City and County of San Francisco

Office of the Controller – City Services Auditor

CITYWIDE CASH TRANSACTIONS:

Combined Report of Six Audits in Fiscal Year 2014-15—Departments Need to Improve Cash Handling

December 23, 2015

OFFICE OF THE CONTROLLER
CITY SERVICES AUDITOR

The City Services Auditor (CSA) was created in the Office of the Controller through an amendment to the Charter of the City and County of San Francisco (City) that was approved by voters in November 2003. Charter Appendix F grants CSA broad authority to:

- Report on the level and effectiveness of San Francisco's public services and benchmark the City to other public agencies and jurisdictions.
- Conduct financial and performance audits of city departments, contractors, and functions to assess efficiency and effectiveness of processes and services.
- Operate a whistleblower hotline and website and investigate reports of waste, fraud, and abuse of city resources.
- Ensure the financial integrity and improve the overall performance and efficiency of city government.

CSA may conduct financial audits, attestation engagements, and performance audits. Financial audits address the financial integrity of both city departments and contractors and provide reasonable assurance about whether financial statements are presented fairly in all material aspects in conformity with generally accepted accounting principles. Attestation engagements examine, review, or perform procedures on a broad range of subjects such as internal controls; compliance with requirements of specified laws, regulations, rules, contracts, or grants; and the reliability of performance measures. Performance audits focus primarily on assessment of city services and processes, providing recommendations to improve department operations.

CSA conducts audits in accordance with the Government Auditing Standards published by the U.S. Government Accountability Office. These standards require:

- Independence of audit staff and the audit organization.
- Objectivity of the auditors performing the work.
- Competent staff, including continuing professional education.

Quality control procedures to provide reasonable assurance of compliance with the auditing standards.

For questions regarding the report, please contact Director of City Audits Tonia Lediju at Tonia.Lediju@sfgov.org or 415-554-5393 or CSA at 415-554-7469.

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City and County of San Francisco

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Citywide Cash Transactions: Combined Report of Six Audits in Fiscal Year 2014-15—Departments Need to Improve Cash Handling

December 23, 2015

Purpose of the Audits

The Office of the Controller's City Services Auditor Division (CSA) audited the adequacy of cash-handling processes and controls at eight cash collection points of six departments of the City and County of San Francisco (City). The six audits determined whether city departments have effective controls to accurately collect and safeguard cash and properly and promptly deposit the cash they receive. The objectives of CSA's cash receipts audits are to develop a systematic process to monitor the City's cash receipt accounts and cash entry points and to detect risks and irregularities that warrant further review. This is the fifth annual report in a series of planned annual cash transaction assessments and audits that CSA will perform at selected city departments.

Highlights

Of eight selected cash collection points, the cash-handling processes at one are generally adequate, five need some improvement, and two need major improvement. The audits resulted in 28 findings that were classified into nine overarching findings, each applying to at least one cash collection point:

- Timely endorsement and/or depositing of cash receipts needs improvement.
- Training of staff in cash-handling procedures needs improvement.
- Procedures for recording and monitoring cash need improvement.
- Physical safeguarding of cash receipts needs improvement.
- Fees are inaccurately or inconsistently assessed.
- Segregation of cash-handling duties is weak.
- Some cash-handling policies and procedures are inadequate.
- Collection locations do not display signs informing customers that they must receive a receipt.
- Controls over cash collections have been improved, which made the control environment generally adequate.

The departments generally concurred with CSA's findings and agreed to implement the majority of the recommendations.

Recommendations

The audits resulted in 36 recommendations for city departments to strengthen their cash-handling controls. Recommendations include:

- Create and enforce policies to endorse all checks immediately upon receipt.
- Deposit cash collected by the business day following its receipt or contact the Controller's Accounting Operations and Systems Division and the Office of the Treasurer and Tax Collector if other arrangements are needed.
- Ensure that annual cash-handling training is provided to staff and that records of the training and participation are kept.
- Adequately segregate among different employees incompatible cash-handling functions.
- Create departmental cash-handling policies and procedures, and require all employees who handle cash to follow them.

