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CITY OF CORAL GABLES, FLORIDA

Internal Audit of Cash Management in the following Departments:
Parks and Recreation.
Parking Services,
Public Works,
Development Services, and
Finance Department

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EXECUTIVE SUMMARY

Overview

Crowe Horwath LLP (“Crowe” or “we”) performed internal audit procedures related to The City of Coral Gables’ cash management processes. The objectives of the audit were to review and document the cash collection processes throughout the City; determine the existence and adequacy of internal controls; identify opportunities for operating efficiencies; verify compliance with established policies and procedures; and recommend improvements where needed based on the procedures performed.

Summary of Results

The following is a summary of our observations as a result of our procedures. We listed the opportunity for improvement and corresponding risk rating.

Process	Observation #	Audit Finding	Risk Rating**
Parks & Recreation	1	Segregation of Duties	High
Parks & Recreation	2	Safe Controls and Security	Moderate
Parks & Recreation	3	Manual Entry into the General Ledger	Moderate
Parks & Recreation	4	Cash Transaction Supporting Documentation	High
Parks & Recreation	5	Policies and Procedures Update	Low
Development Services	6	Safe Controls	Low
Development Services	7	Lack of Written Refund Policy and Procedures	Low
Development Services	8	Lack of Formal Written Policy and Procedures	Moderate
Development Services	9	Insufficient Documentation Related to Permit Applications Maintained on Site	Low
Parking Services	10	Review of SOC-1 Reports from Third Party Administrators	High
Parking Services	11	Lack of Formal Written Policy	Moderate
Parking Services	12	Meter Collection Backup	Low

EXECUTIVE SUMMARY

Parking Services	13	Lack of GPS Tracking	Low
Finance Department	14	Checks Received by Mail	Moderate
Finance Department	15	Lack of Formal Written Policy	Moderate
Public Works	16	Segregation of Duties	High
Public Works	17	Lack of Formal Written Policy	Moderate
Public Works	18	Drop safe controls	Low

**For explanation of *Risk Rating* determination, refer to page 5.

INTRODUCTION

Parks and Recreation Background

The City of Coral Gables' Parks and Recreation Division operates not only sports and leisure activities for the residents of Coral Gables, FL, but also invests significant resources in the beautification of the City. The Division oversees approximately 42 parks in Coral Gables. The Division operates and maintains parks, various athletic fields and courts, tennis facilities, golf courses and one pool, the Coral Gables Venetian Pool a 4-acre facility which hosts the largest freshwater pool in the United States.

Parking Services Background

The City of Coral Gables' Parking Services Division operates public parking for the residents and visitors of Coral Gables, FL. The Division oversees approximately 22 parking lots and 4 garages in Coral Gables. The Division operates and maintains parking areas, collects parking fees, and issues parking permits.

Public Works Background

The City of Coral Gables' Public Works operates the Sanitation, Landscape Services, Engineering, Facilities Maintenance, Utilities, Right-of-Way Maintenance and Automotive Divisions for the residents of Coral Gables, FL. The Division operates and provides maintenance to city facilities, parks, entrances, streetlights. Additionally, it maintains essential services such as street sweeping, road walk/sidewalk repairs, canals, as well as transportation and planning, all while providing high quality friendly service that ensures that the public receives excellent services while minimizing environmental impacts.

Development Services Background

The City of Coral Gables' Development Services Department oversees the Planning & Zoning, Building, and Code Enforcement Divisions. The Department provides services including the review, processing, and issuance of permits and assurance that construction complies with all applicable codes.

Finance Department Background

The Finance Department safeguards the fiscal integrity of the City, reports accurate and timely financial information to the City Commission, the City Manager and the public, and provides financial management and record-keeping support to all the City departments to enable them to carry out their duties efficiently.

