department should create a separate general ledger account to record RMS's revenues to facilitate monitoring and analysis. In addition, the Central Cashier's Office should enter the date that the monies were received by RMS in the description field along with the MCR number during posting.

Management Response (Finance Department):

The General Ledger Management Section prefers not to create a new general ledger account due to the immateriality of the transactions and the associated reporting requirements. Instead, discussions will be held with FMU regarding the possibility of processing RMS's transactions in another existing little used Police Department revenue account (if one is available).

The Cashiering Office does not know when the monies were received by RMS. RMS sends an MCR to the Central Cashier's Office with several checks and cash attached for deposit in the bank. RMS also includes a summary sheet of the cash and checks sent along with the MCR. RMS should be the department keeping track of when they collected the monies and in what MCR it was deposited.

### **PARKING DEPARTMENT**

9. Finding: *The Safe used to Secure Daily Revenues and Petty Cash Remained Open during Daily Operations*

The unused petty cash monies and the prior day's proceeds are stored in the safe which remains open during the day. As a result, these monies are unnecessarily exposed to misappropriation as they can be accessed by anyone thereby increasing the dependence on the installed digital cameras' recordings. This strategy although helpful, is reactive in nature and does not necessarily provide sufficient safeguards to prevent misappropriations.

Recommendation(s):

The safe should remain closed at all times during the daily operations to better protect its contents and to reduce reliance on the digital cameras' recordings. Also, the staff members knowing its combination should be restricted and it should be changed at a minimum whenever any affected employees leave.

Management Response (Parking Department):

We concur with the recommendation. The safe will remain locked throughout the day. When an employee, who knows the combination, leaves our department the combination will be changed.

### **ALL TESTED DEPARTMENTS**

10. Finding: *Internal Control and Financial Reporting Weaknesses were Observed in the City's Decentralized Returned or NSF Checks Process*

Currently, SunTrust Bank notifies an Executive Office Assistant I in the City's Finance Department of any received NSF checks (checks returned by the bank because the payer did not have sufficient funds on hand to cover the amount). These NSF checks are entered into an Excel spreadsheet before it is sent to the originating department/division so that they can pursue collection. In turn, the originating department/division provides the general ledger accounts originally posted as a result of the transaction to the Finance Department.

Following the end of the month, the Excel spreadsheet is used as the supporting documentation for the creation of journal entry #007 which reverses the original entry thereby reducing the departments/divisions revenues accordingly. As a result, there is no longer a record of the transaction because a receivable is not created in the City's Financial System (EDEN).

This scenario represents a control weakness since these transactions would not appear on an aging report and outstanding amounts may not be recovered leaving insufficient audit trails. Moreover, the current method does not follow best accounting practices, which require revenues to be recognized once earned upon rendering the services to the

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customers; recognizing revenues and related expenses in the same period; and recognizing revenues from services separately from recovered financial charges assessed.

Any monies subsequently collected by the City would include the initial transaction amount plus any service charges assessed in accordance with Florida Statute 832.062(4)(a). Although the Finance Department has created separate general ledger accounts for these service charges, the tested departments incorrectly recorded the total amount received as revenue.

Recommendation(s):

Outstanding amounts as a result of an NSF check should be recorded as a receivable in the City's Financial System through the preparation of a City Bill which should be prepared with two line items: one for the original transaction amount and a second for the corresponding service charges levied. Consequently, the transaction would appear on the City's Financial System and it would be captured in an aging report thereby leaving a proper audit trail to help determine the effectiveness of the department' or division's collection efforts.

Management Response (Finance Department):

The Finance Department agrees with the stated recommendation and will begin working on revising the NSF check process during the current fiscal year.

11. Finding: *Policies and Procedures were either Non-Existent, Incomplete or not Form Approved by Management*

Operating policies and procedures should include a descriptive outline of desired cashiering and reconciliation operations since they serve both as a benchmark to measure individuals' performance and as an instruction manual in the event employees' are out of the office for whatever reason. A review of each department's provided policies and procedures is as follows:

- The Building Department did not maintain formalized policies and procedures detailing current cashiering and reconciliation operations. This process should be better documented to avoid potential confusion especially given the number of temporary and part time employees working as Permit Clerks. The Police Department's RMS provided Standard Operating Procedure #026, Records Management Section VII "Funds Procedure" which covers all monetary transactions and was last revised and approved by the Police Chief on 7/15/2003.
- The Parking Department supplied their policies and procedures concerning daily deposit log and cash balance reports verification but they were not form approved by management. Furthermore, the cashiering process was not addressed in any of the received documents.

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Recommendation(s):

Operating policies and procedures should be updated to include a more descriptive outline of desired cashiering and reconciliation operations. Once completed, they should be reviewed and approved by management and the City Administration before being implemented.

Management Response (Building Department):

Cashiering Policies and Procedures have been implemented and are followed by the Department to properly balance and reconcile operations on a daily basis. The written policy that has already been implemented operationally will be formalized no later than Jan 30, 2013. All transactions are reconciled pertaining to checks and credit cards since cash is no longer accepted as method of payment by the Department.

Management Response (Records Management Section):

Standard Operating Procedure #026, Records Management Section VII "Funds Procedure" is scheduled for update during the next CALEA cycle.

Management Response (Parking Department):

The permitting and cashiering services transitioned from the Parking Department to the Finance Department on Wednesday, December 19, 2012. The Parking Department will work closely with the Finance Department staff to update the SOP (Standard Operating Procedures) to include any new processes and/or procedures. The final SOP document will be approved by Management.

## EXIT CONFERENCE

Separate exit conferences were held with the Building and Police Departments respectively to discuss the audit report in the Office of Budget and Performance Improvement. Attendees included Building Director Stephen Scott, Police Division Major Brian Sliman, Police Records Manager John Babcock, Internal Auditor James Sutter and Auditor Fidel Miranda. The applicable findings were emailed separately to the Finance Department for their review and separate discussions were held afterwards. Management responses were solicited and were received shortly thereafter. All were in agreement with the contents of this report.

JJS:MC:mc:FM:fm

(audit performed by Senior Auditor Mark Coolidge and Auditor Fidel Miranda)

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cc: Jorge Gomez, Assistant City Manager  
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Mark Overton, Assistant Chief of Police  
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Saul Frances, Parking Director  
Patricia Walker, Chief Financial Officer