Copies of the full report may be obtained at:
Office of the Controller ● City Hall, Room 316 ● 1 Dr. Carlton B. Goodlett Place ● San Francisco, CA 94102 ● 415.554.7500
or on the Internet at http://www.sfgov.org/controller

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CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

December 23, 2015

City Departments and Agencies:

The City Services Auditor Division (CSA) of the Office of the Controller (Controller) presents its annual report on the audits of citywide cash transactions for fiscal year 2014-15. CSA audited the adequacy of cash-handling processes and controls at eight cash collection points of six departments of the City and County of San Francisco. The audits' objective was to determine whether the departments have effective controls to accurately collect and safeguard cash and properly and promptly deposit the cash they receive.

CSA classifies locations with stronger cash-handling processes as generally adequate and those with few instances of control weaknesses as needing some improvement. CSA concluded that cash-handling processes at one of eight selected cash collection points are generally adequate, but six need some improvement and two need major improvement. The audits resulted in 28 findings and 36 recommendations for departments to consider. The departments generally concurred with CSA's findings and agreed to implement the majority of recommendations.

CSA appreciates the assistance and cooperation provided during the audits by the management and staff of the departments and agencies audited. CSA will work with these departments to follow up on the status of the recommendations. Also, CSA will work with the Office of the Treasurer and Tax Collector and the Controller's Accounting Operations and Systems Division to maintain updated information regarding the condition of departments' cash-handling processes.

For questions about the report, please contact me at Tonia.Lediju@sfgov.org or 415-554-5393 or CSA at 415-554-7469.

Respectfully,

Tonia Lediju
Director of City Audits

cc: Board of Supervisors
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TABLE OF CONTENTS

Glossary ii

Introduction 1

Chapter 1 – Cash-Handling Processes Could Be Improved 7

Finding 1.1 Timely endorsement and/or depositing of cash receipts needs improvement 8

Finding 1.2 Training of staff in cash-handling procedures needs improvement 8

Finding 1.3 Departments must improve their procedures for recording, tracking, and monitoring of cash receipts 9

Finding 1.4 Physical safeguarding of cash receipts needs improvement 11

Finding 1.5 Departments do not ensure that fees are accurately or consistently assessed 12

Finding 1.6 Controls over custody and segregation of duties are weak 13

Finding 1.7 Some cash-handling policies and procedures are absent or inadequate 14

Finding 1.8 Departments need to display signs informing customers that they must receive receipts 15

Finding 1.9 One collection point has improved its processes for handling cash receipts, thereby strengthening internal controls 16

Chapter 2 – Summary of Departments' Responses to Findings and Recommendations 19

Appendix A: Cash Collection Point Survey A-1

Appendix B: Risk Assessment Criteria B-1

GLOSSARY OF TERMS

Cash	Coin, currency, checks, electronic fund transfers, and credit card transactions
City	City and County of San Francisco
Controller	Office of the Controller
CSA	City Services Auditor Division of Office of the Controller
Treasurer	Office of the Treasurer and Tax Collector
The Unit	Cash Reconciliation Unit of Office of the Controller

INTRODUCTION

Background

The Office of the Controller (Controller) issued Departmental Guidelines No. 003-12, "Cash Handling Guidelines," to all departments of the City and County of San Francisco (City) in October 2011. These guidelines establish requirements for the handling of cash and are intended to assist departments in documenting their cash-handling procedures to ensure that effective controls exist.

City cash-handling guidelines cover nine control areas.

Cash is defined as coin, currency, checks, electronic fund transfers, and credit card transactions. To ensure consistency of operations and reduce the risk of errors, irregularities, and misappropriation of cash, departments' internal controls over cash receipts should include:

- Policies and procedures
- Adequate segregation of duties
- Safeguarding of cash
- Supervisory review and approval
- Staff training

Exhibit 1 summarizes the control areas and key elements per the City's cash-handling guidelines.