INTRODUCTION

Scope

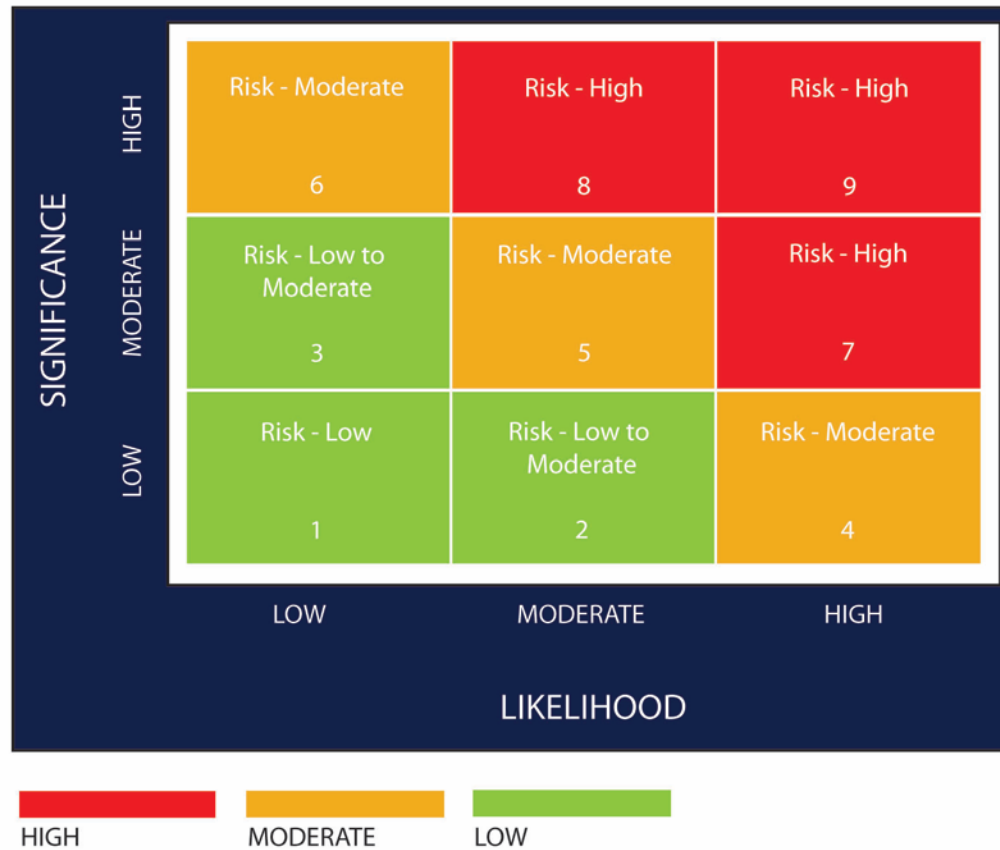
The scope of this audit included the following:

- Reviewing the policies and procedures related to revenue collections and cash receipt controls in the following Departments and Division/Areas:
 - **Parks and Recreation Department:**
 - Venetian Pool
 - Tennis Centers
 - Youth Centers
 - **Parking Services Department:**
 - Pay by Phone
 - Parking Garages
 - Parking Meters
 - **Public Works Department:**
 - Solid Waste Services
 - Sanitary Sewer Services
 - Storm water Utility
 - **Development Services Department:**
 - Building Services
 - Code Enforcement
 - Planning and zoning
 - **Finance Department**
- Evaluation of the operating effectiveness of internal controls over cash and personnel.
- Selection and testing of cash receipts, fee schedules, and employee background check procedures.
- Review of policies and procedures and other supporting documentation provided by the Department/Division.
- Test transactions to ensure receipts are accurately processed and deposited.
- Verified management oversight throughout the collection and deposit process.
- Performed control walkthroughs with various City personnel responsible for handling cash to observe the design of controls and understand the cash management processes.
- Performed site visits to observe and document cash collection procedures in practice.
- Reviewed the safeguarding controls over the physical cash collections.

