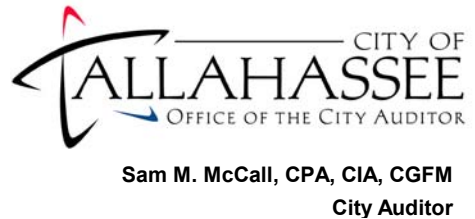


# **Final Audit Follow Up**

**As of March 31, 2003**



## **“Citywide Cash Controls – Revenue Office”**

**(Report #0134, Issued August 29, 2001)**

**Report #0322**

**July 29, 2003**

### **Summary**

**The Revenue Office within the Office of the City Treasurer-Clerk has completed all 14 action plan steps developed to address risks identified in audit report #0134, Citywide Cash Controls. The action steps should provide increased assurances that cash is properly, efficiently, and timely processed and deposited.**

In audit report #0134, issued August 29, 2001, we identified significant risks at several locations throughout the City that increased the likelihood that cash collections would not be properly and efficiently handled and deposited into the City’s bank account. Recommendations were provided to eliminate or reduce those risks. The collections to which these risks and related recommendations pertained were classified into 26 categories. A separate presentation of the risks and recommendations for each category was provided in audit report #0134. Action plan steps were developed for each of the 26 categories.

Two of these 26 categories were (1) general collections processed by the Revenue Office and (2) parking meter collections. Seven action plan steps were identified for these two categories. Action plan steps for general collections were the responsibility of the Revenue Office. Responsibility for action plan steps developed for parking meter collections were shared by the Revenue Office with Traffic Engineering. Seven additional action plan steps were developed for completion by the Revenue Office to assist other City departments/offices in reducing risks associated with their collections.

In all, there were 14 action plan steps for which the Revenue Office had or shared responsibility. All 14 of those action plan steps have been completed.

### **Scope, Objectives, and Methodology**

#### **Report #0134**

The scope of report #0134 included a review of cash collection and processing functions at each City location where significant amounts of cash were collected. The audit focused on controls pertaining to cash upon collection by the City. The review was conducted during the period January 2, 2001, through May 15, 2001.

The primary objectives of the audit were to determine whether adequate controls had been established over cash collected throughout the City. This included a determination as to whether cash collections were:

- received and processed in a proper and efficient manner,
- adequately documented and accounted for,
- safeguarded, and
- timely deposited into the City’s bank account.

The audit disclosed that, for the most part, controls were in place to provide accountability for collections from the time of receipt until deposit. However, the audit identified significant risks at several locations that (1) could result in the undetected loss or unauthorized diversion of cash, (2) limit the interest that could be earned on cash upon deposit, and/or (3) result in cash due the City not being received.

#### **Report #0322**

This is our third follow up on action plan steps identified in audit report #0134. In our first two follow ups we reported on progress and/or status of efforts to implement recommended action plan steps due as of March 31, 2002, and September 30, 2002, respectively. The purpose of this third audit follow up is to report on the progress and/or status of efforts to implement recommended action plan steps due as of March 31, 2003, including those initially due prior to that date.

To meet this objective and to facilitate the usefulness of our follow up work, separate follow up reports are issued for each of the five service areas to which the initial audit pertained. The service area addressed by this report is the Revenue Office. This is the final follow up report for the Revenue Office.

To obtain information, we conducted interviews with key department staff and reviewed relevant documentation. This audit was conducted in accordance with Generally Accepted Government Auditing Standards, and accordingly included such tests of the records and other auditing procedures as were considered necessary.

**Background**

The City collected revenues (i.e., cash) of approximately \$414 million at 22 separate departments/offices during fiscal year 2000. Those 22 locations were comprised of the Revenue Office and 21 departments/offices external to the Revenue Office. For audit purposes, the collections at those 22 locations were classified into 26 categories.

Two of the 26 categories pertained to the Revenue Office. Those two categories were (1) collections received at the Revenue Office [i.e., general collections] and (2) parking meter fees collected and processed by Revenue Office staff. General collections

received and processed by the Revenue Office during fiscal year 2000 totaled in excess of \$405 million. (Of that total, \$42 million was initially collected by other City departments/offices and then transferred to the Revenue Office for deposit.) Parking meter collections for that year totaled approximately \$337,000.