EXHIBIT 1 City Cash-Handling Guidelines: Key Elements

Control Area	Key Elements*
Written Procedures	• General information about sources of cash received and bank accounts, cash receipts processes describing methods of receiving payment and deposits, reconciliation of deposits, accounting procedures, and inventory control over receipt books, among others. • Employees must be trained in the handling of cash, based on their duties. • A list of all staff involved with various phases of the cash-handling process must be maintained.
Segregation of Duties	Enforce dual custody by implementing procedures that: • Require at least two employees to be present to open the safe. • Prohibit employees responsible for collecting cash from preparing bank deposits. • Require that cash counts be conducted and cash acceptance be certified by two employees for armored courier shipments. • Require a supervisor to observe and verify each cashier's cash count for end-of-day balancing.
Security	• Analyze the security needs of each cash collection point, which might include security cameras, security guards, and securing the safe and cash registers or point-of-sale systems. • Avoid counting cash in view of the public. • Ensure that another employee or security officer accompanies any employee transporting large amounts of cash and checks. • Regularly change passwords to point-of-sale systems.
Tracking of Cash	• Perform and document beginning cash counts. • Implement a cash management system that allows each cashier to have his or her own drawer and be held responsible for cash overages or shortages.
Payment Collection and Depositing of Cash	• Establish procedures to have supervisors routinely collect revenue from cash collection points. • Require deposits of cash with the Office of the Treasurer and Tax Collector (Treasurer) or a city bank account no later than one business day after its receipt.
Inventory Control Over Cash Receipt and Register Books	• Develop an inventory control system for receipt books that includes, for example, use of pre-numbered receipts. • Implement policies and procedures related to customer receipt issuance to systematically account for sales transactions, including installing a cash register that generates sequenced receipts with transaction amount, date, time, quantity, and description.
Controls Over Credit Cards	• Ensure that customers always sign the merchant's copy of the credit card receipt if more than $25. • Ensure that customer credit cards are returned.
Reconcile Collections Daily	• Ensure that cash, checks, and credit/debit card collections on each cashier's balance sheet match the cashier recap and note any discrepancies. • Ensure that a supervisor reviews and approves any adjustments to financial reports.
Train Cash-Handling Staff	• Ensure that employees are well-trained in important cash-handling functions by implementing a detailed annual training program.

*Note: The full list of elements for each control area can be found in the city cash-handling guidelines.

Source: City cash-handling guidelines.

Eight cash collection points at six departments were audited.

Based on the 2012 survey responses received from city departments, there are 336 locations throughout the City that process cash, doing so for a variety of services. The Controller's City Services Auditor Division (CSA) used a risk assessment process to determine the six departments at which it performed the cash transactions audits for fiscal year 2014-15. The departments and collection points selected were the:

1) Department of Public Health
   - Community Behavioral Health Services' Behavioral Health Billing Office
   - Community Behavioral Health Services' Mission Health Clinic

2) Department of Public Works
   - Business Services Division
   - Corporation Yard

3) General Services Agency—City Hall Events Department

4) San Francisco Police Department—Permits Unit

5) Recreation and Park Department—Permits and Reservations Division

6) San Francisco Municipal Transportation Agency—Temporary Sign Shop

These departments collect cash through fees.

Exhibit 2 summarizes the estimated revenue amounts collected at each audited cash collection point.

EXHIBIT 2 Summary of Collections by Department

	Annual Collections[a]	
Cash Collection Point	Fiscal Year 2013-14	Fiscal Year 2014-15
San Francisco Police Department – Permits Unit[b]	$10,242,989	$9,436,672
Department of Public Health – Community Behavioral Health Services	8,923,267	10,811,616
San Francisco Municipal Transportation Agency – Temporary Sign Shop	1,714,390	2,001,279
General Services Agency – City Hall Events Department	1,595,115	1,582,427
Recreation and Park Department – Permits and Reservations	1,479,461	1,561,903
General Services Agency – Department of Public Works' Business Services Division and Corporation Yard[c]	891,822	936,421
TOTAL	**$24,847,044**	**$26,330,318**

Notes:
[a] Includes only the revenue of each audited cash collection point, not the entire department.
[b] Permits Unit collections are recorded as "Other Public Safety Charges," which include several other types of collections.
[c] Amounts include cash directly collected by the Business Services Division and cash it receives and processes on behalf of other Public Works bureaus, including the Bureau of Building Repair, Bureau of Sewer Repair, Bureau of Urban Forestry, and Bureau of Street Environmental Services, all of which have offices located at the Corporation Yard.

Source: City's accounting system.

Objectives

The objectives of the audits were to:

1. Develop and execute a systematic process to survey and monitor the City's cash receipt accounts and cash entry points to detect risks and irregularities that warrant further review.

2. Determine whether selected departments have adequate policies and procedures for handling cash.

3. Determine whether selected departments' cash collection points have adequate and effective controls to:

   - Collect the correct amount of cash.
   - Safeguard cash.
   - Ensure that all cash due to the City is

properly and promptly deposited into authorized city accounts.

Scope and Methodology

CSA audited cash-handling policies and procedures impacting eight cash collection points during July 2014 through June 2015.