INTRODUCTION

Risk Management

Risks are evaluated based on its “significance” to management’s strategy and its “likelihood” to occur. This will result in a risk profile of the highest risks to the organization as presented below:



PROCEDURES PERFORMED

Gain an understanding of the cash management policies and procedures related to revenue collection throughout the City. Identified the following Departments that process revenue and performed the procedures documented below.

RESULTS

Parks and Recreation

- Crowe performed interviews and discussions over the course of the audit with the Parks and Recreation Department. Interview procedures were held with key personnel within each division. Our understanding of policies and procedures were reviewed and tested throughout all aspects of the audit.
- Crowe reviewed cash management policies and procedures of the Parks & Recreation Department, including a review of any department-level procedures. **See opportunity for improvement #1, #2 and #5.**
- Crowe reviewed the CLASS module for system and the systems compatibility with Eden. It was determined that CLASS is not a sufficient module for the Parks and Recreation Division. **See opportunity for improvement #3.**
- Crowe obtained a listing of employees authorized to receive and record cash transactions and we selected a sample of 5 employees to test for appropriate background checks. **Crowe noted no control exceptions during the testing.**
- Crowe obtained a list of cash receipts for the parks and recreation department and used the list to make a sample selection for testing purposes. Crowe selected a sample of cash receipts for the Venetian pool, tennis centers and youth center to evaluate the related controls for recording and reconciling the cash receipt transaction. Crowe received cash receipt evidence from Finance. **See opportunity for improvement #4.**
- Crowe selected a sample of 5 voided transactions to evaluate the related controls. **Crowe noted no control exceptions during the testing.**

Development Services

- Crowe performed interviews with key personnel and had discussions with staff over the course of the audit with the Development Services Department. Interviews were held with key personnel within each division. Additionally, Crowe reviewed policies provided by the department. Our understanding of policies and procedures related to cash receipts were reviewed and tested throughout all aspects of the audit. **See opportunity for improvement #6.**
- Crowe obtained a listing of employees authorized to receive and record cash transactions and we selected a sample of 5 employees to test for appropriate background checks. **Crowe noted no control exceptions during the testing.**

PROCEDURES PERFORMED

RESULTS

- Crowe obtained a list of cash receipts for the building, planning and zoning and code enforcement divisions and used the list to make a sample selection for testing purposes. We made a sample selection of cash receipts and tested the review and approval procedures as well as compliance with written policies. **See opportunity for improvement #7, #8 and #9.**
- Crowe obtained a list of bond payments received in accordance with City ordinance and used the list to make a sample selection for testing purposes. We made a sample selection and confirmed that the receipt of the bond payment was properly refunded back to the applicant in accordance with City ordinance. **Crowe noted no control exceptions during the testing.**

Parking Services

- Crowe performed interviews and discussions with key personnel over the course of the audit with the Parking Services Department. Crowe reviewed cash management policies and procedures of the Parking Services Department, including a review of any department-level procedures.
- Our understanding of policies and procedures related to cash receipts were reviewed and tested throughout all aspects of the audit. Through interviews with key personnel, Crowe determined the division's core procedures and tested appropriate internal controls throughout the division. **See opportunity for improvement #10, #11, #12 and #13.**
- Crowe obtained a listing of employees authorized to receive and record cash transactions and selected a sample of 3 employees to test for appropriate background checks. **Crowe noted no control exceptions during the testing.**
- Crowe obtained a list of cash receipts for parking services and used the list to make a sample selection for testing purposes. Crowe selected a sample of 20 receipts to evaluate the related controls for recording and reconciling the cash receipt transaction. Crowe received cash receipt evidence from Finance. **Crowe noted no control exceptions during the testing.**

