

Table of Contents

Volume 2

Office of the City Treasurer-Clerk

Revenue Office (Excluding Parking Meter Collections) 1
 Revenue Office – Parking Meters..... 10

Office of the City Manager – Development and Transportation Services

Growth Management 19
 Airport Operations (Excluding Jetport Diner) 26
 Airport – Jetport Diner 33
 Real Estate – Parking, Leases, and Closings 38
 Real Estate – Cemetery Sales 43
 Taltran 47
 Public Works Engineering..... 54
 Planning Department 60

Office of the City Manager – Safety and Neighborhood Services

Parks and Recreation – Hilaman Park Golf Course 67
 Parks and Recreation – Jake Gaither Golf Course 74
 Parks and Recreation – Adult and Youth Sports 79
 Parks and Recreation – Recreation Division 88
 Parks and Recreation – Tennis 94
 Parks and Recreation – Gymnastics..... 105
 Parks and Recreation – Aquatics 110
 Neighborhood and Community Services 120
 Animal Service Center..... 128
 Tallahassee Police Department – Utility Turn-ons and Miscellaneous Receipts..... 132
 Tallahassee Police Department – Operation Funds and Confiscated Cash..... 137

Office of the City Manager – Utility Services

Energy Services 141
 Utility Customer Services..... 146
 Utility Accounting 154

Office of the City Manager – Management and Administration

Accounting Services 159
 Municipal Supply Center..... 165

REVENUE OFFICE (EXCLUDING PARKING METER COLLECTIONS)

Annual Collections (Fiscal Year 2000)

\$405.2 million

Description. The Revenue Office collects utility revenues and various other revenues and receipts. These revenues and receipts are collected at the City Hall Revenue Office and at the City's Utility Drive Through Facility located on North Monroe Street. Revenues and receipts collected during fiscal year 2000 included the following:

- Utility payments collected through various methods, including: customer walk-ins at City Hall, drive through at the North Monroe Street facility, mail, bank drafts, electronic payments, and banks serving as collection agents. (*FY 2000 collections of \$295.5 million*)
- Utility deposits collected at City Hall. (*FY 2000 collections of \$3.1 million*)
- Payments on accounts receivable billed through Accounting Services. (*FY 2000 collections of \$23.1 million*)
- Parking ticket payments. (*FY 2000 collections of \$405,000*)
- Various taxes, grant proceeds, permit fees, and miscellaneous collections. (*FY 2000 collections of \$83.1 million.*) (Note: This includes amounts collected by other City departments/offices and transferred to the Revenue Office for processing and deposit.)

All revenues and receipts collected by the Revenue Office are accounted for on cash reports. Each day's cash reports are submitted to Accounting Services where the information is entered into the City's general ledger. In addition, cash reports prepared by those City departments and offices collecting and depositing their own revenues/receipts are received and processed by the Revenue Office prior to submission to Accounting Services for entry into the City's general ledger.

Assurances, Risks, and Recommendations. The following table presents the assurances and risks identified during, and recommended actions resulting from, our review and related consultations with Revenue Office staff regarding control activities for the described revenues and receipts.

ASSURANCES, RISKS, AND RECOMMENDATIONS		
Applicable Control Activity (Note 1)	Assurances/Risks	Recommendation
1. Access to and Accountability for Resources	<ul style="list-style-type: none"> ✓ Custody of collections was assigned to specific staff. ✓ Access to the Revenue Office at City Hall and the Drive Through Facility was restricted 	

		<p>to authorized individuals.</p> <ul style="list-style-type: none"> ✓ Collections and operating funds were stored overnight in locked vaults in secured rooms, with access monitored electronically. ✓ Collections received by tellers at both the Revenue Office and Drive Through Facility were not commingled, as each teller was assigned a separate lockable drawer. 	
2.	Direct Activity Management	<ul style="list-style-type: none"> ✓ Revenue Office supervisory and management staff played an active role in supervising and monitoring collection and deposit activity. ✓ Revenue Office management staff conducted periodic on-site monitoring reviews of cash collection and processing activities at external departments and offices. Results of those reviews were shared with the reviewed departments/offices. 	
3.	Segregation of Duties	<ul style="list-style-type: none"> ✓ While custodial responsibility was assigned to Revenue Office staff, Accounting Services Section staff recorded the collection transactions in the City’s general ledger. ✓ The City’s bank accounts were reconciled to the City’s general ledger by employees other than those with access to the related funds. ✓ Assignments were rotated among Revenue Office staff such that no one employee always performed the same roles. 	
4.	Physical Controls	<ul style="list-style-type: none"> ✓ Entry into the Revenue Office and Drive Through Facility areas where funds were collected and stored prior to deposit was controlled through locked doors, an electronic access system, surveillance cameras, and an electronic security system monitored by an external security company. ✓ Lock boxes were used to collect utility payments at the Drive Through Facility (e.g., to collect payments from customers during periods that the facility is not open for business). ✓ Prepared deposits were picked up daily by an armored courier service, thereby reducing the exposure of funds to loss or theft. ✓ Deposits were placed in locked bank bags for transport to the bank for deposit. ✓ Money counting machines were used to assist in the counting of currency collected for deposit, thereby facilitating the deposit 	

		<p>preparation process.</p> <ul style="list-style-type: none"> ✓ Batch processors (DP 500's) were used at the Drive Through Facility to process mail and lock box collections, thereby providing an automated means to make an initial record of receipt and facilitating the processing of those collections for deposit. ✓ An automated cashiering system (CORE) was used to process collections at the teller windows at City Hall and the Drive Through Facility, thereby providing an automated means to make an initial record of receipt and facilitating the processing of those collections for deposit. ✓ Mechanisms and procedures were provided to allow customers to pay their utility bills through banks drafts or electronic payments (e.g., Speed Pay), thereby reducing the exposure of the applicable funds to loss or diversion and resulting in more timely deposit into the City's bank account. ✓ Revenue Office staff placed restrictive endorsements on checks and other negotiable instruments. Those endorsements specified that the negotiable instruments were for deposit only for the City of Tallahassee. Also, most of the endorsements specified the bank and bank account to which the instruments were to be deposited. ✗ One of the endorsements used at City Hall for miscellaneous collections and the endorsement placed on checks by the DP 500 machines at the Drive Through Facility did not specify the bank or bank account to which the instruments were to be deposited. Restricting the deposit of a negotiable instrument to a specific bank and bank account reduces the risk of improper deposit and unauthorized diversion. 	<p>The Revenue Office indicated that the DP 500 machines used at the Drive Through Facility cannot be programmed to include the bank and bank account number as part of the restrictive endorsement. However, they stated that the machines being acquired to replace the current DP 500's could be programmed to place the bank and bank account number on the restrictive endorsement. We recommend that the Revenue Office continue actions to provide for the inclusion of that information on all restrictive endorsements placed on negotiable instruments.</p>
5.	Execution of Transactions and Events	<ul style="list-style-type: none"> ✓ Collections were received and processed by Revenue staff acting within their assigned authority and responsibility. 	

		<ul style="list-style-type: none"> ✓ Procedures existed to properly process and deposit collections. ✓ While the Revenue Office does not accept credit card payments, they provide the City’s customers a service whereby they can use their credit cards to purchase a check (negotiable instrument) at City Hall through a private vendor. This process allows the customers the convenience of paying with their credit card and the City does not incur service charges normally associated with accepting credit card payments. ✓ The City established a policy to collect on worthless (non-sufficient funds or NSF) checks returned by the bank. Specifically, upon receipt of a NSF check from the bank, the Revenue Office submitted a standard collection letter requesting the applicable individual to pick up the NSF check and pay the required funds (i.e., “make the check good”) and related NSF fees. In the event that the individual did not complete those actions, the NSF check was turned over to Utility Customer Services (UCS) for additional collection efforts. (See separate presentation for UTILITY CUSTOMER SERVICES for risks identified relating to NSF checks.) 	
<p>6.</p>	<p>Recording of Transactions and Events</p>	<ul style="list-style-type: none"> ✓ Procedures were in place to properly classify collections for reporting purposes. ✓ Adequate records were maintained that documented the collections from point of receipt to deposit. ✗ As noted in various other presentations (e.g., see REAL ESTATE – CEMETERY SALES, PUBLIC WORKS ENGINEERING, PLANNING DEPARTMENT, UTILITY CUSTOMER SERVICES, AND MUNICIPAL SUPPLY CENTER), some City departments and offices transfer cash to the Revenue Office for processing and deposit. As noted in those separate presentations, some of those transferring departments/offices obtained documentation from the Revenue Office documenting the transfer of custodial responsibility; in other instances, such documentation was not obtained. A consistent procedure should be implemented by the Revenue Office to provide applicable City departments/offices appropriate documentation of the transfer of custodial responsibility for cash. 	<p>We recommend that the Revenue Office use a receipt generated by the City’s cashing system (CORE) to document all transfers of cash from external departments/offices to the Revenue Office. Such CORE-generated receipts should be provided to the transferring party at the time of transfer. In addition to documenting the custodial transfer of cash, the CORE-generated receipt will provide the transferring department/office assurance that the transferred cash was properly deposited into the City’s bank account. This second assurance will be provided, because collections per CORE are</p>

			balanced to actual cash collections prepared for deposit on a daily basis.
7.	Information Processing	<ul style="list-style-type: none"> ✓ Revenue Office staff verified amounts collected per daily cash reports prepared by Revenue Office staff and staff of other City departments to validated deposit slips remitted directly to the Revenue Office by the bank. This process ensured that amounts reported on cash reports were deposited. ✓ Revenue Office staff reconciled amounts collected and deposited for utility payments to amounts posted to the Customer Information System (CIS). ✓ Revenue Office staff reconciled utility bills paid electronically to related files submitted for those payments. ✓ Amounts recorded in the CIS were reconciled to the amounts recorded in the City’s general ledger by Utility Accounting. ✓ Reports showing collection transactions voided from the CIS were produced and reviewed by Revenue Office management. ✓ At the end of each shift, Revenue Office tellers balanced their collections to the cashiering system (CORE) and imprest fund amounts. Revenue Office supervisory staff reviewed those balance reports. ✓ Bank statements showing deposits of City funds were reconciled to the City’s general ledger. ✓ Revenue Office supervisory and management staff conducted on-going analytical procedures that compared collection activity over various periods of time. Revenue Office management made appropriate inquiries based on those reviews. 	
8.	Documentation	<ul style="list-style-type: none"> ✓ Forms and records were established and maintained to provide an adequate accounting of collections. ✓ Written procedures were established for the receipt and processing of collections. Written procedures help ensure a consistent and appropriate methodology for collecting and processing funds. ✗ While written procedures were developed to address cash collection and processing 	The Revenue Office should develop and provide collecting

		<p>activities conducted by external departments and offices, those procedures were not comprehensive. For example, those procedures did not address the following:</p> <ul style="list-style-type: none"> • Segregating incompatible duties among employees when practicable. • Accounting for and safeguarding receipts, licenses, permits, and other documents issued upon receipt of cash. • Timely and intact depositing of cash collections. • Restrictive endorsement of negotiable instruments at the time and place of collection. • Independent reconciliations and verifications of records of initial receipt to amounts deposited or transferred for deposit. • Procedures for transferring cash between employees and departments/offices and documenting such custodial transfers. • Restricting access to cash to authorized employees. • The appropriate physical controls that may be used to safeguard and limit access to cash. • Procedures employees should follow in the event of loss, theft, robbery, and other similar emergencies. 	<p>departments/offices current and comprehensive written procedures that address all aspects of the cash collection and processing function.</p>
--	--	---	--

Table Legend:

✓
x

Activities increased assurance that collected funds are properly accounted for and deposited
Identified risks for which revisions, enhancements, and/or improvements are needed

Note (1): Applicable Control Activities determined from INTERNAL CONTROL GUIDELINES - Administrative Policies and Procedures No. 630, Section .09, Part III.

Conclusion. The Revenue Office implemented certain control activities to provide assurance that collections are properly accounted for and deposited into the City’s bank account. However, based on our consultations with Revenue Office staff, we noted areas where control activities should be enhanced and improved. Recommendations include adding the City bank and bank account number to all restrictive endorsements and providing applicable departments/offices CORE-generated receipts to document the transfer of custodial responsibility for cash collections. In addition, the Revenue Office should develop and provide to collecting departments/offices current and comprehensive written procedures that address all aspects of the cash collection and processing function.

REVENUE OFFICE (EXCLUDING PARKING METER COLLECTIONS)			
<i>Action Plan</i>			
Condition – Risks relating to the cash collection and processing function were identified for which revisions, enhancements, or improvements are needed.			
A. Objective: To enhance the restriction placed on negotiable instruments upon collection.			
Step #	Action/Task	Responsible Employee	Target Date
1.	The machines being acquired to replace the current DP 500's will be programmed to place the City's bank and bank account number on the restrictive endorsement.	Darrell Thompson	7/24/01
2.	All manual restrictive endorsement stamps will include the City's bank and bank account number.	Darrell Thompson	9/30/01

REVENUE OFFICE – ACTION STEPS APPLICABLE TO EXTERNAL DEPARTMENTS/OFFICES			
<i>Action Plan</i>			
Condition – Risks relating to the cash collection and processing function were identified for which revisions, enhancements, or improvements are needed.			
A. Objective: To restrict negotiability of checks and similar instruments upon their receipt.			
Step #	Action/Task	Responsible Employee	Target Date
1.	Upon 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 into the City’s bank account. Those endorsement stamps will specify that the negotiable instruments are “for deposit only” into the applicable City of Tallahassee bank account.	Darrell Thompson	9/30/01
B. Objective: To ensure timely and efficient receipt and deposit of City funds and to provide applicable external departments and offices the information needed for managerial purposes.			
1.	Upon completion of appropriate analysis and discussions, the Revenue Office, in conjunction with applicable external departments and offices, will develop a schedule for phasing in the auditor’s recommendation that external entities be instructed to remit their payments directly to the Revenue Office. The purpose of this phased-in approach will be to allow Revenue Office staff sufficient time to become familiar with these payments; such that they can be recognized upon receipt, timely deposited, properly coded for accounting purposes, and applicable external departments/offices timely notified.	Darrell Thompson	6/30/02
2.	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 grant accountant in Accounting Services.	Darrell Thompson	9/30/01

C. Objective: To ensure responsibility can be determined in the event of loss or theft.			
1.	The Revenue Office will use a receipt generated by the City’s 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 transfer.	Darrell Thompson	9/30/01
D. Objective: To ensure the timely deposit of funds into the City’s bank account.			
1.	The Revenue Office, in conjunction with UCS, will initiate negotiations with the two collection companies to have payments wire transferred into the City’s bank account.	Darrell Thompson	12/31/01
E. Objective: To ensure that appropriate actions are taken for worthless checks returned by the bank.			
1.	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 for City goods and services. The intended purposes of that identifying information will be to allow successful prosecution by the State Attorney in the event that a check is returned by the bank for non-sufficient funds.	Darrell Thompson	12/31/01
F. Objective: To provide appropriate guidance to external departments/offices for collecting and processing cash.			
1.	The Revenue Office will develop and submit to applicable external departments/offices comprehensive written procedures that address all aspects of the cash collection and processing function.	Darrell Thompson	6/30/02

REVENUE OFFICE – PARKING METERS

Annual Collections (Fiscal Year 2000) \$337,000

Description. The Revenue Office currently collects and deposits coins inserted into the City’s parking meters located throughout the City. Currently, there are approximately 1,500 metered parking spaces. (Annual collections of \$334,406) The Traffic Engineering Division within the Public Works Department maintains the meters. In addition, the Revenue Office collects rental fees from entities leasing metered parking spaces. (Annual collections of \$2,280)

Assurances, Risks, and Recommendations. The following table describes the assurances and risks identified during, and recommended actions resulting from, our review and related consultations with Revenue Office and Traffic Engineering staff regarding control activities for parking meter collections.

ASSURANCES, RISKS, AND RECOMMENDATIONS		
Applicable Control Activity (Note 1)	Assurances/Risks	Recommendation
1. Access to and Accountability for Resources	<ul style="list-style-type: none"> ✓ Custody of collections was assigned to specific staff. ✓ Access to coins inserted into parking meters was controlled through locked meter housings and, in most cases, locked depositories (collection containers) placed within the locked meter housings. ✓ Keys to meter housings, meter depositories (locked canisters within the meter housings), and the lock boxes in which coins removed from meters were temporarily stored were accessible only by authorized staff. ✓ Access to the room where collected coins were stored, counted, and prepared for deposit was controlled and limited to authorized staff. ✓ Access to the safe in the Traffic Engineering meter shop, where coins removed from meters during maintenance operations were temporarily stored prior to transfer to the Revenue Office, was limited to authorized staff. ✗ Revenue Office management determined that approximately 75 collection containers, purchased and placed in meter housings by the Traffic Engineering Division, could not be opened by the canister key built into the 	This risk was identified and acted upon by Revenue Office management. The Revenue Office should continue with their corrective actions.

		<p>specially designed collection cart. As a result, the collecting employees carried a separate key for those 75 canisters on their collection routes in order to unlock and remove the coins from those canisters. That process increased the exposure of the coins to loss or theft when compared to using canisters that can be opened using the key and collection slot built into the collection cart (i.e., as noted below under “Physical Controls,” coins are not exposed to employees or other persons when collected using the key built into the collection cart). Upon determination of this situation, Revenue Office staff met with Traffic Engineering staff and initiated steps to replace the 75 canisters with canisters that can be opened using the key built into the collection cart.</p> <p>X Subsequent to our fieldwork, the Revenue Office updated their database documenting the number and location of each metered parking space and the type collection canister (depository) placed in each meter (see “Recording of Transactions and Events” below). Those updated records reflected that there are 409 meters with canisters that are “open” on one end. Coins collected in meters with such open canisters are accessible to collection staff when the meter housings are opened. Revenue Office staff indicated that open canisters were intended to be used in those instances where it was not practicable to place the specially designed collection cart in close proximity to the applicable parking meters. In those circumstances, it was determined that use of open canisters would facilitate the removal and collection of coins, as staff would only have to make one trip between their vehicle and the applicable parking meter (i.e., compared to two trips if a locked canister was used – one trip to remove the canister and walk back to the collection cart to remove the coins, and then a second trip to place the canister back in the meter housing). In those situations, Revenue Office management determined that the increased risk, due to accessibility by staff to the coins during the removal process, was offset by the decreased exposure to loss or theft due to a “faster” collection process. However, Revenue Office management has determined that the specially designed collection cart can be placed in close proximity to some of</p>	<p>We recommend that the Revenue Office continue with their plans to replace open canisters with lockable canisters in those parking meters for which the specially designed collection cart can be placed in close proximity thereof.</p>
--	--	--	--

		<p>the 409 parking meters that currently have open canisters. Accordingly, Revenue Office management plans to replace some of the open canisters with locked canisters that can only be opened by the canister key built into the specially designed collection cart.</p> <p>X Traffic Engineering meter maintenance staff have access to coins inserted into meters during their maintenance operations. This access is required in order for them to perform necessary maintenance such as repairing coin jams or lubricating canister locks. Although the Revenue Office conducts analytical procedures (see "Information Processing" below) that should detect any material instances of loss or theft, undetected losses and diversions could still occur because of this inherent weakness.</p>	<p>As noted, Revenue Office management performs analytical procedures to ensure that amounts collected and deposited are materially in accordance with anticipated amounts. We recommend that such analytical procedures be continued.</p>
2.	Direct Activity Management	<p>✓ Revenue Office supervisory and management staff reviewed collection activity to ensure that coins were properly collected, counted, and deposited.</p> <p>✓ Revenue Office management staff reviewed collection operations to identify and mitigate risks.</p>	
3.	Segregation of Duties	<p>✓ While custodial responsibility was assigned to the Revenue Office staff, Accounting Services staff recorded the collection transactions in the City's general ledger.</p> <p>✓ Two employees were always present when coins are removed from the parking meters for transport to the Revenue Office, thereby providing a deterrent to theft by both employees and external parties.</p> <p>✓ As noted in the following, the authorization/execution and collection functions were segregated among employees:</p> <ul style="list-style-type: none"> • The Traffic Engineering Division was responsible for determining the parking spaces that should be metered and for placing and removing meters, while the Revenue Office was responsible for collecting and depositing the coins placed in those meters. • The Traffic Engineering Division authorized and executed rentals of metered parking spaces while the Revenue Office collected the related rental payments. 	

<p>4.</p>	<p>Physical Controls</p>	<ul style="list-style-type: none"> ✓ Specially built collection carts are transported on a truck with specialized equipment that lowers and raises the carts from/into the truck bed, thereby facilitating the collection process and limiting the period that coins are exposed to loss or theft during the collection process. ✓ Specially designed and built collection boxes (i.e., a key and collection slot are built into the collection box) that are attached to the collection carts, and related meter depositories (canisters) preclude employees/individuals from accessing the coins during the collection and transport processes. ✓ Scales are used to weigh coins in and out of the Revenue Office as a means to determine and track coins received from employees removing coins from the meters and coins picked up for deposit by bank couriers. ✓ Locked boxes and locked rooms are used to store coins transferred to the Revenue Office for counting and deposit preparation. ✓ Locked safe is used at the Traffic Engineering meter shop to temporarily store coins removed from meters during maintenance operations. ✓ Coins counted and prepared for deposit are placed in sealed bank bags for transport to the bank. ✓ Coins prepared for deposit are picked up by an armored courier service, thereby reducing the exposure of funds to loss or theft. ✓ An electronic access system, surveillance cameras, and an electronic security system monitored by a contracted security company are used to control entry into the Revenue Office locations where collected coins are stored prior to deposit. 	
<p>5.</p>	<p>Execution of Transactions and Events</p>	<ul style="list-style-type: none"> ✓ Coins were collected and processed by Revenue Office staff acting within their assigned authority and responsibility. ✓ Procedures existed to properly collect, count, and process coins for deposit. ✓ A coin counting machine was used at the Revenue Office to count coins removed from 	

		<p>the meters, thereby facilitating the processing of those coins for deposit and helping ensure the accuracy of the coin counts.</p>	
6.	Recording of Transactions and Events	<ul style="list-style-type: none"> ✓ Procedures existed to properly classify parking meter collections. ✓ Adequate records were maintained that documented the collections from time of receipt from employees removing coins from meter housings through pick up by bank couriers for deposit. ✗ The Revenue Office maintained a database documenting the number and location of each metered parking space. Based on identified risks (see “Access to and Accountability for Resources” above), Revenue Office management determined that those records should be updated to reflect any recent changes (additions or deletions), and also enhanced to include the type of collection depository (canister) placed in each meter. The Revenue Office determined that such updates and enhancements are necessary to ensure (1) that all coins are being timely removed from each meter and (2) that the most appropriate canister type is placed in each meter. 	<p>As noted, the Revenue Office identified the risks. In addition, steps are being taken by the Revenue Office and Traffic Engineering to make the necessary updates and enhancements. We recommend that those efforts be continued.</p>
7.	Information Processing	<ul style="list-style-type: none"> ✓ Revenue Office management staff conducted on-going analytical procedures that compared collection activity over various time periods. The results of those analytical procedures were analyzed and used by management to identify and mitigate risks and to ensure that appropriate amounts were collected and deposited. ✓ Revenue Office staff weighed deposits prepared based on machine counts to ensure the accuracy of the deposits (i.e., \$500 of quarters are expected to weigh approximately 25 pounds). 	
8.	Documentation	<ul style="list-style-type: none"> ✓ Forms and records were generally established and maintained to provide an adequate accounting of collections. ✓ Internal written procedures were established for the collection and processing of coins. Written procedures help ensure a consistent and appropriate methodology for collecting and processing funds. 	

Table Legend:

✓
✗

Activities increased assurance that collected funds are properly accounted for and deposited
Identified risks for which revisions, enhancements, and/or improvements are needed

Note (1): Applicable Control Activities determined from INTERNAL CONTROL GUIDELINES - Administrative Policies and Procedures
No. 630, Section .09, Part III.

Conclusion. The Revenue Office implemented certain control activities to provide assurance that coins inserted into the City's parking meters are properly removed, accounted for, and deposited into the City's bank account. In addition, the Revenue Office has identified and taken steps to mitigate risks relating to parking meter collections. We recommend that the Revenue Office continue those risk mitigation efforts.

REVENUE OFFICE – PARKING METERS			
<i>Action Plan</i>			
Condition – Risks relating to the cash collection and processing function were identified for which revisions, enhancements, or improvements are needed.			
Step #	Action/Task	Responsible Employee	Target Date
A. Objective: To safeguard collections.			
1.	The database of the City’s parking meters will be updated to reflect all current metered parking spaces and the type collection canister placed in each of those meters.	Darrell Thompson	3/31/02
2.	Determinations will be made as to the most appropriate canister type that should be placed in each of the City’s parking meters. Those determinations will be based on factors such as (1) whether the collection cart can be placed in close proximity to the applicable parking spaces and (2) whether the current canisters can be opened with the canister key built into the collection cart.	Darrell Thompson	12/31/01
3.	Based on the determinations made (task 2), canisters will be replaced as necessary to ensure the most appropriate canister type is placed in each meter.	Darrell Thompson	3/31/02
4.	The Revenue Office will continue to perform analytical procedures that compare actual collections with anticipated collections.	Darrell Thompson	7/24/01

TRAFFIC ENGINEERING – PARKING METERS			
<i>Action Plan</i>			
Condition – Risks relating to the cash collection and processing function were identified for which revisions, enhancements, or improvements are needed.			
Step #	Action/Task	Responsible Employee	Target Date
A. Objective: To safeguard collections.			
1.	The Traffic Engineering Division will develop written procedures that provide for notification to and coordination with the Revenue Office in regard to: (1) the acquisition of collection canisters for parking meters, (2) the placement and replacement of collection canisters in meter housings (for example, when canisters are placed in new metered parking spaces or when canisters are removed and replaced during maintenance operations), (3) the placement and removal of parking meters within the City, and (4) changes to meters as to parking time allowed per coin deposited (e.g., from one hour per quarter to thirty minutes per quarter).	Dave Franklin	7/25/01

This page intentionally left blank.

GROWTH MANAGEMENT

Annual Collections (Calendar Year 2000) \$18.3 million

Description. Revenues collected by the Growth Management Department include the following:

- Permit fees and other charges relating to land use and development, construction, and related environmental issues. *(Annual collections of \$18.2 million)*
- Fees for certifying the competency of certain classes of contractors performing work in the City/County including, for example, plumbers and electrical contractors. *(Annual collections of \$80,000)*
- Charges for copies of Growth Management documents. *(Annual collections of \$1,600)*

Collections are recorded in and tracked by the Permit Enforcement Tracking System (PETS), which also generates permits for issuance to approved applicants. On a daily basis, a courier from the Revenue Office travels to the Growth Management Department and picks up the previous day’s collections. The courier takes the collections to the Revenue Office where the deposit is prepared and made.

Reasons for External Collection. Because of the volume of permitting and growth management activity, it was deemed appropriate to establish a collection process within the Growth Management Department. Also, it would not be convenient for contractors/citizens to go to the Growth Management Department to apply for a permit/competency card, travel to City Hall to pay the related fee at the Revenue Office, and then go back to the Growth Management Department to obtain the permit/competency card.

Assurances, Risks, and Recommendations. The following table describes the assurances and risks identified during, and recommended actions resulting from, our review and related consultations with Growth Management and Revenue Office staff regarding control activities for the noted collections.

ASSURANCES, RISKS, AND RECOMMENDATIONS			
	Applicable Control Activity (Note 1)	Assurances/Risks	Recommendation
1.	Access to and Accountability for Resources	<ul style="list-style-type: none"> ✓ Custody of collections was assigned to specific staff. ✓ Collections were placed in secured containers (lock boxes) and locked offices to which access was controlled and limited. ✓ The PETS is programmed to generate a receipt when collections are received and 	

		<p>recorded.</p> <p>✗ Competency cards are not sequentially numbered or controlled in a manner that allows for accountability of cards issued.</p>	<p>Competency cards should be sequentially numbered in a manner that will allow an accounting of cards initially available for issuance. Appropriate dispositions would include (1) issued as evidenced by appropriate records, (2) not issued and still in inventory, and (3) documented and approved voids.</p>
2.	Direct Activity Management	<p>✓ Management reviewed collection and permit activity to ensure collections were received and properly processed. For example, management reviewed “unpaid” status reports to identify permits issued for which payments were not made.</p>	
3.	Segregation of Duties	<p>✓ While initial custodial responsibility was assigned to Growth Management staff, entries into the City’s general ledger were made by Accounting Services staff based on cash reports prepared by the Revenue Office.</p> <p>✗ The duties of issuing competency cards, collecting the related fees, and recording the collections in PETS were not adequately segregated among staff. An employee with the capability to perform these incompatible duties is in the position to divert funds for unauthorized purposes without timely detection.</p> <p>✗ While copy fee collections are not material (recorded annual collections of \$1,600), the applicable duties are not adequately segregated among employees. Specifically, the applicable employees receive the customer request for copies, make the copies, collect the fees, and record the collections into PETS. Employees performing these incompatible duties are in the position to divert funds for unauthorized purposes without timely detection.</p>	<p>To the extent feasible, the noted duties should be segregated such that the employee collecting the fees does not also have the capability to issue the competency card. However, as segregation of these duties may not be cost beneficial (especially during renewal periods), a compensating analytical procedure is recommended below under “Information Processing.”</p> <p>Given the relative immateriality of copy fee collections, management should carefully explore whether there is a cost beneficial process that can be implemented to segregate the applicable duties. One such process, currently implemented by some other City Departments (i.e., TPD and Public Works Engineering), is to require customers to pay fees to staff (“collection staff”) not responsible for making and providing the copies (“copy staff”). Only upon the provision of a paid receipt from the collection staff, would the copy staff give the copies to</p>

			the customer. The copy staff would then use the paid receipt as the source document for entering the collection into the PETS. Then, required independent balancing of PETS to actual collections would ensure no funds are lost or diverted.
4.	Physical Controls	<p>✓ Currency is not accepted for permits with fees that exceed \$65. This limits the currency intake, therefore reducing the likelihood of uncompensated loss or unauthorized diversion.</p> <p>✗ Growth Management staff does not restrictively endorse checks and money orders. Those negotiable instruments are not restrictively endorsed until after they have been picked up by courier and delivered to the Revenue Office.</p>	The Revenue Office should provide an endorsement stamp to each City location where checks or other negotiable instruments are collected. The stamp should be placed on each check/instrument at the place of collection immediately upon receipt of the check/instrument. The stamp should specify that the checks/instruments are “for deposit only” into the applicable City bank account.
5.	Execution of Transactions and Events	<p>✓ Collections were received and processed by Growth Management staff acting within their assigned authority and responsibility.</p> <p>✓ Procedures existed to properly process and transfer collections for deposit.</p> <p>✗ Selected contractors, after payment of a \$500 security deposit, were allowed to obtain building permits on credit. At the end of each month those contractors were billed for the permits obtained on credit during that month. The billings (often verbal) were done and collections received by Growth Management staff. Controls existed to ensure that payment was received for permits issued on credit (i.e., staff and management review of PETS reports reflecting permits issued with an unpaid status, security deposit proceeds to cover unpaid amounts, and the potential to preclude nonpaying contractors from doing future business in the City). However, the extension of credit to those contractors increased the risk that applicable fees would not be timely collected, especially in those instances where the fees associated with permits obtained by the contractors exceeded the \$500 security deposits.</p>	Subsequent to our initial survey and fieldwork visits, the Growth Management Department initiated plans to stop extending credit to contractors. Those plans provide for the applicable contractors to deposit funds in individual trust accounts accounted for by Growth Management staff in the PETS System. Upon receipt and approval of applications, and subsequent issuances of related permits, the associated fees would be applied to the applicable contractors’ trust accounts. As this revised process ensures timely collection of permit fees, we recommend that the Growth Management Department continue with their efforts to implement these plans.
6.	Recording of	<p>✓ Procedures existed to properly classify</p>	

	<p>Transactions and Events</p>	<p>collections for reporting purposes.</p> <ul style="list-style-type: none"> ✓ Adequate records were generally maintained that documented the collections from point of receipt to pick up by the Revenue Office courier. 	
<p>7.</p>	<p>Information Processing</p>	<ul style="list-style-type: none"> ✓ The PETS is programmed to reflect an “unpaid” status in the event a permit is issued without payment being received. ✓ PETS summary reports reflecting collections for permit issuances are compared to collections removed from the lock boxes by the Revenue Office courier. This control serves to detect any errors or unauthorized diversions of permit fees. ✗ There is no independent verification by Growth Management staff that collections picked up by the Revenue Office courier are properly deposited. (Note: Revenue Office supervisory staff did verify the amounts per the PETS summary report to amounts deposited. However, the PETS summary report used for that verification was the report delivered by the courier with the collections. Accordingly, that verification would not necessarily detect any unauthorized diversions of funds in the event that the courier fraudulently modified the PETS summary report.) ✗ There were no reconciliations, by supervisory staff or an employee independent of the issuance/collection functions, of competency cards issued to collections recorded in PETS. Accordingly, there was no independent assurance that fees were properly collected and transferred to the Revenue Office for deposit. Such assurances are necessary given the incompatible duties performed by applicable employees (see “Segregation of Duties” above). ✗ There was no independent reconciliation of competency certification fees recorded in PETS to the corresponding collections picked up by the Revenue Office courier. Under those circumstances, the loss or 	<p>When planned enhancements are made to the City’s cashing system (CORE System), collections will no longer be transferred to the Revenue Office for deposit. Instead, Growth Management staff will process and deposit those collections. This will eliminate the described risk.</p> <p>As noted above under “Access to and Accountability for Resources,” competency cards should be sequentially numbered in a manner that allows an independent accounting of the cards. Such an accounting of the cards should include verification by supervisory (or independent) staff of cards issued to fees collected (a compensating analytical procedure to offset the noted inadequate segregation of duties). To facilitate this verification, the PETS should be programmed to reflect the applicable sequential number for each issued competency card.</p> <p>Applicable programming should be done to allow the generation of a PETS summary report that reflects total competency certification fee collections for a</p>

		unauthorized diversion of certification fees may not be detected.	given day (i.e., similar to what is currently done for permit issuances). Once produced, that summary report should be balanced to the daily fee collections picked up by the Revenue Office courier (i.e., similar to what is currently done for permit collections).
8.	Documentation	<ul style="list-style-type: none"> ✓ Forms and records were generally established and maintained to provide an adequate accounting of collections. ✓ There were internal written procedures for the receipt and processing of fees for permit issuances and competency certifications. 	

Table Legend:

✓

Activities increased assurance that collected funds are properly accounted for and deposited

x

Identified risks for which revisions, enhancements, and/or improvements are needed

Note (1): Applicable Control Activities determined from INTERNAL CONTROL GUIDELINES - Administrative Policies and Procedures No. 630, Section .09, Part III.

Conclusion. Growth Management implemented certain control activities to provide some assurance that collections are properly accounted for and deposited into the City’s bank account. However, based on our consultations with staff, we noted several areas where control activities should be enhanced and improved. As noted above, significant recommendations include sequential numbering of competency cards, segregating incompatible duties regarding competency card and copy functions to the extent feasible, restrictive endorsement of checks immediately upon receipt, no longer extending credit to selected contractors, developing PETS summary reports, deposit of collections by Growth Management staff, enhancing PETS to document the related sequential control number for issued competency cards, and appropriate accounting of competency cards that ensures fees are collected for issued cards.