**Previous Conditions and Current Status**

In report #0134, we identified several risks. Action plan steps were developed to address those risks. Action plan steps developed for the Revenue Office addressed both: (1) risks related only to collections received and processed by the Revenue Office and (2) general risks relating to all departments and offices. These risks included, for example, unsecured collections, inadequate segregation of duties among employees, lack of or inadequate restrictive endorsements on negotiable instruments, and lack of records adequately documenting dates of receipt or custodial transfers to the Revenue Office.

There were 14 action plan steps developed to address the risks associated with the Revenue Office. The Revenue Office was scheduled to complete 13 of those action plan steps while Traffic Engineering was scheduled to complete the remaining step. As shown below in Table 1, all 14 action plan steps have now been completed.

**Table 1  
Action Plan Steps from Report #0134 and Current Status**

Action Plan Steps	Current Status
<b>General Collections - Risks Unique to the Revenue Office</b>	
<ul style="list-style-type: none"> <li>The machines being acquired to replace the current DP 500's (used to process utility collections at the City's drive-through facility) will be programmed to place the City's bank and bank account number on the restrictive endorsement.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Completed during prior period.</li> </ul>
<ul style="list-style-type: none"> <li>All manual restrictive endorsement stamps will include the City's bank and bank account number.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Completed during prior period.</li> </ul>
<b>General Collections – Risks Relating to All City Departments/Offices</b>	
<ul style="list-style-type: none"> <li>Upon completion of appropriate analysis and discussions, the Revenue Office will develop a schedule for phasing in recommendations for various external entities to remit payments directly to the Revenue Office (i.e., opposed to those entities remitting payments directly to various City departments/offices).</li> </ul>	<ul style="list-style-type: none"> <li>✓ In the prior audit follow up, we noted that external entities pertaining to 12 of the 13 applicable City departments/offices were now remitting funds directly to the Revenue Office. During this follow up period, the Revenue Office instructed the remaining department (Planning) to have its external entities (grantor agencies) remit payments directly to the Revenue Office. The Planning department has acted on those instructions.</li> </ul>

<ul style="list-style-type: none"> <li>• Upon the award and execution of the new contract for banking services, the Revenue Office will obtain and provide a restrictive endorsement stamp to each City department/office that receives negotiable instruments for deposit. Those stamps will specify that the negotiable instruments are “for deposit only” into the applicable City of Tallahassee bank account.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Completed during prior period.</li> </ul>
<ul style="list-style-type: none"> <li>• Upon receipt of grant proceeds from grantor agencies (e.g., federal, state, and county governments), the Revenue Office will provide the accompanying payment support and a copy of the checks to the applicable grant accountants.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Completed during prior period.</li> </ul>
<ul style="list-style-type: none"> <li>• The Revenue Office will use a receipt generated by the City cashing system (CORE) to document all transfers of collections from other departments/offices. The CORE-generated receipt will be provided to the transferring party at the time of the transfer.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Completed during prior period. (Different methods were employed to document the acknowledgement of custodial transfer of collections from external departments/offices.)</li> </ul>
<ul style="list-style-type: none"> <li>• The Revenue Office, in conjunction with Utility Customer Services (UCS), will initiate negotiations with applicable collection companies to have payments wire transferred into the City’s bank account. The wire transfer of these funds is one alternative for eliminating identified risks associated with receipt of checks from those companies (e.g., checks not safeguarded and/or not deposited in a timely manner).</li> </ul>	<ul style="list-style-type: none"> <li>✓ Resolved during prior period through alternative measures.</li> </ul>
<ul style="list-style-type: none"> <li>• To allow the State Attorney a means to successfully prosecute non-sufficient funds checks on behalf of the City, the Revenue Office will issue written instructions to applicable departments/offices as to the specific identifying information that must be captured when checks are accepted as payment.</li> </ul>	<ul style="list-style-type: none"> <li>✓ The Revenue Office notified City departments and offices of the information that should be captured in order to allow the State Attorney to prosecute non-sufficient funds (worthless) checks.</li> </ul>
<ul style="list-style-type: none"> <li>• The Revenue Office will develop and submit to applicable City departments/offices comprehensive written procedures that address all aspects of the cash collection and processing function.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Although not finalized as of March 31, 2003, the Treasurer-Clerk’s Office completed comprehensive procedures for cash collection and processing activities in June 2003. Those procedures were distributed to applicable City departments and offices (through the Leadership Team) on July 16, 2003.</li> </ul>
<p><b>Parking Meter Collections</b></p>	
<ul style="list-style-type: none"> <li>• The Revenue Office will update the City’s parking meter database to reflect all current metered parking spaces and the type canister placed in each of those meters.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Completed during prior period.</li> </ul>
<ul style="list-style-type: none"> <li>• The Revenue Office will determine the most appropriate canister type to place in each of the City’s parking meters.</li> </ul>	<ul style="list-style-type: none"> <li>✓ The Revenue Office determined the most appropriate canister type (e.g., locked or open container) that should be placed in each parking meter reflected in the updated inventory (database). Factors used in making those</li> </ul>