For each department audited, CSA analyzed survey responses and selected a cash collection point to review.[1]

For each cash collection point, the team:

- Interviewed key departmental personnel about the procedures for collecting and handling cash receipts.
- Evaluated and verified existing security and controls for the handling of cash and recording of receipts.
- Conducted a walkthrough of the collection process with staff.
- Tested a sample of cash transactions in detail.

CSA classifies collection points with stronger cash-handling processes as generally adequate or satisfactory, and those with few instances of control weaknesses as needing some improvement. If significant control weaknesses exist, CSA determines that major improvement is needed. If departments have severely inadequate controls and unmanaged risks, CSA deems the control environment to be unsatisfactory.

[1] For a complete list of survey items, see Appendix A.

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CHAPTER 1 – Cash-Handling Processes Need Improvement

Summary

The cash-handling processes of two of eight selected cash collection points need major improvements, five others need some improvement to lessen the risks of theft and misappropriation, and one cash collection point was found to have generally adequate controls.

The audits resulted in nine overarching findings, each applying to at least one cash collection point.

Exhibit 3 summarizes the overarching findings at the six cash collection points. The departments to which each finding applies are not identified due to the sensitive nature of the findings.

EXHIBIT 3 Overarching Findings by Cash Collection Point Fiscal Year 2014-15

	Cash Collection Point							
Finding	A	B	C	D	E	F	G	H
Timely endorsement and/or depositing of cash receipts needs improvement	✓	✓	✓	✓	✓		✓	✓
Training of staff in cash-handling procedures needs improvement	✓	✓	✓	✓			✓	✓
Procedures for recording and monitoring of cash need improvement	✓	✓			✓			✓
Physical safeguarding of cash receipts needs improvement				✓		✓		✓
Fees are inaccurately or inconsistently assessed				✓		✓		✓
Segregation of cash-handling duties is weak					✓		✓	
Some cash-handling policies and procedures are inadequate					✓	✓		
Collection locations do not display signs informing customers that they must receive a receipt		✓		✓				
Controls over cash collections have been improved, which made the control environment generally adequate						✓		

Source: Fiscal year 2014-15 cash transaction audit reports.

Finding 1.1 — Timely endorsement and/or depositing of cash receipts needs improvement

Some departments do not ensure timely endorsement and/or deposit of cash receipts.

Seven cash collection points do not deposit cash daily or according to their approved deposit schedule, and four of these collection points do not endorse checks upon receipt. Departments must ensure that checks are endorsed upon receipt and deposit cash receipts by the next business day.

Checks should be endorsed upon receipt to ensure deposit into proper accounts.

According to the Association of Public Treasurers of the United States and Canada, all checks should be endorsed upon receipt. For checks that will be deposited by the City, it is important to endorse them immediately upon receipt to prevent fraud and improper deposit.

Cash should be deposited by the next business day.

The City's cash-handling guidelines state that cash must be deposited with the Treasurer or in a city bank account no later than the next business day after receipt. The guidelines also instruct that, if a department does not believe it can meet this requirement, it can contact the Controller.

When departments do not deposit cash promptly, the City loses interest earnings. Although the amount of interest earned on a given deposit may be small, the interest can add up over time to significant totals. Further, delays in depositing cash increase the risk that it may be lost or stolen.

Recommendations

Departments should:

1. Create and enforce policies to endorse all checks immediately upon receipt.

2. Deposit cash collected by the business day following its receipt. If other arrangements are necessary, departments should contact the Controller's Accounting Operations and Systems Division and the Office of the Treasurer Tax Collector to establish a different schedule.

Finding 1.2 — Training of staff in cash-handling procedures needs improvement.

Training staff in cash-

Six cash collection points do not provide annual cash-

handling helps ensure the integrity of cash collection.

handling training to their staffs as required. Although three of these six provide training to staff upon hire and the other three provide training as needed, the City's cash-handling guidelines require annual training.

According to the City's cash-handling guidelines, employees should be well trained in cash-handling functions and maintain segregation of duties. Departments should have a detailed annual training program, document the training that is provided, and explore ways to train employees involved in collections to increase their ability to detect counterfeit currency.

Without yearly training based on the City's cash-handling guidelines, staff may be unaware of best practices, such as how to identify fraudulent checks. A lack of annual training increases the possibility that staff will receive direction that does not comply with the City's guidelines, which can lead to inconsistencies in practice, errors, or the inappropriate handling of cash.