GROWTH MANAGEMENT			
<i>Action Plan</i>			
Condition – Risks relating to the cash collection and processing function were identified for which revisions, enhancements, or improvements are needed.			
Step #	Action/Task	Responsible Employee	Target Date
A. Objective: To ensure that competency card fees are properly collected and deposited.			
1.	Competency cards available for issuance will be sequentially numbered.	Ronnie Spooner	10/1/01
2.	An accounting of competency cards available for issuance will be maintained. The accounting will reflect for each competency card whether it has been issued or voided, or is still in inventory.	Ronnie Spooner	10/1/01
3.	Appropriate programming changes will be made that allow the PETS to reflect the applicable sequential number for each competency card that is issued.	Ronnie Spooner Karen Jumonville	10/1/01
4.	Independent and/or supervisory verifications of competency cards issued to fees collected as recorded in PETS will be done.	Ronnie Spooner	10/1/01
5.	The PETS will be programmed to generate a daily summary report that reflects total competency card certification fees collected each day.	Ronnie Spooner Karen Jumonville	10/1/01
6.	Independent and/or supervisory comparisons will be conducted of fees collected per the daily summary PETS report (see step 5 above) to actual collections picked up by the Revenue Office for deposit and/or deposited by Growth Management staff.	Ronnie Spooner	10/1/01
7.	To the extent practicable, duties among staff will be segregated such that employees collecting competency card fees will not also access and issue competency cards.	Ronnie Spooner	10/1/01
B. Objective: To ensure that copy fees are properly collected and deposited.			
1.	In the Land Use/Environmental Services section, the employee receiving requests for and making copies will not provide those copies to the requesting customer until a receipt evidencing payment is presented. The customer will make payment for the copies to an employee different than the maker and handler of the copies, and this employee will process the payment in PETS and give the customer a receipt for payment.	Dwight Arnold	10/1/01

C. Objective: To safeguard negotiable instruments upon collection.			
1.	Growth Management will obtain an endorsement stamp from the Revenue Office and will restrictively endorse negotiable instruments upon their receipt.	Ronnie Spooner	10/1/01
D. Objective: To ensure that fees are collected for all issued permits.			
1.	Credit will no longer be extended to selected contractors. Contractors will be allowed to deposit funds into trust accounts maintained by the City and accounted for in PETS, against which fees can be applied as permits are obtained.	Ronnie Spooner	10/1/01

AIRPORT OPERATIONS (EXCLUDING JETPORT DINER)**Annual Collections (Fiscal Year 2000)****\$4.5 million**

Description. Various revenues are generated by Airport activities. While the Revenue Office collects some of these revenues, others are collected at the Airport. Revenues collected at the Airport during fiscal year 2000 included the following:

- Payments for parking services received from Republic Parking System, which is the entity contracted by the City to manage the Airport's parking facilities. (*Annual collections of \$1.82 million*)
- Passenger facility charges collected from the airlines based on the number of passengers using the Airport. (*Annual collections of \$1.33 million*)
- Lease payments received from private enterprises (other than concessionaires) and other governmental entities leasing airport facilities. Examples include Flightline (provides fuel for aircraft), Federal Express, the Federal Aviation Administration, and U.S. Postal Service. (*Annual collections of \$616,000*)
- Lease/rental payments from concessionaires for the use of Airport facilities. This includes car rental agencies as well as a gift shop, yogurt shop, video game room, advertising agency, and other enterprises. (*Annual collections of \$548,000*)
- Payments from Gulfstream Airlines for facility use. (*Annual collections of \$99,000*) (Note: Fees from other airlines for facility use were collected by the Revenue Office.)
- Fee payments for permits (taxis, shuttles, employee parking), security badge replacements, and unscheduled landings. (*Annual collections of \$84,000*)
- Rental payments for the use of the conference center. (*Annual collections of \$26,000*) (Note: The Revenue Office collected additional revenues for rentals of the conference center. Also, future rentals of the conference center are to be handled by the FSU Center for Professional Development through a management contract with the City.)
- Charges for locker rentals and vending machine sales. (*Annual collections of \$550*)

Reasons for External Collection. For Airport activities, it would not be appropriate and/or convenient for customers/citizens to travel to City Hall and pay the applicable revenues to the Revenue Office. For example, it is convenient for lessees and concessionaires operating at the Airport to also pay at the Airport. Similarly, it is convenient for persons obtaining Airport operating permits to pay at the Airport. However, in those instances where amounts can be reasonably and efficiently billed (e.g., lease/rentals that are set amounts), it would also be appropriate and convenient for the customer to submit their payments (by mail) directly to the Revenue Office.

Assurances, Risks, and Recommendations. The following table describes the assurances, and risks identified during, and recommended actions resulting from, our review and related consultations with Airport staff regarding control activities for Airport collections.

ASSURANCES, RISKS, AND RECOMMENDATIONS		
Applicable Control Activity (Note 1)	Assurances/Risks	Recommendation
1. Access to and Accountability for Resources	<ul style="list-style-type: none"> ✓ Custody of collections was assigned to specific staff. ✓ Receipt forms were sequentially numbered thereby providing a means to ensure accountability. ✓ Permits were sequentially numbered, thereby providing a means to ensure accountability. ✓ Access to collections in the Finance and Administration section was controlled through the use of locked safes and cabinets. ✗ Collections received by the Operations section, for permit issuances and replacement of security badges, were not adequately safeguarded prior to their transfer to the Finance and Administration section. Specifically, those collections were stored in an open bin or unlocked desk drawer to which all Operations section personnel had access. In the event of a loss or theft, responsibility would be difficult to determine under those circumstances. ✗ The key to the rental locker collection containers was observed stored in the Finance and Administration safe. However, the key to the vending machine collection containers was observed in the unlocked desk drawer of a Facilities section employee. To preclude undetected and/or unauthorized removal and diversion of collections, those keys should be maintained in a secured location to which only authorized staff has access. 	<p>Collections for permit issuances and replacement of security badges should be stored in a secured place with access limited to authorized employees. (Subsequent to our initial fieldwork visit, Operations section staff took corrective action by acquiring a lock box for those collections. Only authorized staff had access to the key to the lock box.)</p> <p>The keys to the rental locker and vending machine collection containers should be stored in the safe located in the Finance and Administration section. (Subsequent to our observation of the vending machine key in the unlocked desk drawer, the key was placed in that safe.)</p>
2. Direct Activity Management	<ul style="list-style-type: none"> ✓ Airport management reviewed reported collection and deposit activity. 	
3. Segregation of Duties	<ul style="list-style-type: none"> ✓ While custodial responsibility was assigned to Airport staff, Accounting Services staff recorded the collection transactions in the City’s general ledger. 	

		<ul style="list-style-type: none"> ✗ An employee who initiated and executed rental agreements with two entities, that periodically rented airport facilities for set amounts, also collected the related rental fees. To reduce the risk of unauthorized diversion of revenues, the same employee should not perform both the authorization and collection functions for an activity. ✗ Only one employee was present when locker rental and vending machine receipts were removed from the lockers and vending machines. The presence of an additional employee when such receipts are removed from the lockers/machines and transferred for deposit makes the unauthorized diversion of those receipts more difficult. 	<p>To the extent these entities do not pay the rental fees at the time of application, Accounting Services should bill the rental fees through the City’s accounts receivable system. These billings should be based on billing requests submitted by appropriate Airport staff. The two entities should be instructed to submit payments for the billings directly to the Revenue Office.</p> <p>Two employees should be present when locker rental and vending machine receipts are removed from the lockers/machines and transferred to the Airport Finance and Administration Office for recording and deposit preparation purposes.</p>
4.	Physical Controls	<ul style="list-style-type: none"> ✓ Locked doors, controlled entry, and security cameras controlled access to the Finance and Administration and Operations sections where collections were received. ✓ Prepared deposits were picked up at the Airport by an armored courier service twice a week, thereby reducing the exposure of funds to loss or theft. ✓ Deposits were placed in locked bank bags for transport to the bank for deposit. ✗ Airport Finance and Administration staff did place restrictive endorsements on checks and money orders. These endorsements specified that the negotiable instruments were for deposit only for the City of Tallahassee. However, the endorsements did not specify the bank or bank account to which the instruments were to be deposited. Restricting the deposit of a negotiable instrument to a specific bank and bank account reduces the risk of improper deposit and unauthorized diversion. ✗ Negotiable instruments received by the Operations section were not restrictively endorsed prior to their transfer to the Airport Finance and Administration section for deposit. 	<p>The Revenue Office should provide an endorsement stamp that restricts the deposit of negotiable instruments to the appropriate City of Tallahassee bank account.</p> <p>The Revenue Office should provide an endorsement stamp to each City location where checks or other negotiable instruments are collected. The stamp should be placed on each check/instrument at the place of collection immediately upon receipt of the check/instrument.</p>

			The stamp should specify that the checks/instruments are “for deposit only” into the applicable City bank account.
5.	Execution of Transactions and Events	<ul style="list-style-type: none"> ✓ Collections were received and processed by Airport staff acting within their assigned authority and responsibility. ✓ Procedures existed to properly process and deposit collections. ✗ Collections for permit/badge issuances received in the Operations section were not always timely transferred to the Airport Finance and Administration section for deposit, thereby (1) increasing the exposure to loss or unauthorized diversion and (2) limiting the interest that could be earned on such collections once deposited. Our test of five collections showed that the amounts were held for an average of 14 days prior to their transfer to the Airport Finance and Administration section. ✗ Except as noted above under “Segregation of Duties,” applicable amounts (e.g., leases for set amounts over an extended period) were billed by the Accounting Services section through the City’s accounts receivable system. However, we noted that many of the billed amounts were collected at the Airport instead of the Revenue Office. Amounts billed and collected at the Airport during fiscal year 2000 totaled approximately \$1 million. It would be advantageous to the City for these billed entities to remit their payments to the Revenue Office instead of the Airport. Because the Revenue Office deposits all receipts daily (opposed to biweekly at the Airport), such remittance to the Revenue Office should ensure timelier depositing of the funds. 	<p>Collections should be transferred for deposit in a timely manner, preferably no later than the first working day after the collection date. (Subsequent to our initial survey visit, we noted that collections were being transferred to the Finance and Administration section within a couple of days of receipt.)</p> <p>All billed parties should be instructed to remit their payments to the Revenue Office.</p>
6.	Recording of Transactions and Events	<ul style="list-style-type: none"> ✓ Procedures were in place to properly classify collections for reporting purposes. ✗ Adequate records were generally maintained that documented the collections from point of receipt to deposit. However, Airport Finance and Administration staff did not document the date of receipt of collections received in the mail, thereby precluding a determination that amounts were timely processed and deposited. 	The date of receipt of all collections should be documented in order to allow determinations as to the timely depositing of collections.
7.	Information Processing	<ul style="list-style-type: none"> ✓ Airport staff reviewed collection transactions prior to deposit. 	

		<ul style="list-style-type: none"> ✓ Sequentially numbered receipt forms used in the Operations section were controlled and accounted for by supervisory staff. ✓ Revenue Office staff verified amounts collected per daily cash reports prepared by Airport staff to validated deposit slips remitted directly to the Revenue Office by the bank. ✗ Sequentially numbered receipt forms used to document collections received by the receptionist in the Finance and Administration section were not accounted for or used as a tool to ensure that all collections were properly deposited. ✗ In the Operations section, there was no independent reconciliation of permits issued to collections received and transferred for deposit. Such reconciliations provide a means to ensure that proper fees were collected and deposited. 	<p>Appropriate supervisory staff and/or an employee independent of the collection/custodial function should (1) account for the forms and (2) periodically reconcile amounts collected per the completed forms to amounts deposited.</p> <p>Appropriate supervisory staff and/or an employee independent of the collection/custodial function should (1) account for all permits and (2) periodically reconcile permits issued to amounts collected and deposited.</p>
8.	Documentation	<ul style="list-style-type: none"> ✓ Forms and records were generally established and maintained to provide an adequate accounting of collections. ✗ There were no internal written procedures for the receipt and processing of collections. Written procedures help ensure a consistent and appropriate methodology for collecting and processing funds. 	<p>Written procedures should be established for the receipt and processing of Airport collections.</p>

Table Legend:

- ✓
- ✗

Activities increased assurance that collected funds are properly accounted for and deposited
 Identified risks for which revisions, enhancements, and/or improvements are needed

Note (1): Applicable Control Activities determined from INTERNAL CONTROL GUIDELINES - Administrative Policies and Procedures No. 630, Section .09, Part III.

Conclusion. The Airport implemented certain control activities to provide some assurance that collections are properly accounted for and deposited into the City’s bank account. However, based on our consultations with Airport staff, we noted several areas where control activities should be enhanced and improved. As noted above, significant recommendations include controlling and limiting access to collections, using the City’s billing system as a means of ensuring a segregation of incompatible duties, controlling the removal of coins from vending machines and lockers, proper and timely endorsement of negotiable instruments, timely transfer of collections for deposit, remittance of payments on billed accounts to the Revenue Office, documenting collection dates for receipts, supervisory/independent accounting for receipt forms and permits coupled with reconciliations to amounts deposited/collected, and establishment of written procedures.

<i>AIRPORT OPERATIONS (EXCLUDING JETPORT DINER)</i>			
<i>Action Plan</i>			
Condition – Risks relating to the cash collection and processing function were identified for which revisions, enhancements, or improvements are needed.			
Step #	Action/Task	Responsible Employee	Target Date
A. Objective: To safeguard collections.			
1.	Fees collected for permit issuances and replacements of security badges will be secured in a lock box in the Supervisor's office. Access to the lock box contents will be restricted to authorized staff.	David Pollard	3/31/01*
2.	Keys to vending machines will also be stored in the safe located in the Airport Finance and Administration section.	Clara Tait	1/31/01*
3.	Two persons will be present whenever money is removed from rental lockers and vending machines, and both persons will sign and date the cash report used to account for those collections.	Clara Tait	1/31/01*
B. Objective: To segregate incompatible duties for the purpose of ensuring that collections are properly accounted for and deposited.			
1.	Except when fees are paid at the time of application, the two entities that periodically rent airport facilities for set amounts will be billed through the City's accounts receivable system based on billing requests completed and submitted to Accounting Services.	Clara Tait Queen Smith	10/31/01
2.	Airport staff will periodically check the FMS (PeopleSoft) and City's accounts receivable system to ensure that amounts are being properly billed based on billing requests submitted to Accounting Services.	Clara Tait	3/31/01*
C. Objective: To safeguard negotiable instruments upon collection.			
1.	The Operations section will obtain an endorsement stamp from the Revenue Office and will restrictively endorse negotiable instruments upon receipt.	David Pollard	7/31/01*
2.	The Airport Finance and Administration section will obtain from the Revenue Office a restrictive endorsement that specifies the City bank account to which the negotiable instruments must be deposited.	D. Robertson	7/31/01*
D. Objective: To ensure that collections are timely processed and deposited.			
1.	Collections received in the Operations section will be transferred to the Airport Finance and Administration section within one week of receipt.	David Pollard D. Robertson	3/31/01*
2.	All external parties billed through the City's accounts receivable system will be instructed to remit their payments directly to the Revenue Office at City Hall.	A/R Staff D. Robertson	3/31/01*

E. Objective: To maintain adequate records and documentation accounting for collection and deposit activity.			
1.	Dates of receipt for collections received in the mail will be documented through the use of a date stamp.	D. Robertson Kristie Moore	3/31/01*
F. Objective: To ensure that collections are properly deposited.			
1.	Sequentially numbered receipt forms will be accounted for in a manner that will reflect the disposition of all receipt forms available for issuance (e.g., issued and fee collected, voided, or not issued).	Clara Tait	3/31/01*
2.	Independent and/or supervisory reconciliations of amounts collected per completed (issued) receipt forms to related amounts deposited into the City's bank account will be periodically conducted.	Clara Tait	6/30/01*
3.	Independent and/or supervisory reconciliations of permits issued to related collections received and deposited will be periodically conducted.	David Pollard Clara Tait	6/30/01*
G. Objective: To establish written procedures for the receipt and processing of cash.			
1.	Written procedures for the receipt and processing of collections at the Airport will be established.	Clara Tait	12/31/01

*As per department, action plan step has been completed as of indicated date.

AIRPORT – JETPORT DINER

Annual Collections (Fiscal Year 2000)

\$669,000

Description. The Jetport Diner located at the Airport operates a cafeteria, snack bar, and two bars that serve beverages. In addition, the diner provides catering services to airlines or private parties (e.g., entities renting the Airport conference center). During our audit fieldwork, these activities were operated by the City through a contracted manager (not a City employee). Staff running these operations under the contracted manager were provided through Staff Leasing, an employment services enterprise. The contracted manager and employees of Staff Leasing processed revenues generated from these activities for deposit into the City’s bank account. Airport staff (City employees) provided oversight and support for the diner’s operation.

In addition to accepting currency/coins, checks, and credit cards for payment of food and drink, the diner accepts airline meal vouchers. Those vouchers are provided by the airlines to customers whose initial departure times have been delayed. Diner staff periodically accumulated the redeemed vouchers accepted as payment and billed the applicable airlines for the accumulated amounts. Payments by airlines were received at the Jetport Diner and were included with other diner collections prepared for deposit. Similarly, payments on catering sales billed by diner staff were collected at the Jetport Diner and included with other diner collections prepared for deposit.

Note: Subsequent to the end of our audit fieldwork, the City entered into a contract (effective June 26, 2001) with a private vendor to operate the Jetport Diner. Under that contractual arrangement, the private vendor will be paid a management fee. Periodically, the vendor will deduct allowable operating expenses and the management fee from revenues generated through operation of the diner. That net amount (i.e., profit) will be remitted to the City. Unlike the previous arrangement, City employees will not play an active support role in the operation of the diner.

Reasons for External Collection. It is only appropriate for customers to pay at the cafeteria, snack bar, and other bars for purchased food and drink. Responsibility for billing airlines and private parties for meal vouchers and catering services has traditionally been assigned to Jetport Diner staff.

Assurances, Risks, and Recommendations. The following table describes the assurances and risks identified during, and recommended actions resulting from, our review and related consultations with Airport and diner staff regarding control activities for the described revenues.

ASSURANCES, RISKS, AND RECOMMENDATIONS		
Applicable Control Activity (Note 1)	Assurances/Risks	Recommendation
1. Access to and Accountability for Resources	✓ Custody of collections was assigned to specific staff.	

		<ul style="list-style-type: none"> ✓ Collections were stored in a locked safe within a locked room with access limited to authorized staff. ✓ Access codes were assigned to staff operating cash registers. Entry of those codes was required to open the cash drawer. 	
2.	Direct Activity Management	<ul style="list-style-type: none"> ✓ Airport Finance and Administration staff reviewed reported collection and deposit activity. 	
3.	Segregation of Duties	<ul style="list-style-type: none"> ✓ Except as noted below, the custodial and recording functions for collections were segregated as diner staff received and deposited the collections while Accounting Services recorded the collection transactions in the City’s general ledger. ✗ The custodial and recording functions relating to meal voucher redemptions were not adequately segregated. Diner staff (1) billed and collected payments from the airlines for those activities, (2) maintained the related billing and receivable records, and (3) reported the redemption/collection activity on cash reports submitted to the Airport Finance and Administration section. As noted below under “Information Processing,” there also was no independent reconciliation of meal voucher redemptions reported through cash register sales to the amounts billed and collected from the airlines. Under those circumstances, errors or unauthorized diversions of revenues could go undetected. ✗ The custodial and recording functions relating to catering sales were not adequately segregated. Diner staff (1) billed and collected payments for goods/services provided to airlines/private parties, (2) maintained the related billing and receivable records, and (3) reported the related collections on cash reports submitted to the Airport Finance and Administration section. 	<p>Subsequent to the identification of this risk, the City contracted with a private vendor to operate the Jetport Diner. Pursuant to contractual terms and provisions, that vendor will be responsible for the operation of the diner’s activities. The contract also provides that the vendor develop and submit to the City for review and approval a policy and procedure manual. We recommend that the Airport staff ensure that the vendor’s policy and procedure manual provides for appropriate controls over the meal voucher redemption/collection process.</p> <p>Subsequent to the identification of this risk, the City contracted with a private vendor to operate the Jetport Diner. Pursuant to contractual terms and provisions, that vendor will be responsible for the operation of the diner’s activities. The contract also provides that the vendor develop and submit to the City for review and approval a policy and procedure manual. We recommend that the Airport staff ensure that the vendor’s policy and procedure manual provides for appropriate controls over catering sales.</p>
4.	Physical Controls	<ul style="list-style-type: none"> ✓ Cash registers were used at the cafeteria, snack bar, and two other bars. Cash registers provide a means to make an initial record of and safeguard collections. 	

		<ul style="list-style-type: none"> ✓ Prepared deposits were picked up at the Jetport Diner by an armored courier service twice a week, thereby reducing the exposure of funds to loss or theft. ✓ Deposits were placed in locked bank bags for transport to the bank for deposit. ✓ Payment by credit cards is accepted, thereby reducing the amount of currency and negotiable instruments received and processed by the center. 	
5.	Execution of Transactions and Events	<ul style="list-style-type: none"> ✓ Collections were received and processed by diner staff acting within their assigned authority and responsibility. ✓ Procedures existed to properly process and deposit collections. 	
6.	Recording of Transactions and Events	<ul style="list-style-type: none"> ✓ Procedures were in place to properly classify collections for reporting purposes. ✗ Adequate records were generally maintained that documented most collections from point of receipt through deposit. However, adequate records were not maintained that tracked redeemed meal vouchers to the billings submitted to and collections received from the airlines. 	<p>Subsequent to the identification of this risk, the City contracted with a private vendor to operate the Jetport Diner. Pursuant to contractual terms and provisions, that vendor will be responsible for the operation of the diner’s activities. The contract also provides that the vendor develop and submit to the City for review and approval a policy and procedure manual. We recommend that the Airport staff ensure that the vendor’s policy and procedure manual provides for the maintenance of records that adequately account for meal voucher redemptions and related billings/collections.</p>
7.	Information Processing	<ul style="list-style-type: none"> ✓ Diner management reviewed collections and reported sales activity prior to deposit. ✓ At the end of each shift, cash register collections were balanced to the cash register tapes and imprest fund amount. ✓ Revenue Office staff verified amounts collected per daily cash reports prepared by Airport staff to validated deposit slips remitted directly to the Revenue Office by the bank. ✗ There were no independent reconciliations of meal voucher redemptions reported through cash register sales to the amounts billed to and collected from the airlines. 	<p>Subsequent to the identification of this risk, the City contracted with a private vendor to operate the Jetport Diner. Pursuant to contractual terms and provisions, that vendor</p>

			will be responsible for the operation of the diner’s activities. The contract also provides that the vendor develop and submit to the City for review and approval a policy and procedure manual. We recommend that the Airport staff ensure that the vendor’s policy and procedure manual provides for appropriate controls over the meal voucher redemption/collection process.
8.	Documentation	<p>✓ Established forms and records were generally sufficient to provide an adequate accounting of collections.</p> <p>✗ Internal written procedures were established for the receipt and processing of collections through cash register sales. However, these procedures did not address deposit preparation or the billing and collection procedures for redeemed meal vouchers/catering sales. Complete written procedures help ensure a consistent and appropriate methodology for collecting and processing funds.</p>	Subsequent to the identification of this risk, the City contracted with a private vendor to operate the Jetport Diner. Pursuant to contractual terms and provisions, that vendor will be responsible for the operation of the diner’s activities. The contract also provides that the vendor develop and submit to the City for review and approval a policy and procedure manual. We recommend that Airport management ensure that the vendor’s policy and procedure manual provides for comprehensive and appropriate processes and methods.

Table Legend:

- ✓ Activities increased assurance that collected funds are properly accounted for and deposited
- ✗ Identified risks for which revisions, enhancements, and/or improvements are needed

Note (1): Applicable Control Activities determined from INTERNAL CONTROL GUIDELINES - Administrative Policies and Procedures No. 630, Section .09, Part III.

Conclusion. The Jetport Diner implemented certain control activities to provide some assurance that collections are properly accounted for and deposited into the City’s bank account. However, based on our consultations with Airport and diner staff, we noted several areas where control activities should be revised and/or enhanced and improved. As noted above, subsequent to our audit fieldwork the City contracted with a private vendor to operate the Jetport Diner. Airport management should ensure that the private vendor develops and submits for review and approval a policy and procedure manual that provides for comprehensive and appropriate processes and methods.

AIRPORT – JETPORT DINER			
<i>Action Plan</i>			
Condition – Risks relating to the cash collection and processing function were identified for which revisions, enhancements, or improvements are needed.			
Step #	Action/Task	Responsible Employee	Target Date
A. Objective: To ensure that cash is properly processed and deposited.			
1.	Airport staff will ensure that the private vendor contracted to operate the Jetport Diner establishes comprehensive and appropriate written policies and procedures that, among other things, address billing, collecting, and accounting for (1) redeemed meal vouchers and (2) catering sales.	Clara Tait	12/31/01

REAL ESTATE – PARKING, LEASES, AND CLOSINGS

Annual Collections (Calendar Year 2000) \$2 million

Description. In addition to cemetery sales (addressed in a separate section), the Real Estate Division collects revenues from the following three sources:

- Parking fees for the three downtown parking facilities owned by the City. These three parking facilities are Kleman Plaza, the Eastside Garage, and the Floridan Lot. The City contracts with Republic Parking System (Republic) to manage the three parking facilities. Republic submits monthly checks to the Real Estate Division for the applicable revenues generated from these facilities. *(Annual collections estimated at \$1.13 million)*
- Leasing of City-owned commercial and residential properties. Currently, there are approximately ten such properties. *(Annual collections estimated at \$793,000)*
- Real estate closings involving the sale of City-owned property. *(Calendar year 2000 collections of \$63,000)*

All revenues collected by the Real Estate Division are transferred to the Revenue Office for deposit into the City’s bank account. However, some of these collections are routed through the Accounting Services section prior to being transferred to the Revenue Office for deposit.

Reasons for External Collection. Direct receipt of parking and lease payments provides the Real Estate Division knowledge and assurance that revenues are received. The Real Estate Division collects real estate closing proceeds as Real Estate staff usually represents the City at those closings. As noted below, it may be more appropriate for revenues other than real estate closing proceeds to be collected directly by the Revenue Office.

Assurances, Risks, and Recommendations. The following table describes the assurances and risks identified during, and recommended actions resulting from, our review and related consultations with Real Estate staff regarding control activities for the described revenues.

ASSURANCES, RISKS, AND RECOMMENDATIONS		
Applicable Control Activity (Note 1)	Assurances/Risks	Recommendation
1. Access to and Accountability for Resources	<ul style="list-style-type: none"> ✓ Custody of collections was assigned to specific staff. ✓ Collections were stored in a locked file cabinet with access limited to authorized staff. ✗ The name of a Real Estate Division employee was included as a payee on the checks from Republic Parking System. Including an individual as a payee on a check increases the risk that the check could be negotiated for unauthorized purposes. 	The Real Estate Division should instruct Republic Parking System to make the City of Tallahassee the sole payee on checks submitted for payment.

2.	Direct Activity Management	<p>✓ Real Estate Management reviewed collection activity to ensure collections were properly processed.</p>	
3.	Segregation of Duties	<p>✓ The custodial and recording functions for parking facility collections were segregated as Real Estate and Revenue Office staff received and processed the collections while Accounting Services recorded the collection transactions in the City's general ledger.</p> <p>✗ The custodial and recording functions for lease payments and real estate closing proceeds were not adequately segregated. Such collections were transferred to Accounting Services. Staff responsible for maintaining records for revenues (i.e., Accounting Services) should not also have custody or access to such revenues.</p>	<p>Collections pertaining to activity of the Real Estate Division should be remitted to the Revenue Office and not be routed through Accounting Services.</p>
4.	Physical Controls	<p>✓ Currency is not received as all collections are in the form of checks, thereby reducing the likelihood of uncompensated loss or unauthorized diversion.</p> <p>✗ Real Estate staff did not restrictively endorse checks. Endorsements were not placed on the negotiable instruments until after they had been transferred to the Revenue Office.</p>	<p>The Revenue Office should provide an endorsement stamp to each City location where checks or other negotiable instruments are collected. The stamp should be placed on each check/instrument at the place of collection immediately upon receipt of the check/instrument. The stamp should specify that the checks/instruments are "for deposit only" into the applicable City bank account.</p>
5.	Execution of Transactions and Events	<p>✗ Collections were properly processed and transferred for deposit by Real Estate staff. However, checks from Republic Parking System and parties leasing City-owned properties should not be submitted to the Real Estate Division. Instead, such payments should be submitted by those entities directly to the Revenue Office, thereby (1) decreasing their exposure to loss or theft, (2) increasing the timeliness of the deposit of those funds into the City's bank account, and (3) further segregating the authorization and custodial functions.</p>	<p>Republic Parking System, parties leasing City-owned properties, and applicable City staff should be instructed to remit payments for parking facilities and leases directly to the Revenue Office. Upon receipt of such payments, the Revenue Office should remit applicable accompanying payment support to the Real Estate Division for managerial purposes.</p>
6.	Recording of Transactions and Events	<p>✓ Procedures existed for the proper classification of collections for reporting purposes.</p> <p>✗ Adequate records were generally maintained that documented the collections from point of receipt through transfer for deposit. However:</p> <ul style="list-style-type: none"> • The dates of receipt were not always documented. 	<p>Dates of receipt should be documented. However, as noted</p>

		<ul style="list-style-type: none"> Real Estate staff did not obtain evidence from the Revenue Office or Accounting Services documenting the transfer of custody of the collections, thereby limiting the ability to determine responsibility in the event of a loss or theft. 	<p>above under “Execution of Transactions and Events,” we recommend that lease payments and payments from Republic Parking System be remitted directly to the Revenue Office.</p> <p>As noted above under “Execution of Transactions and Events,” we recommend that lease payments and payments from Republic Parking System be remitted directly to the Revenue Office. Also, at the time of transfer of real estate closing proceeds, Real Estate staff should obtain documented acknowledgement of acceptance of custodial responsibility from the Revenue Office. Such documented acknowledgements should be a receipt from the City’s cashing system (CORE System).</p>
7.	Information Processing	<ul style="list-style-type: none"> Real Estate management reviewed collection transactions prior to transfer for deposit. 	
8.	Documentation	<ul style="list-style-type: none"> Forms and records were generally established and maintained to provide an adequate accounting of collections. There were no internal written procedures for the receipt and processing of collections. Written procedures help ensure a consistent and appropriate methodology for collecting and processing funds. 	<p>As noted above under “Execution of Transactions and Events,” we recommend that lease payments and payments from Republic Parking System be remitted directly to the Revenue Office. However, written procedures should be established for the receipt and processing of real estate closing proceeds.</p>

Table Legend:

- ✓ Activities increased assurance that collected funds are properly accounted for and deposited
- ✗ Identified risks for which revisions, enhancements, and/or improvements are needed

Note (1): Applicable Control Activities determined from INTERNAL CONTROL GUIDELINES - Administrative Policies and Procedures No. 630, Section .09, Part III.

Conclusion. The Real Estate Division implemented certain control activities to provide assurance that collection for parking facilities, leases of City-owned property, and real estate closings are properly accounted for and deposited into the City’s bank account. However, based on our consultations with Real Estate staff, we noted several areas where control activities should be revised and/or enhanced and improved. One of the more significant revisions, as noted above, should be to have payments for parking facilities and leases of City-owned property made directly to the Revenue Office. Upon receipt of those payments, the Revenue Office should promptly submit accompanying payment support to the Real Estate Division for managerial purposes. Other recommendations applicable to closing proceeds include direct transfer to the

Revenue Office, restrictive endorsement of negotiable instruments immediately upon receipt, documented acknowledgements of custody transfers, and establishment of written procedures.

REAL ESTATE – PARKING, LEASES, AND CLOSINGS			
<i>Action Plan</i>			
Condition – Risks relating to the cash collection and processing function were identified for which revisions, enhancements, or improvements are needed.			
Step #	Action/Task	Responsible Employee	Target Date
A. Objective: To restrict negotiability of checks.			
1.	Republic Parking System will be instructed to make the City of Tallahassee the sole payee on checks submitted for payment.	Mark Beaudoin	7/30/01
2.	The Real Estate Division will obtain an endorsement stamp from the Revenue Office and will restrictively endorse negotiable instruments upon their receipt.	Becky Walker	7/30/01
B. Objective: To facilitate processing and deposit of collections, to segregate incompatible duties, and to enhance accountability.			
1.	Republic Parking System and parties leasing City-owned properties will be instructed to remit their payments directly to the Revenue Office. These instructions will be provided in accordance with the implementation schedule established in conjunction with the Revenue Office.	Mark Beaudoin	9/30/01
2.	Any collections still received in the Real Estate Division (e.g., proceeds from real estate closings) will be transferred directly to the Revenue Office and not submitted to Accounting Services.	Mark Beaudoin	12/30/01
3.	Documented acknowledgements of custodial responsibility will be obtained from the Revenue Office for any collections received in the Real Estate Division and transferred to the Revenue Office.	Mark Beaudoin	7/30/01
4.	The dates of receipt for any collections received in the Real Estate Division will be documented.	Mark Beaudoin	7/30/01
C. Objective: To establish written procedures.			
1.	Written procedures addressing the receipt and processing of collections will be established.	Mark Beaudoin	12/30/01

REAL ESTATE – CEMETERY SALES

Annual Collections (Fiscal Year 2000) \$86,000

Description. The City currently collects revenues relating to two of the six City cemeteries. The revenues are primarily generated from the sale of burial lots and perpetual care at the Southside cemetery and the sale of perpetual care at the Greenwood cemetery. Sales are made directly to individuals or indirectly to individuals through funeral homes. Burial lots at Southside may be sold on a “pre-need” basis, where lots are purchased prior to a person’s death for estate planning purposes. Funds are collected from individuals and funeral homes by the Real Estate Division and transferred to the Revenue Office for deposit into the City’s bank account.

Reasons for External Collection. Real Estate staff indicated that it was not appropriate and/or convenient for citizens/funeral home personnel to travel to the Revenue Office at City Hall and pay for cemetery lots, especially when bereaved individuals are involved. Real Estate staff also indicated that requiring such individuals/funeral home personnel to travel to City Hall to make payments could delay the collection of the funds by the City relative to collection by Real Estate staff at the place and time of the sale.

Assurances, Risks, and Recommendations. The following table describes the assurances and risks identified during, and recommended actions resulting from, our review and related consultations with Real Estate staff regarding control activities for cemetery sales.