Finance

- Crowe performed extensive interviews and discussions over the course of the audit with the Finance Department. Interview procedures were held with key personnel within the department. Our understanding of policies and procedures related to cash receipts were reviewed and tested throughout all aspects of the audit. Through interviews with key personnel, Crowe determined the department's core procedures and tested appropriate internal controls.
- Crowe reviewed all policies and procedures related to cash receipts vital to the operations of the Finance Department, including a review of any department-level procedures. **See opportunity for improvement #14 and #15.**

PROCEDURES PERFORMED

RESULTS

- Crowe obtained a listing of employees authorized to receive and record cash transactions and selected a sample of 5 employees to test for appropriate background checks. **Crowe noted no control exceptions during the testing.**
- Crowe obtained a list of cash receipts processed in the finance department and used the list to make a sample selection for testing purposes. Crowe selected a sample of 20 receipts to evaluate the related controls for recording and reconciling the cash receipt transaction. **Crowe noted no control exceptions during the testing.**

Public Works

- Crowe performed interviews and discussions over the course of the audit with the Public Works. Interviews were held with key personnel within each Division. Additionally, Crowe reviewed formal policies and manuals. Our understanding of policies and procedures related to cash receipts were reviewed and tested throughout all aspects of the audit.
- We obtained formal policies and procedures and thoroughly evaluated actual procedures for compliance throughout all aspects of the audit. **See opportunity for improvement #16, #17 and #18.**
- Crowe obtained a listing of employees authorized to receive and record cash transactions and selected a sample of 3 employees to test for appropriate background checks. **Crowe noted no control exceptions during the testing.**
- Crowe obtained the fee receipt register detail for the public works department and used the list to make a sample selection for testing purposes. We made a sample selection of 20 items and tested the review and approval procedures as well as the cash management for compliance with written policies. **Crowe noted no control exceptions during the testing.**

OBSERVATION AND RECOMMENDATION

Parks and Recreation

1. OPPORTUNITY FOR IMPROVEMENT – Segregation of Duties: **HIGH RISK**

The department's written policies and procedures are not comprehensive enough to ensure the appropriate handling of funds and treatment of adjustments posted to customer's accounts. Although employees with approval access are instructed not to make adjustments on customers' accounts without the prior approval of a supervisor and a director, the CLASS system does not limit these adjustments. The lack of appropriate segregation of duties hinders the department's ability to ensure that all funds and accounts are appropriately recorded, authorized, and reconciled.

Recommendation: The Parks and Recreation Department should update policies and procedures to improve appropriate segregation of duties to ensure that an individual is not involved in more than one of the following processes:

- Handling cash and recording cash receipts
- Authorizing write-offs or posting adjustments to customer account
- Reconciling accounts and posting entries into the system

Management Response / Action Plan: The Department is currently in the process of transitioning to a new recreation management software which will address the potential risks identified by this audit. All financial policies related to the processing of transactions on-line and in person will undergo revision to comply with RecTrac's operating system.

As it relates to the segregation of duties, RecTrac allows for the creation of various profile specific user groups with segregated permissions and authorizations. The Department has identified the following user groups to be implemented: ADMIN – which will allow identified IT personnel full access to customize the system, users and modules. MANAGEMENT – which will allow for identified administration personnel full access to maintain users, modules, process account adjustments and make corrections as needed. SUPERVISOR LEVEL 2 – which will allow for high level supervisors access to enter and edit their facility specific modules, process refunds and make corrections to transactions prior to the daily batch. SUPERVISOR LEVEL 1 – which will allow for select staff to maintain modules and reverse charges prior to the daily batch. FRONT DESK – which will allow for all GSR and office staff access to process transactions in their facility specific modules. VIEW – which will allow contractors, volunteers and other identified personnel access to pull reports and rosters for their respective programs.

Account adjustments will not be accessible for staff to process, and any corrections to customer accounts will have to undergo a documented request with approval process from the Director and Assistant Director. Only the ADMIN and Management user groups will have access to edit account adjustments. Cash refunds from the register will only be granted with the approval of a Supervisor (username and password must be entered by the supervisors to grant staff access) and authorized refunds will be logged and signed off by the supervisor at the completion of the end of day reconcile.