Recommendation

3. Departments should train staff annually in cash-handling and keep records of the training, including who participated.

Finding 1.3

Departments must improve their procedures for recording, tracking, and monitoring of cash receipts.

Some cash collection locations need to improve procedures for tracking cash.

Four cash collection points need to improve their recording and monitoring of cash receipts. Specifically:

- One location does not enter all required information on its invoice tracking logs and does not reconcile cash deposited to mail logs to ensure that all cash received by mail was deposited.
- One location does not reconcile cash receipts monthly as required.
- Evidence of required reviews was missing from reports and summaries at two locations. These same locations also do not track unused or voided receipts and issue new receipt books without ensuring that receipts in previously issued books have been used and accounted for. Further, a customer payment collected at one of the locations was not properly recorded in the department's billing system.

City guidelines require that departments document reviews and reconciliations throughout the cash-handling and deposit process.

By not maintaining a complete inventory of invoices containing all key invoice information, departments cannot easily determine whether all payments owed have been received. Further, not documenting reviews through the reviewer's signature or initials on the documents reviewed increases the risk that reviews are not performed and, in turn, increases the risk that cash is mishandled.

According to the City's cash-handling guidelines, departments should ensure that cash on the cashier's balance sheet at the end of the day matches the cashier's recap. Signatures on documents indicate that the signing employees were present for reviews and ensured that totals are appropriate.

Routine reconciliations may uncover errors that would otherwise go undetected and find discrepancies or problems with bank balances within a reasonable period. According to the City's guidelines for the processing of receipts, issued by the Treasurer as Departmental Guidelines 2014-1, departments must reconcile their bank accounts monthly and submit a monthly bank reconciliation to the Cash Reconciliation Unit of the Controller's Accounting Operations and Systems Division no later than the tenth day of the following month.

The City's cash-handling guidelines state that departments should develop an inventory system for receipt books. Such a system would use the range of numbers preprinted on receipts in the books in stock to record which books were used and returned. Also, departments should ensure that copies of these sequentially numbered receipts are compared to the amount of cash collected.

Recommendations

Departments should:

4. Ensure that all cash collections are recorded on tracking logs and that every listing in the logs contains complete information, such as the invoice date, invoice amount, vendor name, and invoice initiator.

5. Require that, before cash receipts entries are

approved to be posted in the City's accounting system, a secondary review is performed to ensure that all cash recorded as received in the mail log has been included for the deposit and recorded in the City's accounting system.

6. Ensure that reviews of end-of-day balancing are conducted and documented.

7. Implement an inventory control system over receipt books to ensure that receipts are issued sequentially and that unused and voided receipts are accounted for.

8. Record all payments in billing systems and correct the technical problem with the billing system that prevented the payment from being recorded.

9. Implement and document a formal process to ensure that monthly bank and cash reconciliations are performed and submitted to the Office of the Controller's Cash Reconciliation Unit (The Unit) no later than the tenth day of the following month. Ensure that any outstanding reconciling items identified by The Unit are promptly researched and resolved and that the resolution is communicated to The Unit.

Finding 1.4 **Physical safeguarding of cash receipts needs improvement.**

Security controls should exist wherever cash is handled.

Three cash collection points do not properly safeguard cash. Specifically, one collection point does not always secure cash collected in a locked drawer, one leaves cash received by mail in a hallway accessible to anyone, and one does not properly dispose of customer credit card information after processing payments.

Failing to provide proper safeguards unduly exposes City's assets and customer information to potential loss or theft.

The City's cash-handling guidelines state that security controls should exist wherever necessary to ensure proper safeguarding of cash. Such controls include strengthened security over cash by appropriately

securing cash registers.

Further, according to the Payment Card Industry Security Standards Council, in general, no cardholder data should be stored unless it is necessary to meet the needs of the business. Regardless, cardholder data should not be left unprotected. The collection point has subsequently implemented written guidance requiring the shredding of customer credit card information at the end of each business day.

Recommendations

Departments should:

10. Ensure that cash receipts are stored in a secure location.

11. Consider mitigating the risk of misappropriation of funds by requiring cash payments to be mailed to a different location. Any procedural changes should be documented in the department's cash-handling policies.

12. Ensure that staff follows the written policy requiring the shredding of documents containing customer credit card information immediately after payment is processed.

Finding 1.5

Departments do not ensure that fees are accurately or consistently assessed.

Departments must clearly communicate current fee schedules so that customers and employees are aware of the correct fee amounts.