ASSURANCES, RISKS, AND RECOMMENDATIONS		
Applicable Control Activity (Note 1)	Assurances/Risks	Recommendation
1. Access to and Accountability for Resources	<ul style="list-style-type: none"> ✓ Custody of collections was assigned to specific staff. ✓ Burial request forms were sequentially numbered, thereby providing a means to ensure accountability. ✗ Access was not limited to persons assigned custodial responsibility as collections were stored (often overnight) in unsecured places (e.g., on top of a desk within an open office cubicle). 	Collections should be stored in secured areas prior to their transfer to the Revenue Office. (Subsequent to our initial survey visit, Real Estate staff indicated that all collections were now stored in locked desk drawers with access limited to authorized staff.)
2. Direct Activity Management	<ul style="list-style-type: none"> ✓ Real Estate Management reviewed collections to ensure they were properly processed and transferred for deposit. 	
3. Segregation of Duties	<ul style="list-style-type: none"> ✓ While custodial responsibility was assigned to Real Estate staff, Accounting Services staff recorded the collection transactions in 	

		the City's general ledger.	
4.	Physical Controls	<ul style="list-style-type: none"> ✓ Currency is not accepted – Real Estate staff will only accept checks or money orders, thereby reducing the likelihood of uncompensated loss or unauthorized diversion. ✗ Real Estate staff did not restrictively endorse checks and money orders. Endorsements were not placed on the negotiable instruments until after they had been transferred to the Revenue Office. 	The Revenue Office should provide an endorsement stamp to each City location where checks or other negotiable instruments are collected. The stamp should be placed on each check/instrument at the place of collection immediately upon receipt of the check/instrument. The stamp should specify that the checks/instruments are “for deposit only” into the applicable City bank account.
5.	Execution of Transactions and Events	<ul style="list-style-type: none"> ✓ Collections were received and processed by Real Estate staff acting within their assigned authority and responsibility. ✓ Procedures existed to properly process and transfer collections to the Revenue Office for deposit. ✗ Collections were not always timely transferred to the Revenue Office, thereby (1) increasing the exposure to loss or unauthorized diversion and (2) limiting the interest that could be earned on such collections once deposited. Our test of ten collections showed that the corresponding checks were held for an average of 21 days prior to their transfer to the Revenue Office. 	Collections should be transferred for deposit in a timely manner. (Subsequent to our initial survey visit, we noted that collections were being transferred to the Revenue Office within one or two days of receipt.)
6.	Recording of Transactions and Events	<ul style="list-style-type: none"> ✓ Procedures existed for the proper classifications of collections as cemetery sales. ✗ Adequate records were generally maintained that documented collections from point of receipt through transfer for deposit. However, Real Estate staff did not obtain evidence from the Revenue Office documenting the transfer of custody of the collections, thereby limiting the ability to determine responsibility in the event of a loss or theft. 	At the time of transfer of collections, Real Estate staff should obtain documented acknowledgement of acceptance of custodial responsibility from the Revenue Office. Such documented acknowledgement should be a receipt from the City's cashiering system (CORE System).
7.	Information Processing	<ul style="list-style-type: none"> ✓ Real Estate management reviewed collection transactions prior to transfer to the Revenue Office for deposit. ✗ There were no reconciliations, by an 	An employee not involved in the

		<p>employee independent of the collection/custodial functions, of lots and perpetual care sold to amounts collected and transferred for deposit.</p> <p>✗ There was no accounting of sequentially numbered burial request forms by an employee independent of the collection function. Such accounting helps to ensure that amounts collected were properly processed and transferred to the Revenue Office for deposit.</p>	<p>collection process and not assigned custodial responsibilities for collections should periodically verify that amounts are collected and deposited for each cemetery lot and perpetual care sale. Under current processes, this should include a reconciliation of (1) lots sold and burials to completed burial request forms and (2) completed burial request forms to collections received and transferred to the Revenue Office.</p> <p>An employee not assigned responsibility for collecting sale proceeds should account for sequentially numbered burial forms for the purpose of verifying the disposition of each form.</p>
8.	Documentation	<p>✓ Forms and records were generally established and maintained to provide an adequate accounting of collections.</p> <p>✗ There were no internal written procedures for the receipt and processing of collections. Written procedures help ensure a consistent and appropriate methodology for collecting and processing funds.</p>	<p>Written procedures should be established for the receipt and processing of burial lot and perpetual care sales.</p>

Table Legend:

✓

Activities increased assurance that collected funds are properly accounted for and deposited

✗

Identified risks for which revisions, enhancements, and/or improvements are needed

Note (1): Applicable Control Activities determined from INTERNAL CONTROL GUIDELINES - Administrative Policies and Procedures No. 630, Section .09, Part III.

Conclusion. The Real Estate Division implemented certain control activities to provide some assurance that cemetery collections are properly accounted for and deposited into the City’s bank account. However, based on our consultations with Real Estate staff, we noted several areas where control activities should be enhanced and improved. As noted above, significant recommendations include improved safeguarding of collections, restrictive endorsement of negotiable instruments immediately upon receipt, timely transfer of collections for deposit, documented acknowledgements of custody transfers, independent reconciliations/verifications of activities and forms to ensure collected amounts are properly handled and deposited, and establishment of written procedures.

REAL ESTATE – CEMETERY SALES			
<i>Action Plan</i>			
Condition – Risks relating to the cash collection and processing function were identified for which revisions, enhancements, or improvements are needed.			
Step #	Action/Task	Responsible Employee	Target Date
A. Objective: To safeguard collections and restrict negotiability of checks.			
1.	Collections pending transfer to the Revenue Office will be stored in locked desk drawers or file cabinets and access to those drawers/cabinets will be limited to authorized staff.	Becky Walker	7/30/01
2.	The Real Estate Division will obtain an endorsement stamp from the Revenue Office and will restrictively endorse negotiable instruments upon their receipt.	Becky Walker	7/30/01
B. Objective: To facilitate processing and deposit of collections and to enhance accountability.			
1.	Collections will be timely transferred to the Revenue Office (within one week of receipt).	Becky Walker	7/30/01
2.	Documented acknowledgements of custodial responsibility will be obtained from the Revenue Office upon the transfer of collections.	Becky Walker	7/30/01
C. Objective: To ensure that collections were properly received and deposited.			
1.	An employee independent of the collection and custodial function will periodically verify that amounts are collected for each cemetery lot and perpetual care sale. This will include a reconciliation of (1) lots sold and burials to completed burial request forms and (2) completed burial request forms to collections received and transferred to the Revenue Office.	Steve Taff	12/30/01
2.	An employee not assigned responsibility for collecting sale proceeds will maintain an accounting of sequentially numbered burial request forms. That accounting will show the disposition for each form.	Steve Taff	12/30/01
D. Objective: To establish written procedures.			
1.	Written procedures addressing the receipt and processing of collections will be established.	Steve Taff	12/30/01

TALTRAN

Annual Collections (Fiscal Year 2000)

\$1.1 million

Description. Collections received and processed by Taltran include:

- Bus fares generated from ticket sales to the general public through cashiers at the C.K. Steele Plaza and the Taltran administrative office.
- Bus fares collected from the general public through fare boxes located on the buses.
- Payments from the State for State employees who elect to purchase monthly bus passes at discounted rates.

Taltran also generates revenues through charter services, sales to nonprofit agencies, and contracts with local universities for bus services. However, those revenues are collected at the Revenue Office (not at Taltran) based on billings generated through the City’s accounts receivable system. The billings were submitted by Accounting Services staff based on billing requests completed by Taltran staff.

Collections received at Taltran were accumulated and prepared for deposit by Taltran staff. The prepared deposits were picked up by an armored courier service and delivered to the bank for deposit. Cash reports accounting for the deposited collections were prepared by Taltran staff and submitted to the Revenue Office at City Hall.

Reasons for External Collection. It is appropriate for passengers to pay for the transportation services at the locations where those services are provided.

Assurances, Risks, and Recommendations. The following table describes the assurances and risks identified during, and recommended actions resulting from, our review and related consultations with Taltran staff regarding control activities for Taltran collections.

ASSURANCES, RISKS, AND RECOMMENDATIONS		
Applicable Control Activity (Note 1)	Assurances/Risks	Recommendation
1. Access to and Accountability for Resources	<ul style="list-style-type: none"> ✓ Custody of collections was assigned to specific staff. ✓ Access to collections and tickets was controlled. Specifically: <ul style="list-style-type: none"> • The contents of bus fare boxes were restricted to authorized staff at the Taltran administrative center. The contents were not accessible to the public or the bus drivers. • Fare box collections were emptied into a 	

		<p>locked and secured “money room” to which access was restricted to authorized staff. Specialized equipment precluded access to the collections during the transfer from the fare boxes to the money room.</p> <ul style="list-style-type: none"> • Collections awaiting deposit and certain imprest and change funds at the Taltran administrative center were stored in a locked safe in a secured office, with access to the contents limited to authorized staff. • Unissued tickets at the Taltran administrative center were stored in a locked safe in a secured office at the Taltran administrative center, with access to the contents limited to authorized staff. • Access to the cashier’s workroom at the C.K. Steele Plaza is controlled by two locked doors (double entry system), whereby authorized staff must access a “holding area” prior to accessing the workroom. Furthermore, the cashier window and mechanical drawer through which transactions are processed precludes persons outside the workroom from accessing the room’s contents. • Cashiers’ operating funds and funds awaiting transfer to the Taltran administrative center are stored in locked drawers in a locked safe in the cashier workroom at the C.K. Steele Plaza. Only the applicable cashiers and management staff have access to those funds. • Access to the change machine at C.K. Steele Plaza is limited to management staff. <p>✓ Bus fare tickets were sequentially numbered, thereby allowing a means to ensure accountability.</p> <p>✓ Funds at the C.K. Steele Plaza and at the Taltran administrative center were not commingled as each cashier worked out of a separate cash drawer.</p>	
2.	Direct Activity Management	<ul style="list-style-type: none"> ✓ Taltran management and supervisory staff reviewed collection, transfer, and deposit activity. ✓ Supervisory staff conducted periodic unannounced counts of cashiers’ tickets and cash drawers to ensure that imprest fund 	

		amounts (comprised of both tickets and cash) were properly accounted for and on hand.	
3.	Segregation of Duties	<p>✓ The custodial and recording functions for collections were segregated as Taltran staff received and deposited the collections while Accounting Services recorded the collection transactions in the City’s general ledger.</p> <p>✓ At the Taltran administrative center, two employees were present when locked transport bags received from the C.K. Steele Plaza were opened, the contents (cash) counted, and the counted cash agreed to the attached cash reports.</p> <p>✗ For most days, only one employee counts fare box collections deposited into the “money room” the previous evening. That employee compares and reconciles his/her count to the collection count determined by the specialized equipment and software applications (i.e., a probe inserted into the fare boxes). The “probe report” is printed in the money room while the physical count is being conducted. Accordingly, the applicable employee has access to the count determined by the probe while conducting the physical count. In the event that a physical count exceeds the probe count (e.g., a fare box or the probe did not operate properly), the potential exists for the employee to divert the difference without timely detection.</p>	Compensating controls exist to decrease the risk that funds would be diverted without timely detection in the described circumstances. Specifically, a security camera monitors the physical count by the employee. In addition, a supervisory employee compares the probe report to the deposit records. Furthermore, the fare boxes are tested periodically to ensure that they are operating correctly. Because of these compensating controls and because any material undetected diversions of funds would not be likely, Taltran management has decided that the noted risk is acceptable.
4.	Physical Controls	<p>✓ The use of bus fare boxes that:</p> <ul style="list-style-type: none"> • Can only be opened through the use of specialized equipment. • Are programmed to count the amounts deposited and to detect if items other than legitimate coins or currency are deposited. • Contain a window allowing the bus driver to observe what is deposited. • Emit a distinct sound (ring) upon the deposit of the correct fare. • Read tickets to ensure their validity as to dates of use. <p>✓ Dial-A-Ride Program fees are collected in locked canisters to which access is limited to authorized staff.</p>	

		<ul style="list-style-type: none"> ✓ Bus fare tickets sold at the C.K. Steele Plaza and Taltran administrative center are magnetically coded to allow the fare boxes to determine their validity as to dates of use. ✓ Transfer tickets are produced and marked by bus drivers in a manner such that they can only be used for a specific route and date and time. ✓ A security camera is placed in the “money room” such that Taltran supervisory and management staff can monitor activity within that room. ✓ Funds and bus fare tickets were placed in locked bank bags for transport between the C.K. Steele Plaza and the Taltran administrative center. ✓ Collections prepared for deposit were placed in sealed bank bags for transport to the bank. ✓ Prepared deposits were picked up at the Taltran administrative center twice a week by an armored courier service driving armored vehicles. Similarly, funds and bus fare tickets were transported between the Taltran administrative center and the C.K. Steel Plaza by couriers driving armored vehicles. These procedures reduced the exposure of funds to loss or theft. ✓ Negotiable instruments were restrictively endorsed upon receipt. The endorsements restricted the negotiable instruments to deposit into the appropriate City bank account. 	
5.	Execution of Transactions and Events	<ul style="list-style-type: none"> ✓ Collections were received and processed by Taltran staff acting within their assigned authority and responsibility. ✓ Procedures existed to properly process and deposit collections. ✓ Bus fare box collections were transferred from the boxes to the secured money room daily, thereby reducing the exposure of the collections to theft or loss. 	
6.	Recording of Transactions and Events	<ul style="list-style-type: none"> ✓ Procedures existed to properly classify collections for reporting purposes. ✓ Adequate records were generally maintained that documented collections from point of receipt through deposit. 	
7.	Information Processing	<ul style="list-style-type: none"> ✓ Specialized equipment and software applications count the collections deposited in the fare boxes when those fare boxes are emptied at the Taltran administrative center. 	

		<ul style="list-style-type: none"> ✓ Fare box collections are physically counted (with the aid of currency and coin counters) by authorized Taltran administrative center staff after being emptied into the secured “money room.” ✓ Fare box collection amounts per physical counts are compared to counts determined by the specialized equipment and software applications by supervisory and management staff. ✓ Fare boxes are tested and serviced periodically to determine if they operate correctly (e.g., count correctly). ✓ Private firms are hired periodically to conduct undercover and unannounced inspections/ observations of fare collection activities. ✓ At the end of each shift, cashiers at the C.K. Steele Plaza and Taltran administrative center balance their cash and unsold tickets to their imprest fund amount. ✓ A management employee, not assigned cash collection and handling responsibilities, (1) verifies the physical ticket inventory to related perpetual records, (2) verifies the issuances per the perpetual records to the tickets recorded on logs as issued to cashiers at C.K. Steele Plaza or the Taltran administrative center, and (3) verifies the cash received from the cashiers to tickets issued per the recorded ticket issuance logs. This process serves to ensure that cash is properly collected and accounted for in regard to ticket sales. ✓ There were independent reconciliations of rides scheduled for the Dial-A-Ride Program to corresponding collections. ✓ Supervisory staff reconciles payments received from the State Comptroller for the purchase of monthly bus passes to lists of participating State employees. ✓ Revenue Office staff verified amounts collected per daily cash reports prepared by Taltran staff to validated bank deposit slips remitted directly to the Revenue Office by the bank. ✗ Taltran staff did not independently verify that amounts were properly billed by Accounting Services staff based on billing requests prepared and submitted by Taltran staff. 	<p>Taltran staff should obtain and review applicable accounts receivable reports documenting that amounts were appropriately billed and collected.</p>
--	--	--	--

8.	Documentation	<p>✓ Established forms and records were generally adequate to provide an accounting of collections.</p> <p>✓ Internal written procedures were established for the receipt and processing of collections. Written procedures help ensure a consistent and appropriate methodology for collecting and processing funds.</p>	
----	---------------	---	--

Table Legend:

- ✓ Activities increased assurance that collected funds are properly accounted for and deposited
- x Identified risks for which revisions, enhancements, and/or improvements are needed

Note (1): Applicable Control Activities determined from INTERNAL CONTROL GUIDELINES - Administrative Policies and Procedures No. 630, Section .09, Part III.

Conclusion. Taltran management implemented certain control activities to provide assurance that collections are properly accounted for and deposited into the City’s bank account. However, based on our consultations with Taltran staff, we noted some areas where control activities should be revised and/or enhanced and improved. As noted above, these recommendations involve enhancing controls over the physical counts of fare box collections and verifying that amounts are properly billed through the City’s accounts receivable system.

TALTRAN			
<i>Action Plan</i>			
Condition – Risks relating to the cash collection and processing function were identified for which revisions, enhancements, or improvements are needed.			
Step #	Action/Task	Responsible Employee	Target Date
A. Objective: To improve controls over the receipt of funds billed by Taltran.			
1.	Taltran staff will periodically check the FMS (PeopleSoft) and City’s accounts receivable system to ensure that amounts are being properly billed based on billing requests submitted to Accounting Services.	Cherie Herndon	10/1/01

PUBLIC WORKS ENGINEERING

Annual Collections (Fiscal Year 2000)

\$796,000

Description. Revenues collected by the Public Works Engineering Department during the past year included the following:

- Fees charged to contractors obtaining bid packages. Bid packages contain plans and specifications for City projects for which competitive bids will be sought. (Approximate annual collections of \$2,000)
- “Pre-qualification” fees charged to contractors desiring eligibility to bid on City projects. (Approximate annual collections of \$2,000)
- Occasional advance funding repayments from the Florida Department of Transportation (FDOT). FDOT makes these payments to the City as “reimbursement” for City funds previously “loaned” to FDOT for the purpose of starting road projects earlier than the dates otherwise planned by FDOT. (FY 2000 collections of \$792,000)

All collections received by the Public Works Engineering Department were transferred to the Revenue Office for deposit into the City’s bank account.

Reasons for External Collection. Public Works Engineering staff indicated that it was not appropriate and/or convenient for contractors to have to visit both their department and the Revenue Office in order to purchase bid packages or submit pre-qualification applications and related fees (i.e., provide citizens “one-stop shopping”). In regard to FDOT advance funding repayments, FDOT occasionally mailed the checks to the Public Works Engineering Department despite City requests of FDOT to not submit those payments to that department.

Assurances, Risks, and Recommendations. The following table describes the assurances and risks identified during, and recommended actions resulting from, our review and related consultations with Public Works Engineering staff regarding control activities for the noted revenues.

ASSURANCES, RISKS, AND RECOMMENDATIONS		
Applicable Control Activity (Note 1)	Assurances/Risks	Recommendation
1. Access to and Accountability for Resources	<p>✓ Custody of collections was assigned to specific staff.</p> <p>✗ Access was not limited to persons assigned custodial responsibility as:</p> <ul style="list-style-type: none"> • Collections for bid packages were stored in desk drawers that were unlocked during working hours and sometimes 	<p>Collections should be stored in secured areas prior to their transfer to the Revenue Office.</p>

		<p>overnight. The applicable desks were located in areas to which access was not restricted.</p> <ul style="list-style-type: none"> • Collections for pre-qualification application fees were stored in an open bin in an open office cubicle to which access was not restricted. 	
2.	Direct Activity Management	<p>✗ While management assigned and communicated duties to staff, the review and approval of staff's work relating to collection activity was not always adequate. For example, management review of amounts collected and transferred for deposit should have detected the errors described below under "Recording of Transactions and Events."</p>	<p>Management should review and approve bid package and pre-qualification fees collected and transferred for deposit. Such reviews and approvals should be documented (e.g., memorandums transferring amounts to the Revenue Office should contain evidence of management's review.)</p>
3.	Segregation of Duties	<p>✓ While custodial responsibility was assigned to Public Works Engineering staff, Accounting Services staff recorded the collection transactions in the City's general ledger.</p>	
4.	Physical Controls	<p>✓ Currency is not accepted – Public Works Engineering staff will only accept checks or money orders, thereby reducing the likelihood of uncompensated loss or unauthorized diversion.</p> <p>✗ Public Works Engineering staff did not restrictively endorse checks and money orders. Endorsements were not placed on the negotiable instruments until after they had been transferred to the Revenue Office.</p>	<p>The Revenue Office should provide an endorsement stamp to each City location where checks or other negotiable instruments are collected. The stamp should be placed on each check/instrument at the place of collection immediately upon receipt of the check/instrument. The stamp should specify that the checks/instruments are "for deposit only" into the applicable City bank account.</p>
5.	Execution of Transactions and Events	<p>✓ Collections were received and processed by Public Works Engineering staff acting within their assigned authority and responsibility.</p> <p>✓ Procedures existed for the receipt, processing, and transfer of collections to the Revenue Office for deposit.</p> <p>✗ Collections were not always timely transferred to the Revenue Office, thereby (1) increasing the exposure to loss or unauthorized diversion and (2) limiting the interest that could be earned on such collections once deposited:</p>	<p>Collections should be transferred for deposit in a timely manner. Checks should not be held until the bid closing date or application package review is completed. Checks should be transferred for</p>

		<ul style="list-style-type: none"> • In regard to bid package fees, collections were not transferred for deposit until after the closing date for submitting bids on the applicable project. Our test of collections for four bid packages showed that the corresponding checks were held for periods ranging from 17 to 63 days prior to their transfer to the Revenue Office. • For pre-qualification fees, collections were not transferred for deposit until the application package had been reviewed. As a result, checks were held for periods ranging from two to seven days prior to being transferred to the Revenue Office. <p>✗ FDOT advance refunding repayments were occasionally mailed to and received by the Public Works Engineering Department. Those payments do not need to be collected by that department. Instead, they should be submitted by the FDOT directly to the Revenue Office, thereby (1) decreasing their exposure to loss or theft and (2) increasing the timeliness of the deposit of those funds into the City’s bank account. Prior to our audit, the Public Works Engineering staff requested the FDOT to stop sending the payments to their department. The applicable correspondence requested that the FDOT send the payments to Accounting Services. However, as noted in this audit report under “ACCOUNTING SERVICES,” payments traditionally submitted to that office should instead be sent directly to the Revenue Office.</p>	<p>deposit within one working day of receipt.</p> <p>The Public Works Engineering Department should instruct the FDOT to submit advance-funding repayments directly to the Revenue Office.</p>
6.	Recording of Transactions and Events	<p>✓ Procedures existed to properly classify collections for reporting purposes.</p> <p>✗ Adequate records were generally maintained that documented collections from point of receipt through transfer for deposit. However, the disposition of collections was not always properly recorded. In our test of recorded collections pertaining to bid packages issued for one project, the disposition for two of nine checks was not documented. Public Works Engineering staff researched these two checks at our request. That research and our follow-up showed that the two checks had been returned to the applicable contractors for valid reasons.</p>	<p>The disposition of all collections should be properly documented.</p>

7.	Information Processing	<p>✘ In regard to bid package issuances, there was no independent accounting for bid packages produced (available for issuance) for the purpose of verifying that fees were properly collected and transferred for deposit.</p> <p>✘ In regard to pre-qualification fee collections, there were no reconciliations, by an employee independent of the collection/custodial functions, of applications accepted and reviewed to collections received and transferred for deposit.</p>	<p>Someone independent of the collections/custodial functions should periodically verify that amounts are collected and transferred for deposit for applicable bid package issuances. Under the current process, this should include a reconciliation of (1) packages available for issuance to packages issued and remaining packages not issued and (2) packages issued to fees collected and transferred for deposit. This would include independent verification of the appropriateness of bid packages issued for which no fees are collected.</p> <p>An employee not involved in the collection process and not assigned custodial responsibilities for collections should periodically verify, for each application received, reviewed, and entered into the department's database, that the appropriate amounts are collected and transferred for deposit.</p>
8.	Documentation	<p>✓ Forms and records were generally established and maintained to provide an adequate accounting of collections.</p> <p>✘ There were no internal written procedures for the receipt and processing of collections. Written procedures help ensure a consistent and appropriate methodology for collecting and processing funds.</p>	<p>Written procedures should be established for the receipt and processing of collections.</p>

Table Legend:

✓
✘

Activities increased assurance that collected funds are properly accounted for and deposited
Identified risks for which revisions, enhancements, and/or improvements are needed

Note (1): Applicable Control Activities determined from INTERNAL CONTROL GUIDELINES - Administrative Policies and Procedures No. 630, Section .09, Part III.

Conclusion. The Public Works Engineering Department implemented certain control activities to provide some assurance that collections are properly accounted for and deposited into the City's bank account. However, based on our consultations with department staff, we noted several areas where control activities should be enhanced and improved. As noted above, significant recommendations include improved safeguarding of collections, enhanced management activities, restrictive endorsement of negotiable instruments immediately upon receipt, timely transfer of collections for deposit, revised remittance instructions to FDOT, recording of events and transactions, independent reconciliations/verifications of activities and forms to ensure collected amounts are properly handled and deposited, and establishment of written procedures.

PUBLIC WORKS ENGINEERING			
<i>Action Plan</i>			
Condition – Risks relating to the cash collection and processing function were identified for which revisions, enhancements, or improvements are needed.			
Step #	Action/Task	Responsible Employee	Target Date
A. Objective: To safeguard collections and restrict negotiability of checks.			
1.	Collections pending transfer to the Revenue Office will be stored in locked desk drawers or file cabinets and access to those drawers/cabinets will be limited to authorized staff.	Charlotte Justice	7/1/01*
2.	Public Works Engineering will obtain an endorsement stamp from the Revenue Office and will restrictively endorse negotiable instruments upon their receipt.	Mike Meeks	8/31/01
B. Objective: To ensure the proper disposition of all collections.			
1.	The disposition of all collections will be properly documented.	Charlotte Justice	8/1/01
2.	Public Works Engineering management staff will review and approve fee collection activity, including the dispositions of documented collections. Those reviews will be documented through dates and initials on memoranda used to transfer collections to the Revenue Office for deposit.	Charlotte Justice	8/1/01
C. Objective: To facilitate processing and deposit of collections.			
1.	Fees will not be held pending bid closing dates or review of application packages. All collections will be timely transferred to the Revenue Office (within one week of receipt).	Charlotte Justice	7/1/01*
2.	FDOT will be instructed to send advance-refunding payments to the Revenue Office. These instructions will be provided to FDOT in accordance with the implementation schedule established in conjunction with the Revenue Office.	John T. Davis	8/1/01
D. Objective: To ensure that fees are properly collected and deposited.			
1.	Records will be maintained of the bid packages available for issuance and the disposition of each of those packages (e.g., issued for a fee, issued for no fee, and not issued).	Charlotte Justice	9/1/01
2.	For those bid packages issued for a fee, an employee independent of the collection and custodial functions will verify that the appropriate fees are collected and transferred for deposit.	Charlotte Justice	8/1/01

3.	Management will review the appropriateness of bid packages issued for which no fees are collected.	John T. Davis	8/1/01*
4.	An employee independent of the collection and custodial function will verify that the proper fees are collected and transferred for deposit for each pre-qualification application that is received, reviewed, and entered into the department's database.	Charlotte Justice	8/1/01
E. Objective: To establish written procedures for receiving and processing collections.			
1.	Written procedures will be established for the receipt and processing of collections.	Charlotte Justice	9/30/01

*As per department, action plan step has been completed as of indicated date.

PLANNING DEPARTMENT

Annual Collections (Fiscal Year 2000) \$424,000

Description. City revenues collected by the Tallahassee - Leon County Planning Department included the following:

- Application fees from individuals/entities. Applications are submitted for various purposes, such as rezoning requests and requests for amendments to the Future Land Use Map (Comprehensive Plan). (Annual collections of approximately \$50,000)
- Grant proceeds from grantor agencies such as the Florida Departments of Transportation and Community Affairs. (FY 2000 collections of \$373,000)
- Fees for photocopies of documents. (Annual collections estimated at less than \$1,000)

Application and copy fees received by the Planning Department were transferred to the Revenue Office for deposit into the City’s bank account. Grant proceeds (checks) were transferred to Accounting Services. Staff within Accounting Services transferred the grant checks to the Revenue Office for deposit into the City’s bank account. (Note - Leon County revenues collected by the Planning Department were not included in the scope of this audit.)

Reasons for External Collection. Planning staff indicated that it was not appropriate and/or convenient for citizens to have to visit both their department and the Revenue Office in order to submit applications and pay related fees (i.e., provide citizens “one-stop shopping”). However, Planning staff indicated that it was not necessary for them to receive the checks from grantor agencies as long as they received timely notification when such checks were received and deposited into the City’s bank account.

Assurances, Risks, and Recommendations. The following table describes the assurances and risks identified during, and recommended actions resulting from, our review and related consultations with Planning staff regarding control activities for the noted revenues.

ASSURANCES, RISKS, AND RECOMMENDATIONS		
Applicable Control Activity (Note 1)	Assurances/Risks	Recommendation
1. Access to and Accountability for Resources	<ul style="list-style-type: none"> ✓ Receipt and custody of revenues was assigned to specific staff. ✓ Fee collections were adequately safeguarded and access was limited to persons assigned custodial responsibility, as those collections were stored in a locked desk drawer of the employee responsible for accepting fee payments. ✓ Receipt forms used to account for the initial 	

		collection of fees were sequentially numbered, thereby providing a means to ensure accountability.	
2.	Direct Activity Management	<p>✓ In regard to fee collections, management receives and reviews records showing collections and subsequent transfers to the Revenue Office. (However, see “Information Processing” below.)</p>	
3.	Segregation of Duties	<p>✓ In regard to fee collections, custodial responsibility was assigned to Planning staff while Accounting Services staff recorded the collection transactions in the City’s general ledger.</p> <p>✗ In regard to grant proceeds, the applicable checks were submitted to Accounting Services. After Accounting Services staff (e.g., grant accountant) attached notations as to the proper coding for accounting entry purposes, the checks were placed in an unsecured bin for subsequent delivery to the Revenue Office for deposit. Staff accounting for revenues (i.e., Accounting Services) should not also have custody or access to such revenues.</p> <p>✗ While copy fee collections are not material, the applicable duties are not adequately segregated among employees. Specifically, staff that make and provide document copies to citizens also collect the related copy fees. Employees performing these incompatible duties are in the position to divert funds for unauthorized purposes.</p>	<p>As noted below under “Execution of Transactions and Events,” we recommend that actions be taken such that grant proceeds are no longer received in the Planning Department. However, in the event that those checks are still received in the Planning Department, we recommend that they be transferred directly to the Revenue Office and not routed through Accounting Services. Knowledge of the collection could be sent to applicable Accounting Services staff (e.g., grant accountant) via a copy of the check and accompanying support.</p> <p>The incompatible duties should be segregated among employees. To achieve this segregation, the Planning Department should consider implementing procedures similar to those used by other City departments. For example, the Public Engineering Department requires individuals requesting document copies to pay applicable fees at the Revenue Office and then provide a copy of the paid receipt from the Revenue Office in order to receive the copies.</p>
4.	Physical Controls	<p>✓ Payment for fees with currency is discouraged. Out of 67 receipts during calendar year 2000, only three represented payments with currency. The remaining payments were made by check. Payments by check or money order reduce the likelihood of uncompensated loss or unauthorized diversion.</p> <p>✗ Planning staff did not restrictively endorse</p>	<p>The Revenue Office should</p>

		<p>checks and money orders. Endorsements were not placed on the negotiable instruments until after they had been transferred to the Revenue Office.</p>	<p>provide an endorsement stamp to each City location where checks or other negotiable instruments are collected. The stamp should be placed on each check/instrument at the place of collection immediately upon receipt of the check/instrument. The stamp should specify that the checks/instruments are “for deposit only” into the applicable City bank account.</p>
5.	<p>Execution of Transactions and Events</p>	<p>✓ Collections were received and processed by Planning staff acting within their assigned authority and responsibility.</p> <p>✓ Procedures existed for the receipt, processing, and transfer of collections for deposit.</p> <p>✗ Fee collections were not always timely transferred to the Revenue Office, as 9 out of 15 collections selected for review were held for periods exceeding one week prior to their transfer to the Revenue Office for deposit. (The average period these 15 selected collections were held before transfer was 13.9 days.) Timely transfer of collections for deposit decreases their exposure to loss or unauthorized diversion and increases the interest that can be earned on such collections once deposited.</p> <p>✗ As noted above, grant proceeds are received by the Planning Department and subsequently transferred to Accounting Services prior to submission to the Revenue Office for deposit. That process, in contrast to direct receipt and deposit by the Revenue Office, delays the deposit and increases the exposure of the funds to loss or unauthorized diversion. Furthermore, as noted above under “Segregation of Duties,” routing the collections through Accounting Services is a violation of segregation of duties principles.</p>	<p>Collections should be transferred for deposit in a timely manner.</p> <p>We recommend that applicable grantor agencies be instructed to submit the grant checks directly to the Revenue Office. To facilitate administration of applicable programs, the Revenue Office should timely notify Planning Department and Accounting Services staff (e.g., grant administrators and accountants) when those checks are received. Such notifications should be provided in the most efficient manner (e.g., through on-line inquiry of receipts systems data and/or submission of copies/accompanying remittance support to appropriate Planning Department and Accounting Services staff).</p>
6.	<p>Recording of Transactions and Events</p>	<p>✓ Collections were properly classified for recording purposes.</p>	

		<p>✓ Adequate records were maintained that documented collections from point of receipt through transfer for deposit.</p>	
7.	Information Processing	<p>✗ There were no reconciliations, by an employee independent of the collection/custodial functions, of applications accepted and reviewed to collections received and transferred for deposit.</p> <p>✗ Sequentially numbered receipt forms used to document collections were not accounted for and used as a tool to ensure that all collections were properly transferred for deposit.</p>	<p>An employee not involved in the collection process and not assigned custodial responsibilities for collections should periodically verify that amounts are collected and transferred for deposit for each application received and reviewed by Planning staff. To facilitate that verification, staff not assigned collection/custodial responsibilities should maintain a log of accepted applications.</p> <p>Appropriate supervisory staff and/or an employee independent of the collection/custodial function should (1) account for the forms and (2) periodically reconcile amounts collected per the forms to amounts documented as received for deposit by the Revenue Office.</p>
8.	Documentation	<p>✓ Forms and records were generally established and maintained to provide an adequate accounting of collections.</p> <p>✗ There were no internal written procedures for the receipt and processing of collections. Written procedures help ensure a consistent and appropriate methodology for collecting and processing funds.</p>	<p>Written procedures should be established for the receipt and processing of collections.</p>

Table Legend:

✓
✗

Activities increased assurance that collected funds are properly accounted for and deposited
Identified risks for which revisions, enhancements, and/or improvements are needed

Note (1): Applicable Control Activities determined from INTERNAL CONTROL GUIDELINES - Administrative Policies and Procedures No. 630, Section .09, Part III.

Conclusion. The Planning Department implemented certain control activities to provide some assurance that collections are properly accounted for and deposited into the City’s bank account. However, based on our consultations with department staff, we noted several areas where control activities should be enhanced and improved. One of the more significant revisions, as noted above, should be to have grant checks collected directly by the Revenue Office. Other significant recommendations include segregation of incompatible duties, restrictive endorsement of negotiable instruments immediately upon receipt, timely transfer of collections for deposit, independent reconciliations/verifications of activities and forms to ensure collected amounts are properly handled and deposited, and establishment of written procedures.

PLANNING DEPARTMENT			
<i>Action Plan</i>			
Condition – Risks relating to the cash collection and processing function were identified for which revisions, enhancements, or improvements are needed.			
Step #	Action/Task	Responsible Employee	Target Date
A. Objective: To restrict negotiability of checks.			
1.	The Planning Department will obtain an endorsement stamp from the Revenue Office and will restrictively endorse negotiable instruments upon their receipt.	Eunice Knight	9/30/01
B. Objective: To facilitate processing and deposit of collections, to segregate incompatible duties, and to enhance accountability.			
1.	Grantor agencies will be instructed to remit their payments directly to the Revenue Office. These instructions will be provided in accordance with the implementation schedule established in conjunction with the Revenue Office.	Eunice Knight Craig Diamond Colleen Rollen Lynn Beiling	10/1/01
2.	Any grant payments still received in the Planning Department will be transferred directly to the Revenue Office and not submitted to Accounting Services.	Eunice Knight Mary Jean Yarbrough	10/1/01
3.	Documented acknowledgements of custodial responsibility will be obtained from the Revenue Office for any grant checks received in the Planning Department and transferred to the Revenue Office.	Eunice Knight Mary Jean Yarbrough	10/1/01
C. Objective: To ensure that collections are properly received and timely deposited.			
1.	Collections will be timely transferred to the Revenue Office for deposit (within one week of receipt).	Laura Brown Eunice Knight	10/1/01
2.	An employee not involved in the fee collection and handling process will maintain a log of accepted applications. That employee will periodically verify that fees have been collected and transferred for deposit for each application accepted and reviewed by Planning staff.	Mary Jean Yarbrough	10/1/01
3.	An employee not assigned responsibility for collecting fees will maintain records that document the disposition of all receipt forms (e.g., issued and fee collected, voided, or not issued).	Mary Jean Yarbrough	10/1/01
4.	An employee not assigned responsibility for collecting fees will periodically reconcile fees collected per completed receipt forms to amounts transferred to the Revenue Office for deposit.	Mary Jean Yarbrough	10/1/01

D. Objective: To ensure that copy fees are properly collected and deposited.			
1.	External parties requesting copies will be instructed to pay the applicable fees at the Revenue Office. Copied documents will only be provided upon evidence (Revenue Office paid receipt) that payment has been made.	Laura Brown Eunice Knight	10/1/01
E. Objective: To establish written procedures for receiving and processing collections.			
1.	Written procedures addressing the receipt and processing of collections will be established.	Eunice Knight	10/1/01

This page intentionally left blank.