OBSERVATION AND RECOMMENDATION

Finally all Department policies regarding cash handling will be updated to specify that end of day reconciles must be completed by a Supervisor and may not be completed by the same user who handled the transactions throughout the identified shift.

2. **OPPORTUNITY FOR IMPROVEMENT – Safe Controls and Security:** **MODERATE RISK**

During our observation and discussion with department staff, all full time staff have access to the drop safes on site at the youth center. In addition, the drop safes combinations are not changed on a regular basis.

Recommendation: We recommend that access to the safe be limited to supervisory and authorized personnel. We further recommend that the department maintain an up to date list of all individuals who have the combination to the safe and review on a regular basis to determine if such access is still required for current job duties or whether they have terminated their employment. In addition, the safe's combination should be changed at least annually or when someone leaves the department.

Management Response / Action Plan: Currently all facilities have a drop safe in place, which allows staff to submit their change bank and end of day deposit without requiring access to the safe combination. Only supervisory staff has access to these safe combinations.

The Department will be updating their policy as it relates to the security of all facility safes, by mandating an annual change to all safe combinations at the completion of the fiscal year, as well as a required change following any modification in authorized staff positions through promotion, demotion, resignation, termination or other. At the start of each fiscal year, all facility supervisors will submit a safe security report to the Director and Assistant Director confirming the change of combination, identifying the staff with access to the combination and listing the total monetary cash value in each facility safe with a detailed explanation of the use of these funds and how they are allocated by register specific change banks, petty cash or other.

3. **OPPORTUNITY FOR IMPROVEMENT – Manual Entry into the General Ledger:** **MODERATE RISK**

Daily CLASS cash activity sent to the Finance Department is manually coded into the general ledger system (Eden). Account numbers and amounts are recorded manually by schedules sent by respective departments. This could lead to miscoding of amounts in different accounts and creating discrepancies. Additionally, we observed a lag between when the transactions occur and when Finance records the transactions into Eden. The revenue reported in Eden does not match with the department's real-time report, which could lead to inefficiencies in reporting.

Recommendation: The Parks and Recreation Department should finalize the implementation of the new recreation and financial tracking software that can integrate automatically into Eden in order to eliminate posting errors and time delays.

OBSERVATION AND RECOMMENDATION

Management Response / Action Plan: With the implementation of the new recreation management software (RecTrac will go live at the end of December 2017), all general ledger entries will be batched through a single Department report and imported into EDEN, which is the financial management system utilized by the Finance Department. EDEN does not allow for a fully automated integration, therefore RecTrac will create a daily general ledger journal entry import report for the whole Department, which will require the approval of integration by identified personnel in the Finance Department. These entries will no longer need to be keyed in manually but the import will still require a manual daily authorization. Accruals will be batched on a monthly basis.

4. **OPPORTUNITY FOR IMPROVEMENT – Cash Transaction Supporting Documentation:** **HIGH RISK**

During our transaction testing for the tennis center, we noted that the cash register transactions have not consistently been entered into the CLASS system leaving no audit trail for certain transactions. In addition, during our testing of receipt transactions, three out of six transactions did not contain adequate support including daily reports for cash registers, support for manager review, and copies of receipts.

Recommendation: The department should retain all detailed daily cash balance reports and related supporting documentation to maintain an appropriate audit trail to comply with Florida Statutes 219.02(1).

Management Response / Action Plan: The Department currently has policies in place which require all facilities to properly file and keep on site all financial end of day supporting documentation. All facilities are also required to complete their end of day reconciles and deposits at the completion of each work day by a supervisor.