Three cash collection points do not always accurately or consistently assess fees. Specifically:

- Two locations sometimes charged customers incorrect fees, which often resulted in undercharges. One of these locations allowed payment processing staff to override rates in the system without manager review, which resulted in errors.

- One location charged customers inconsistent rates for certain services, and some invoices provided to customers lacked sufficient detail to justify the rates charged.

Charging incorrect or inconsistent fees can result in customers being charged an unfair price and raises the risk that departments may not recoup their costs.

Further, by not consistently including sufficient detail in invoices to explain and justify the rates they charge, departments cannot be sure that the correct rates are applied. Invoices should be detailed enough to enable departments to determine whether charges are both correct and consistent.

Recommendations

Departments should:

13. Create and publish online a departmental master fee schedule that can be accessed by both staff and the public.

14. Promptly update fees in management systems when fee changes take effect, or create a departmental policy to document the date that the fee change will occur and ensure that when the fee change occurs, the public is notified.

15. Limit or remove permissions for staff to override fees or require a supervisor to approve fee overrides.

16. Ensure that departments charge customers rates consistent with the current rate schedule and that invoices provide sufficient detail to justify the rates charged.

17. Ensure that departments follow written policies requiring that a second employee reviews fee calculations to ensure that amounts are accurately calculated and recorded.

Finding 1.6

Controls over custody and segregation of duties are weak.

Two cash collection points inadequately segregate duties or do not segregate access to cash receipts tracking information. For example, at one unit, the same employee is involved in multiple, incompatible duties in the cash collection process. This employee can generate invoices, receive cash receipts, prepare the manual log of collections, provide the log and any cash receipts to the accounting unit for deposit, and monitor the status of the report of collections being deposited.

Proper dual custody methods reduce the possibility of errors, theft, or cash mishandling.

Cash-handling duties such as receiving cash, reconciling cash, depositing cash, and posting transactions should be segregated among different employees to reduce the possibility of errors, theft, and mishandling of cash.

Adequately segregating duties is critical to effective internal control because it reduces the likelihood that errors, both intentional and unintentional, will remain undetected by providing for separate processing by different individuals at various stages of a transaction and for independent reviews of work performed. The City's cash-handling guidelines require adequate segregation of duties and good internal controls in all phases of cash handling. This includes prohibiting employees responsible for collecting cash from preparing bank deposits.

Recommendations

Departments should:

18. Review cashiering functions and other administrative responsibilities and separate incompatible duties where possible.

19. Restrict and segregate access to mail and invoice logs so that they cannot both be modified by the same employee(s).

Finding 1.7

Some cash-handling policies and procedures are absent or inadequate.

Two cash collection points need to strengthen their written cash-handling policies and procedures. The policies and procedures at one collection point do not provide details about the sources of cash received, instructions for staff on collecting, processing, monitoring, or recording collections, or a list of individuals responsible for each step of the collection process. The other collection point does not always collect fees before providing services, and procedures do not require customers to pay for services far enough in advance to ensure that staff can provide services in accordance with the City's Municipal Code.

The City's cash-handling guidelines state that departments should develop, formalize, and update

procedures to use in processing transactions and handling collections. These guidelines require that written policies and procedures include a description of the methods for receiving customer payments, a description of how customer deposits are to be processed, and a list of persons who are authorized to collect cash, record cash receipts, deposit cash, reconcile cash, have access to safes, prepare accounting entries, and manage revolving funds.

Policies and procedures help ensure that employees effectively and consistently perform their duties.

Written policies and procedures are essential to ensure that staff can effectively and consistently perform duties in accordance with documented guidelines. Not having complete and updated written policies and procedures increases the risk that employees will use inconsistent practices in handling and processing cash.

Recommendations

Departments should:

20. Create cash-handling policies and procedures based on the Office of the Controller's Departmental Guidelines No. 003-12, "Cash Handling Guidelines," for all locations and require all employees who handle cash to follow these policies and procedures.

21. Consider dedicating more employees to ensure that they collect fees before providing services. Alternatively, consider modifying existing procedures by increasing the number of days before service delivery by which requests for services must be submitted.

Finding 1.8

Departments need to display signs informing customers that they must receive receipts.

Two collection points lack signage stating that a receipt must be provided.