PARKS AND RECREATION- HILAMAN PARK GOLF COURSE

Annual Collections (Fiscal Year 2000)

\$1.1 million

Description. The Hilaman Park Golf Course operates a pro shop and a restaurant (snack bar), both of which generate revenues through sales. Specific revenues collected at Hilaman included the following:

- Recreational fees associated with use of facilities (e.g., green fees, cart fees, range ball fees, tournament fees, racquetball court fees).
- Sales of pro shop merchandise.
- Membership dues not paid through bank drafts. (Memberships are sold to citizens desiring to pay annual fees in exchange for discounted rates for recreational use of facilities.)
- Sales of gift certificates (redeemed for either recreational use or for merchandise).
- Golf lesson fees.
- Food and drink sales through the restaurant.

All revenues are collected through cash registers in the pro shop and the restaurant. Hilaman staff prepares the collections for deposit. The prepared deposits are picked up three times a week by a bank courier and delivered to the bank for deposit. Cash reports accounting for the deposited collections are prepared by Hilaman staff and submitted to the Revenue Office at City Hall.

Reasons for External Collection – It is convenient and appropriate for citizens/customers to pay at the golf course for recreational use of facilities and for food and drink purchased at the restaurant. However, as noted below, it would be appropriate and reasonable for annual dues, not collected through monthly bank drafts, to be billed through the City’s accounts receivable system and collected by the Revenue Office.

Assurances, Risks, and Recommendations. The following table describes the assurances and risks identified during, and recommended actions resulting from, our review and related consultations with Hilaman staff regarding control activities for the described revenues.

ASSURANCES, RISKS, AND RECOMMENDATIONS		
Applicable Control Activity (Note 1)	Assurances/Risks	Recommendation
1. Access to and Accountability for Resources	<ul style="list-style-type: none"> ✓ Custody of collections was assigned to specific staff. ✓ Collections were stored in a locked safe within 	

		<p>a room that was to be locked when unattended. Access to the safe contents and locked room was limited to authorized staff.</p> <ul style="list-style-type: none"> ✓ Unique access codes were assigned to each staff operating the cash register in the pro shop, thereby linking each transaction to a specific employee. ✓ Rain check tickets were sequentially numbered, thereby providing a means to account for those tickets. (Rain check tickets are issued to players who have paid the required fees but were unable to complete substantial play because of inclement weather. Such players may redeem their rain check tickets for play at a later date.) ✓ Gift certificates were sequentially numbered, thereby providing a means to account for those instruments. ✗ The supply of unissued gift certificates was stored in an unlocked file cabinet in an unlocked room adjoining the pro shop. 	<p>The supply of gift certificates should be stored in a secured location to which access is controlled, such as a locked safe.</p>
<p>2.</p>	<p>Direct Activity Management</p>	<ul style="list-style-type: none"> ✓ Hilaman supervisory staff reviewed reported collection and deposit activity. ✗ Established procedures required documentation of supervisory approval for each gift certificate issued/sold. Such supervisory approval provides assurance that gift certificates are issued only for authorized and collected sales (i.e., preclude unauthorized issuances where no sale is made and where the appropriate amounts are not collected, or where sales are made and collections are diverted and not recorded in the cash register). However, we noted that such supervisory approvals often were not performed and documented. ✗ There were no supervisory/management verifications that rain check tickets were issued by staff only to individuals that had paid to play. 	<p>Appropriate actions should be taken to document supervisory approval for each gift certificate sale. Furthermore, for each certificate issued the applicable cash register transaction identification number, representing that specific gift certificate sale, should be recorded on the log of gift certificate issuances/sales. Such a process would provide supervisory staff a means to ensure an authorized and appropriate sale was made for each gift certificate issuance.</p> <p>There should be supervisory/management verifications that rain check tickets were issued only for individuals that had paid to play. To provide a means to perform such verifications, the transaction identification number from the cash register tape (can be obtained from the starter ticket presented by the player requesting a rain check) should be included on the copy of issued rain check tickets maintained in a book by Hilaman staff.</p>

			Supervisory/management staff should periodically trace those recorded transaction identification numbers back to applicable cash register tapes.
3.	Segregation of Duties	<ul style="list-style-type: none"> ✓ Except as noted below, the custodial and recording functions for collections were segregated as Hilaman staff received and deposited the collections while Accounting Services recorded the collection transactions in the City’s general ledger. ✓ The authorization/approval for recreational use of facilities was segregated from the collection/custodial functions through the use of a “starter.” The starter is an employee, other than the cashier, who requires individuals to present a “starter ticket” (paid receipt produced by the cashier after a sale is recorded) from the cashier before they commence “play.” This control precludes the cashier from not ringing up sales in the cash register and then diverting the sales proceeds. ✗ Supervisory staff had access to collections prior to deposit, reviewed cash register reports, prepared the daily cash reports submitted to the Revenue Office, and maintained membership records. Errors or unauthorized diversions of funds by an employee performing these incompatible duties may not be timely detected. 	It may not be cost beneficial to segregate the noted functions between staff. See “Information Processing” below for a recommended compensating control.
4.	Physical Controls	<ul style="list-style-type: none"> ✓ Cash registers were used in the pro shop and restaurant. Cash registers provide a means to make an initial record of and safeguard collections. ✓ Checks and negotiable instruments are restrictively endorsed upon receipt. The endorsement restricts the instruments to deposit into a specific City bank account. ✓ Prepared deposits were picked up at Hilaman by an armored courier service three times a week, thereby reducing the exposure of funds to loss or theft. ✓ Deposits were placed in locked bank bags for transport to the bank for deposit. ✓ Payment by credit cards is accepted, thereby reducing the amount of currency and negotiable instruments received and processed. ✓ Bank drafts were used to collect monthly dues upon authorization from applicable members. Such drafts reduced the exposure of the 	

		<p>applicable funds to loss or theft and resulted in more timely deposit.</p> <p>✗ Redeemed rain check tickets were often not marked void or otherwise defaced to preclude unauthorized re-use of those documents.</p> <p>✗ Redeemed gift certificates were sometimes not marked void or otherwise defaced in a manner that precluded unauthorized re-use (redemption) of those certificates for goods or recreational play.</p>	<p>Redeemed rain check tickets should be marked void or otherwise defaced in a manner that precludes unauthorized re-use of those documents.</p> <p>All redeemed gift certificates should be defaced or marked void to preclude unauthorized re-use.</p>
5.	Execution of Transactions and Events	<p>✓ Collections were received and processed by Hilaman staff acting within their assigned authority and responsibility.</p> <p>✓ Procedures existed to properly process and deposit collections.</p> <p>✗ Hilaman members, who do not authorize monthly bank drafts for dues payments, pay their dues (e.g., annually) at Hilaman. Those payments are processed through the cash register in the pro shop. Because certain Hilaman staff has access to dues collections and account for those collections (an inadequate segregation of duties), changing collection of dues to the Revenue Office would enhance control.</p>	<p>All individuals should be encouraged to authorize monthly bank drafts for payment of their dues. As noted above under "Physical Controls," bank drafts reduce the exposure of funds to loss or theft. For those members that bank drafts are not practicable, we recommend that their dues be billed through the City's accounts receivable billing system (based on billing requests completed by Hilaman staff). The members should be instructed to send the corresponding payments directly to the Revenue Office.</p>
6.	Recording of Transactions and Events	<p>✓ Procedures existed to properly classify collections for reporting purposes.</p> <p>✓ Adequate records were generally maintained that documented collections from point of receipt through deposit.</p>	
7.	Information Processing	<p>✓ Hilaman supervisory staff reviewed collections and reported sales activity prior to deposit.</p> <p>✓ At the end of each shift, cash register collections were balanced to the cash register tapes and imprest fund amount.</p> <p>✓ Revenue Office staff verified amounts collected per daily cash reports prepared by Hilaman staff to validated bank deposit slips remitted directly to the Revenue Office by the bank.</p> <p>✗ There were no independent reconciliations of</p>	<p>Staff independent of the</p>

		<p>collections per cash register reports and tapes to amounts deposited and reported on cash reports submitted to the Revenue Office. Such independent reconciliations should be done because of incompatible duties performed by supervisory staff as noted above under "Segregation of Duties."</p> <p>X Redeemed rain check tickets were not reconciled back to records of issued rain check tickets as a means to ensure that only valid tickets are presented for play.</p> <p>X There were no periodic supervisory verifications as to the disposition of available gift certificates. Such verifications that document the disposition of certificates available for sale/issuance are necessary to ensure that certificates are issued only when legitimate sales are made.</p>	<p>access/custodial functions should periodically reconcile collections per cash register tapes/reports to amounts deposited and included on cash reports submitted to the Revenue Office.</p> <p>Rain check tickets redeemed for play should be reconciled to the books of issued tickets. The redemption should be documented on the applicable ticket copy retained in the books of issued tickets.</p> <p>Supervisory staff should periodically verify the disposition of gift certificates made available for sale or issuance. Appropriate dispositions would include (1) issued/sold as evidenced by cash register transaction number, (2) not issued/sold and still in inventory, and (3) documented and approved voids.</p>
8.	Documentation	<p>✓ Established forms and records were generally sufficient to provide an adequate accounting of collections.</p> <p>✓ Internal written procedures were established for the receipt and processing of collections through cash register sales. Written procedures help ensure a consistent and appropriate methodology for collecting and processing funds.</p>	

Table Legend:

- ✓ Activities increased assurance that collected funds are properly accounted for and deposited
- X Identified risks for which revisions, enhancements, and/or improvements are needed

Note (1): Applicable Control Activities determined from INTERNAL CONTROL GUIDELINES - Administrative Policies and Procedures No. 630, Section .09, Part III.

Conclusion. Hilaman Park implemented certain control activities to provide some assurance that collections are properly accounted for and deposited into the City’s bank account. However, based on our consultations with Hilaman and Revenue Office staff, we noted several areas where control activities should be revised and/or enhanced and improved. As noted above, significant recommendations include safeguarding the supply of gift certificates, enhanced supervisory/management approvals relating to gift certificates and rain check tickets, defacing and effectively voiding redeemed gift certificates and rain check tickets, billing applicable members through the City’s accounts receivable system, and independent reconciliations/verifications of data, activities, and forms for the purpose of ensuring proper processing of collections and other instruments of value.

PARKS AND RECREATION- HILAMAN PARK GOLF COURSE			
<i>Action Plan</i>			
Condition – Risks relating to the cash collection and processing function were identified for which revisions, enhancements, or improvements are needed.			
Step #	Action/Task	Responsible Employee	Target Date
A. Objective: To ensure that gift certificates are issued only for authorized and collected sales.			
1.	The supply of gift certificates will be stored in a secured location to which access is restricted to authorized staff.	Bill Zimmer	7/1/01*
2.	Supervisory approval for gift certificate sales will be documented as required by established procedures.	Jan Auger	9/1/01
3.	For each gift certificate sold, the applicable cash register transaction identification number will be recorded on the log of gift certificate issuances/sales.	Jan Auger	9/1/01
4.	All redeemed gift certificates will be defaced or marked void to preclude their unauthorized re-use.	Jan Auger	9/1/01
5.	Supervisory staff will periodically verify the disposition of gift certificates available for issuance.	Bill Zimmer	9/1/01
B. Objective: To ensure the proper issuance and redemption of rain check tickets.			
1.	The applicable transaction identification number will be recorded on the copy of the issued rain check ticket retained in the issuance book.	Jan Auger	9/1/01
2.	Supervisory staff will periodically trace recorded transaction identification numbers to applicable cash register tapes.	Bill Zimmer	9/1/01
3.	Redeemed rain check tickets will be defaced or marked void to preclude their unauthorized re-use.	Jan Auger	9/1/01
4.	Rain check tickets redeemed for play will be verified to the copy retained in the issuance book. That verification will be documented on the applicable ticket copy in the issuance book.	Jan Auger	9/1/01
C. Objective: To ensure that amounts collected for membership dues are properly deposited.			
1.	All members will be encouraged to authorize payment through monthly bank drafts.	Bill Zimmer	10/1/01
2.	Billing requests will be sent to Accounting Services for those members who do not authorize payment by monthly bank drafts. Those members will be billed through the City’s accounts receivable system. Those members will be instructed to mail their payments to the Revenue Office.	Jan Auger	10/1/01

3.	Hilaman supervisory staff will periodically check the FMS (PeopleSoft) and City's accounts receivable system to ensure that amounts are being properly billed based on billing requests submitted to Accounting Services.	Jan Auger	10/1/01
D. Objective: To ensure that collections are properly processed and deposited.			
1.	Staff not having custody of or access to collections will periodically reconcile collections per cash register tapes to amounts deposited and included on cash reports.	Bill Zimmer	9/1/01

*As per department, action plan step has been completed as of indicated date.

PARKS AND RECREATION- JAKE GAITHER GOLF COURSE

Annual Collections (Fiscal Year 2000)

\$220,000

Description. The Jake Gaither Park Golf Course operates a nine-hole golf course, which generates revenues through green fees (course use), professional lessons, cart rentals, and golf club rentals. Revenues are also generated through vending machines that are operated by the golf course but maintained by a vending machine company that sells the snacks and drinks to the golf course.

All revenues are collected through the cash register in the pro shop. Jake Gaither staff prepares the collections for deposit. The prepared deposits are picked up three times a week by a bank courier and delivered to the bank for deposit into the City’s bank account. Cash reports accounting for the deposited collections are prepared by Jake Gaither staff and submitted to the Revenue Office at City Hall.

Reasons for External Collection – It is convenient and appropriate for citizens/customers to pay at the golf course for recreational use of facilities and for vending machine items.

Assurances, Risks, and Recommendations. The following table describes the assurances and risks identified during, and recommended actions resulting from, our review and related consultations with Jake Gaither staff regarding control activities for the described revenues.

ASSURANCES, RISKS, AND RECOMMENDATIONS		
Applicable Control Activity (Note 1)	Assurances/Risks	Recommendation
1. Access to and Accountability for Resources	<ul style="list-style-type: none"> ✓ Custody of collections was assigned to specific staff. ✓ Collections were stored in a locked safe within a room that was to be locked when unattended. Access to the safe contents and locked room was limited to authorized staff. ✓ Unique access codes were assigned to each staff operating the cash register in the pro shop, thereby linking each transaction to a specific employee. ✓ Rain check tickets were sequentially numbered, thereby providing a means to account for those tickets. (Rain check tickets are issued to players who have paid the required fees but were unable to complete substantial play because of inclement weather. Such players may redeem their rain check tickets for play at a later date.) 	
2. Direct Activity Management	<ul style="list-style-type: none"> ✓ Hilaman supervisory staff reviewed reported collection and deposit activity. ✗ There were no supervisory/management 	There should be supervisory/

		<p>verifications that rain check tickets were issued by staff only to individuals that had paid to play.</p>	<p>management verifications that rain check tickets were issued only for individuals that had paid to play. To provide a means to perform such verifications, the transaction identification number from the cash register tape (can be obtained from the starter ticket presented by the player requesting a rain check) should be included on the copy of issued rain check tickets maintained in a book by Jake Gaither staff. Supervisory/management staff should periodically trace those recorded transaction identification numbers back to applicable cash register tapes.</p>
<p>3.</p>	<p>Segregation of Duties</p>	<ul style="list-style-type: none"> ✓ Except as noted below, the custodial and recording functions for collections were segregated as Jake Gaither staff received and deposited the collections while Accounting Services recorded the collection transactions in the City’s general ledger. ✓ The authorization/approval for recreational use of facilities was segregated from the collection/custodial functions through the use of a “starter.” The starter is an employee, other than the cashier, who requires individuals to present a “starter ticket” (paid receipt produced by the cash register after a sale is recorded) from the cashier before they commence “play.” This control precludes the cashier from not ringing up sales in the cash register and then diverting the sales proceeds. ✓ Two employees were present when funds were removed from vending machines, counted, and processed (“run”) through the cash register, thereby reducing the risk of loss or unauthorized diversion. ✗ Supervisory staff had access to collections prior to deposit, reviewed cash register reports, prepared the daily cash reports submitted to the Revenue Office. Errors or unauthorized diversions of funds by an employee performing these incompatible duties may not be timely detected. 	<p>It may not be cost beneficial to segregate the noted functions between staff. See “Information Processing” below for a recommended compensating control.</p>
<p>4.</p>	<p>Physical Controls</p>	<ul style="list-style-type: none"> ✓ Cash registers were used in the pro shop. Cash registers provide a means to make an initial record of and safeguard collections. ✓ Checks and negotiable instruments are restrictively endorsed upon receipt. The endorsement restricts the instruments to deposit 	

		<p>into a specific City bank account.</p> <ul style="list-style-type: none"> ✓ Prepared deposits were picked up at Jake Gaither by an armored courier service, thereby reducing the exposure of funds to loss or theft. ✓ Deposits were placed in sealed onetime use plastic bank bags for transport to the bank for deposit. ✓ Payment by credit cards is accepted, thereby reducing the amount of currency and negotiable instruments received and processed. ✓ Bank drafts were used to collect monthly dues from members. Such drafts reduced the exposure of the applicable funds to loss or theft and resulted in more timely deposit. ✗ Redeemed rain check tickets were not always marked void or otherwise defaced to preclude unauthorized re-use of those documents. 	<p>Redeemed rain check tickets should be marked void or otherwise defaced in a manner that precludes unauthorized re-use of those documents.</p>
5.	Execution of Transactions and Events	<ul style="list-style-type: none"> ✓ Collections were received and processed by Jake Gaither staff acting within their assigned authority and responsibility. ✓ Procedures existed to properly process and deposit collections. 	
6.	Recording of Transactions and Events	<ul style="list-style-type: none"> ✓ Procedures existed to properly classify collections for reporting purposes. ✓ Adequate records were generally maintained that documented collections from point of receipt through deposit. 	
7.	Information Processing	<ul style="list-style-type: none"> ✓ Jake Gaither supervisory staff reviewed collections and reported sales activity prior to deposit. ✓ At the end of each shift, cash register collections were balanced to the cash register tapes and imprest fund amount. ✓ Revenue Office staff verified amounts collected per daily cash reports prepared by Jake Gaither staff to validated bank deposit slips remitted directly to the Revenue Office by the bank. ✗ There were no independent reconciliations of collections per cash register reports and tapes to amounts deposited and reported on cash reports submitted to the Revenue Office. Such independent reconciliations should be done because of incompatible duties performed by supervisory staff as noted above under 	<p>Staff independent of the access/custodial functions should periodically reconcile collections per cash register tapes/reports to amounts deposited and included on cash reports submitted to the Revenue Office.</p>

		<p>“Segregation of Duties.”</p> <p>X Redeemed rain check tickets were not reconciled back to records of issued rain check tickets as a means to ensure that only valid tickets are presented for play.</p>	<p>Rain check tickets redeemed for play should be reconciled to the books of issued tickets. The redemption should be documented on the applicable ticket copy retained in the books of issued tickets.</p>
8.	Documentation	<p>✓ Established forms and records were generally sufficient to provide an adequate accounting of collections.</p> <p>✓ Internal written procedures were established for the receipt and processing of collections through cash register sales. Written procedures help ensure a consistent and appropriate methodology for collecting and processing funds.</p>	

Table Legend:

- ✓ Activities increased assurance that collected funds are properly accounted for and deposited
- X Identified risks for which revisions, enhancements, and/or improvements are needed

Note (1): Applicable Control Activities determined from INTERNAL CONTROL GUIDELINES - Administrative Policies and Procedures No. 630, Section .09, Part III.

Conclusion. Jake Gaither Park implemented certain control activities to provide some assurance that collections are properly accounted for and deposited into the City’s bank account. However, based on our consultations with Jake Gaither staff, we noted several areas where control activities should be revised and/or enhanced and improved. As noted above, significant recommendations include enhanced supervisory/management approvals relating to rain check tickets, defacing or effectively voiding redeemed rain check tickets, and independent reconciliations/verifications of data, activities, and forms for the purpose of ensuring proper processing of collections and other instruments of value.

PARKS AND RECREATION- JAKE GAITHER GOLF COURSE			
<i>Action Plan</i>			
Condition – Risks relating to the cash collection and processing function were identified for which revisions, enhancements, or improvements are needed.			
Step #	Action/Task	Responsible Employee	Target Date
A. Objective: To ensure the proper issuance and redemption of rain check tickets.			
1.	The applicable transaction identification number will be recorded on the copy of the issued rain check ticket retained in the issuance book.	Alan James Ulric Francis	9/1/01
2.	Supervisory staff will periodically trace recorded transaction identification numbers to applicable cash register tapes.	Alan James Ulric Francis	9/1/01
3.	Redeemed rain check tickets will be defaced or marked void to preclude their unauthorized re-use.	Alan James Ulric Francis	9/1/01
4.	Rain check tickets redeemed for play will be verified to the copy retained in the issuance book. That verification will be documented on the applicable ticket copy in the issuance book.	Alan James Ulric Francis	9/1/01
B. Objective: To ensure that collections are properly processed and deposited.			
1.	Staff not having custody of or access to collections will periodically reconcile collections per cash register tapes to amounts deposited and included on cash reports.	Bill Zimmer	9/1/01

PARKS AND RECREATION – ADULT AND YOUTH SPORTS

Annual Collections (Calendar Year 2000) \$303,000

Description. The Parks and Recreation (PR) Department provides various adult and youth sports activities. Adult sports include spring and fall softball, flag football, and basketball. Youth sports include tackle and flag football, volleyball, soccer, basketball, baseball, softball, and track. The PR Adult and Youth Sports Division administers these activities.

Revenues generated and collected by the Adult and Youth Sports Division include the following:

- Team registration fees for adult sports.
- Player registration fees charged individuals participating in youth sports.
- Sales from concessions provided during most adult sports and youth football events.
- Field rental fees charged to teams for preseason practice and to external entities (e.g., charitable organizations) sponsoring tournaments.
- Team registration fees for participation in City sponsored tournaments.
- Fees charged to Little League Organizations (non-City entities) playing at City parks for non-City resident youth participating in those leagues.

Revenues are collected and/or accumulated at the PR Administration Office and prepared for deposit. Prepared deposits are placed in a safe for pick up by a bank courier. Cash reports accounting for the collections are prepared and sent to PR Administration staff for inclusion on the summary PR cash report that is submitted to the Revenue Office at City Hall.

Reasons for External Collection – It is convenient and appropriate for citizens/participants to pay at the PR Administration Office or various parks for fees associated with adult and youth sports.

Assurances, Risks, and Recommendations. The following table describes the assurances and risks identified during, and recommended actions resulting from, our review and related consultations with Parks and Recreation staff regarding control activities for the described revenues.

ASSURANCES, RISKS, AND RECOMMENDATIONS		
Applicable Control Activity (Note 1)	Assurances/Risks	Recommendation
1. Access to and Accountability for Resources	✓ Collections at the PR Administration Office were stored in locked safes, with access to the contents limited to authorized staff.	

		<ul style="list-style-type: none"> ✓ Concession sales proceeds were stored in locked safes in locked buildings at the applicable parks, with access limited to authorized staff. ✓ Receipt forms used to document collections were sequentially numbered, thereby providing a means to ensure accountability. ✗ Combinations to the safes at the park buildings used to secure concession sales proceeds were periodically changed. However, those combinations were not always changed upon the turnover of the part time City staff that was provided access during their employment (i.e., their access was necessary in order to operate the concession stands). ✗ Checks received by PR staff as security/damage deposits for field rentals were not always adequately safeguarded. Specifically, we observed five checks (each for \$100) that were retained in a folder kept on a desk. (As noted below under “Execution of Transactions and Events,” these checks had been held for periods ranging from 9 to 15 months.) The office in which that desk was located was not locked while temporarily unattended during the workday. 	<p>Procedures should provide for the timely change of safe combinations whenever part time staff with knowledge of those combinations terminate their City employment.</p> <p>Under “Execution of Transactions and Events” below we recommend that security/damage deposits for field rentals be timely deposited into the City’s bank account. Prior to the time that such deposits are made, those collections should be stored in areas (e.g., locked safes) to which access is controlled and restricted.</p>
2.	Direct Activity Management	<ul style="list-style-type: none"> ✓ PR supervisory staff and Revenue Office staff reviewed reported collection and deposit activity. ✗ While PR supervisory staff reviewed cash collection reports for concession sales activity prepared by part time staff, those reviews were generally not documented. 	<p>Supervisory review and approval of cash collection reports should be documented. The initialing and dating of applicable reports would be a means to document such reviews and approvals. (Subsequent to our initial survey visit, PR staff started documenting supervisory approvals of cash collection reports.)</p>
3.	Segregation of Duties	<ul style="list-style-type: none"> ✓ The custodial and recording functions for collections were segregated as PR staff received and deposited the collections while Accounting Services recorded the collection transactions in the City’s general ledger. ✗ The collection/custodial functions were not always adequately segregated from the authorization/execution and/or recording functions within the Adults and Youth Sports Division. Specifically: <ul style="list-style-type: none"> • In regard to Adult Sports, employees 	<p>To the extent practicable, the noted incompatible duties should be segregated among staff. In regard to field rentals, one effective method to segregate the noted incompatible functions would be for the PR staff to bill the</p>

		<p>receiving, verifying, and maintaining the team rosters also collected the related team registration fees.</p> <ul style="list-style-type: none"> • In regard to Adult Sports, employees that scheduled/authorized City tournaments also collected the related fees. • In regard to Adult Sports, employees that scheduled, authorized, and maintained records for field rentals to non-City organizations also collected the related fees. (The applicable rental fees were not collected until after the applicable rental event occurred. To collect those fees, the employee performing the noted incompatible functions billed the applicable renting entity and received the corresponding payments.) • In regard to Youth Sports, PR full time staff prepared collections for deposit, reviewed/controlled rosters of team participants, and prepared summary cash reports. 	<p>applicable renting entities through the City’s accounts receivable system. Specifically, PR staff should consider completing and submitting billing requests to Accounting Services in those instances where the renting entity does not pay at the time of application. Accounting Services staff could then prepare and submit a bill to the renting entity with instructions to submit the corresponding payment directly to the Revenue Office at City Hall. Not only would that process segregate the incompatible functions, but it would also result in more timely deposit into the City’s bank account since collections received at the Revenue Office are deposited daily (opposes to weekly at the PR Administration Office). In regard to the other situations, it may not be cost beneficial to segregate the noted functions between staff. See “Information Processing” below for recommended compensating analytical procedures.</p>
4.	Physical Controls	<ul style="list-style-type: none"> ✓ Prepared deposits were placed in a safe at the PR Administration Office and picked up by an armored courier service, thereby reducing the exposure of funds to loss or theft. ✓ Collections were placed in sealed bank bags for transport to the bank for deposit. ✓ Cash registers were used at the two applicable parks to collect concession stand sales. Cash registers provide a means to make an initial record of and/or safeguard collections. ✓ Negotiable instruments are restrictively endorsed upon collection. The endorsement restricts the instruments to deposit into a specific City bank account. 	
5.	Execution of Transactions and Events	<ul style="list-style-type: none"> ✓ Generally, procedures existed to properly process and deposit collections. ✗ Collections were generally received and processed by PR staff acting within their assigned authority and responsibility. However, the coaches of the applicable teams collected registration fees for Youth Tackle Football. Those coaches were responsible for ensuring that the collected fees were turned in to PR staff 	<p>The responsibility for collecting fees during Youth Tackle Football registration periods should be assigned solely to PR staff.</p>

		<p>for deposit into the City’s bank account. The coaches were volunteers and not employees of the Parks and Recreation Department. The responsibility for collecting City fees during registration periods should not be assigned to individuals that are not City employees.</p> <p>X Team registration fees for City sponsored tournaments (Adult Sports) were not always timely deposited, thereby increasing the exposure of the funds to loss or theft and limiting the interest that could be earned on the funds upon deposit. For example, for one basketball tournament, we noted that the applicable team registration fees were held and not deposited until the start of the tournament. As a result, five checks were held for periods exceeding two weeks before being deposited into the City’s bank account.</p> <p>X As noted in the following, security/damage deposits paid by entities renting fields were not timely and consistently processed and deposited:</p> <ul style="list-style-type: none"> • Discussions with PR staff indicated that, generally, the applicable checks were held until the applicable event occurred and then returned to the renting entity (i.e., in the event there was no damage and the applicable fee settled and paid). By not timely depositing those instruments and issuing a City check to refund the security/damage deposit subsequent to the rental event, PR staff increased the exposure of the applicable funds to loss or theft. Furthermore, timely deposit of such deposits upon receipt from renters will provide PR staff timely knowledge as to whether the applicable checks are “good” (i.e., sufficient funds were in the renter’s bank account to pay the check). • Contrary to the policy described above, checks received as security/damage deposits were not always returned to renters and/or applicants. Specifically, during our review of fiscal year 2000 field rental records, we observed five checks (\$100 each) representing payments by individuals for security/damage deposits for requested field rentals. Based on the check dates, these checks had been retained by PR staff for periods ranging from 9 months to 15 months. In response to our inquiry, PR staff indicated that in each of these 	<p>All collections should be deposited in a timely manner. Collections should not be held pending the start of an event (e.g., tournament).</p> <p>Security/damage deposits received from renting entities should be timely deposited into the City’s bank account. As noted below under “Recording of Transactions and Events,” PR staff provided evidence that they were developing and implementing a new policy addressing field rentals. In addition to other things, that policy should provide for the timely deposit of all collections relating to those rentals. In the event that policy provides for the return of security/damage deposits after a rental event, the applicable funds should be refunded through a City check generated based on an authorized and proper check request completed by PR staff and submitted to the City Treasurer-Clerk’s Office.</p>
--	--	--	--

		instances the PR staff had not returned the checks to the renting entities (and had not voided the checks). The checks were marked “void” or returned to the applicable entities subsequent to our inquiry.	
6.	Recording of Transactions and Events	<p>✓ Procedures existed to properly classify collections for reporting purposes.</p> <p>✗ Except as noted in the following, adequate records were generally prepared that documented collections from point of receipt through deposit:</p> <ul style="list-style-type: none"> • Adequate records were not always maintained to document field rental events. For example, records documenting the request for and PR staff’s approvals/disapprovals of field rentals were not always prepared and maintained. Without adequate and complete records, PR management cannot verify that appropriate fees are collected and deposited into the City’s bank account for all field rental events. • Records documenting the initial receipt of payments from Little League organizations were not prepared. Accordingly, records are not available to verify the timely receipt and deposit of those collections. 	Subsequent to our initial fieldwork, PR staff provided evidence they were developing and implementing a new policy addressing field rentals. We recommend that the policy provide for adequate and complete documentation of all field rental events, the fees and damage/security deposits collected for those events, and the disposition of those collections. In addition, we recommend that records be prepared (e.g., sequentially numbered receipts) to document the initial receipt of all fees, including payments received from Little League organizations.
7.	Information Processing	<p>✓ Revenue Office staff verified amounts collected per daily cash reports prepared by PR Administration staff to validated bank deposit slips remitted directly to the Revenue Office by the bank.</p> <p>✓ PR supervisory staff reviewed collections activity prior to deposit.</p> <p>✓ PR full time staff reconciled the rosters prepared by part time staff to collections submitted by those part time staff for deposit preparation.</p> <p>✓ For Youth Tackle Football, PR staff verified participants at games to team rosters as a means to ensure that only registered players participated.</p> <p>✓ At the end of each shift/day, cash register collections were balanced to the cash register tapes and imprest fund amount.</p> <p>✗ Reconciliations, by staff independent of the collection/deposit function, of revenue generating activities to amounts collected and</p>	Staff independent of the collection/custodial function should periodically reconcile

		<p>deposited provide assurances that amounts collected were properly processed and deposited. Given the inadequate segregation of duties noted above under “Segregation of Duties,” such independent reconciliations may be a cost beneficial procedure (control) for ensuring that appropriate amounts are collected and deposited. The following independent reconciliations were not done (or not done on a consistent and regular basis as noted):</p> <ul style="list-style-type: none"> • Rosters of participating teams/individuals for Adult Sports to players participating in those events. (Such reconciliations were done but not on a consistent and regular basis.) • Rosters of participating individuals for Youth Sports (other than Tackle Football) to players participating in those events. • Rosters of participating teams/individuals (Adult and Youth Sports) to amounts collected and deposited. • The number of teams participating in City tournaments (Adult Sports) to fees collected and deposited. • Field rental events (Adult Sports) to fees collected and deposited. <p>X Sequentially numbered receipt forms used to document collections were not used as a tool to ensure that all collections were properly transferred for deposit.</p> <p>X There were no verifications by PR staff to ensure that Little League organizations remitted proper and correct amounts for their non-City resident participants.</p>	<p>events/activities to applicable records prepared to document those events and activities. Those records should, in turn, be reconciled by the independent staff to amounts collected and deposited.</p> <p>Appropriate supervisory staff and/or an employee independent of the collection/custodial function should periodically reconcile amounts collected per the forms to amounts deposited.</p> <p>PR staff should perform periodic verifications that amounts submitted by Little League organizations were proper and correct. Such verifications should be based on reviews of applicable records (e.g., utility bills) showing the residency status for families of Little League participants. The applicable families should be identified from rosters submitted to the City. PR staff should periodically compare participants in games to those rosters.</p>
8.	Documentation	<p>✓ Established forms and records were generally sufficient to provide an adequate accounting of collections.</p>	

		<p>✗ The PR Administration Division established internal written procedures that were applicable to all PR divisions, including the Adults and Youth Sports Division. However, those procedures did not address the following:</p> <ul style="list-style-type: none"> • The use of cash registers at the concession stands and related daily balancing of collections to cash register tapes. • Guidelines for part time PR staff that collect fees for Youth Sports registration events held during weekday evenings and on weekends. Because it is not practicable for the those collections to be deposited until a subsequent workday, written guidelines should be prepared and issued to those PR staff responsible for safeguarding the collections. Those guidelines should address protecting themselves and the collections from robbery and burglary. 	<p>Current written procedures should be updated to reflect all aspects of cash receipt and handling processes. In addition, written guidelines should be prepared and provided to applicable staff that address the safeguarding of collections and necessary precautions to reduce the risk of robbery and burglary.</p>
--	--	--	---

Table Legend:

- ✓ Activities increased assurance that collected funds are properly accounted for and deposited
- ✗ Identified risks for which revisions, enhancements, and/or improvements are needed

Note (1): Applicable Control Activities determined from INTERNAL CONTROL GUIDELINES - Administrative Policies and Procedures No. 630, Section .09, Part III.

Conclusion. PR staff implemented certain control activities to provide some assurance that collections are properly accounted for and deposited into the City’s bank account. However, based on our consultations with PR staff, we noted several areas where control activities should be revised and/or enhanced and improved. As noted above, significant recommendations include timely changing of safe combinations, safeguarding of collections, documenting supervisory reviews, billing applicable entities through the City’s accounts receivable system, segregating incompatible duties to the extent practicable, assigning collection responsibility to PR staff for all registration events, timely depositing of collections, preparation and maintenance of adequate records, independent reconciliations/verifications/analyses of data/activities/forms for the purpose of ensuring proper processing/depositing of collections, and updating written procedures.