	determinations included meter location and collection route.
<ul style="list-style-type: none"> <li>After making the above determinations (see preceding action step), canisters will be replaced as necessary to ensure the most appropriate canister type is placed in each meter.</li> </ul>	<ul style="list-style-type: none"> <li>Using the information obtained on actual and preferred canister types (see above action plan steps), the Revenue Office identified those meters for which the current canister was not the preferred type. The Revenue Office then requested Traffic Engineering to replace the canisters in those meters with the preferred canisters. Traffic Engineering indicated that those changes would be completed by the end of May 2003.</li> </ul>
<ul style="list-style-type: none"> <li>The Revenue Office will continue to perform analytical procedures that compare actual collections with anticipated collections.</li> </ul>	<ul style="list-style-type: none"> <li>Completed during prior period. (This is an on-going process.)</li> </ul>
<ul style="list-style-type: none"> <li>Traffic Engineering will develop written procedures that provide for notification to and coordination with the Revenue Office in regard to: (1) the acquisition of collection canisters, (2) the placement and replacement of canisters in meter housings, (3) the placement and removal of parking meters, and (4) changes to meters as to parking time allowed.</li> </ul>	<ul style="list-style-type: none"> <li>Completed during prior period.</li> </ul>

**Table Legend:**

- Issue addressed in the original audit

- Issue addressed and resolved

**Conclusion**

The Revenue Office, with the cooperation and assistance of other City departments, has successfully completed all action plan steps identified in audit report #0134. The actions taken should provide increased assurances that collections are properly, efficiently, and timely processed and deposited. We commend the Revenue Office for their efforts in completing those actions.

We encourage the Revenue Office to continue monitoring activity and risks related to cash. Such monitoring efforts should be directed towards: (1) ensuring existing controls are properly applied and (2) implementing appropriate control measures as circumstances change and new risks are identified.

We appreciate the response and assistance provided by the Revenue Office during this audit follow up.

**Response from  
Appointed Official**

**City Treasurer-Clerk:**

The Treasurer-Clerk's Office is very pleased that the Revenue Division has successfully completed all action plan steps identified in the "Citywide Cash Controls-Revenue Office" audit, report #0134. We concur with the Auditor's conclusion that the actions taken will provide increased assurances that collections are properly, efficiently, and timely processed and deposited. We also commend the staff of the City Auditor for the professional manner in which the review was conducted.

Copies of this Final Audit Follow Up (#0322) or audit report #0134 may be obtained from the City Auditor's web site (<http://talgov.com/citytlh/auditing/index.html>), or via request by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail, or in person (City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail ([dooleym@talgov.com](mailto:dooleym@talgov.com)).

Audit Follow Up conducted by:  
 T. Bert Fletcher, CPA, Audit Manager  
 Sam M. McCall, CPA, CIA, CGFM, City Auditor