However due to the lack of supervisory coverage at the Tennis Centers, for which there are two separate facilities that operate seven days a week often for more than 12 consecutive hours with only one supervisor, staff and deposit activities were not administered effectively. At both centers, deposits were completed the following day often by the same full time cashier who handled these cash transactions the day before. At the recommendation of the Department earlier this year, a vacant position was reclassified to Assistant Supervisor to allow for adequate financial supervision and same day reconciliations at each center. This position has since been filled and both supervisors will stagger their work shift to allow for adequate supervisory coverage of both facilities and complete daily reconciliations and deposits. Additional funding for part time staff will be requested to staff both facilities with part time GSR staff to handle all cash transactions. It is the Department's recommendation to limit the exposure for opportunity of theft or modifications to transactions by not having supervisory staff handle both cash transactions and complete daily deposits and reconciles.

OBSERVATION AND RECOMMENDATION

5. OPPORTUNITY FOR IMPROVEMENT – Policies and Procedures: **LOW RISK**

During our walkthrough of procedures at the Venetian pool and review of the provided Parks and Recreation Department administrative regulation AR# 08.01 Venetian Pool Admission Procedures with a revision date of 5/13/12, we noted that there is a discrepancy in the Closing Out Policy step 9 regarding the process for locked bags. The Policy states that the locked bags are either sent by courier or taken to the cashier in the Finance Department. However, the City currently uses a third party armored car service that delivers the locked bags directly to the bank.

Recommendation: The department should review the existing policies and procedures in the administrative regulation for necessary updates due to changes in processes and systems since the last revision date.

Management Response / Action Plan: The policies for the deposit process were established by the Finance Department. The parks and recreation department will update our written policies to include the change to the armored car service.

Development Services

6. OPPORTUNITY FOR IMPROVEMENT – Safe Controls: **LOW RISK**

Through discussion with management, we learned that the combination for the cash box located in the Development Services office is not changed on a regular basis.

Recommendation: Maintain an up to date list of all individuals who have the combination to the safe and review on a regular basis to determine if such access is still required for current job duties or whether they have terminated their employment. In addition, the safe's combination should be changed at least annually or when someone leaves the department.

Management Response / Action Plan: The Development Services Department agrees with the assessment by Crowe Horwath LLP on the Safe Controls. The department has made the required changes needed to address the issue; implementation has already begun.

7. OPPORTUNITY FOR IMPROVEMENT – Lack of Written Refund Policy and Procedures: **LOW RISK**

There is no formal written policy for issuing refunds for fees paid to the Development Services Department. Refunds are given on a case by case basis, as determined by the Director of Development Services.

OBSERVATION AND RECOMMENDATION

Recommendation: A formal policy for refunds should be written. The policy should state situations where a refund is allowed as well as reasons where refunds are not allowed. Furthermore, the written policy should state who has authority to issue a refund and include an appropriate level of approval.

Management Response / Action Plan: The Development Services Department agrees with the assessment by Crowe Horwath LLP on the lack of written refund policy and procedures. The department has created a refund policy according to City Ordinance 2015-17 and implementation has begun.

8. **OPPORTUNITY FOR IMPROVEMENT – Lack of Formal Written Policy and Procedures:** **MODERATE RISK**

As part of our testing and discussions with the Department staff, we noted that the Department has a Cashier Payment Policy and Cashier Standard Operating Procedures. However, these written documents do not include a comprehensive cash management process for cash collections that addresses segregation of duties, internal controls and risk assessment.

Recommendation: The Department should develop formal written policies and procedures that encompasses segregations of duties, internal controls and risk management. These should be updated on a regular basis as procedures or systems change.

Management Response / Action Plan: The Development Services Department agrees with the assessment by Crowe Horwath LLP on the lack of formal written policy and procedures. The department is in the process of creating a Development Services Internal Operating Procedures Manual with full implementation by the end of 2018.

9. **OPPORTUNITY FOR IMPROVEMENT – Insufficient Documentation Related to Permit Applications Maintained Onsite:** **LOW RISK**

While performing testing over permits, we were unable to obtain copies of two permit applications out of 25 tested. These permit applications were checked out and a copy was not retained by the Development Services Department.