PARKS AND RECREATION – ADULT AND YOUTH SPORTS			
<i>Action Plan</i>			
Condition – Risks relating to the cash collection and processing function were identified for which revisions, enhancements, or improvements are needed.			
Step #	Action/Task	Responsible Employee	Target Date
A. Objective: To ensure that collections are safeguarded from loss or theft.			
1.	Safe combinations will be timely changed upon the employment termination of part time staff with knowledge of those combinations.	Wayne Funderburke Barbara Law	9/1/01
2.	Checks representing security/damage deposits for facility rentals will be stored in locked safes pending their deposit.	Wayne Funderburke	8/1/01*
B. Objective: To ensure that collections are properly processed and deposited.			
1.	Entities renting facilities that do not pay at the time of application will be billed through the City’s accounts receivable system based on billing requests completed and sent to Accounting Services. Those entities will be instructed to mail their payments to the Revenue Office.	Wayne Funderburke	8/1/01*
2.	Supervisory staff will periodically check the FMS (PeopleSoft) and City’s accounts receivable system to ensure that amounts are being properly billed based on billing requests submitted to Accounting Services.	Wayne Funderburke	8/1/01*
3.	Supervisory staff independent of the collection and custodial functions will periodically reconcile rosters of participating teams/individuals to players participating in events/games.	Ashley Edwards Debbie Bruton	3/1/02
4.	Supervisory staff independent of the collection and custodial functions will periodically reconcile rosters of participating teams/individuals to amounts collected and deposited.	Cindy Mead Wayne Funderburke Dave Hurmuth	Seasonally beginning 11/16/01
5.	Supervisory staff independent of the collection and custodial functions will periodically reconcile the number of teams participating in City tournaments (Adult Sports) to fees collected and deposited.	Ashley Edwards Debbie Bruton	3/1/02
6.	Supervisory staff independent of the collection and custodial functions will periodically reconcile field rental events to fees collected and deposited.	Ashley Edwards Debbie Bruton	3/1/02
C. Objective: To ensure collections are timely and properly processed and deposited.			
1.	Collections will not be held pending the start or occurrence of an event. Collections will be deposited within one week of receipt.	Athletic Division Staff	8/1/01*
2.	Security/damage deposits for field rental events will be refunded by City check based on check requests completed and submitted to the City Treasurer-Clerk’s	Wayne Funderburke	8/1/01*

	Office.		
3.	In the event there is no damage, check requests to refund the security/damage deposits will be processed and submitted within one week of the rental occurrence.	Wayne Funderbruke	8/1/01*
4.	Parks and Recreation staff will collect fees from applicable participants (or their parents) during Youth Tackle Football registration events.	Dave Hormuth	8/27/01
D. Objective: To ensure that collections are properly processed and deposited.			
1.	Staff not having custody of or access to collections will periodically reconcile collections per completed receipt forms to amounts deposited.	Ashley Edwards Debbie Bruton	3/1/02
2.	Parks and Recreation staff will require rosters of participants and appropriate documentation (e.g., copies of utility bills) from Little League organizations to enable a determination that correct amounts were submitted for non-City resident participants.	Carolyn Faust	10/1/01
3.	Parks and Recreation staff will review documentation submitted by Little League organizations and make sampled verifications that submitted data is complete and correct based on spot checks (observations) of Little League events.	Carolyn Faust	10/1/01
E. Objective: To ensure that all events are properly documented.			
1.	A policy will be prepared and adopted for field rentals.	Wayne Funderburke	10/1/01
2.	Records will be maintained that document the requests to rent fields/facilities, the approval or disapproval of those requests, the fees and security/damage deposits collected for rental events, and the disposition of those collections.	Wayne Funderburke Barbara Law	8/1/01*
3.	Records will be prepared and maintained to document the initial receipt of payments from Little League organizations.	Carolyn Faust	10/1/01
4.	Supervisory staff will document their review of cash collection reports prepared for concession sales by initialing and dating those reports.	Wayne Funderburke	8/1/01*
F. Objective: To establish complete written procedures for receiving and processing collections.			
1.	Existing written procedures will be enhanced to address the use of cash registers at the concession stands and daily balancing of collections to cash register tapes.	Ashley Edwards Debbie Bruton	3/1/02
2.	Written guidelines will be prepared and distributed to staff that collect fees during weekday evenings or on weekends. Those guidelines will address the safeguarding of collections and necessary precautions that should be taken to reduce the risk of loss or theft.	Cindy Mead	8/25/01

*As per department, action plan step has been completed as of indicated date.

PARKS AND RECREATION – RECREATION DIVISION

Annual Collections (Calendar Year 2000) \$302,000

Description. Various activities are provided by and/or administered through the Recreation Division of the Parks and Recreation (PR) Department. Fees are charged to the public for many of those activities. Those activities include the following:

- Classes (e.g., aerobics and arts and crafts) and programs at the City’s community centers. (Annual collections of \$129,000)
- Summer playground programs offered at various City parks throughout the community. (Annual collections of \$68,000)
- Rentals of the Dorothy B. Oven and Brokaw-McDougall Houses. (Annual collections of \$87,000)
- Special events held by external entities on City properties. (Annual collections of \$18,000)

Revenues for special events and the summer playground program are collected and/or accumulated at the PR Recreation Office and prepared for deposit. Those prepared deposits are placed in a safe at the PR Administration Office for pick up by a bank courier. Cash reports accounting for the collections are prepared by Recreation Division staff and sent to PR Administration Office for inclusion on the summary PR cash report that is submitted to the Revenue Office at City Hall.

Staff at the community centers and staff at the Dorothy B. Oven and Brokaw-McDougall Houses collect the respective revenues, deposit those revenues, and prepare appropriate cash reports.

Reasons for External Collection – It is convenient and appropriate for citizens/participants to pay at the community centers, playgrounds, Oven and Brokaw-McDougall Houses, and PR Recreation Office for fees associated with the noted activities.

Assurances, Risks, and Recommendations. The following table describes the assurances and risks identified during, and recommended actions resulting from, our review and related consultations with Parks and Recreation staff regarding control activities for the described revenues.

ASSURANCES, RISKS, AND RECOMMENDATIONS		
Applicable Control Activity (Note 1)	Assurances/Risks	Recommendation
1. Access to and Accountability for Resources	✓ Collections accumulated at the PR Administration Office were stored in locked safes, with access to the contents limited to	

		<p>authorized staff.</p> <ul style="list-style-type: none"> ✓ Collections at the community centers were stored in secured locations (locked drawers and containers, locked closets, and/or locked safes), with access limited to authorized staff. ✓ Fees collected at summer playgrounds were stored in secured locked boxes prior to transport to the PR Recreation Office. Access to the contents was restricted to authorized staff. ✓ Collections at the Dorothy B. Oven and Brokaw-McDougall Houses were maintained in locked safes in secured rooms, with access limited to authorized staff. ✓ Receipt forms used to document collections were sequentially numbered, thereby providing a means to ensure accountability. 	
2.	Direct Activity Management	<ul style="list-style-type: none"> ✓ PR supervisory staff and Revenue Office staff reviewed reported collection and deposit activity. 	
3.	Segregation of Duties	<ul style="list-style-type: none"> ✓ The custodial and recording functions for collections were segregated as PR staff received and deposited the collections while Accounting Services recorded the collection transactions in the City's general ledger. ✗ The collection/custodial functions were not always adequately segregated from the authorization/execution and/or recording functions in regard to Recreation Division activities. Specifically: <ul style="list-style-type: none"> • In regard to special events, employees that scheduled and authorized the events also collected the fees and maintained the related records. • In regard to the Dorothy B. Oven and Brokaw-McDougall Houses, the same employees authorized and scheduled the rental events, collected the applicable fees, and maintained the related records. • In regard to the summer playground program, playground supervisory staff that collected fees and prepared daily cash reports also had custody of/access to daily attendance reports prior to the transfer of those reports to the Recreation Division. • In regard to community centers, employees that prepared and controlled class rosters 	<p>To the extent practicable, the noted incompatible duties should be segregated among staff. In regard to rentals events at the Dorothy B. Oven and Brokaw-McDougall Houses, one effective method to segregate the noted incompatible functions would be for the PR staff to bill the applicable entities through the City's accounts receivable system. Specifically, in those instances where the citizens/customers do not pay at the time and date of application, PR Recreation Division staff should consider completing and submitting billing requests to Accounting Services. Accounting Services staff could then prepare and submit a bill to the renting entity with instructions to submit the corresponding payment directly to the Revenue Office at City Hall. Not only would that process segregate the incompatible functions, but it may also result in more timely deposit into the City's</p>

		also collected the related fees.	bank account since collections received at the Revenue Office are deposited daily (opposed to weekly at the Dorothy Owen/Brokaw-McDougall Houses). In regard to the summer playgrounds, the daily attendance reports prepared by the counselors (who do not collect fees) should be submitted directly to the PR Recreation Division Office and not submitted through the playground staff that collect fees and prepare daily cash reports. In regard to special events and the community centers, it may not be cost beneficial to segregate the noted functions between staff. However, see "Information Processing" below for recommended compensating analytical procedures.
4.	Physical Controls	<ul style="list-style-type: none"> ✓ Prepared deposits placed in the safe at the PR Administration Office were picked up by an armored courier service, thereby reducing the exposure of funds to loss or theft. ✓ Collections at applicable locations were placed in locked or sealed bank bags for transport to the PR Recreation Office and to the bank for deposit. ✓ Negotiable instruments are restrictively endorsed upon collection. The endorsement restricts the instruments to deposit into a specific City bank account. ✓ Payment by credit card was accepted for rental events at the Dorothy B. Owen and Brokaw-McDougall Houses, thereby reducing the amount of currency and negotiable instruments received and processed at those houses. ✓ An electronic security system is used to detect unauthorized access to the Dorothy B. Owen and Brokaw-McDougall Houses, where collections are stored prior to deposit. 	
5.	Execution of Transactions and Events	<ul style="list-style-type: none"> ✓ Procedures existed to properly process and deposit collections. ✓ Collections were received and processed by PR staff acting within their assigned authority and responsibility. 	

6.	Recording of Transactions and Events	<ul style="list-style-type: none"> ✓ Procedures existed to properly classify collections for reporting purposes. ✓ Adequate records were generally prepared that documented collections from point of receipt through deposit. 	
7.	Information Processing	<ul style="list-style-type: none"> ✓ Revenue Office staff verified amounts collected per daily cash reports prepared by PR Administration staff to validated bank deposit slips remitted directly to the Revenue Office by the bank. ✓ PR supervisory staff reviewed collections activity prior to deposit. ✓ Instructors at the community centers verified rosters to actual participants. ✓ Supervisory staff at the community centers verified rosters to evidence of fee collections. ✓ Staff at the Dorothy B. Oven and Brokaw-McDougall Houses reconciled applications for rental events to events scheduled and to fees collected and deposited. ✗ Reconciliations, by staff independent of the collection/deposit function, of revenue generating activities to amounts collected and deposited provide assurances that amounts collected were properly processed and deposited. Such independent reconciliations may be a cost beneficial procedure (control) for ensuring that appropriate amounts are collected and deposited in those instances where duties are not adequately segregated among employees. (See “Segregation of Duties” above.) The following independent reconciliations were not done: <ul style="list-style-type: none"> • Special events to amounts collected and deposited. • Rosters for community center classes to actual class participants and to fees collected and deposited. (Note – while such reconciliations/reviews were done by instructors or supervisory staff as noted above, they were not done by individuals independent of the collection/deposit function.) • Rental events at the Dorothy B. Oven and Brokaw-McDougall Houses to events scheduled, and scheduled events to fees 	<p>Staff independent of the collection/custodial function should periodically reconcile events/activities to applicable records prepared to document those events and activities. Those records should, in turn, be reconciled by the independent staff to amounts collected and deposited.</p>

		<p>collected and deposited. (Note – while such reconciliations were done as noted above, they were not done by individuals independent of the collection/deposit function.)</p> <ul style="list-style-type: none"> • Daily attendance sheets prepared by counselors in the summer playground program to related records showing fees collected and deposited. <p>✗ Sequentially numbered receipt forms used to document collections were not used as a tool to ensure that all collections were properly deposited.</p>	<p>Appropriate supervisory staff and/or an employee independent of the collection/custodial function should periodically reconcile amounts collected per the forms to amounts deposited.</p>
8.	Documentation	<p>✓ Written procedures were established for the receipt and processing of collections by PR Recreation Division staff. Written procedures help ensure a consistent and appropriate methodology for collecting and processing funds.</p> <p>✗ Established forms and records were generally sufficient to provide an adequate accounting of collections. However, in regard to the summer playground program, daily attendance sheets prepared by counselors were not retained, thereby precluding a post-audit determination of whether fees were appropriately collected and deposited.</p>	<p>Daily attendance sheets should be retained for appropriate periods. Specifically, those records should be retained until applicable post-audits are completed.</p>

Table Legend:

- ✓ Activities increased assurance that collected funds are properly accounted for and deposited
- ✗ Identified risks for which revisions, enhancements, and/or improvements are needed

Note (1): Applicable Control Activities determined from INTERNAL CONTROL GUIDELINES - Administrative Policies and Procedures No. 630, Section .09, Part III.

Conclusion. PR staff implemented certain control activities to provide some assurance that collections are properly accounted for and deposited into the City’s bank account. However, based on our consultations with PR staff, we noted several areas where control activities should be revised and/or enhanced and improved. As noted above, significant recommendations include segregating incompatible duties to the extent practicable, independent reconciliations/verifications/analyses of data/activities/forms for the purpose of ensuring proper processing/depositing of collections, and retention of applicable records for post-audit purposes.

PARKS AND RECREATION – RECREATION DIVISION			
<i>Action Plan</i>			
Condition – Risks relating to the cash collection and processing function were identified for which revisions, enhancements, or improvements are needed.			
Step #	Action/Task	Responsible Employee	Target Date
A. Objective: To ensure that collections are properly processed and deposited.			
1.	Individuals and entities that rent the Dorothy Oven and Brokaw-McDougall Houses and do not pay the applicable fees prior to 30 days in advance of the rental event will be billed through the City's accounts receivable system. Those billings will be based on billing requests completed by Parks and Recreation staff and submitted to Accounting Services. The billed individuals/entities will be instructed to mail their payments to the Revenue Office.	Debbie Pullen	8/1/01*
2.	Daily attendance reports prepared by counselors at summer playgrounds will be retained for review and post-audit purposes.	Kathleen Flynn	8/1/01*
3.	Daily attendance reports prepared by counselors at summer playgrounds will be submitted directly to the Recreation Division Office and will not be submitted through playground staff that collect and process fees.	Kathleen Flynn	8/1/01*
4.	Supervisory staff independent of the collection and custodial functions will periodically compare amounts that should have been collected based on daily attendance sheets prepared for summer playgrounds to amounts collected and deposited.	Ashley Edwards Debbie Bruton	3/1/02
5.	Supervisory staff independent of the collection and custodial functions will periodically reconcile special events to amounts collected and deposited.	Ashley Edwards Debbie Bruton	3/1/02
6.	Supervisory staff independent of the collection and custodial functions will periodically reconcile sampled rosters for community center classes to class participants and to fees collected and deposited.	Ashley Edwards Debbie Bruton	3/1/02
7.	Supervisory staff independent of the collection and custodial functions will periodically determine if proper fees are collected and deposited for selected rental events at the Dorothy Oven and Brokaw-McDougall Houses.	Ashley Edwards Debbie Bruton	3/1/02
B. Objective: To ensure that collections are properly deposited.			
1.	Staff not having custody of or access to collections will periodically reconcile collections per completed receipt forms to amounts deposited.	Ashley Edwards Debbie Bruton	3/1/02

*As per department, action plan step has been completed as of indicated date.

PARKS AND RECREATION - TENNIS

Annual Collections (Calendar Year 2000) \$286,000

Description. The Forestmeadows Park and Athletic Center provides various recreational opportunities to the public for which fees are collected. The activities/events for which fees are collected include:

- Recreational tennis – participants are charged a court fee for each use, or may elect to pay monthly, quarterly, or annual fees that provide unlimited use as long as courts are available. Most of these fees are generated from tennis play at the Forestmeadows Center. However, fees are also charged and collected for evening and weekend court use at Tom Brown and Winthrop Parks.
- Court rentals by tennis leagues and non-City entities sponsoring tournaments.
- City sponsored tennis tournaments.
- Tennis clinics and classes provided by City staff.
- Tennis lessons for individuals taught by City staff.
- Recreational racquetball.
- Fitness room use.
- Facility rentals (e.g., room rentals for banquets or private parties).

Fees charged for walk-in use of tennis and racquetball courts and use of the fitness room were collected through a cash register. Those collections and other collections were accumulated by Forestmeadows staff and prepared for deposit. The prepared deposits were picked up twice a week by a bank courier and delivered to the bank for deposit. Cash reports accounting for the deposited collections were prepared by Forestmeadows staff and submitted to the Revenue Office at City Hall.

Reasons for External Collection – It is convenient and appropriate for citizens/users to pay at the parks for recreational use of facilities. However, as noted below, it would be appropriate and reasonable for certain fees to be billed through the City's accounts receivable system and collected by the Revenue Office.

Assurances, Risks, and Recommendations. The following table describes the assurances and risks identified during, and recommended actions resulting from, our review and related consultations with Parks and Recreation staff regarding control activities for the described revenues.

ASSURANCES, RISKS, AND RECOMMENDATIONS		
Applicable Control Activity (Note 1)	Assurances/Risks	Recommendation
1. Access to and Accountability for Resources	<ul style="list-style-type: none"> ✓ Custody of collections was assigned to specific staff. ✓ Collections at Forestmeadows were stored in locked safes, with access to the contents limited to authorized staff. ✓ Collections at Tom Brown and Winthrop Parks were stored in locked safes in locked closets in locked buildings, with access limited to authorized staff. ✗ Various fees not processed through the cash register at Forestmeadows Park were not adequately safeguarded prior to transfer to the safe for deposit preparation. Those collections were stored in unsealed envelopes kept at the counter of the front desk. The contents on the counter were accessible to all staff and to other persons reaching over the counter. ✗ Combinations to the safes at Tom Brown and Winthrop Parks were not always changed whenever there was a turnover of the staff collecting and securing fees at those parks. ✗ Residency cards are issued to individuals who have provided proof of their City residency status. Individuals may present those cards at the time that fees are due so that they are charged the City residency rate (which is less than the non-City residency rate). The residency cards were not sequentially numbered to provide a means of accountability. 	<p>To the extent practicable and reasonable, all collections should be processed through the cash register. Alternatively, collections not processed through the cash register should be stored in secured locations (e.g., locked safes with limited access) immediately upon receipt.</p> <p>Combinations to the safes should be changed periodically, especially whenever there is a turnover of the staff using the safes to secure collections.</p> <p>Residency cards should be sequentially numbered to facilitate the ability to account for those cards.</p>
2. Direct Activity Management	<ul style="list-style-type: none"> ✓ Forestmeadows supervisory staff and Revenue Office staff participated in and/or reviewed collection and deposit activity. 	
3. Segregation of Duties	<ul style="list-style-type: none"> ✓ The custodial and recording functions for collections were segregated as Parks and Recreation staff received and deposited the collections while Accounting Services recorded the collection transactions in the City’s general ledger. 	

	<p>X In regard to participants paying quarterly or annual fees, the same employee notifies the participants when fees are due, collects the fees, and maintains records of the participants. An employee performing these incompatible duties is in the position to make errors or divert funds without timely detection.</p> <p>X In regard to court use by tennis leagues and entities renting the courts for non-City tournaments, the same employee bills the applicable leagues/entities for court use, collects and processes the related fees, and maintains the related records. An employee performing these incompatible duties is in the position to make errors or divert funds without timely detection.</p> <p>X In regard to facility (room) rentals, the same employee that authorized, scheduled, and executed applicable rental agreements also collected the related fees. An employee performing these incompatible duties is in the position to make errors or divert funds without timely detection.</p> <p>X The authorization/execution function and collection function were not always segregated as noted in the following:</p> <ul style="list-style-type: none"> • Employees instructing clinics/classes and/or preparing rosters for such events sometimes collected the related fees. 	<p>We recommend that the quarterly and annual fees be billed through the City's accounts receivable billing system (based on billing requests completed by Forestmeadows staff). The applicable individuals should be instructed to send (via mail) the corresponding payments directly to the Revenue Office at City Hall. Forestmeadows staff should obtain applicable accounts receivable reports to track whether required payments have been made.</p> <p>Except in those instances where the applicable party pays at the time of application, we recommend that the noted court uses be billed through the City's accounts receivable billing system (based on billing requests completed by Forestmeadows staff). The applicable entities should be instructed to send the corresponding payments directly to the Revenue Office at City Hall. Forestmeadows staff should obtain applicable accounts receivable reports to track whether required payments have been made.</p> <p>In those instances where the applicable party does not pay at the time of application, we recommend that the facility rentals be billed through the City's accounts receivable billing system (based on billing requests completed by Forestmeadows staff). The applicable entities should be instructed to send the corresponding payments directly to the Revenue Office at City Hall. Forestmeadows staff should obtain applicable accounts receivable reports to track whether required payments have been made.</p> <p>To the extent practicable, the described incompatible duties should be segregated among staff. However, in each of these circumstances it may not be cost beneficial to segregate the duties among different City employees.</p>
--	---	--

		<ul style="list-style-type: none"> • In regard to tennis lessons taught to individuals at Tom Brown and Winthrop Parks, the City employees that schedule and teach the lessons also collect the related fees. (Subsequent to our initial survey visit, Forestmeadows staff drafted procedures that provide for collection of those fees by staff other than the City employees scheduling and teaching the lessons.) • In regard to walk-in participation (tennis, racquetball, fitness room), the same employee authorized/scheduled play/use and collected the related fees. 	<p>Recommended analytical procedures that compensate for these circumstances are noted below under "Information Processing."</p>
4.	Physical Controls	<ul style="list-style-type: none"> ✓ A cash register was used at Forestmeadows to collect certain fees (primarily walk-in participation fees for tennis, racquetball, and use of the fitness room). Cash registers provide a means to make an initial record of and safeguard collections. ✓ Prepared deposits were placed in the safe at Forestmeadows and picked up by an armored courier service twice a week, thereby reducing the exposure of funds to loss or theft. ✓ Bank drafts were used to collect fees from those individuals electing to pay monthly fee rates. Such drafts reduced the exposure of the applicable funds to loss or theft and resulted in more timely deposit. ✓ Negotiable instruments are restrictively endorsed upon collection. The endorsement restricts the instruments to deposit into a specific City bank account. ✓ Collections were placed in locked bank bags for transport to the bank for deposit. ✓ Payment by credit card was accepted; thereby, reducing the amount of currency and negotiable instruments received and processed by the parks. ✓ City residency cards were laminated prior to issuance, thereby making the fraudulent reproduction and use of such cards more difficult. ✓ Redeemed rain check tickets were defaced or otherwise effectively canceled to preclude unauthorized re-use of those documents. 	

<p>5.</p>	<p>Execution of Transactions and Events</p>	<ul style="list-style-type: none"> ✓ Collections were received and processed by staff acting within their assigned authority and responsibility. ✓ Procedures existed to properly process and deposit collections. ✗ Checks received as payment for City tournament fees were not prepared for deposit until the start of the tournament. As a result, those checks were held up to four weeks longer than they would have been held had they been prepared for deposit on the dates of receipt. (The registration period usually began two to four weeks prior to the tournament.) Forestmeadows staff indicated that these procedures were followed to facilitate the return of the checks in the event of cancellations. However, Forestmeadows staff acknowledged that there were relatively few cancellations prior to a tournament. A low cancellation rate does not justify the increased exposure of the collections to loss or theft that results by not preparing the checks for deposit on the dates of receipt. ✗ Procedures provided that residency cards should only be valid for one year after the issuance date. However, Forestmeadows staff acknowledged that cards issued in January 1999 were still being accepted two years later as evidence of participants' City residency status. This circumstance increases the likelihood that persons who are no longer City residents (e.g., moved to surrounding areas since their card was originally issued) are improperly receiving the City residency fee rates. 	<p>Collections should not be held pending a certain action or event. They should be timely deposited into the City's bank account. In the event that collected amounts should be returned due to cancellations, Forestmeadows staff should request the City Treasurer-Clerk's Office to issue a City check to refund the applicable individuals. (Subsequent to our initial survey visit, Forestmeadows staff initiated corrective actions resulting in the timely deposit of participant checks.)</p> <p>City residents should be required to provide proof of their continued City residency status annually. (Subsequent to our initial survey visit, Forestmeadows staff initiated corrective action to re-verify City residency status of applicable Forestmeadows participants.)</p>
<p>6.</p>	<p>Recording of Transactions and Events</p>	<ul style="list-style-type: none"> ✓ Procedures existed to properly classify collections for reporting purposes. ✓ Adequate records were generally prepared that documented collections from point of receipt through deposit. ✗ Sufficient information was not recorded to allow an independent or supervisory reconciliation of scheduled court use to amounts collected/deposited. Generally, the records (schedules) documented the specific periods that each court was scheduled for play and sometimes a name of one or more of the participants. However, sufficient information was generally not recorded that would allow a verification that appropriate fees had been collected and deposited for each court use. 	<p>To enable independent and/or supervisory verifications that appropriate fees were collected/deposited for court use, the name of each player, his/her City residency status, and manner of payment (daily walk-in, monthly draft, quarterly/annual fee payment) should be recorded on the schedule for the applicable court and period of play. For court rentals by</p>

		<p>✗ Records were not maintained to document the individuals that were issued City residency cards. Such records would provide a means to ensure that the cards were issued only to eligible individuals.</p> <p>✗ Adequate and complete records were not maintained to document activity pertaining to facility (room) rentals. Although a schedule of all room uses was maintained, rental agreements were not always prepared and executed for those uses (events). Furthermore, Forestmeadows staff indicated that fees were sometimes waived for those events. However, there was generally no documentation denoting the events for which fees were waived, no evidence of the criteria and/or basis on which those waivers were granted, and no documentation of the staff that granted/authorized the waivers. Accordingly, it was not possible to determine from a review of available records what fees should have been collected and deposited.</p> <p>✗ Sequentially numbered receipts were available and used for multiple purposes, including (1) documenting room rental collections, (2) providing individuals paid receipts upon their request after they paid for applicable play and/or services, (3) documenting the custodial transfer of collections by Tom Brown and Winthrop staff to Forestmeadows, and (4) rain check tickets. (Rain check tickets are issued to players who have paid the required fees but was unable to complete substantial play because of inclement weather. Such players may redeem their rain check tickets for play at a later date.) The use of the same series of sequentially numbered receipts for multiple purposes hinders the ability of staff to efficiently account for the applicable activities.</p>	<p>leagues and other non-City entities, the schedules should indicate the renting entity's name on each applicable court for the periods of play.</p> <p>Records should be maintained documenting the individuals to whom City residency cards were issued.</p> <p>Rental agreements should be prepared and executed for all facility rentals, especially for rentals/uses by non-City entities. Furthermore, criteria for waiving fees should be established and documented. In addition to establishing the basis for waiving rental fees, the criteria should specify the staff authorized to grant such waivers. For each rental event/room use, documentation should be prepared and maintained showing the applicable fees collected or waiver granted. For each waiver, the basis and justification and authorizing staff should be clearly documented.</p> <p>To facilitate accountability, we recommend that the noted activities be accounted for through separate series of sequentially numbered receipts. Alternatively, each activity could be accounted for with a different type (style) of receipt document. (In regard to rain check tickets, we also recommend that the Forestmeadows staff consider using a document similar to the rain check tickets used at Hilaman Park Golf Course.)</p>
7.	Information Processing	<p>✓ Forestmeadows supervisory staff reviewed collection activity prior to deposit.</p> <p>✓ Revenue Office staff verified amounts collected per daily cash reports prepared by Forestmeadows staff to validated bank deposit slips remitted directly to the Revenue Office by the bank.</p>	

	<p>✓ At the end of each shift, cash register collections were balanced to the cash register tapes and imprest fund amount.</p> <p>✓ Clinic/class instructors verified participants back to rosters prepared based on participant registrations.</p> <p>✗ There were no independent supervisory verifications as to the dispositions of City residency cards made available for issuance to City residents. Such verifications are necessary to ensure that such cards are issued only to appropriate individuals.</p> <p>✗ Redeemed rain check tickets were not reconciled back to records of issued rain check tickets as a means to ensure that only valid tickets are presented for play.</p> <p>✗ Reconciliations, by staff independent of the collection/deposit function, of revenue generating activities to amounts collected and deposited provide assurances that amounts collected were properly processed and deposited. Given the inadequate segregation of duties noted above under “Segregation of Duties,” such independent reconciliations may be a cost beneficial procedure (control) for ensuring that appropriate amounts are collected and deposited. The following independent reconciliations were not done:</p> <ul style="list-style-type: none"> • Rosters of quarterly/annual payees to amounts collected and deposited. • Actual court use to scheduled court use, and scheduled court use to amounts collected and deposited. • Participants in City sponsored tournaments and clinic/classes to rosters prepared for those events, and rosters prepared for those events to amounts collected and deposited. • Facility rentals to amounts collected and deposited. • Lessons taught by City staff to amounts collected and deposited. 	<p>Supervisory staff should periodically account for all City residency cards made available for issuance. Appropriate dispositions would include (1) issued as evidenced by appropriate logs/records, (2) not issued and still in inventory, and (3) documented and approved voids.</p> <p>Rain check tickets redeemed for play should be reconciled to the records of issued tickets. The redemption should be documented on the applicable ticket (receipt) copy in the books of issued tickets.</p> <p>Staff independent of the collection/custodial functions should periodically reconcile events/activities to applicable records prepared to document those events and activities. Those records should, in turn, be reconciled by the independent staff to amounts collected and deposited.</p>
--	--	--

8.	Documentation	<p>✓ Established forms and records were generally sufficient to provide an adequate accounting of collections.</p> <p>✗ The Parks and Recreation Administration Division established internal written procedures that were applicable to all Parks and Recreation activities, including those of the Tennis Division. However, those procedures did not address the use of cash registers at Forestmeadows and related daily balancing of collections to cash register tapes. Complete written procedures ensure a consistent and appropriate methodology for collecting and processing funds.</p>	<p>Current written procedures should be updated to reflect all aspects of cash receipt and handling processes.</p>
----	---------------	--	--

Table Legend:

- ✓ Activities increased assurance that collected funds are properly accounted for and deposited
- ✗ Identified risks for which revisions, enhancements, and/or improvements are needed

Note (1): Applicable Control Activities determined from INTERNAL CONTROL GUIDELINES - Administrative Policies and Procedures No. 630, Section .09, Part III.

Conclusion. Parks and Recreation staff implemented certain control activities to provide some assurance that collections are properly accounted for and deposited into the City’s bank account. However, based on our consultations with Parks and Recreation staff, we noted several areas where control activities should be revised and/or enhanced and improved. As noted above, significant recommendations include safeguarding collections, timely changing safe combinations, sequentially numbering of documents, billing applicable participants through the City’s accounts receivable system, segregating incompatible functions when practicable, timely deposit of collections, timely reverification of City residency status, enhanced recording of transactions and events, independent reconciliations/verifications/analyses of data/activities/forms for the purpose of ensuring proper processing/depositing of collections and other instruments of value, and updating written procedures.

PARKS AND RECREATION – TENNIS			
<i>Action Plan</i>			
Condition – Risks relating to the cash collection and processing function were identified for which revisions, enhancements, or improvements are needed.			
Step #	Action/Task	Responsible Employee	Target Date
A. Objective: To ensure that collections are safeguarded from loss or theft.			
1.	Collections not processed through the cash register will be stored in locked safes pending their deposit.	Mike Mulrennan	8/1/01*
2.	Safe combinations will be timely changed upon the termination of staff that uses the safes to secure collections.	Mike Mulrennan	9/1/01
B. Objective: To ensure that collections are properly processed and deposited.			
1.	In the event that applicable amounts are not paid within ten days after the start of a new quarter or year, participants paying quarterly and annual fees will be billed through the City’s accounts receivable system based on billing requests completed and submitted to Accounting Services. Those individuals will be instructed to mail their payments to the Revenue Office.	Marilyn Tartaglia	8/1/01*
2.	Entities renting courts for non-City tournaments and events that have not paid the required fee prior to ten days in advance of the applicable event will be billed through the City’s accounts receivable system based on billing requests completed and submitted to Accounting Services. Those entities will be instructed to mail their payments to the Revenue Office.	Marilyn Tartaglia	8/1/01*
3.	Individuals and entities renting rooms and facilities that have not paid the required fee prior to ten days in advance of the applicable event will be billed through the City’s accounts receivable system based on billing requests completed and submitted to Accounting Services. Those individuals/entities will be instructed to mail their payments to the Revenue Office.	Mike Mulrennan	8/1/01*
4.	Supervisory staff will periodically check the FMS (PeopleSoft) and City’s accounts receivable system to ensure that amounts are being properly billed based on billing requests submitted to Accounting Services.	Marilyn Tartaglia	8/1/01*
5.	City employees that schedule and teach tennis lessons to individuals will no longer collect the related fees. Instead, individuals will pay the fees to other Parks and Recreation staff. Those individuals will be	Jay Hurst	8/1/01*

	provided evidence of payment that must be provided to the instructor prior to the start of the lesson.		
C. Objective: To ensure that collections are properly processed and deposited.			
1.	Supervisory staff independent of the collection and custodial functions will periodically reconcile rosters of quarterly/annual payees to amounts collected and deposited. Those reconciliations will be documented.	Ashley Edwards Debbie Bruton	3/1/02
2.	Supervisory staff independent of the collection and custodial functions will periodically reconcile actual court use to scheduled court use, and scheduled court use to amounts collected and deposited. Those reconciliations will be documented.	Ashley Edwards Debbie Bruton	3/1/02
3.	Supervisory staff independent of the collection and custodial functions will periodically reconcile rosters prepared for City sponsored tournaments and clinic/classes to participants in those events and to amounts collected and deposited. Those reconciliations will be documented.	Ashley Edwards Debbie Bruton	3/1/02
4.	Supervisory staff independent of the collection and custodial functions will periodically reconcile facility rentals to amounts collected and deposited. Those reconciliations will be documented.	Ashley Edwards Debbie Bruton	3/1/02
5.	Supervisory staff independent of the collection and custodial functions will periodically reconcile lessons taught by City staff to amounts collected and deposited. Those reconciliations will be documented.	Ashley Edwards Debbie Bruton	3/1/02
D. Objective: To ensure that collections are timely and properly processed and deposited.			
1.	Collections will not be held pending the start or occurrence of an event. Collections will be deposited within one week of receipt.	Jay Hurst	8/1/01*
2.	When events or participation in events are properly cancelled, applicable fees will be refunded by City check based on check requests completed and submitted to the City Treasurer-Clerk's Office.	Jay Hurst	8/1/01*
E. Objective: To ensure that all events are properly documented.			
1.	The name of each player, his/her residency status, and manner of payment will be recorded on the schedule for the applicable court and period of play.	Steve Leroy Mike Mulrennan	9/1/01
2.	For court rentals by leagues and other non-City entities, the applicable court schedules will indicate the renting entity's name for the periods of play.	Jay Hurst	8/1/01*
3.	Records will be prepared and maintained that document the requests to rent facilities, the approval or disapproval of those requests, the fees and security/damage deposits collected for rental events,	Mike Mulrennan	8/1/01*

	the disposition of those collections, any fee waivers granted, and the staff that authorized such waivers.		
4.	Criteria for waiving rental fees will be established and documented. Among other things, those criteria will designate the staff positions authorized to grant the waivers.	Jay Hurst	10/1/01
5.	Rental agreements will be prepared and executed for all facility rentals.	Mike Mulrennan	8/1/01*
6.	The custodial transfers of collection by Tom Brown and Winthrop staff to Forestmeadows will be documented on records other than the sequentially numbered receipt forms.	Mike Mulrennan	9/1/01
7.	Sequentially numbered receipt documents will no longer be used as rain check tickets. Rain check tickets similar to those currently used at Hilaman Park Golf Course will be acquired and used for rain checks.	Mike Mulrennan	10/1/01
8.	Sequentially numbered receipt forms will only be used to document the collection of fees.	Mike Mulrennan	10/1/01
9.	Rain check tickets presented for redemption will be verified to the copy of the issued rain check ticket retained by staff. That verification will be documented on the applicable ticket copy in the issuance book.	Mike Mulrennan	10/1/01
F. Objective: To ensure that non-City residents pay the required fees.			
1.	Residency cards will be sequentially numbered.	Mike Mulrennan	10/15/01
2.	Supervisory staff will account for all residency cards available for issuance. Appropriate dispositions will be issued, voided, or not issued.	Mike Mulrennan	10/15/01
3.	Records will be maintained documenting the individuals that were issued residency cards. Those records will indicate for each individual the sequential number of their issued residency card.	Mike Mulrennan	10/15/01
4.	On an annual basis, individuals issued residency cards will be required to provide proof of their continued City residency status.	Mike Mulrennan	8/1/01*
G. Objective: To establish complete written procedures for receiving and processing collections.			
1.	Existing written procedures will be enhanced to address the use of cash registers and daily balancing of collections to cash register tapes.	Ashley Edwards Debbie Bruton	3/1/02
2.	Existing written procedures will be revised to address changes enacted based on the preceding action steps.	Marilyn Tartaglia	10/1/01

*As per department, action plan step has been completed as of indicated date.

