

Audit

Follow Up

As of September 30, 2002



Sam M. McCall, CPA, CIA, CGFM
City Auditor

“Citywide Cash Controls – Revenue Office”

(Report #0134, Issued August 29, 2001)

Report #0309

January 17, 2003

Summary

The Revenue Office within the Office of the City Treasurer-Clerk has completed 9 of the 12 action plan steps due for completion as of September 30, 2002. These action plan steps were developed as the result of our previously issued audit report #0134, Citywide Cash Controls. The planned completion for the remaining steps has been delayed, in part, due to staff's involvement in the recent implementation of the City's new PeopleSoft Customer Information System.

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. Of these 14 total action plan steps, 12 were scheduled for completion by September 30, 2002. (Traffic Engineering was scheduled to complete one of the 12 action plan

steps.)

As of September 30, 2002, nine of the 12 action plan steps had been completed. Completion of the remaining steps pertain to: (1) instructing the Planning Department to request State and Federal grantor agencies to commence remitting their payments directly to the Revenue Office, (2) provision of written instructions to all City departments/offices for capturing payee information when accepting checks, and (3) determining the appropriate canister types to place in each City parking meter. The Revenue Office indicated that all outstanding action plan steps would be completed by the end of the next reporting period (March 31, 2003).

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 and/or City employees. 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 #0309

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

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.

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.

The Revenue Office was scheduled to complete 11 action plan steps as of September 30, 2002. Traffic Engineering was also scheduled to complete one action plan step pertaining to Revenue Office collections as of that date. As shown below in Table 1, nine of those 12 action plan steps have now been completed.

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

Action Plan Steps	Current Status
General Collections - Risks Unique to the Revenue Office	
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> All manual restrictive endorsement stamps will include the City's bank and bank account number. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
General Collections – Risks Relating to All City Departments/Offices	
<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> ★ In report #0134 we made recommendations for 13 City departments/offices that applicable external entities submit payments directly to the Revenue Office as opposed to remitting to the respective departments/offices. As of the end of

<p>those entities remitting payments directly to various City departments/offices).</p>	<p>our fieldwork for this follow up period, external entities pertaining to 12 of those 13 City departments/offices were remitting directly to the Revenue Office as recommended. The Planning Department is awaiting instruction from the Revenue Office before requesting its external entities (grantor agencies) to remit payments directly to the Revenue Office. The Revenue Office indicated that appropriate instructions would be issued by December 31, 2002.</p>
<ul style="list-style-type: none"> • 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. 	<p>✓ Completed during prior period.</p>
<ul style="list-style-type: none"> • 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. 	<p>✓ Completed during prior period.</p>
<ul style="list-style-type: none"> • The Revenue Office will use a receipt generated by the City cashiering 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. 	<p>✓ Completed during prior period. (Different methods were employed to document the acknowledgement of custodial transfer of collections from external departments/offices.)</p>
<ul style="list-style-type: none"> • 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). 	<p>✓ Resolved during prior period through alternative measures.</p>
<ul style="list-style-type: none"> • 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. 	<p>✗ Behind schedule, completion date amended to December 31, 2002.</p>

Parking Meter Collections	
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> ✓ The Revenue Office has updated the database to reflect the type canister placed in each City parking meter.
<ul style="list-style-type: none"> The Revenue Office will determine the most appropriate canister type to place in each of the City's parking meters. 	<ul style="list-style-type: none"> ✗ Behind schedule, completion date has been amended to December 31, 2002.
<ul style="list-style-type: none"> The Revenue Office will continue to perform analytical procedures that compare actual collections with anticipated collections. 	<ul style="list-style-type: none"> ✓ Completed during prior period. (This is an on-going process.)
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> ✓ Completed during prior period.

Table Legend:

- Issue addressed in the original audit
- ✗ Action not completed

- ✓ Issue addressed and resolved
- ★ Substantial actions taken but step not completed

Significant Outstanding Issues

As noted in Table 1, action steps not completed include:

- after making preparations to identify and receive grantor payments, instructing the Planning Department to request applicable grantor agencies to commence remitting payments directly to the Revenue Office,
- establishment and issuance of written instructions to City departments/offices for capturing information when accepting checks, and
- determination of the most appropriate canister types to place in each of the City's parking meters.

Other remaining action plan steps not due for completion during this follow up period include: (1) placing the most appropriate canister type in each City

parking meter after making the determinations noted above and (2) issuance of comprehensive written procedures addressing the cash collection process to all City departments and offices.

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

Response from Appointed Official

City Treasurer-Clerk:

The Office of the Treasurer-Clerk's Revenue Division agrees with the current status of the twelve action steps outlined above. The division is currently developing a comprehensive response to each of the three items not completed. A full response to these remaining conditions is anticipated by March 31, 2003.

Copies of this Audit Follow Up (#0309) 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).

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