Recommendation: Permit applications should be retained centrally in the Development Services office. If permits are to be checked out, Development Services should have a soft copy of the document to ensure their onsite records are complete.

Management Response / Action Plan: The Development Services Department agrees with the assessment by Crowe Horwath LLP on the insufficient documentation as it relates to permit applications. The department is in the process of implementing E-Permitting software, scanning software and purchasing scanners for the front clerks in order to address the issue. The target date for completion is October 2018.

OBSERVATION AND RECOMMENDATION

Parking Services

10. OPPORTUNITY FOR IMPROVEMENT – Review of SOC-1 Reports from Third Party Administrators: HIGH RISK

The City contracts with certain third party administrators (“TPA”) to provide parking and revenue control systems. The controls within the third party administrators are assessed by an independent audit firm through a SOC-1 report. A Type 2 SOC-1 report informs users if the controls at a service organization relevant to a user entities internal controls over financial reporting are suitably designed and operating effectively, and also informs the users of certain “User Controls” which should be implemented by the user. During our procedures, we became aware that the City does not obtain and review the TPA’s SOC-1 reports.

Recommendation: Management should obtain and review the SOC-1 reports of all third party administrators on an annual basis to ensure that they have appropriate controls in place and that the City is implementing appropriate “User Controls” to address risk management over internal controls.

Management Response / Action Plan: Management will ensure that review of the SOC-1 reports becomes a part of the City’s annual audit.

11. OPPORTUNITY FOR IMPROVEMENT – Lack of Formal Written Policy: MODERATE RISK

During our testing and discussion’s with department staff, we were provided with multiple documents for select processes and procedures followed by the department. However, we noted that the department does not have a formal written policy or procedure manual that establishes processes to ensure the appropriate handling of all cash receipt related duties.

Recommendation: Crowe recommends that the Parking Services department review and formalize standard operating procedures for the cash receipt duties and responsibilities. The operating procedures should initially include those procedures that an employee will be responsible for performing independently and ensure adequate management review is established in the procedures. We recommend formal written policy and procedures are developed and implemented in order to further reduce the risk of unnecessary delays due to absences or staff turnover and updated as internal control processes change.

Management Response / Action Plan: Management will facilitate the compilation of a formal cash handling manual. This manual will bring together all the processed and procedures used by any division involved in collecting or processing revenue.

12. OPPORTUNITY FOR IMPROVEMENT – Meter Collection Backup: LOW RISK

Money is collected from parking meters and pay stations by two teams of two employees. If one employee is out, the City does not have adequate staffing to ensure that there are two employees collecting parking revenue.

OBSERVATION AND RECOMMENDATION

Recommendation: We recommend that the City train a backup employee who is able to assist in collecting money from parking meters and pay stations. This backup employee can be a “floater” and assist with daily cash handling duties on an as-needed basis.

Management Response / Action Plan: There are three (3) administrative staff positions that will become vacant in FY2018. As we look to fill those positions, management will review the positions for potential modification/reorganization to provide backup for cash collection staff.

13. **OPPORTUNITY FOR IMPROVEMENT – Lack of GPS tracking:** **LOW RISK**

The City vehicles used by the personnel for cash collections have no GPS tracking.

Recommendation: The City should consider installing GPS transmitters in all vehicles collecting cash and coins. In case of theft, this would allow for the vehicles to be located. Additionally, this can aid in monitoring of the routes to verify that the collection personnel are staying on course and not diverting from their corresponding routes.

Management Response / Action Plan: Parking will ask the Public Works Director and Fleet Services Manager to allow the installation of a GPS tracking system on all Parking Enforcement, Collections and Maintenance vehicles.

Finance

14. **OPPORTUNITY FOR IMPROVEMENT – Checks Received by Mail:** **MODERATE RISK**

The mailroom clerk picks up the mail and scans copies of all checks received and e-mails the copies to the respective collection clerks to be posted in the corresponding revenue accounts. The original checks are forwarded to the cashier who then restrictively endorses the check upon receipt and keeps for deposit.