PARKS AND RECREATION - GYMNASTICS

Annual Collections (Calendar Year 2000) \$131,000

Description. The Trousdell Gymnastics Center generates revenues from fees charged for several activities. These activities include the following:

- Numerous gymnastic classes taught during three separate sessions each year – fees are collected during registration periods established for each session.
- City-sponsored competitive gymnastics program – participants pay fees based on monthly billings.
- Private lessons and private birthday parties (gymnastic instruction with games) – fees are collected prior to the lesson/party.

Fees are collected at the center and accumulated and prepared for deposit. The prepared deposits are taken to the bank by Gymnastics Center staff. Cash reports accounting for the collections are prepared by center staff and submitted to the Parks and Recreation (PR) Administration Office for inclusion on the summary PR cash report submitted to the Revenue Office at City Hall.

Reasons for External Collection – It is convenient for the participants or parents of participants to pay at the Trousdell Gymnastics Center for activities. However, as noted below, it would be appropriate and reasonable for competitive program fees to be collected through monthly bank drafts or to be billed through the City’s accounts receivable system and collected by the Revenue Office.

Assurances, Risks, and Recommendations. The following table describes the assurances and risks identified during, and recommended actions resulting from, our review and related consultations with Parks and Recreation staff regarding control activities for the described revenues.

ASSURANCES, RISKS, AND RECOMMENDATIONS			
Applicable Control Activity (Note 1)		Assurances/Risks	Recommendation
1.	Access to and Accountability for Resources	<ul style="list-style-type: none"> ✓ Custody of collections was assigned to specific staff. ✓ Collections were stored in locked safes, with access to the contents limited to authorized staff. ✓ Receipt forms used to document currency collections were sequentially numbered, thereby providing a means to ensure accountability. 	
2.	Direct Activity Management	<ul style="list-style-type: none"> ✓ Gymnastics Center and Parks and Recreation Administration supervisory staff reviewed 	

		<p>reported collection and deposit activity.</p> <p>✗ While Gymnastics Center supervisory staff reviewed cash collection reports prepared by staff, those reviews were generally not documented.</p>	<p>Supervisory review and approval of cash collection reports should be documented. The initialing and dating of applicable reports would be a means to document such reviews and approvals.</p>
3.	Segregation of Duties	<p>✓ Gymnastics Center staff received and deposited the collections (custodial function) while Accounting Services recorded the collection transactions in the City’s general ledger (recording function).</p> <p>✗ In regard to the competitive gymnastics program, the same employees bill participants, receive the corresponding payments, and maintain the corresponding billing/receivable records. An employee performing these incompatible duties is in the position to make errors or divert funds without detection.</p>	<p>The Parks and Recreation Department plans to revise the current process. Specifically, plans are to collect applicable fees through monthly bank drafts. For program participants that do not authorize monthly bank drafts, billings will be generated and mailed through the City’s accounts receivable system. The billed participants will be instructed to submit their payments directly to the Revenue Office.</p>
4.	Physical Controls	<p>✓ Negotiable instruments are restrictively endorsed upon collection. The endorsement restricts the instruments to deposit into a specific City bank account.</p> <p>✓ Procedures at the date of our survey visit provided for collections to be taken to the bank for deposit by Gymnastics Center staff. However, planned procedures, that were initiated during our fieldwork visit, provided for prepared deposits to be picked up by an armored courier service once a week, thereby reducing the exposure of funds to loss or theft.</p>	
5.	Execution of Transactions and Events	<p>✓ Collections were received and processed by Gymnastics Center staff acting within their assigned authority and responsibility.</p> <p>✓ Procedures existed to properly process and deposit collections.</p> <p>✗ Collections were not always timely deposited, thereby increasing the exposure of the funds to loss or theft and limiting the interest that could be earned on the funds upon deposit. Our analysis of deposits and discussions with center staff indicated that deposits were made only once every two to three weeks.</p>	<p>Collections should be deposited in a timely manner. During registration periods, when numerous fees are collected in a relatively short period, management should consider providing additional resources (e.g., temporary employees/assistance) to enable center staff to timely prepare and</p>

			deposit collections.
6.	Recording of Transactions and Events	<ul style="list-style-type: none"> ✓ Procedures existed to properly classify collections for reporting purposes. ✗ Adequate records were generally prepared that documented collections from point of receipt through deposit. However, the dates of receipt of collections were not always adequately documented, thereby limiting management's ability to verify timely deposit of those funds. 	The dates of receipt should be documented for all collections, including class registration fees, competitive program fees, and private lesson/birthday party event fees.
7.	Information Processing	<ul style="list-style-type: none"> ✓ Revenue Office staff verified amounts collected per daily cash reports prepared by PR Administration to validated bank deposit slips remitted directly to the Revenue office by the bank. ✓ Supervisory staff reviewed collections activity prior to deposit. ✓ Class instructors verified participants back to rosters prepared based on participant registrations. ✗ Rosters of class and competitive program participants were not reconciled to amounts collected/deposited. ✗ There were no reconciliations of private lessons taught and birthday party events to collections deposited. ✗ Sequentially numbered receipt forms used to document currency collections were not used as a tool to ensure that collected amounts were deposited. 	<p>Staff independent of the collection/custodial functions should reconcile rosters of participants to deposited collections for the purpose of ensuring fees were properly collected and deposited.</p> <p>Staff independent of the collection/custodial functions should reconcile lessons and events to deposited collections.</p> <p>Staff independent of the collection/custodial functions should periodically reconcile amounts collected per the forms to amounts deposited.</p>
8.	Documentation	<ul style="list-style-type: none"> ✓ The PR Finance Division established internal written procedures that were applicable to all PR divisions, including Gymnastics. Written procedures help ensure a consistent and appropriate methodology for collecting and processing funds. 	

Table Legend:

- ✓ Activities increased assurance that collected funds are properly accounted for and deposited
- ✗ Identified risks for which revisions, enhancements, and/or improvements are needed

Note (1): Applicable Control Activities determined from INTERNAL CONTROL GUIDELINES - Administrative Policies and Procedures No. 630, Section .09, Part III.

Conclusion. Parks and Recreation staff implemented certain control activities to provide assurance that collections are properly accounted for and deposited into the City's bank account. However, based on our consultations with Parks and Recreation staff, we noted several areas where control activities should be revised and/or enhanced and improved. As noted above, significant recommendations (and improvements currently planned) include documented supervisory reviews, monthly bank drafts to collect fees, using the City's billing system as a means of ensuring an adequate segregation of duties, timely deposit of collections, documenting receipt dates, and independent reconciliations/verifications of rosters/events/forms to applicable data for the purpose of ensuring proper processing/depositing of collections.

PARKS AND RECREATION - GYMNASTICS			
<i>Action Plan</i>			
Condition – Risks relating to the cash collection and processing function were identified for which revisions, enhancements, or improvements are needed.			
Step #	Action/Task	Responsible Employee	Target Date
A. Objective: To ensure that collections are properly processed and deposited.			
1.	All participants will be encouraged to authorize payment through monthly bank drafts.	Katy Johnston	8/1/01*
2.	Billing requests will be sent to Accounting Services for those participants who do not authorize monthly bank drafts. Those participants will be billed through the City's accounts receivable system and will be instructed to mail their payments to the Revenue Office.	Katy Johnston	8/1/01*
3.	Supervisory staff will periodically check the FMS (PeopleSoft) and City's accounts receivable system to ensure that amounts are being properly billed based on billing requests submitted to Accounting Services.	Katy Johnston	8/1/01*
B. Objective: To ensure that collections are properly processed and deposited.			
1.	Supervisory staff independent of the collection and custodial functions will periodically reconcile rosters of participants in the competitive program to amounts collected and deposited. Those reconciliations will be documented.	Ashley Edwards Debbie Bruton	3/1/02
2.	Supervisory staff independent of the collection and custodial functions will periodically reconcile private lessons taught and birthday party events to amounts collected and deposited. Those reconciliations will be documented.	Ashley Edwards Debbie Bruton	3/1/02
3.	Supervisory staff independent of the collection and custodial function will reconcile collections per completed (issued) receipt forms to amounts deposited. Those reconciliations will be documented.	Ashley Edwards Debbie Bruton	3/1/02
C. Objective: To ensure that collections are timely deposited.			
1.	Collections will be deposited within one week or less of receipt.	Katy Johnston	8/1/01*
D. Objective: To ensure that all events are properly documented.			
1.	Dates of receipt will be documented for all collections.	Katy Johnston	8/1/01*
2.	Supervisory staff will document their review of cash collection reports by initialing and dating those reports.	Katy Johnston	8/1/01*

*As per department, action plan step has been completed as of indicated date.

PARKS AND RECREATION - AQUATICS

Annual Collections (Calendar Year 2000) \$74,000

Description. The City currently operates seven pools. Five of these pools are seasonal and the other two (TrousdeLL Aquatic Center and Wade Wehunt Pool at Myers Park) are open year round. City pool activities for which revenues are generated and collected include the following:

- Recreational swimming – in addition to collecting fees for daily pool use, 15-day and 30-day passes are sold to citizens.
- Swim lessons – fees are collected during established registration periods.
- Pool facility rentals (e.g., children birthday parties, lane rentals, and baptisms) – fees are collected prior to the event.
- City-sponsored competitive swim program at the TrousdeLL Aquatic Center – participants pay fees either through monthly bank draft or based on quarterly billings (Note – fees collected through monthly bank drafts are not included in the annual total above, since they are not collected at the Parks and Recreation (PR) Administration Office or the Aquatics Division.)

Each of the seven pools has a cash register that is used to collect fees for recreational swimming. Fees for swim lessons, facility rentals, and the competitive swim program (other than monthly bank drafts) are collected through mail or drop off either at the PR Administration Office or at the applicable pools. For each pool, collections are accumulated and prepared for deposit. Prepared deposits are either taken to the bank by pool staff or placed in the PR Administration safe for pick up by bank courier. Cash reports accounting for the deposited collections are prepared by Aquatics staff and sent to the PR Administration Office for inclusion on the summary PR cash report submitted to the Revenue Office at City Hall.

Reasons for External Collection – It is convenient and appropriate for citizens/users to pay at the pool or PR Administration Office for recreational and other uses of pool facilities. However, as noted below, it would be appropriate and reasonable for competitive program fees, not collected through monthly bank drafts, to be billed through the City's accounts receivable system and collected by the Revenue Office.

Assurances, Risks, and Recommendations. The following table describes the assurances and risks identified during, and recommended actions resulting from, our review and related consultations with Parks and Recreation staff regarding control activities for the described revenues.

ASSURANCES, RISKS, AND RECOMMENDATIONS		
Applicable Control Activity (Note 1)	Assurances/Risks	Recommendation
1. Access to and Accountability for Resources	<ul style="list-style-type: none"> ✓ Custody of collections was assigned to specific staff. ✓ Collections were stored in locked safes, with access to the contents limited to authorized staff. ✗ Pass tickets (15-day and 30-day) available for sale were not sequentially numbered. Such sequential numbering would provide a means to account for those tickets. ✗ Residency cards are issued to individuals who have provided proof of their City residency status. Individuals may present those cards at the time that fees (e.g., for swim lessons and for adult recreational swimming) are due so that they are charged the City residency rate (which is less than the non-residency rate). The residency cards were not sequentially numbered to provide a means of accountability. 	<p>Pass tickets should be sequentially numbered to facilitate the ability to account for those tickets available for sale. (Subsequent to our initial fieldwork, PR staff initiated corrective action by sequentially numbering the pass tickets.)</p> <p>Residency cards should be sequentially numbered to facilitate the ability to account for those cards.</p>
2. Direct Activity Management	<ul style="list-style-type: none"> ✓ PR Aquatics and Administration supervisory staff reviewed reported collection and deposit activity. ✗ While Aquatics supervisory staff reviewed cash collection reports prepared by staff, those reviews were generally not documented. 	<p>Supervisory review and approval of cash collection reports should be documented. The initialing and dating of applicable reports would be a means to document such reviews and approvals.</p>
3. Segregation of Duties	<ul style="list-style-type: none"> ✓ The custodial and recording functions for collections were segregated as PR staff received and deposited the collections while Accounting Services recorded the collection transactions in the City's general ledger. ✗ In regard to recreational swimming, collection and recording duties (i.e., completion of tally sheets to document the number of pool users) were not segregated between staff. Employees performing those incompatible duties are in the position to make errors or divert funds without 	<p>PR management should consider the use of turnstiles as an independent means of determining participation. Additionally, for the pools at Hilaman Park and at Forestmeadows Park, PR</p>

		<p>detection. However, current staffing does not allow for the segregation of those duties. Furthermore, hiring additional staff may not be a cost beneficial solution.</p> <p>✘ In regard to collections for the six pools other than the Trousdell Aquatic Center, supervisory staff prepared collections for deposit and/or had access to the collections, reviewed and approved individual pool collection reports prepared by lifeguards, and prepared the summary cash collection report. An employee performing these incompatible duties is in the position to make errors or divert funds without detection. However, current staffing does not allow for the segregation of those duties. Furthermore, hiring additional staff may not be a cost beneficial solution. A compensating analytical procedure is addressed below under “Information Processing.”</p> <p>✘ In regard to the competitive swim program, the same employee bills participants (i.e., other than those paying through monthly bank draft), receives the corresponding payments, and maintains the corresponding billing/receivable records. An employee performing these incompatible duties is in the position to make errors or divert funds without detection.</p>	<p>management should consider requiring swimmers to pay the applicable fees to the golf course/tennis court cashiers, and then present pool staff proof of payment (cash register receipt) prior to pool entry. Also, see “Information Processing” below for a recommended compensating analytical procedure.</p> <p>It may not be cost beneficial to segregate the noted functions between staff. See “Information Processing” below for a recommended compensating analytical procedure.</p> <p>See “Execution of Transactions and Events” below where we recommend that participants be billed through the City’s accounts receivable system and the corresponding payments be sent directly to the Revenue Office.</p>
<p>4.</p>	<p>Physical Controls</p>	<p>✓ Cash registers were used at each pool to collect fees for recreational swimming. Cash registers provide a means to make an initial record of and/or safeguard collections.</p> <p>✓ Prepared deposits were generally placed in the safe at the PR Administration Office and picked up by an armored courier service once a week, thereby reducing the exposure of funds to loss or theft.</p> <p>✓ Bank drafts were used to collect monthly fees upon authorization from applicable participants in the competitive swim program. Such drafts reduced the exposure of the applicable funds to loss or theft and resulted in more timely deposit.</p> <p>✓ The 15-day and 30-day pass cards sold for recreational swimming use were laminated prior to issuance, thereby making the fraudulent reproduction and use of such cards more</p>	

		<p>difficult.</p> <p>✓ Negotiable instruments are restrictively endorsed upon collection. The endorsement restricts the instruments to deposit into a specific City bank account.</p>	
5.	Execution of Transactions and Events	<p>✓ Collections were received and processed by PR staff acting within their assigned authority and responsibility.</p> <p>✓ Procedures existed to properly process and deposit collections.</p> <p>✗ As noted below, collections were not always timely deposited, thereby increasing the exposure of the funds to loss or theft and limiting the interest that could be earned on the funds upon deposit:</p> <ul style="list-style-type: none"> • For swim lessons, checks were sometimes not deposited until the applicable class had been filled. Furthermore, when proof of City residency was not provided at the time payment was made, the applicable checks/collections were not deposited until proof was provided. • Checks for rentals of pool facilities were not deposited until the applicable event (e.g., baptism) took place. • Checks received as payment for participation in the competitive swim program were held for periods ranging from a week to a month prior to deposit. <p>✗ Competitive swim program participants, who do not authorize monthly bank drafts for fee payments, are billed quarterly by Trousdell Aquatic Center staff. Those participants pay their billed fees at the PR Administration Office or at the Trousdell Aquatic Center. Because Trousdell Aquatic staff has access to fee collections and account for those collections (see “Segregation of Duties” above), changing collection of those fees to the Revenue Office would enhance control.</p>	<p>Collections should not be held pending a certain action or event. They should be timely deposited into the City’s bank account.</p> <p>All individuals should be encouraged to authorize monthly bank drafts for payment of their fees. As noted above under “Physical Controls,” bank drafts reduce the exposure of funds to loss or theft. For those participants that bank drafts are not practicable, we recommend that their fees be billed through the City’s accounts receivable billing system (based on billing requests completed by Trousdell Aquatic staff). The members should be instructed to send the corresponding payments directly to the Revenue Office.</p>
6.	Recording of Transactions and Events	<p>✓ Procedures existed to properly classify collections for reporting purposes.</p> <p>✗ Adequate records were generally prepared that</p>	<p>Receipt dates for collections should</p>

		<p>documented collections from point of receipt through deposit. However, the receipt dates for payments from competitive swim program participants were not documented, thereby limiting management’s ability to ensure timely deposit of those funds.</p> <p>✗ Rental agreements were not prepared for baptisms. In addition to serving other purposes, such agreements document the activity for which collections are expected.</p> <p>✗ Records were not maintained to document the individuals that were issued City residency cards. Such records would provide a means to ensure that the cards were issued only to eligible individuals.</p>	<p>be documented. However, as noted above under “Execution of Transactions and Events,” we recommend that procedures be revised to have those payments sent directly to the Revenue Office.</p> <p>Rental agreements should be executed and retained for each rental event.</p> <p>Records should be maintained documenting the individuals to whom City residency cards were issued.</p>
7.	Information Processing	<p>✓ Revenue Office staff verified amounts collected per daily cash reports prepared by PR Administration staff to validated bank deposit slips remitted directly to the Revenue Office by the bank.</p> <p>✓ Aquatics supervisory staff reviewed collections activity prior to deposit.</p> <p>✓ Swim lesson instructors verified participants back to rosters prepared based on participant registrations.</p> <p>✗ Rosters of swim lesson participants were not reconciled to amounts collected/deposited</p> <p>✗ There were no reconciliations of rental events to collections deposited.</p> <p>✗ Rosters of participants in the competitive swim program were not reconciled to amounts collected/deposited.</p> <p>✗ At the end of each shift/day, cash register</p>	<p>Staff independent of the collection/custodial functions should reconcile rosters of participants to deposited collections for the purpose of ensuring fees were properly collected and deposited.</p> <p>Staff independent of the collection/custodial functions should reconcile rental events to deposited collections. (Also, see “Recording of Transactions and Events” above where certain rental events were not adequately documented.)</p> <p>Staff independent of the collection/custodial functions should reconcile rosters of participants to deposited collections for the purpose of ensuring fees were properly collected and deposited.</p> <p>Only cash register tape of the</p>

		<p>collections were balanced to the cash register tapes or tally sheets and imprest fund amount. However, we noted that this control was not always operating effectively for recreational fees collected at Wade Wehunt Pool. Specifically:</p> <ul style="list-style-type: none"> • We noted that cash register tapes used during the months of January and February 2001 were too narrow to capture complete collection data. As a result, it was not possible to effectively ensure that all collections were presented for deposit. • We noted that for the month of December 2000, there were minor differences between the collection totals per the cash register tapes and the cash collection reports. Those differences were not documented or addressed on the applicable cash collection reports. <p>✘ In regard to recreational swimming, there was no analysis, by staff independent of the collection/custodial functions, of pool use to collections received and deposited. Given the inadequate segregation of duties relating to the recreational swim program noted above, such an independent analysis would be a cost beneficial procedure (control) for ensuring that appropriate amounts are collected and deposited.</p> <p>✘ There were no independent supervisory verifications as to the disposition of pass tickets made available for sale. Such verifications that document the disposition of pass tickets available for sale are necessary to ensure that passes are issued only when legitimate sales are made.</p> <p>✘ There were no independent supervisory verifications as to the dispositions of City</p>	<p>appropriate size should be used. Also, all differences between the collections per the cash register tapes and the actual collections should be documented and addressed on the applicable cash collection reports.</p> <p>Using historical and other applicable data/information, PR management should determine expected participation in the recreational swim program. Amounts collected and deposited over a period of time (e.g., weekly, monthly, or seasonally) should be compared to the amounts that should have been collected/ deposited based on that expected participation. Alternatively, PR management should consider the use of turnstiles to determine actual participation for purposes of calculating and comparing expected collections/deposits to actual collections/deposits.</p> <p>Supervisory staff should periodically account for all passes made available for sale. Appropriate dispositions would include (1) sold as evidenced by pass book and collection reports, (2) not issued and still in inventory, and (3) documented and approved voids. (Subsequent to our initial fieldwork, PR staff provided evidence that corrective action had been initiated.)</p> <p>Supervisory staff should periodically account for all City</p>
--	--	--	--

		residency cards made available for issuance to City residents. Such verifications are necessary to ensure that such cards are issued only to appropriate individuals.	residency cards made available for issuance. Appropriate dispositions would include (1) issued as evidenced by appropriate logs/records, (2) not issued and still in inventory, and (3) documented and approved voids.
8.	Documentation	<p>✗ Established forms and records were generally sufficient to provide an adequate accounting of collections. However, the following exceptions were noted:</p> <ul style="list-style-type: none"> • Tally sheets, completed by PR staff to document the number of recreational swim participants, are used to ensure collected fees are appropriate. (See “Information Processing” above.) PR Aquatics staff indicated that tally sheets were not retained. • Daily cash reports, prepared by pool staff and submitted to supervisory staff for review, are used to prepare the weekly summary cash report. PR Aquatics staff indicated that these daily reports were not retained. <p>✗ The PR Administration Division established internal written procedures that were applicable to all PR divisions, including Aquatics. However, those procedures did not address the use of cash registers at the City’s pools and related daily balancing of collections to cash register tapes and/or tally reports. Complete written procedures ensure a consistent and appropriate methodology for collecting and processing funds.</p>	<p>Tally sheets and daily cash reports should be retained for post-audit purposes.</p> <p>Current written procedures should be updated to reflect all aspects of cash receipt and handling processes.</p>

Table Legend:

- ✓ Activities increased assurance that collected funds are properly accounted for and deposited
- ✗ Identified risks for which revisions, enhancements, and/or improvements are needed

Note (1): Applicable Control Activities determined from INTERNAL CONTROL GUIDELINES - Administrative Policies and Procedures No. 630, Section .09, Part III.

Conclusion. PR staff implemented certain control activities to provide assurance that collections are properly accounted for and deposited into the City’s bank account. However, based on our consultations with PR staff, we noted several areas where control activities should be revised and/or enhanced and improved. As noted above, significant recommendations include sequentially numbering of documents, documenting supervisory reviews, consideration of turnstiles as a means to independently determine/document participation, timely deposit of collections, billing applicable participants through the City’s accounts receivable system, documenting receipt dates and individuals issued City residency cards, execution of rental agreements, independent reconciliations/verifications/analyses of data/activities/forms for the purpose of ensuring proper processing/depositing of collections, use of properly-sized cash register tapes, retention of records, and updating written procedures.

PARKS AND RECREATION - AQUATICS			
<i>Action Plan</i>			
Condition – Risks relating to the cash collection and processing function were identified for which revisions, enhancements, or improvements are needed.			
Step #	Action/Task	Responsible Employee	Target Date
A. Objective: To ensure that pass tickets are issued only for authorized sales and that related fees are properly deposited.			
1.	Pass tickets will be sequentially numbered.	Barbara Law	8/1/01*
2.	Records accounting for pass tickets available for sale will be maintained. The records will document the disposition of each pass ticket (sold/issued, voided, or not sold/issued).	Barbara Law	8/1/01*
B. Objective: To ensure that non-City residents pay the required fees.			
1.	Residency cards will be sequentially numbered.	Barbara Law	8/1/01*
2.	Supervisory staff will account for all residency cards available for issuance. Appropriate dispositions will be issued, voided, or not issued.	Barbara Law	8/1/01*
3.	Records will be maintained documenting the individuals that were issued residency cards. Those records will indicate for each individual the sequential number of their issued residency card.	Barbara Law	8/1/01*
C. Objective: To ensure that collections are properly processed and deposited.			
1.	Parks and Recreation management will conduct a study to determine if turnstiles would be a cost beneficial method to independently determine actual participation in the recreational swim program.	Gerry Norris	10/1/01
2.	In the event that turnstiles are determined not to be a cost beneficial alternative, staff will determine expected participation in the recreational swim program based on historical and other available data.	Gerry Norris	10/1/01
3.	Supervisory staff independent of the collection and custodial functions will compare expected collections for the recreational swim program based on actual or expected participation to actual collections received and deposited.	Ashley Edwards Debbie Bruton	3/1/02
4.	Participants in the competitive swim program will be encouraged to authorize payment through monthly bank drafts.	Barbara Law	8/1/01*
5.	Billing requests will be sent to Accounting Services for those competitive program participants that do not authorize monthly bank drafts. Those participants will be billed through the City's accounts receivable	Barbara Law	10/1/01

	system and will be instructed to mail their payments to the Revenue Office.		
6.	Supervisory staff will periodically check the FMS (PeopleSoft) and City’s accounts receivable system to ensure that amounts are being properly billed based on billing requests submitted to Accounting Services.	Barbara Law	10/1/01
D. Objective: To ensure that collections are properly processed and deposited.			
1.	Supervisory staff independent of the collection and custodial functions will periodically reconcile rosters of participants in swim lesson classes to fees collected and deposited. Those reconciliations will be documented.	Ashley Edwards Debbie Bruton	3/1/02
2.	Supervisory staff independent of the collection and custodial functions will periodically reconcile rental events to fees collected and deposited. Those reconciliations will be documented.	Ashley Edwards Debbie Bruton	3/1/02
3.	Supervisory staff independent of the collection and custodial functions will periodically reconcile rosters of participants in the competitive swim program to fees collected and deposited. Those reconciliations will be documented.	Ashley Edwards Debbie Bruton	3/1/02
4.	Differences between collections per cash register tapes and actual collections will be documented and addressed on applicable cash collection reports.	Barbara Law	10/1/01
E. Objective: To ensure that collections are timely deposited.			
1.	Collections will not be held pending the start or occurrence of an event. Collections will be deposited within one week of receipt.	Barbara Law	8/1/01*
F. Objective: To ensure that all events are properly documented.			
1.	Supervisory staff will document their review and approval of cash collection reports by initialing and dating those reports.	Barbara Law	8/1/01*
2.	The receipt dates for any collection of fees from competitive swim program participants will be documented.	Barbara Law	8/1/01*
3.	Rental agreements will be prepared and executed for each rental event, including baptisms.	Barbara Law	8/1/01*
4.	Cash register tape of the appropriate size will be used at all times.	Barbara Law	8/1/01*
5.	Tally sheets and daily cash reports will be retained for management review and post-audit purposes.	Barbara Law	8/1/01*

G. Objective: To establish complete written procedures for receiving and processing collections.			
1.	Existing written procedures will be enhanced to address the use of cash registers and daily balancing of collections to cash register tapes.	Ashley Edwards Debbie Bruton	3/1/02
2.	Existing written procedures will be revised to address the changes enacted based on the preceding action steps.	Barbara Law	10/1/01

*As per department, action plan step has been completed as of indicated date.

NEIGHBORHOOD AND COMMUNITY SERVICES

Annual Collections (Fiscal Year 2000) \$1.35 million

Description. The Department of Neighborhood and Community Services (NCS) collects revenues for several activities. These revenues include the following:

- Grant proceeds from the State of Florida relating to certain grants administered by NCS. (FY 2000 receipts of approximately \$1.2 million)
- Collections that pertain to the City’s down payment assistance program. Those collections represent either (1) reimbursement to the City for down payment assistance provided to first-time low-income homebuyers (such reimbursements are due the City at the time the applicable loan is satisfied or when the applicable property is resold) or (2) the fee charged and collected from applicable real estate sales proceeds for the purpose of funding a loan loss reserve for the program. (Annual collections estimated at \$150,000)
- Fees for the rental of NCS facilities (Lincoln Center and Smith-Williams Center). (Annual collections of \$1,600)

Fees collected for the rental of the Lincoln and Smith-Williams Centers are transferred directly to the Revenue Office for deposit into the City’s bank account. However, grant proceeds and collections pertaining to the down payment assistance program are transferred to Accounting Services. Accounting Services subsequently transfers those collections to the Revenue Office for deposit.

Reasons for External Collection – As noted above, grant proceeds and collections pertaining to the down payment assistance program were collected by NCS and transferred to Accounting Services, and subsequently transferred by Accounting Services to the Revenue Office. NCS staff indicated the reason for receipt by NCS and transfer to Accounting Services staff was to ensure proper recording into the City’s accounting records. Specifically, documentation was attached by NCS and/or Accounting Services to the applicable checks specifying the appropriate accounts to which the collections should be recorded on cash reports. In regard to rentals at the two centers, it is convenient for the renting parties to pay at the centers instead of arranging for the rental at the center and then traveling downtown to City Hall to pay the fees at the Revenue Office.

Assurances, Risks, and Recommendations. The following table describes the assurances and risks identified during, and recommended actions resulting from, our review and related consultations with NCS, Accounting Services, and Revenue Office staff regarding control activities for the described revenues.

ASSURANCES, RISKS, AND RECOMMENDATIONS		
Applicable Control Activity (Note 1)	Assurances/Risks	Recommendation
1. Access to and	✓ Custody of collections was assigned to specific	

	Accountability for Resources	<p>staff.</p> <p>✓ Collections were stored in secured locations (locked containers, locked file cabinets, and/or locked offices) with access limited to authorized staff.</p>	
2.	Direct Activity Management	<p>✓ NCS supervisory staff played an active role in and/or reviewed collection and deposit activity.</p>	
3.	Segregation of Duties	<p>✗ In regard to grant proceeds and collections pertaining to the down payment assistance program, the applicable checks were submitted to Accounting Services. After Accounting Services staff attached notations as to proper coding for accounting entry purposes, the checks were placed in an unsecured bin for subsequent delivery to the Revenue Office for deposit. Staff accounting for revenues (i.e., Accounting Services) should not also have custody or access to such revenues.</p> <p>✗ In regard to facility rentals at the Lincoln and Smith-Williams Centers, the same employee executed the rental agreements, collected the fees, and maintained records of the rental events. An employee performing these incompatible duties is in the position to make errors or divert funds without timely detection.</p>	<p>As noted below under “Execution of Transactions and Events,” we recommend that actions be taken such that those collections are no longer received at NCS. However, in the event that such collections are still received at NCS, we recommend that the collections be transferred directly to the Revenue Office and not routed through Accounting Services. Knowledge of the collection could be sent to applicable Accounting Services staff (e.g., grant accountant) via a copy of the applicable check and accompanying support.</p> <p>As noted below under “Execution of Transactions and Events,” we recommend that actions be taken such that those collections are no longer received at NCS. However, in the event that rental fees are still collected at NCS, the authorization (execution of agreements), collection, and recording functions should be segregated among staff to the extent practicable.</p>
4.	Physical Controls	<p>✓ Currency is not accepted for rental fees (only checks and money orders) and applicable grant proceeds and down payment assistance program collections are in the form of checks, thereby reducing the likelihood of uncompensated loss or unauthorized diversion.</p> <p>✗ NCS staff did not restrictively endorse negotiable instruments upon collection. Endorsements were not placed on the negotiable instruments until after they had been transferred to the Revenue Office for deposit.</p>	<p>As noted below under “Execution of Transactions and Events,” we recommend that actions be taken such that those collections are no longer received at NCS. However, in the event that such collections are still received at NCS, the Revenue Office should provide NCS endorsement stamps. Each check/instrument received by NCS should be stamped by NCS staff at the place of collection immediately upon receipt. The stamps should</p>

			<p>specify that the checks/instruments are “for deposit only” into the applicable City bank account.</p>
<p>5.</p>	<p>Execution of Transactions and Events</p>	<ul style="list-style-type: none"> ✓ Collections were received and processed by NCS staff acting within their assigned authority and responsibility. ✓ Procedures existed to process and deposit collections. ✗ As noted above, grant proceeds and collections relating to the down payment assistance program are received by NCS and subsequently transferred to Accounting Services prior to submission to the Revenue Office for deposit. That process, in contrast to direct receipt and deposit by the Revenue Office, delays the deposit and increases the exposure of the funds to loss or unauthorized diversion. Furthermore, as noted above under “Segregation of Duties,” routing the collections through Accounting Services is a violation of segregation of duties principles. ✗ Fees for the rental of the Lincoln and Smith-Williams Centers were generally required to be paid no later than two weeks prior to the scheduled event. In those instances where the rental application is received well in advance of the applicable event, those fees could be billed through the City’s accounts receivable system and collected directly by the Revenue Office. In addition to ensuring timely deposit and reduced exposure of the fees to loss or diversion, that process would also remedy the related concerns described above under “Segregation of Duties.” ✗ Individuals renting the Lincoln and Smith-Williams Centers were required to pay a refundable security deposit to NCS staff, generally within two weeks of scheduling the event. Those deposits were often paid separately from the related rental fee. Subsequent to the rental event, the applicable 	<p>We recommend that applicable grantor agencies and entities (i.e., title companies and other real estate closing agents) be instructed to submit the applicable checks directly to the Revenue Office. To facilitate administration of applicable programs and activities, the Revenue Office should timely notify applicable NCS and Accounting Services staff (e.g., grant administrators and accountants) when those collections are received. Such notifications should be provided in the most efficient manner (e.g., through on-line inquiry of receipts systems data and/or submission of copies/accompanying remittance support to appropriate NCS and Accounting Services staff).</p> <p>In those instances where citizens/customers do not pay at the time of application, NCS staff should prepare and submit billing requests to Accounting Services for rental fees. The resulting billings should be sent to the applicable renting parties by the Accounting Services staff, and the renting parties should be instructed to mail the payments on those billings to the Revenue Office in City Hall. Billing requests should be prepared and submitted in a manner so as to provide for collection prior to the scheduled event.</p> <p>In those instances where the renting party does not pay the security deposit at the time of application, NCS should bill the parties for security deposits through the City’s accounts receivable system (i.e., through Accounting Services) and</p>

		<p>security deposits were returned to the renting party if the center’s property had not been damaged. The security deposits collected and held by NCS staff were in the form of check or money order. Those collections were not deposited into the City’s bank account. Instead, the actual instrument remitted by the renters as the security deposit was retained by NCS and then returned to the renters after the rental event. Based on our review of NCS records, these security deposits were held for periods ranging from 23 to 49 days prior to return to the renters. By not depositing these instruments into the City’s bank account and issuing a City check to refund the security deposit subsequent to the rental event, NCS staff increased the exposure of the applicable funds to loss or theft. Furthermore, immediate deposit of such security deposits upon receipt from renters will provide the NCS timely knowledge as to whether the applicable checks are “good” (i.e., sufficient funds are in the renter’s bank account to pay the check).</p> <p>✗ Collections relating to the down payment assistance program were not always timely transferred by NCS to Accounting Services, thereby delaying the timely deposit of those funds. As noted below under “Recording of Transactions and Events,” the dates of receipt for those collections often were not documented. However, our review of two such collections for which the receipt dates were documented showed that the applicable checks were held for 6 and 25 days prior to transfer.</p>	<p>have the renting parties submit the payments directly to the Revenue Office. For efficiency purposes, NCS should consider billing security deposits and related rental fees through the same invoice. Regardless of the method, the security deposits should be deposited into the City’s bank account upon collection. Subsequent to the scheduled event, those deposits should be refunded (when appropriate) by City checks based on properly authorized check requests.</p> <p>As noted above under “Execution of Transactions and Events,” we recommend that actions be taken such that those collections are no longer received at NCS. However, in the event that such collections are still received at NCS, they should be timely transferred to the Revenue Office. (See “Segregation of Duties” above where we recommend that funds no longer be transferred to Accounting Services.)</p>
6.	Recording of Transactions and Events	<p>✓ Procedures existed to properly classify collections for reporting purposes.</p> <p>✗ Adequate records were generally prepared that documented collections from point of receipt through deposit. However:</p> <ul style="list-style-type: none"> • In regard to collections relating to the down payment assistance program, the receipt dates were often not documented, thereby limiting management’s ability to verify timely transfer/deposit of those funds. • In regard to grant proceeds and checks relating to the down payment assistance program, NCS did not obtain evidence from Accounting Services documenting the 	<p>As noted above under “Execution of Transactions and Events,” we recommend that actions be taken such that those collections are no longer received at NCS. However, in the event that such collections are still received at NCS, the dates of receipt should be documented.</p> <p>As noted above under “Execution of Transactions and Events,” we recommend that actions be taken such that those collections are no</p>

		transfer of custody of the collections, thereby limiting the ability to determine responsibility in the event of a loss or theft.	longer received at NCS. However, in the event that such collections are still received at NCS, NCS staff should obtain documented acknowledgements of acceptance of custodial responsibility from the Revenue Office. (See “Segregation of Duties” above where we recommend that funds no longer be transferred to Accounting Services.)
7.	Information Processing	<p>✓ Applicable staff reviewed collections activity prior to transfer for deposit.</p> <p>✗ NCS staff reconciled grant proceeds to amounts deposited and recorded in the City’s accounting system and to the related grant awards and expenditures. While these reconciliations represented a meaningful control, they were performed by staff receiving the related grant checks.</p> <p>✗ There were no reconciliations, by an employee independent of the collection/custodial functions, of rental events to collections deposited.</p>	<p>Staff independent of the collection/custodial process should reconcile amounts deposited and recorded in the City’s accounting system to the related grant awards and expenditure data.</p> <p>Staff independent of the collection/custodial functions should reconcile rental events to deposited collections for the purpose of ensuring fees were properly collected and deposited.</p>
8.	Documentation	<p>✓ Established forms and records were generally sufficient to provide an adequate accounting of collections.</p> <p>✓ Written procedures were established that addressed fees for rentals of the Lincoln and Smith-Williams Centers. Written procedures help ensure a consistent and appropriate methodology for collecting and processing funds.</p> <p>✗ Written procedures were not established by NCS for the receipt and processing of grant proceeds and checks relating to the down payment assistance program.</p>	<p>As noted above under “Execution of Transactions and Events,” we recommend that actions be taken such that those collections are no longer received at NCS. However, in the event that such collections are still received at NCS, written procedures should be established for the receipt and processing of those collections.</p>

Table Legend:

- ✓ Activities increased assurance that collected funds are properly accounted for and deposited
- ✗ Identified risks for which revisions, enhancements, and/or improvements are needed

Note (1): Applicable Control Activities determined from INTERNAL CONTROL GUIDELINES - Administrative Policies and Procedures No. 630, Section .09, Part III.