Two cash collection points do not display signs informing customers that a receipt must be provided to customers with each transaction. According to the City's cash-handling guidelines, departments should implement policies and procedures related to customer receipt issuance at each transaction location to systematically account for sales transactions, including placing at each location a sign that states that receipts must be provided to customers.

Failure to post such a sign increases the risk that staff will not provide receipts to customers for their payments, that customers will not ask for receipts, and that, consequently, staff may have a greater opportunity to misappropriate cash.

Recommendation

22. Departments should, at all locations where customers pay in person, post signs informing customers that receipts must be issued.

Finding 1.9

One collection point has improved its processes for handling cash receipts, thereby strengthening internal controls.

Due to a prior audit, one location has significantly improved its cash-handling.

One cash collection point has significantly improved its cash-handling processes due to a previous audit of the location. The location has streamlined its procedures for processing transactions and has implemented stronger procedures for collecting, tracking, depositing, and recording payments received.

CHAPTER 2 – Summary of Departments' Responses to Findings and Recommendations

Summary

CSA's findings and recommendations were widely accepted by the six departments audited.

Individual audits were favorably received by departments.

Each audited department generally concurred with CSA's findings. Departments also agreed to implement most recommendations, considering them feasible.

CSA will continue to audit the cash-handling processes and controls throughout the City each fiscal year. CSA will also collaborate with the Treasurer to determine whether there have been major changes in departments' cash-handling environments. This ongoing process will ensure that CSA properly assesses risks throughout the City. CSA will publish a report on the findings annually and continue to monitor all recommendations to ensure that departments properly address them.

City departments should continue to focus on improving their cash-handling procedures. Effective cash collection controls are beneficial in every operation, and there is no greater responsibility than safeguarding the money of the people of San Francisco.

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APPENDIX A: CASH COLLECTION POINT SURVEY

CSA collected information from city departments about their cash collections using two categories of questions in a survey that CSA and the Treasurer issued to 61 departments in July 2012. The information items and their categories are shown below.

Cash Collection Point Information

- Location name
- Purpose of collections
- Subobject code for cash receipts in City's accounting system
- Location address
- For each collection type (currency and coins, checks, credit cards, wire transfers, and lock box):
    - Average value per business day
    - Average number of transactions per business day
    - Average value per month
    - Average number of transactions per month
- For deposits of cash and checks:
    - Average number of deposits per month
    - Frequency of deposits
    - Bank account number to which deposits are made
- For armored cars:
    - Average value per pickup
    - Average number of pickups per month
    - Frequency of pickups

Controls Information

- Do you have written policies and procedures for this location?
- Do written procedures accurately reflect all current practices?
- Is training on cash-handling policies and procedures provided to all employees who handle cash?
- Is cash-handling training completed annually and is the training fully documented?
- Are all the following duties generally performed by different people?
    - Collection of cash
    - Preparation of deposit slips
    - Maintenance of mail receipts log
    - Reconciliations (for example, reconciling of cash collection records to City's accounting system and to bank statements, as applicable)
- Are receipts provided for all cash collected?
- What types of receipts are provided to customers?
    - Cash register receipt
    - Receipt from pre-numbered receipt book

  - Tickets or passes
  - Other; please describe
- Are all cash receipts (currency, checks, and credit card) deposited daily?
- Is a deposit slip prepared (and certified by the preparer's signature) for all cash received?
- Is cash received used to cash employee checks, as a change fund, or to pay for expenses?
- Are cash shortages identified, recorded, and reported?
- How is cash physically safeguarded against theft?
  - Locked drawer?
  - Locked safe?
  - Security camera?
  - Other? If so, please describe.
- Are register/computer users assigned unique log-ins/passwords?
- Does management have knowledge of any fraud or suspected fraud related to cash receipts in the current fiscal year or prior two fiscal years?

APPENDIX B: RISK ASSESSMENT CRITERIA

Criterion	Description
Monthly value of transactions	• The value of a department's monthly collections. The higher the value, the higher the perceived risk.
Daily frequency of transactions	• The number of transactions in the department per day. The more transactions, the higher the perceived risk.
Collection complexity	• City departments use different methods to collect cash, and a department may use more than one method. The more methods used, the higher the perceived risk.
Extent of centralization	• The design and number of departments' cash collection points vary. The more locations, the higher the perceived risk.
Survey signals	• Some departments' answers to the survey questions indicated potential internal control weakness that required follow-up inquiry and investigation. The more such answers, the higher the perceived risk.

Source: Auditor's analysis.