Recommendation: Written standard operating procedures should exist that require the mailroom clerk to restrictively endorse the checks upon opening the mail.

Management Response / Action Plan: The Finance Department agrees with the recommendation and acknowledges that the procedure will strengthen the controls over checks received by mail. A new deposit stamp will be ordered for use by the mailroom clerk. In addition, collection clerks will be instructed to check that scan copies of all checks emailed by the mailroom clerk are stamped for deposit. These new procedures will be implemented no later than December 22, 2017.

OBSERVATION AND RECOMMENDATION

15. OPPORTUNITY FOR IMPROVEMENT – Lack of Formal Written Policy: **MODERATE RISK**

The department does not have a formal written policy or procedure manual that establishes processes to ensure the appropriate handling of all cash receipt related duties for the City.

Recommendation: Crowe recommends that the Finance department formalize standard operating procedures for the cash receipt duties and responsibilities. The operating procedures should initially include those procedures that an employee will be responsible for performing independently and ensure adequate management review is established in the procedures. We recommend formal written policy and procedures are developed and implemented throughout the City that includes the decentralized procedures for each Department to ensure a cohesive cash management process.

Management Response / Action Plan

Finance Department agrees with the recommendation. The development of standard operating procedures (SOP) for all processes within the department, including the cash management process, is one of the major projects of the Finance Department. Our department will work together with all city departments involved in the cash management process to develop formal written policies and SOPs.

Public Works

16. OPPORTUNITY FOR IMPROVEMENT – Segregation of Duties: **HIGH RISK**

The employees responsible for collecting cash at the front desk and issuing permits also prepare the deposits and enter the receipt of payment into the cash receipts system.

Recommendation: The department should divide the responsibilities for permit applications to ensure one employee does not have the ability to access all phases of a transaction. In smaller operations, it may not be feasible to divide all of the cash related responsibilities. A mitigating control should be required that employees who prepare the deposit are not the same employees that review and sign off on the deposit.

Management Response / Action Plan: Deposits will be prepared by the department's Engineering Technician Assistant and be reviewed and signed by the department's Engineering Technician. The revised standard operating procedure will reflect these responsibilities.

OBSERVATION AND RECOMMENDATION

17. OPPORTUNITY FOR IMPROVEMENT – Lack of Formal Written Policy: **MODERATE RISK**

The department does not have a formal written policy or procedure manual that establishes processes to ensure the appropriate handling of all cash receipt related duties.

Recommendation: Crowe recommends that the Public Works department review and formalize standard operating procedures for the cash receipt duties and responsibilities. The operating procedures should initially include those procedures that an employee will be responsible for performing independently and ensure adequate management review is established in the procedures. We recommend formal written policy and procedures are developed and implemented in order to further reduce the risk of unnecessary delays due to absences or staff turnover and updated as internal control processes change.

Management Response / Action Plan: A revised standard operating procedure will be developed by the Public Works' Permits Section Supervisor to incorporate the above recommendation and action plan mentioned in #1.

18. OPPORTUNITY FOR IMPROVEMENT – Drop safe controls: **LOW RISK**

The City's safe located at the Public Works site has a combination code which is not regularly updated despite personnel changes that have occurred in the department.

Recommendation: Maintain an up to date list of all individuals who have the combination to the safe and review on a regular basis to determine if such access is still required for current job duties or whether they have since terminated their employment. In addition, the combination should be changed at least annually or when someone leaves the department.

Management Response / Action Plan: An up-to-date list will be kept by the Public Works' Permits Section Supervisor. Those with access will include Permit Section Supervisor, Engineering Technician, and Engineering Technician Assistant. The combination will be changed, at least annually or when wither of the mentioned employees leave the department. The revised standard operating procedure will reflect these responsibilities.