Conclusion. NCS staff implemented certain control activities to provide some assurance that collections are properly accounted for and deposited into the City's bank account. However, based on our consultations with NCS, Accounting Services, and Revenue Office staff, we noted several areas where control activities should be revised and/or enhanced and improved. As noted above, the more significant recommendations include: (1) having all cash collected directly by the Revenue Office and (2) billing parties that rent NCS facilities through the City's accounts receivable system.

NEIGHBORHOOD AND COMMUNITY SERVICES			
<i>Action Plan</i>			
Condition – Risks relating to the cash collection and processing function were identified for which revisions, enhancements, or improvements are needed.			
Step #	Action/Task	Responsible Employee	Target Date
A. Objective: To restrict negotiability of checks.			
1.	An endorsement stamp will be obtained from the Revenue Office and any negotiable instruments collected at NCS will be restrictively endorsed upon receipt.	Renee Taylor	7/31/01
B. Objective: To facilitate processing and deposit of collections, to segregate incompatible duties, and to enhance accountability.			
1.	Grantor agencies will be instructed to remit their payments directly to the Revenue Office. These instructions will be provided in accordance with the implementation schedule established in conjunction with the Revenue Office.	Renee Taylor	9/30/01
2.	Entities (e.g., title companies and real estate closing agents) will be instructed to submit applicable payments directly to the Revenue Office. These instructions will be provided in accordance with the implementation schedule established in conjunction with the Revenue Office.	Renee Taylor	8/31/01
3.	Any collections received by NCS will be transferred directly to the Revenue Office and not submitted to Accounting Services.	Renee Taylor	8/1/01
4.	Documented acknowledgements of custodial responsibility will be obtained from the Revenue Office for any collections received at NCS and transferred to the Revenue Office.	Wanda Whitehead	9/30/01
5.	Any collections received at NCS (other than security deposits – see item C.6 below) will be transferred to the Revenue Office within one working day of receipt.	Renee Taylor	8/31/01
6.	The dates of receipt will be documented for any collections received at NCS.	Renee Taylor Receptionist	8/1/01
C. Objective: To ensure that rental fees are properly collected and deposited.			
1.	External parties making application for rental of the centers more than two weeks in advance of the rental event and that do not pay the applicable fees at the time of application will be billed through the City’s accounts receivable system based on billing requests completed and submitted to Accounting Services.	Frank Holmes Janie Redding Sheila Salyer	10/1/01

	Those entities will be instructed to mail their payments to the Revenue Office.		
2.	Supervisory staff will periodically check the FMS (PeopleSoft) and City’s accounts receivable system to ensure that amounts are being properly billed based on billing requests submitted to Accounting Services.	Wanda Whitehead	9/30/01
3.	To the extent practicable, amounts billed to external parties will include both the rental fee and security deposit.	Frank Holmes Janie Redding Sheila Salyer	10/1/01
4.	Security deposits received (a) by NCS more than two weeks prior to the applicable rental events and transferred to the Revenue Office for deposit and (b) received by the Revenue Office based on accounts receivable billings will be refunded by City check based on check requests completed and submitted to the City Treasurer-Clerk’s Office.	Frank Holmes Janie Redding Sheila Salyer	10/1/01
5.	In the event there is no damage, check requests to refund the security deposits (see item #4 above) will be processed and submitted within one week of the rental event.	Frank Holmes Janie Redding Sheila Salyer	10/1/01
6.	Security deposits received by NCS within two weeks of the rental event will be “held” by NCS staff in a secured location. In the event there is no damage, these deposits (checks or money orders) will be returned to the renting party immediately after the event.	Frank Holmes Janie Redding Sheila Salyer	10/1/01
D. Objective: To ensure that revenues are properly collected and deposited.			
1.	Staff independent of the collection and custodial functions will reconcile grant proceeds deposited and recorded in the City’s financial records to related grant awards and expenditure data.	Renee Taylor	9/30/01
2.	Staff independent of the collection and custodial functions will reconcile rental events at the Lincoln and Smith-Williams Centers to fees collected and deposited.	Wanda Whitehead	9/30/01
E. Objective: To establish written procedures.			
1.	Written procedures addressing the receipt and processing of collections will be established.	Renee Taylor	7/31/01

ANIMAL SERVICE CENTER

Annual Collections (Fiscal Year 2000) \$200,000

Description. The Animal Service Center collects fees from individuals adopting dogs, cats, and other animals that have been sheltered by the Center. In addition, the Center collects fees from animal owners whose animals have been boarded or impounded at the Center for various reasons. Fees are also collected by the Center for the sale of collars, leashes, and animal carriers and for assistance provided to owners in the placement of microchips in animals for identification purposes. Furthermore, the City collects fees from the County for animals picked up outside the city limits and impounded or euthanized. Staff of the Center deposit collected fees into the City’s bank account. Activity at the Center, including collections, is tracked in a computer software system (i.e., the Chameleon System).

Reasons for External Collection. It would not be convenient for individuals to have to travel downtown to the Revenue Office at City Hall in order to pay the applicable fees and then travel back to the Animal Service Center to receive the applicable animals or other goods/services. However, as noted below, it would be appropriate and reasonable for county fees to be billed through the City’s accounts receivable system and collected by the Revenue Office.

Assurances, Risks, and Recommendations. The following table describes the assurances and risks identified during, and recommended actions resulting from, our review and related consultations with Animal Service Center staff regarding control activities for the described revenues.

ASSURANCES, RISKS, AND RECOMMENDATIONS		
Applicable Control Activity (Note 1)	Assurances/Risks	Recommendation
1. Access to and Accountability for Resources	<ul style="list-style-type: none"> ✓ Custody of collections was assigned to specific staff. ✓ Collections were stored in secured areas (e.g., locked cash drawers not accessible to the public and a locked safe within a locked room) with access limited to authorized staff. ✓ Funds are not commingled as each cashier works out of a separate cash drawer. ✓ Each cashier was assigned a unique cash register key to use when entering transactions, thereby providing a means of linking each transaction to a specific employee. 	
2. Direct Activity Management	<ul style="list-style-type: none"> ✓ Animal Service Center management and supervisory staff reviewed reported collection and deposit activity. 	
3. Segregation of Duties	<ul style="list-style-type: none"> ✓ The custodial and recording functions for collections were segregated as Center staff received and deposited the collections while Accounting Services recorded the collection 	

		<p>transactions in the City’s general ledger.</p> <ul style="list-style-type: none"> ✗ Supervisory staff prepared collections for deposit, reviewed cashier reports and cash register tapes, and prepared cash reports submitted to the Revenue Office. Errors or unauthorized diversions of funds by an employee performing these incompatible duties may not be timely detected. ✗ In regard to county fees, the same employee bills the County, receives the corresponding payments, and maintains the related records. An employee performing these incompatible duties is in the position to make errors or divert funds without detection. 	<p>It may not be cost beneficial to segregate the noted functions between staff. See “Information Processing” below for a recommended compensating control.</p> <p>County fees should be billed through the City’s accounts receivable system based on billing requests completed by staff of the Animal Service Center. The County should be instructed to send the corresponding payments directly to the Revenue Office.</p>
4.	Physical Controls	<ul style="list-style-type: none"> ✓ A cash register was used to receipt collections. Cash registers provide a means to make an initial record of and safeguard collections. ✓ Negotiable instruments were restrictively endorsed upon receipt. The endorsements restricted the negotiable instruments to deposit into the appropriate City bank account. ✓ Sealed bank bags were used to transport collections to the bank for deposit. ✓ Payment by credit cards is accepted, thereby reducing the amount of currency and negotiable instruments received and processed by the center. 	.
5.	Execution of Transactions and Events	<ul style="list-style-type: none"> ✓ Collections were received and processed by Center staff acting within their assigned authority and responsibility. ✓ Procedures existed to properly process and deposit collections. ✗ Collections were not always deposited in a timely manner, thereby increasing their exposure to loss or theft and limiting the interest that could be earned on such collections once deposited. Our test showed that daily collections (per daily cash balance reports) for five out of six sampled days were held from three to seven days prior to being deposited. We also noted other collections held for up to ten days prior to being deposited. 	<p>Collections should be deposited in a timely manner.</p>
6.	Recording of Transactions and Events	<ul style="list-style-type: none"> ✓ Procedures existed to properly classify collections for reporting purposes. ✓ Adequate records were generally maintained that documented collections from point of 	

		receipt through deposit.	
7.	Information Processing	<ul style="list-style-type: none"> ✓ The Center’s office manager compared the validated bank deposit slip to the applicable cash collection activity reports as a means of verifying that amounts were properly deposited. ✓ At the end of each day, cash register collections were balanced to the cash register tapes and imprest fund amount. ✓ The office supervisor reviews and verifies cash collections to cash register tapes and to applicable cash activity reports generated from the Chameleon System (i.e., computer software accounting for Center activity). ✓ There were independent reviews of activity (animal status) recorded in the Chameleon System by employees not involved in the cash collection/handling process (i.e., ensures the validity of that system’s data to which cash collection reports are reconciled). ✗ Independent reviews by the center manager of collection/deposit activity were not documented. Such reviews by staff not assigned normal access/custodial functions provide a means to ensure that collections are properly processed and deposited; and are critical because of the incompatible duties performed by supervisory staff as noted above under “Segregation of Duties.” 	The center manager’s reviews should be documented to demonstrate independent verification of amounts collected and deposited to amounts that should have been collected per the Chameleon activity reports.
8.	Documentation	<ul style="list-style-type: none"> ✓ Established forms and records were generally adequate to provide an adequate accounting of collections. ✗ There were no internal written procedures for the receipt and processing of collections. Written procedures help ensure a consistent and appropriate methodology for collecting and processing funds. 	Written procedures for the receipt and processing of collections should be established.

Table Legend:

- ✓ Activities increased assurance that collected funds are properly accounted for and deposited
- ✗ Identified risks for which revisions, enhancements, and/or improvements are needed

Note (1): Applicable Control Activities determined from INTERNAL CONTROL GUIDELINES - Administrative Policies and Procedures No. 630, Section .09, Part III.

Conclusion. The Animal Service Center implemented certain control activities to provide some assurance that collections are properly accounted for and deposited into the City’s bank account. However, based on our consultations with center staff, we noted several areas where control activities should be revised and/or enhanced and improved. As noted above, these recommendations involve billing the County through the City’s accounts receivable system, timely depositing of collections, documenting management reviews, and establishment of written procedures.

ANIMAL SERVICE CENTER			
<i>Action Plan</i>			
Condition – Risks relating to the cash collection and processing function were identified for which revisions, enhancements, or improvements are needed.			
Step #	Action/Task	Responsible Employee	Target Date
A. Objective: To ensure that fees are properly deposited.			
1.	County fees will be billed through the City's accounts receivable system based on billing requests submitted to Accounting Services. The County will be instructed to submit payments to the Revenue Office.	Beth Winton	9/15/01
2.	The office supervisor will periodically check the FMS (PeopleSoft) and City's accounts receivable system to ensure that amounts are being properly billed based on billing requests submitted to Accounting Services.	Beth Winton	8/15/01
3.	As a compensating control for the incompatible duties performed by the office supervisor, the center manager will periodically compare amounts deposited to applicable daily cash reports, cash register tapes, and Chameleon reports.	Sheila Blanton	8/15/01
4.	The periodic comparisons performed by the center manager (see task 3 above) will be documented through the initialing and dating of applicable reports and documents.	Sheila Blanton	8/15/01
B. Objective: To ensure that receipts are deposited in a timely manner.			
1.	An analysis will be performed comparing the costs to the associated benefits of having an armored courier service pick up the deposits on a regularly scheduled basis.	Beth Winton	9/15/01
2.	If a courier service is not utilized (based on the analysis in task 1), fees will be deposited by Center staff within one week of collection.	Beth Winton	8/12/01
C. Objective: To establish written procedures for receiving and processing collections.			
1.	Written procedures for the receipt and processing of collections at the Animal Center will be established.	Beth Winton	8/15/01

TPD – UTILITY TURN-ONS AND MISCELLANEOUS RECEIPTS

Annual Collections (Fiscal Year 2000) \$600,000

Description. In addition to maintaining cash funds for police operations and maintaining custody of confiscated/seized cash (addressed in a separate presentation), the Tallahassee Police Department (TPD) collects the following:

- Proceeds from Federal and State grantor agencies for certain grants administered by TPD. (Annual collections of approximately \$193,000)
- Payments for nighttime utility turn-ons – City utility customers whose power has been disconnected for failure to pay their utility bills may go to TPD after normal work hours and pay their delinquent bills in order to have power turned back on before the next day. (Annual collections of approximately \$340,000)
- Fees for security services provided at State parking lots based on contractual agreements with the State. (Annual collections of approximately \$26,000)
- Miscellaneous collections such as donations and copy fees. (Annual collections of approximately \$41,000)

Grant proceeds collected by TPD are transferred to Accounting Services. Accounting Services subsequently transfers those collections to the Revenue Office for deposit into the City’s bank account. Collections for nighttime utility turn-ons are transferred daily from TPD to the Revenue Office for deposit into the City’s bank account. Other collections are transferred by TPD to the Revenue Office for deposit approximately once a week.

Reasons for External Collection. TPD provides City utility customers needing their service reconnected a safe place to pay their bills and delinquent fees after normal work hours. Other miscellaneous payments are also accepted at TPD for citizen convenience, such as fees charged individuals requesting and receiving copies of TPD records. In regard to grant proceeds, TPD staff indicated the funds were collected at TPD and subsequently transferred to Accounting Services to ensure proper recording into the City’s accounting records. Payments by State agencies for security services have traditionally been collected at TPD.

Assurances, Risks, and Recommendations. The following table describes the assurances and risks identified during, and recommended actions resulting from, our review and related consultations with TPD staff regarding control activities for the noted revenues.

ASSURANCES, RISKS, AND RECOMMENDATIONS		
Applicable Control Activity (Note 1)	Assurances/Risks	Recommendation
1. Access to and Accountability for	✓ Custody of collections was assigned to specific staff.	

	Resources	<ul style="list-style-type: none"> ✓ Collections were stored in secured locations (locked containers, safes, and/or locked offices) with access limited to authorized staff. 	
2.	Direct Activity Management	<ul style="list-style-type: none"> ✓ TPD supervisory and Revenue Office staff reviewed collection activity. 	
3.	Segregation of Duties	<ul style="list-style-type: none"> ✓ While custodial responsibility was assigned to TPD staff, Accounting Services staff recorded collection transactions in the City's general ledger. ✓ In regard to copy services, staff making and providing the requested copies were separate from the staff collecting the related fees. ✗ In regard to grant proceeds, the applicable checks were submitted to Accounting Services. After Accounting Services staff attached notations as to the proper coding for accounting entry purposes, the checks were placed in an unsecured bin for subsequent delivery to the Revenue Office for deposit. Staff accounting for revenues (Accounting Services) should not also have custody or access to such revenues. 	<p>As noted below under "Execution of Transaction and Events," we recommend that actions be taken such that grant proceeds are no longer received at TPD. However, in the event that grant proceeds are still collected at TPD, they should be transferred directly to the Revenue Office and not routed through Accounting Services. Knowledge of the collection could be sent to applicable Accounting Services staff (e.g., grant accountant) via a copy of the check and accompanying support.</p>
4.	Physical Controls	<ul style="list-style-type: none"> ✓ Payments for nighttime utility turn-ons are accepted only at TPD, thereby providing a safe location for customers and City staff to transact business after normal work hours. ✓ Currency is not accepted for nighttime utility turn-ons. TPD staff only accepted checks or money orders, thereby reducing the likelihood of uncompensated loss or unauthorized diversion. (Subsequent to our fieldwork, TPD indicated that the procedures were revised to accept only money orders.) ✗ TPD staff did not restrictively endorse checks and money orders. Endorsements were not placed on the negotiable instruments until after they had been transferred to the Revenue Office. 	<p>The Revenue Office should provide an endorsement stamp to each City location where checks or other negotiable instruments are collected. The stamp should be placed on each check/instrument at the place of collection immediately upon receipt of the check/instrument. The stamp should specify that the checks/instruments are "for deposit only" into the applicable</p>

<p>5.</p>	<p>Execution of Transactions and Events</p>	<p>✓ Collections were received and processed by TPD staff acting within their assigned authority and responsibility.</p> <p>✓ Procedures existed to properly process and transfer collections to the Revenue Office for deposit.</p> <p>✗ As noted above, grant proceeds were received by TPD and subsequently transferred to Accounting Services and the Revenue Office prior to deposit. That process, in contrast to direct receipt and deposit by the Revenue Office, delays the deposit and increases the exposure of the funds to loss or unauthorized diversion. Furthermore, as noted above under “Segregation of Duties,” routing the collections through Accounting Services is a violation of segregation of duties principles.</p> <p>✗ Charges for security services provided at State parking lots were billed through the City’s accounts receivable system based on billing requests completed by TPD staff. The State sent the resulting payments to TPD. Upon receipt, TPD transferred the collections to the Revenue Office for deposit into the City’s bank account. The submission of the payments by the State to TPD instead of directly to the Revenue Office delays the deposit of the applicable funds into the City’s bank account. Those delays increase the exposure of the collections to loss or diversion and limit the interest that can be earned on the funds upon deposit.</p>	<p>City bank account.</p> <p>We recommend that applicable grantor agencies be instructed to submit the applicable checks directly to the Revenue Office. To facilitate administration of applicable programs, the Revenue Office should timely notify applicable TPD and Accounting Services staff (e.g., grant administrators and accountants) when those collections are received. Such notifications should be provided in the most efficient manner (e.g., through on-line inquiry of receipts systems data and/or submission of copies/accompanying remittance support to appropriate TPD and Accounting Services staff).</p> <p>We recommend that the State be instructed to send the payments for billed security services directly to the Revenue Office. TPD staff should verify payment through inquiry of the City’s accounts receivable system.</p>
<p>6.</p>	<p>Recording of Transactions and Events</p>	<p>✓ Procedures existed for the proper classifications of collections for reporting purposes.</p> <p>✗ Adequate records were generally maintained that documented the collections from point of receipt through transfer for deposit. However:</p> <ul style="list-style-type: none"> • The dates of receipt for collections other than nighttime utility turn-ons and copy charges were generally not documented. 	<p>Records should be maintained to document the dates of receipt for all collections. Such data is</p>

		<ul style="list-style-type: none"> In regard to payments received for nighttime utility turn-ons, documentation was not produced to evidence the transfer of custody from TPD to the Revenue Office, thereby limiting the ability to determine responsibility in the event of a loss or theft. 	<p>needed for management to ensure that collections are timely transferred for deposit.</p> <p>At the time of transfer of collections, TPD staff should obtain documented acknowledgement of acceptance of custodial responsibility from the Revenue Office.</p>
7.	Information Processing	<ul style="list-style-type: none"> ✓ Applicable staff reviewed collection activity prior to transfer for deposit. ✓ Revenue Office staff reconciled nighttime utility turn-ons per the customer information system to amounts transferred from TPD. 	
8.	Documentation	<ul style="list-style-type: none"> ✓ Forms and records were generally established and maintained to provide an adequate accounting of collections. ✓ Written procedures were established for the receipt and processing of collections. Written procedures help ensure a consistent and appropriate methodology for collecting and processing funds. 	

Table Legend:

- ✓ Activities increased assurance that collected funds are properly accounted for and deposited
- x Identified risks for which revisions, enhancements, and/or improvements are needed

Note (1): Applicable Control Activities determined from INTERNAL CONTROL GUIDELINES - Administrative Policies and Procedures No. 630, Section .09, Part III.

Conclusion. TPD implemented certain control activities to provide some assurance that collections are properly accounted for and deposited into the City’s bank account. However, based on our consultations with TPD staff, we noted several areas where control activities should be enhanced and improved. As noted above, significant recommendations include restrictive endorsement of negotiable instruments immediately upon receipt, instructing applicable State and Federal entities to send their payments directly to the Revenue Office, documenting dates of receipt for all collections, and documented acknowledgements of custody transfers.

TPD – UTILITY TURN-ONS AND MISCELLANEOUS RECEIPTS			
<i>Action Plan</i>			
Condition – Risks relating to the cash collection and processing function were identified for which revisions, enhancements, or improvements are needed.			
Step #	Action/Task	Responsible Employee	Target Date
A. Objective: To restrict negotiability of checks.			
1.	TPD will obtain an endorsement stamp from the Revenue Office and will restrictively endorse negotiable instruments upon their receipt.	John Rudd	9/30/01
B. Objective: To facilitate processing and deposit of collections and to segregate incompatible duties.			
1.	Grantor agencies will be instructed to remit their payments directly to the Revenue Office. These instructions will be provided in accordance with the implementation schedule established in conjunction with the Revenue Office.	John Rudd	5/31/01*
2.	Any grant payments still received at TPD will be transferred directly to the Revenue Office and not submitted to Accounting Services.	John Rudd	8/1/01*
3.	The State will be instructed to mail payments for billed security services to the Revenue Office.	John Rudd	4/12/01*
C. Objective: To ensure that all receipt and collection activities are properly documented.			
1.	Records will be maintained to document the dates of receipt of all collections.	John Rudd	8/1/01*
2.	Documented acknowledgements of the acceptance of custodial responsibility will be obtained from the Revenue Office for nighttime utility turn-on collections received at TPD and transferred to the Revenue Office.	John Rudd	9/30/01

* As per department, action plan step has been completed as of indicated date.

TPD – OPERATION FUNDS AND CONFISCATED CASH

Established Fund Amounts and Annual Collections **\$211,000**

Description. As described in the following, the Tallahassee Police Department (TPD) maintains two cash funds for police operations and also seizes/confiscates cash in connection with police investigations and cases:

- Flash Funds – these funds are used in undercover police operations, such as “sting” operations involving the purchases of drugs or stolen goods. These funds are used primarily for “show” purposes during an undercover operation and are not intended to be disbursed without immediate recovery upon the close of the operation (e.g., at the time of arrest of an individual). *(Established fund of \$30,000)*
- Confidential Funds – these funds are used to facilitate police operations and investigations. An example of a valid use may be buying an informant’s lunch to obtain critical information regarding an ongoing investigation or case. This fund is periodically replenished as funds are disbursed for authorized purposes. *(Established fund of \$20,000)*
- Property and Evidence – cash is seized or confiscated by TPD as evidence and in connection with investigations and cases. *(Calendar Year 2000 collections of \$161,000)*

When not being used in police operations, Flash Funds are secured in a locked safe contained in a locked vault within the TPD Property and Evidence Section. Confidential Funds are maintained in a locked safe in the Finance Section when not being used. Seized/confiscated cash is transferred by collecting TPD officers to the Property and Evidence Section. If practicable, those funds are deposited into the City’s Evidence Holding Account; otherwise, they are maintained in the locked vault within the Property and Evidence Section.

Reasons for Funds and External Collection. The nature of police operations makes the establishment of the Flash Funds and Confidential Funds appropriate. Similarly, cash is seized/confiscated as part of routine police operations.

Assurances, Risks, and Recommendations. The following table describes the assurances and risks identified during, and recommended actions resulting from, our review and related consultations with TPD staff regarding control activities for the noted funds and collections.

ASSURANCES, RISKS, AND RECOMMENDATIONS			
	Applicable Control Activity (Note 1)	Assurances/Risks	Recommendation
1.	Access to and Accountability for Resources	<ul style="list-style-type: none"> ✓ Custody of funds was assigned to specific staff. ✓ Funds were stored in secured locations (locked containers, locked safes, and locked vaults within secured areas) with access limited to authorized staff. 	

		<ul style="list-style-type: none"> ✓ Individuals other than TPD officers and staff entering TPD Headquarters (where funds are maintained) must sign-in and obtain visitor badges. 	
2.	Direct Activity Management	<ul style="list-style-type: none"> ✓ Authorization from designated TPD management staff was required to obtain Flash Funds for police operations. ✓ Authorization was required from designated TPD management staff to obtain Confidential Funds for police operations. ✓ TPD supervisory/management staff approved the collections and dispositions of seized/confiscated cash. 	
3.	Segregation of Duties	<ul style="list-style-type: none"> ✓ The authorization and custodial functions for Flash Funds and Confidential Funds were segregated between TPD staff. 	
4.	Physical Controls	<ul style="list-style-type: none"> ✓ Access to the Property and Evidence Section, where the Flash Funds and seized/confiscated cash were stored, is controlled through an electronic security card system. ✓ Cash that is seized/confiscated is placed in plastic bags that are heat-sealed. 	
5.	Execution of Transactions and Events	<ul style="list-style-type: none"> ✓ Procedures existed to ensure that Flash Funds and Confidential Funds were used for authorized purposes by TPD staff acting within their assigned authority and responsibility. ✓ Authority for approving requests for and uses of Flash Funds and Confidential Funds was appropriately established and documented. ✓ Seized/confiscated cash was received and processed by TPD staff acting within their assigned authority and responsibility. 	
6.	Recording of Transactions and Events	<ul style="list-style-type: none"> ✓ Procedures existed to document the approval for use of Flash Funds and the removal and subsequent return of those funds from/to the custodian. ✓ Procedures existed to document the request for and use of Confidential Funds for police operations, and the related approvals by management staff. ✓ Procedures existed to document the replenishment of the Confidential Funds and related requests/approvals. ✓ Adequate records were maintained that documented funds and seized/confiscated cash from point of receipt through disposition. 	
7.	Information Processing	<ul style="list-style-type: none"> ✓ Independent accountings of Flash Funds were conducted quarterly. 	

		<ul style="list-style-type: none"> ✓ TPD management conducted quarterly reconciliations of the Confidential Funds. ✓ TPD management/supervisory staff reviewed the uses of Flash Funds and Confidential Funds. ✓ Accounting Services staff periodically reconciled seized/confiscated cash deposited and withdrawn from the TPD Evidence Holding Account per the City’s general ledger to similar records maintained by TPD Property and Evidence staff. ✗ TPD management staff periodically (quarterly) traced a sample of items recorded in Property and Evidence inventory records to the actual items (including seized/confiscated cash not deposited into the Evidence Holding Account due to the applicable case circumstances). Those periodic independent verifications would serve to detect certain types of errors or unauthorized diversions of property and evidence. However, because the inventory records used in that reconciliation were those maintained by Property and Evidence staff, those verifications would not be expected to detect instances where items were lost or stolen and the Property and Evidence inventory records altered to prevent detection of the loss or theft. 	<p>TPD management should consider using records other than those controlled and maintained by the Property and Evidence staff when conducting these quarterly verifications.</p>
8.	Documentation	<ul style="list-style-type: none"> ✓ Forms and records were established and maintained to provide an adequate accounting of Flash Funds, Confidential Funds, and seized/confiscated cash. ✓ Written procedures were established for the handling of and accounting for Flash Funds, Confidential Funds, and seized/confiscated cash. 	

Table Legend:

- ✓ Activities increased assurance that collected funds are properly accounted for and deposited
- ✗ Identified risks for which revisions, enhancements, and/or improvements are needed

Note (1): Applicable Control Activities determined from INTERNAL CONTROL GUIDELINES - Administrative Policies and Procedures No. 630, Section .09, Part III.

Conclusion. TPD implemented certain control activities to provide assurance that Flash Funds, Confidential Funds, and seized/confiscated cash are adequately safeguarded and properly accounted for. However, based on our consultations with TPD staff, we noted one area where control activities should be enhanced and improved. Specifically, TPD management should consider using records other than those controlled and maintained by the Property and Evidence staff when periodically verifying that property and evidence items, including seized/confiscated cash, are properly accounted for.

TPD – OPERATION FUNDS AND CONFISCATED CASH			
<i>Action Plan</i>			
Condition – Risks relating to the cash collection and processing function were identified for which revisions, enhancements, or improvements are needed.			
Step #	Action/Task	Responsible Employee	Target Date
A. Objective: To ensure that seized/confiscated items are properly secured and not lost/stolen.			
1.	In accordance with accreditation standard 84.1.6.c., an annual audit of the property and evidence maintained by TPD will be performed by a supervisor not routinely or directly connected with control of the property.	Capt. Gary Lassiter Lt. Mark Harvey	9/30/01
2.	In accordance with accreditation standard 84.1.6.d., the chief of police will assign responsibility for conducting periodic (at least semiannual) unannounced inspections of the property and storage area.	Capt. Gary Lassiter Lt. Mark Harvey	7/25/01*
3.	Staff performing the audits/inspections pursuant to accreditation standards 84.1.6.c. and d. will select a sample of items from property and evidence records maintained by the TPD records management division, and trace to the physical items in the custody of the property and records section or to evidence of authorized and appropriate disposition of those items.	Capt. Gary Lassiter Lt. Mark Harvey	8/31/01

- As per department, action plan step has been completed as of indicated date.

ENERGY SERVICES

Annual Collections (Calendar Year 2000) \$8.3 million

Description. The City's Energy Services Department receives checks from entities under the following circumstances:

- When the City has excess natural gas available after purchasing the contractually-required amounts from suppliers, that excess is sold to other entities (private or public). For such sales to those entities with which the City does not conduct other related business, Energy Services staff completes and submits a billing request to Accounting Services. Accounting Services staff then bills the applicable entity, and that entity submits the corresponding payment directly to the Revenue Office for deposit. However, for those entities with which the City also conducts other related business (i.e., utility transactions other than the buying and selling of excess natural gas), the billing for the sale of the excess natural gas is done by Energy Services. The resulting payment is also sent directly to Energy Services. Energy Services staff indicated that the direct billing and receipt of payments is done in those circumstances in order to avoid customer relations problems. Specifically, Energy Services staff stated that the appropriate entity office/person to which such billings should be sent was often different than the office/person to which billings were sent for other City sales transactions. Accordingly, to avoid the potential submission of a billing to the wrong office/person within an entity with which the City conducts other related business, Energy Services staff prepares and submits the billings and receives the resulting payment.
- Other special and infrequent situations occur in which the City is owed funds by another entity. For example, if a contracted supplier (other than the pipeline company) failed to provide the City with required natural gas, the City may be assessed a penalty in the event that the City nevertheless drew an equal amount of natural gas from the pipeline (i.e., the City drew natural gas placed in the pipeline from another source). Under that situation the City would bill the contracted supplier for the amount of the penalty. Such billings are prepared and submitted by Energy Services staff. The resulting payment is also received by Energy Services.

Payments received by Energy Services are transferred to the Revenue Office for deposit into the City's bank account. During calendar year 2000, Energy Services received 19 payments that totaled \$8,278,901.

Reasons for External Collection. Energy Services staff indicated that it was appropriate for their office to bill the entities and receive corresponding payments in the noted circumstances so as to avoid possible miscommunications with Accounting Services staff as to where and to whom the billings should be submitted. Energy Services staff stated that such miscommunications could potentially harm relations with customers doing business with the City. An example included the submission of a billing to the wrong office/person within such an entity that results in payment not being made and the subsequent submission of a delinquent notice by Accounting Services staff.

Assurances, Risks, and Recommendations. The following table describes the assurances and risks identified during, and recommended actions resulting from, our review and related consultations with Energy Services staff regarding control activities for the described collections.

ASSURANCES, RISKS, AND RECOMMENDATIONS		
Applicable Control Activity (Note 1)	Assurances/Risks	Recommendation
1. Access to and Accountability for Resources	<p>✓ Custody of collections was assigned to specific staff.</p> <p>✗ Checks were not adequately secured prior to transfer to the Revenue Office for deposit, as they were maintained in an unlocked desk drawer located in an open room within the Energy Services office suite.</p>	As noted below under “Execution of Transactions and Events,” we recommend that actions be taken such that checks are no longer received in Energy Services. However, in the event that checks are still received in Energy Services, they should be maintained in secured locations with access limited to authorized employees.
2. Direct Activity Management	✗ Energy Services management reviewed records of payments from applicable companies. However, documentation evidencing those reviews was not maintained.	As noted below under “Execution of Transactions and Events,” we recommend that actions be taken such that checks are no longer received in Energy Services. However, in the event that checks are still received in Energy Services, we recommend that reviews by Energy Services management be documented (e.g., initialing and dating of applicable records).
3. Segregation of Duties	✗ The same employees within Energy Services billed the applicable entities, received and processed the corresponding payments, and maintained the related records. Employees performing these incompatible duties are in the position to make errors or divert funds without timely detection.	As noted below under “Execution of Transactions and Events,” we recommend that actions be taken such that checks are no longer received in Energy Services.
4. Physical Controls	<p>✓ Currency is not received – all payments are by check, thereby reducing the likelihood of uncompensated loss or unauthorized diversion.</p> <p>✗ Energy Services staff did not restrictively endorse checks. Endorsements were not placed on the negotiable instruments until after they had been transferred to the Revenue Office.</p>	As noted below under “Execution of Transactions and Events,” we recommend that actions be taken such that checks are no longer received in Energy Services. However, in the event that checks are still received in Energy

			<p>Services, we recommend that the Revenue Office provide that department an endorsement stamp. The stamp should be placed on each check/instrument immediately upon receipt of the check/instrument. The stamp should specify that the checks/instruments are “for deposit only” into the applicable City bank account.</p>
5.	<p>Execution of Transactions and Events</p>	<p>✓ Procedures provided for the review and transfer of collections to the Revenue Office for deposit.</p> <p>✗ Collections were received and processed by Energy Services staff acting within their assigned authority and responsibility. However, receipt in Energy Services delays the deposit of the checks into the City’s bank account, thereby increasing the exposure to theft or loss and limiting the interest that can be earned on the funds upon deposit. Furthermore, for the reasons noted above under “Segregation of Duties,” billings should be prepared and submitted through Accounting Services and the related payments received direct by the Revenue Office.</p>	<p>Steps should be taken to have all billings prepared and submitted by Accounting Services based on billing requests completed by Energy Services. Both Energy Services and Accounting Services staff should ensure clear instructions are communicated such that the applicable billings are sent to the correct offices/persons. The billed entities should be instructed to send the corresponding payments directly to the Revenue Office. Upon receipt of those payments, the Revenue Office should remit accompanying payment support to Energy Services for managerial purposes.</p>
6.	<p>Recording of Transactions and Events</p>	<p>✓ Procedures provided for the proper classification of collections for reporting purposes.</p> <p>✗ Procedures existed to document the receipt of the collections in Energy Services. However, our review showed that those procedures were not always followed, as receipt dates were not always documented. Furthermore, Energy Services did not document the transfer of the checks to the Revenue Office, or obtain evidence from the Revenue Office documenting the transfer of custody. Such documentation is necessary to enable management to verify that checks were transferred in a timely manner and to enable a determination of responsibility in the event of a loss or theft.</p>	<p>As noted above under “Execution of Transactions and Events,” we recommend that actions be taken such that checks are no longer received in Energy Services. However, in the event that checks are still received in Energy Services, records should be prepared and maintained documenting their receipt and subsequent transfer to the Revenue Office. Also, at the time of transfer, Energy Services staff should obtain documented acknowledgement of acceptance of custodial responsibility from the Revenue Office.</p>

7.	Information Processing	<ul style="list-style-type: none"> ✓ Energy Services staff reviewed collection transactions prior to transfer for deposit. ✓ There were reconciliations, by an employee independent of the collection/custodial functions, of checks received to amounts recorded in the City’s accounting records. 	
8.	Documentation	<ul style="list-style-type: none"> ✗ There were no internal written procedures for the receipt and processing of collections. Written procedures help ensure a consistent and appropriate methodology for collecting and processing funds. 	As noted above under “Execution of Transactions and Events,” we recommend that actions be taken such that checks are no longer received in Energy Services. However, in the event that checks are still received in Energy Services, written procedures should be established for the receipt and processing of collections.

Table Legend:

- ✓ Activities increased assurance that collected funds are properly accounted for and deposited
- ✗ Identified risks for which revisions, enhancements, and/or improvements are needed

Note (1): Applicable Control Activities determined from INTERNAL CONTROL GUIDELINES - Administrative Policies and Procedures No. 630, Section .09, Part III.

Conclusion. The Energy Services Department implemented certain control activities to provide some assurance that checks are properly accounted for and deposited into the City’s bank account. However, based on our consultations with Energy Services staff, we identified several risks. To address these risks, we recommend that actions be taken that will provide for billing of applicable entities through the City’s accounts receivable system by Accounting Services staff, and submission of the resulting payments (checks) by those billed entities directly to the Revenue Office.

ENERGY SERVICES			
Action Plan			
Condition – Risks relating to the cash collection and processing function were identified for which revisions, enhancements, or improvements are needed.			
Step #	Action/Task	Responsible Employee	Target Date
A. Objective: To ensure the proper collection and deposit of funds.			
1.	All external entities will be billed through the City's accounts receivable system based on billing requests submitted to Accounting Services. Those external entities will be instructed to send their payments to the Revenue Office.	P. Koikos P. McCullers	7/1/01*
2.	Supervisory staff will review monthly aged accounts receivable reports to ensure that amounts are being properly billed and collected based on billing requests submitted to Accounting Services.	D. Ging J. Rogan	10/1/01
3.	In the event that collections are received in Energy Services, they will be properly secured and timely transferred to the Revenue Office for deposit. In addition, all activity relating to the collections will be properly documented (e.g., dates of receipt, management review, transfer of custodial responsibility, etc.).	P. Alley D. Ging	6/15/01*
4.	An endorsement stamp will be obtained from the Revenue Office and any negotiable instruments collected at Energy Services will be restrictively endorsed upon receipt.	P. Alley D. Ging	8/10/01

*As per department, action plan step has been completed as of indicated date.

UTILITY CUSTOMER SERVICES

Annual Collections (Fiscal Year 2000)

\$1.9 million

Description. Collections and negotiable instruments received/processed by the Utility Customer Services Division (UCS) include:

- Utility deposits when customers pay by check or money order. (Customers may also pay their deposits directly to the Revenue Office; customers paying with cash or credit cards must pay their deposits directly to the Revenue Office). (*Annual collections estimated at \$1.35 million*)
- Early payoffs of City energy loans when such loans must be paid to remove liens on property for which energy improvements were made. (Early payoffs may also be paid directly to the Revenue Office.) (*City records do not distinguish total collections between amounts collected by UCS versus the Revenue Office.*)
- Checks from two collection companies contracted to recover amounts owed on delinquent customer utility accounts. (*Annual collections of \$289,000*)
- City checks representing loan proceeds for the City's water and sewer loan program that are either (1) forwarded by UCS to applicable vendors/contractors on behalf of the customer receiving the loan or (2) transferred by UCS to the Revenue Office for deposit as payment for the customer's system and/or tap fees. (*Annual collections of \$109,000*)
- Non-sufficient funds (worthless) checks returned to the Revenue Office by the bank and transferred to UCS for additional collection efforts. Those non-sufficient funds (NSF) checks were classified into utility and non-utility related categories. (*Annual collections of \$115,000 utility related and \$14,000 non-utility related*)

Except for NSF checks and as noted for some loan proceeds, all collections received by UCS are transferred to the Revenue Office for deposit.

Reasons for External Collection. To prevent long waits at the Revenue Office, UCS allows those customers required to pay a deposit for utility turn-on to pay UCS staff when payment is by check or money order. For the three remaining collection types, collections have been traditionally received/accepted and processing activities initiated upon receipt of the applicable funds by UCS staff.

Assurances, Risks, and Recommendations. The following table describes the assurances and risks identified during, and recommended actions resulting from, our review and related consultations with UCS and Revenue Office staff regarding control activities for UCS collections.

ASSURANCES, RISKS, AND RECOMMENDATIONS		
Applicable Control Activity (Note 1)	Assurances/Risks	Recommendation
1. Access to and Accountability for Resources	<p>✓ Custody of collections/City checks was assigned to specific staff.</p> <p>✗ Access was not limited to persons assigned custodial responsibility as collections/checks were stored (often overnight) within UCS in unsecured places. Specifically:</p> <ul style="list-style-type: none"> • Checks for utility deposits that related to utility turn-on dates subsequent to the payment dates were stored in an unlocked desk drawer in an open office cubicle. • Collection company checks were stored in open bins located on an open shelf within an open office cubicle. • City checks representing water and sewer loan program proceeds were stored in unsecured files in an open office cubicle. 	As noted below under “Execution of Transactions and Events,” we recommend actions that will reduce the funds collected/received by UCS. However, any funds collected/received by UCS after implementation of those actions should be secured with access limited to authorized staff.
2. Direct Activity Management	✓ UCS/Revenue Office management reviewed collection and related deposit activity.	
3. Segregation of Duties	✓ While custodial responsibility was assigned to UCS, the Accounting Services staff recorded the collection transactions in the City’s general ledger.	
4. Physical Controls	<p>✓ Currency is not accepted or received – UCS only accepts checks or money orders for utility deposits and loan payoffs, and only receives checks from the collection companies and for loan proceeds.</p> <p>✗ UCS staff has not restrictively endorsed checks and money orders. Endorsements were not placed on the negotiable instruments until after they had been transferred to the Revenue Office.</p>	The Revenue Office should provide an endorsement stamp to each City location where checks or other negotiable instruments are collected. The stamp should be placed on each check/instrument at the place of collection immediately upon receipt of the check/instrument. The stamp should specify that the checks/instruments are “for deposit only” into the applicable City bank account.

<p>5.</p>	<p>Execution of Transactions and Events</p>	<p>✓ Collections were received and processed by UCS staff acting within their assigned authority and responsibility.</p> <p>✓ Procedures existed to properly process and transfer collections to the Revenue Office for deposit.</p> <p>✓ The City has a process to collect on worthless (non-sufficient funds or NSF) checks returned by the bank. Specifically, upon receipt of a NSF check from the bank, the Revenue Office submits a standard collection letter requesting the applicable individual to pick up the NSF check and pay the required funds (i.e., “make the check good”) and related NSF fees. In the event that the individual does not complete those actions, the NSF check is turned over to Utility Customer Services (UCS). UCS submits a second standard collection letter to the individual requesting payment of the applicable funds and fees. If the payment is for utilities and the individual does not complete the requested actions, his/her utilities can be cut off. Furthermore, UCS submits all delinquent utility accounts to one of two contracted collection companies to pursue collection on behalf of the City.</p> <p>✗ Notwithstanding the City’s process to collect on worthless checks as described above, we noted the following:</p> <ul style="list-style-type: none"> • UCS did not turn over non-utility related NSF checks to a collection company in those cases where the applicable individuals did not pay the required funds and fees after submission of the second collection letter. Such additional efforts may result in the City recovering funds that otherwise would not be collected. • A policy was not established and implemented that specified which NSF checks should be turned over to the State Attorney for prosecution (and possible recovery of funds) in the event that all previous collection efforts were unsuccessful. 	<p>In those instances where the applicable individuals do not respond to standard collection letters, we recommend that actions be taken to turn the related NSF checks over to collection companies, regardless of whether the NSF checks relate to a utility or non-utility payment.</p> <p>UCS should implement a procedure that establishes criteria for turning NSF checks over to the State Attorney in those instances where all previous collection efforts have been unsuccessful. The Revenue Office should provide the necessary assistance in ensuring that applicable departments/offices capture the identifying information necessary for the State Attorney to successfully prosecute worthless checks.</p>
-----------	---	---	---

	<p>X Collections were not always timely transferred to the Revenue Office, thereby (1) increasing the exposure to loss or unauthorized diversion and (2) limiting the interest that could be earned on such collections once deposited. Specifically:</p> <ul style="list-style-type: none"> • Checks from collection companies were held until UCS staff completed the reconciliation of the accounts on the accompanying remittance advices to the CIS. These reconciliations were performed for the purpose of determining the commissions due the collection companies. Adequate documentation was not maintained to show how long the checks were held prior to deposit (see “Recording of Transactions and Events” below). However, UCS staff indicated that these checks were often held for periods ranging from seven to ten days. In our observations, we noted one check that was held for 12 days prior to being transferred to the Revenue Office for deposit. • Checks for utility deposits that related to requested utility turn-on dates subsequent to the receipt dates (future turn-on’s) were not processed and transferred to the Revenue Office until the applicable turn-on date. During our fieldwork, we noted five such checks on hand. Based on the receipt dates and requested turn-on dates, these five checks would be held for periods ranging from 10 to 22 days before transfer to the Revenue Office for deposit. <p>X Under the City’s water and sewer loan program, loan proceeds are provided to individuals to enable them to pay City charges for connection</p>	<p>To ensure timely deposit of collections into the City’s bank account, we recommend the following actions based on our consultations with Revenue Office and UCS staff:</p> <p>Initiate negotiations with the collection companies to have payments electronically deposited into the City’s bank account, thereby eliminating payment by check. Computer applications should be designed to reconcile accounts to the CIS and to calculate commissions subsequent to the wire transfer of the funds.</p> <p>Because the current CIS will only allow a certain number of customer accounts at a given physical address, UCS staff indicated that it was often not possible to process checks for future turn-on’s immediately upon receipt of the checks. Revenue Office staff indicated that the immediate deposit of future turn-on checks under the current CIS would not be cost beneficial because of the additional records and staff time that would be necessary to track those payments until the payments could be processed in the CIS. However, the new CIS planned for implementation will allow numerous accounts at a given physical address, thereby allowing immediate processing of future turn-on requests. Accordingly, upon implementation of the new CIS, we recommend that payments for future turn-on requests be transferred for deposit the same day as receipt.</p> <p>City checks made payable to the City of Tallahassee should not be generated under the City’s water</p>
--	---	--

		<p>to the City’s water and sewer systems. Instead of generating a City check made payable to the applicable individuals, City checks were generated made payable to the City of Tallahassee for the amount of the loan proceeds to be used to pay these charges. Upon execution of the loan agreement, UCS transferred these checks to the Revenue Office where they were deposited into the City’s bank account as permitting revenues. The applicable customers’ accounts were then credited for the payments. The creation of a City check made payable to the City is not necessary under those circumstances, as the funds could be transferred via journal entry from the water and sewer loan program to the applicable fund that captures permitting revenues. The creation of a negotiable instrument increased the risk of loss or unauthorized diversion of City funds. Furthermore, because costs are incurred in the generation of a City check, unnecessary costs were incurred to produce these checks.</p>	<p>and sewer loan program. Instead, monies should be transferred between applicable funds through journal entries. Care should still be taken to ensure that applicable customer accounts within the CIS are charged and credited for the system and tap (permit) fees, and that the loans are properly executed such that appropriate charges are added to the customers’ utility bills for recovery of the loan.</p>
<p>6.</p>	<p>Recording of Transactions and Events</p>	<p>✓ Procedures provided for the proper classification of collections for reporting purposes.</p> <p>✗ Adequate records were generally maintained that documented the collections from point of receipt through transfer for deposit. However:</p> <ul style="list-style-type: none"> • The dates of receipt of collection company checks were not always documented. Our test showed the date of receipt was documented for only 1 out of 25 such checks received by UCS and selected for review. • UCS staff did not obtain evidence from the Revenue Office documenting the transfer of custody of the collections, thereby limiting the ability to determine responsibility in the event of a loss or theft. <p>✗ Adequate records were not maintained to track</p>	<p>As noted above under “Execution of Transactions and Events,” the UCS and Revenue Office should initiate actions to have proceeds from collection companies wire transferred into the City’s bank account, thereby eliminating receipt of collection company checks by the UCS.</p> <p>Because of the large volume of checks that are often transferred to the Revenue Office during peak work periods (e.g., beginning of college and university semesters), it may not be cost beneficial for the City to have UCS staff obtain documented acknowledgements of custodial transfers from the Revenue Office. Actions taken to mitigate other identified risks (i.e., safeguarding and timely restrictive endorsement of negotiable instruments) will also mitigate the potential impact of this risk.</p> <p>We recommend that records be</p>

		and document the disposition of NSF checks returned by the bank. The Revenue Office prepared a computer record of NSF checks upon receipt from the bank but did not track the disposition of those checks within those records. In addition, Utility Customer Services (UCS) prepared a separate manual record of all unpaid NSF checks received from the Revenue Office for additional collection efforts (see “Execution of Transactions and Events” above). However, UCS also did not track the disposition of those checks within their records. As a result, no records are available to allow management to review the adequacy and success of collection efforts on NSF checks.	prepared and maintained to track the receipt and subsequent disposition of each NSF check received from the bank. Such records could be based on the initial computer record of such NSF checks prepared by the Revenue Office. The Revenue Office could electronically transmit the file of those records to UCS. UCS staff could then maintain and track the disposition of each check within those records. Appropriate reports should be generated and provided to management for purposes of evaluating the City’s collection efforts.
7.	Information Processing	✓ Appropriate staff and/or management reviewed collection transactions prior to transfer to the Revenue Office for deposit.	
8.	Documentation	<p>✓ Forms and records were generally established and maintained to provide an adequate accounting of collections.</p> <p>✓ There were internal written procedures for the receipt and processing of collections. Complete written procedures help ensure a consistent and appropriate methodology for collecting and processing funds.</p>	

Table Legend:

- ✓ Activities increased assurance that collected funds are properly accounted for and deposited
- ✗ Identified risks for which revisions, enhancements, and/or improvements are needed

Note (1): Applicable Control Activities determined from INTERNAL CONTROL GUIDELINES - Administrative Policies and Procedures No. 630, Section .09, Part III.

Conclusion. The UCS implemented certain control activities to provide some assurance that collections/funds are properly processed, accounted for, and deposited into the City’s bank account. However, based on our consultations with UCS and Revenue Office staff, we noted several areas where control activities should be enhanced and improved. As noted above, significant recommendations include improved safeguarding of collections, restrictive endorsement of negotiable instruments immediately upon receipt, additional collection efforts for worthless checks, more timely deposit of funds into the City’s bank account, use of journal entries to eliminate the need for generation of City checks, and maintenance of records tracking and documenting the disposition of worthless checks returned by the bank.

UTILITY CUSTOMER SERVICES			
<i>Action Plan</i>			
Condition – Risks relating to the cash collection and processing function were identified for which revisions, enhancements, or improvements are needed.			
Step #	Action/Task	Responsible Employee	Target Date
A. Objective: To safeguard collections and restrict negotiability of checks.			
1.	Collections pending transfer to the Revenue Office will be stored in locked desk drawers or file cabinets and access to those drawers/cabinets will be limited to authorized staff.	L. Hammelman	6/1/01
2.	An endorsement stamp will be obtained from the Revenue Office and will be used to restrictively endorse all negotiable instruments upon their receipt.	J. Becknell	9/30/01
B. Objective: To facilitate processing and deposit of collections and to enhance accountability.			
1.	Upon implementation of the PeopleSoft CIS, checks and negotiable instruments received for utility deposits, which relate to utility turn-on dates subsequent to the receipt date, will be transferred to the Revenue Office within one week of receipt.	J. Becknell	6/30/02
2.	Negotiations will be initiated with the two collection companies to have payments electronically deposited into the City's bank account.	J. Becknell	10/1/01
3.	Until the time that payments are electronically deposited into the City's bank account, the dates of receipt of collection company checks will be documented.	J. Becknell	8/1/01
4.	Until the time that payments are electronically deposited into the City's bank account, collection company checks will be transferred to the Revenue Office for deposit within one working day of receipt.	J. Becknell	9/30/01
5.	Computer applications will be designed to calculate the commissions due the collection companies subsequent to the transfer and/or deposit of the funds into the City's bank account.	J. Becknell	9/30/01
C. Objective: To reduce the exposure of City funds to loss or theft.			
1.	In regard to the City's water and sewer loan program, City checks will no longer be generated made payable to the City of Tallahassee.	J. Becknell	9/30/01
2.	The portion of loan proceeds under the City's water and sewer loan program designated for payment of City permit fees will be transferred between applicable City funds through accounting journal entries.	J. Becknell	10/1/01

D. Objective: To increase recovery of funds for worthless checks returned by the bank.			
1.	Negotiations will be initiated with collection companies to pursue recovery for non-utility related worthless checks from those individuals that do not respond to the City's standard collection letters.	J. Becknell	9/30/01
2.	Upon completion of successful negotiations (task 1), applicable non-utility related worthless checks will be turned over to the collection company(s) for additional recovery efforts.	J. Becknell	9/30/01
3.	UCS will develop a procedure that establishes the criteria to use in determining when a worthless check should be turned over to the State Attorney for prosecution.	J. Becknell	10/1/01
4.	Upon development of that procedure (task 3), worthless checks meeting the specified criteria will be submitted to the State Attorney for prosecution.	J. Becknell	10/1/01
5.	UCS will use a computer application (e.g., EXCEL or ACCESS) to maintain records that document the worthless checks received from the bank and the disposition of each of those checks.	J. Becknell	9/30/01
6.	UCS management will review those records (task 5) to evaluate the City's overall collection efforts and success in recovering funds and fees for worthless checks.	J. Becknell	10/1/01

UTILITY ACCOUNTING

Annual Collections (Calendar Year 2000)

\$1.2 million

Description. The City currently receives monthly checks from Talquin Electric Cooperative (TEC) as reimbursement for TEC customers served from City distribution lines. These payments are mailed to the Utility Accounting Division. Upon receipt, Utility Accounting staff reviews the checks and accompanying support and then submits the checks to Accounting Services. Staff within Accounting Services transfers the TEC checks to the Revenue Office for deposit into the City’s bank account.

Reasons for External Collection. TEC checks have been received in the Utility Accounting Division since the inception of the applicable agreement with TEC. Receipt of the check and accompanying payment support by Utility Accounting provides management verification that the required monthly payments are made.

Assurances, Risks, and Recommendations. The following table describes the assurances and risks identified during, and recommended actions resulting from, our review and related consultations with Utility Accounting staff regarding control activities for monthly TEC payments.

ASSURANCES, RISKS, AND RECOMMENDATIONS		
Applicable Control Activity (Note 1)	Assurances/Risks	Recommendation
1. Access to and Accountability for Resources	<ul style="list-style-type: none"> ✓ Custody of collections was assigned to specific staff. ✗ Checks were transferred to Accounting Services in unsecured envelopes through the City’s interoffice mail. Those circumstances increase the exposure of the checks to loss or theft. 	Funds should not be transferred through interoffice mail. However, as noted below under “Execution of Transactions and Events,” we recommend that TEC be instructed to remit the monthly checks directly to the Revenue Office, thereby eliminating the need to transfer the checks between offices/departments.
2. Direct Activity Management	<ul style="list-style-type: none"> ✓ Utility Accounting management reviewed collections to ensure they were properly processed and transferred for deposit. 	
3. Segregation of Duties	<ul style="list-style-type: none"> ✗ The custodial and recording functions were not adequately segregated as the TEC checks were transferred to Accounting Services. Staff responsible for maintaining records accounting for revenues (Accounting Services) should not also have custody of or access to the related collections. 	Utility Accounting should have transferred the checks directly to the Revenue Office for deposit. However, as noted below under “Execution of Transactions and Events”, we recommend that TEC be instructed to remit the monthly checks directly to the Revenue Office, thereby eliminating the

			need to transfer the checks between offices/departments.
4.	Physical Controls	<ul style="list-style-type: none"> ✓ Currency is not received – all TEC payments are by check, thereby reducing the likelihood of uncompensated loss or unauthorized diversion. ✗ Utility Accounting staff did not restrictively endorse the TEC checks. Endorsements were not placed on the negotiable instruments until after they had been transferred to the Revenue Office. 	<p>The Revenue Office should provide an endorsement stamp to each City location where checks or other negotiable instruments are collected. The stamp should be placed on each check/instrument at the place of collection immediately upon receipt of the check/instrument. The stamp should specify that the checks/instruments are “for deposit only” into the applicable City bank account. However, as noted below under “Execution of Transactions and Events,” we recommend that TEC be instructed to remit the monthly checks directly to the Revenue Office, thereby eliminating the need for Utility Accounting to restrictively endorse the checks.</p>
5.	Execution of Transactions and Events	<ul style="list-style-type: none"> ✓ Collections were received and processed by Utility Accounting staff acting within their assigned authority and responsibility. ✓ Procedures existed to properly process and transfer collections for deposit. ✗ While the TEC checks were generally transferred immediately upon receipt to Accounting Services, there was not a valid reason for Accounting Services to receive the checks. In addition to representing a violation of the segregation of duties concept (see above), routing the checks through Accounting Services delayed their deposit into the City’s bank account. Delay in depositing collections (1) increases their exposure to loss or unauthorized diversion and (2) limits the interest that can be earned once the funds are deposited. 	<p>TEC should be instructed to remit the monthly checks directly to the Revenue Office. Upon receipt of those payments, the Revenue Office should remit accompanying payment support to Utility Accounting for managerial purposes.</p>
6.	Recording of Transactions and Events	<ul style="list-style-type: none"> ✓ Procedures existed to properly classify collections for reporting purposes. ✗ Adequate records were generally maintained that documented the collections from point of receipt through transfer for deposit. However, Utility Accounting staff did not obtain evidence from Accounting Services 	<p>At the time of transfer of collections, documented acknowledgement of acceptance of custodial responsibility should be obtained from the party</p>

		documenting the transfer of custody of the collections, thereby limiting the ability to determine responsibility in the event of a loss or theft.	receiving the funds. However, as noted above under "Execution of Transaction and Events," we recommend that TEC be instructed to remit the monthly checks directly to the Revenue Office, thereby eliminating the need for Utility Accounting to obtain such documented receipt acknowledgements.
7.	Information Processing	<ul style="list-style-type: none"> ✓ Utility Accounting staff reviewed collection transactions prior to transfer for deposit. ✓ There were reconciliations, by an employee independent of the collection/custodial functions, of amounts collected to amounts recorded in the City's accounting records. 	
8.	Documentation	<ul style="list-style-type: none"> ✓ Forms and records were generally established and maintained to provide an adequate accounting of collections. 	

Table Legend:

- ✓ Activities increased assurance that collected funds are properly accounted for and deposited
- X Identified risks for which revisions, enhancements, and/or improvements are needed

Note (1): Applicable Control Activities determined from INTERNAL CONTROL GUIDELINES - Administrative Policies and Procedures No. 630, Section .09, Part III.

Conclusion. The Utility Accounting Division implemented certain control activities to provide some assurance that monthly TEC checks are properly accounted for and deposited into the City's bank account. However, based on our consultations with Utility Accounting and Revenue Office staff, we identified several risks. To address these risks, we recommend that arrangements be made that will provide for submission of the checks by TEC directly to the Revenue Office.

UTILITY ACCOUNTING			
<i>Action Plan</i>			
Condition – Risks relating to the cash collection and processing function were identified for which revisions, enhancements, or improvements are needed.			
Step #	Action/Task	Responsible Employee	Target Date
A. Objective: To ensure the proper processing and deposit of funds.			
1.	TEC will be instructed to submit their monthly checks directly to the Revenue Office. These instructions will be provided in accordance with the implementation schedule established in conjunction with the Revenue Office.	Deborah Heiter	7/15/01
2.	In the event that checks are received in Utility Accounting, they will be immediately transferred directly to the Revenue Office. Those transfers will be done in person, and documented acknowledgement of the custodial transfer will be obtained from the Revenue Office.	Deborah Heiter	7/15/01
3.	An endorsement stamp will be obtained from the Revenue Office and any negotiable instruments collected at Utility Accounting will be restrictively endorsed upon receipt.	Deborah Heiter	8/31/01

This page intentionally left blank.

ACCOUNTING SERVICES

Annual Collections (Calendar Year 2000) **\$6.8 million**

Description. Various revenues/receipts are transferred to or received in Accounting Services. Some of the collection types received by Accounting Services during calendar year 2000 included:

- Grant proceeds (checks) from various grantor entities (e.g., Federal and State agencies), submitted by the applicable City departments that initially received the proceeds.
- Checks for lease payments and sales of City-owned properties, submitted by the Real Estate Division.
- Checks from Talquin Electric Cooperative (TEC) for payment of City utilities provided to TEC customers, submitted by the Utility Accounting Division.
- TEC checks payable to individuals under the TEC capital credit program that are (1) endorsed by those individuals and (2) then submitted to the City as reimbursement for their participation in the City's Electric Patronage Capital Credit Program.
- Loan payments from individuals (e.g., payments on housing funds loaned to individuals by the Department of Neighborhood and Community Services), submitted by the individuals or other City departments.
- Payments from former employees who elected to continue their health insurance under the COBRA laws.

These and other collections have been received in or transferred to Accounting Services because (1) the payments (mail) were specifically addressed to Accounting Services or (2) other City departments/offices received and improperly submitted checks to Accounting Services for deposit.

All collections other than COBRA payments were reviewed by Accounting Services staff (primarily accounts receivable staff) to determine the collection type/reason. Then notes were attached to the collections specifying how they should be coded for input into the City's accounting system. After this research was completed and coding instructions attached, the collections were recorded on a log and placed in a bin located on top of a file cabinet. On a daily basis, a Revenue Office courier picked up all collections in that bin and transferred them to the Revenue Office for deposit. During calendar year 2000, there were 598 such collections that totaled \$6.73 million.

COBRA payments were received and processed separately. Those payments were periodically delivered to the Revenue Office by an Accounting Services employee. During calendar year 2000, Accounting Services received 258 COBRA payments totaling \$67,000.

Reasons for External Collection. Based on discussions with staff, checks have traditionally been received in Accounting Services for several years. As noted above, some of the reasons include mail/payments being specifically addressed to Accounting Services and other City departments/offices improperly transferring checks to that section for deposit. Submission of checks by external entities and City departments/offices to Accounting Services was contrary to established City administrative policy. Specifically, Section 609 of the City’s Administrative Policy Manual, developed by Accounting Services, provides that all external entities with a commitment of funds to the City should be instructed by the applicable departments/offices to send payments directly to the Revenue Office. Furthermore, that policy provides that all City departments, divisions, and units are to immediately forward any funds received on behalf of the City directly to the Revenue Office.

Assurances, Risks, and Recommendations. The following table describes the assurances and risks identified during, and recommended actions resulting from, our review and related consultations with Accounting Services and other City staff regarding control activities for the described collections.

ASSURANCES, RISKS, AND RECOMMENDATIONS		
Applicable Control Activity (Note 1)	Assurances/Risks	Recommendation
1. Access to and Accountability for Resources	<ul style="list-style-type: none"> ✓ Custody of collections was assigned to specific staff. ✗ Collections were not always stored in secured locations prior to the transfer to the Revenue Office. Specifically: <ul style="list-style-type: none"> • Collections other than COBRA payments were sometimes stored in unsecured office cubicles during the day. After any applicable review was completed and coding instructions were attached, the collections were placed in an open bin on top of a file cabinet located in Accounting Services. Access to that area was not restricted. If checks were kept overnight, they were stored in an unlocked file drawer in an area to which access also was not restricted. • COBRA payments were stored in the desk drawer of an open cubicle. While the desk drawer was locked overnight, it was sometimes left unlocked during the workday while the applicable employee was away from her cubicle. 	As noted below under “Execution of Transactions and Events,” we recommend that actions be taken such that collections are no longer submitted to Accounting Services. However, in the event that collections are still received in Accounting Services, they should be maintained in secured places with access limited to authorized employees.
2. Direct Activity Management	<ul style="list-style-type: none"> ✓ Applicable Accounting Services staff reviewed collection activity to ensure collections were properly processed. 	
3. Segregation of Duties	<ul style="list-style-type: none"> ✗ The submission of checks/negotiable instruments by Accounting Services is a violation of the basic segregation of duties principle. Employees accounting for collections (i.e., 	As noted below under “Execution of Transactions and Events,” we recommend that actions be taken such that collections are no longer

		Accounting Services) should not also have access to or custodial responsibilities for those collections. For example, if staff responsible for billing and accounting for receivables also has access to a payment on a billed receivable, they may be in the position to divert the collection without timely detection.	submitted to Accounting Services.
4.	Physical Controls	<p>X Accounting Services staff did not restrictively endorse checks. Endorsements were not placed on the negotiable instruments until after they had been transferred to the Revenue Office.</p>	<p>As noted below under “Execution of Transactions and Events,” we recommend that actions be taken such that collections are no longer submitted to Accounting Services. However, in the event that collections are still received in Accounting Services, the Revenue Office should provide that section an endorsement stamp. The stamp should be placed on each check/instrument immediately upon receipt of the check/instrument. The stamp should specify that the checks/instruments are “for deposit only” into the applicable City bank account.</p>
5.	Execution of Transactions and Events	<p>X Section 609 of the City’s Administrative Policy Manual (APM), developed by Accounting Services in September 1999, provides that all external entities with a commitment of funds to the City should be instructed by the applicable City department/office to send payments directly to the Revenue Office. Furthermore, that policy provides that all City departments/offices are to immediately forward any funds received on behalf of the City directly to the Revenue Office. Contrary to that policy, some external entities submitted their payments to Accounting Services; and, as noted in various other presentations (i.e., REAL ESTATE – PARKING, LEASES, AND CLOSINGS; PLANNING DEPARTMENT; NEIGHBORHOOD AND COMMUNITY SERVICES; TPD – UTILITY TURN-ONS AND MISCELLANEOUS RECEIPTS; and UTILITY ACCOUNTING), certain other City departments/offices submitted collections received from external entities to Accounting Services instead of the Revenue Office. In addition to representing a violation of the segregation of duties principle, the receipt and processing of collections by Accounting Services delays the deposit of the funds into the City’s bank account (i.e., relative to receipt and immediate deposit by the Revenue Office). Delay in depositing funds (1) increases the exposure to loss or theft and (2) limits the interest that can be earned on those funds once</p>	<p>Steps should be taken to have collections, which have been traditionally received in or transferred by other departments/offices to Accounting Services, sent directly to the Revenue Office. These steps should include, at a minimum:</p> <ul style="list-style-type: none"> • Reminding applicable City departments/offices of the requirements of Section 609 of the City’s APM, and again instructing those departments/offices to submit collections directly to the Revenue Office and not to Accounting Services. • Instructing applicable external parties to remit their payments to the Revenue Office and not to Accounting Services. This should include revising the standard City billing invoice to clarify that the payment should be submitted to the Revenue Office. (Accounting Services staff indicated that plans had already been made for the standard City invoice

		<p>deposited.</p> <p>X Cobra collections were not always timely transferred to the Revenue Office for deposit. Those checks were transferred to the Revenue Office usually after several checks had accumulated in the desk drawer of the Accounting Services staff assigned responsibility for processing COBRA payments. While dates of receipt of those payments were not always retained (see “Recording of Transactions and Events” below), our test did identify five checks that were held from 5 to 20 days prior to being transferred for deposit. As noted above, delay in depositing funds (1) increases the exposure to loss or theft and (2) limits the interest that can be earned on those funds once deposited.</p>	<p>to be revised in this manner after the remaining supply of current invoices was exhausted.)</p> <p>As noted above, we recommend that actions be taken such that collections are no longer submitted to Accounting Services. However, in the event that collections are still received in Accounting Services, they should be timely transferred to the Revenue Office for deposit.</p>
6.	Recording of Transactions and Events	<p>✓ Procedures were in place to properly code and classify collections for recording purposes.</p> <p>X Adequate records were generally maintained that documented the receipt and subsequent transfer of collections. However:</p> <ul style="list-style-type: none"> • Receipt of checks, other than COBRA payments, was not documented until the checks had been reviewed and any applicable research completed. After the review/research was completed, they were recorded on a log. • Documentation of the date of receipt of COBRA payments was not always retained. Procedures provided that envelopes containing COBRA payments were to be date stamped as evidence of the receipt date. However, those envelopes were generally not retained after the applicable checks had been transferred to the Revenue Office for deposit. Records of receipt dates should be retained in order to document timely (or untimely) collection and transfer/deposit of collections. • For COBRA payments, Accounting Services staff did not obtain evidence from the Revenue Office documenting the transfer of custody of the collections, thereby limiting the ability to determine responsibility in the event of a loss or theft. 	<p>As noted above under “Execution of Transactions and Events,” we recommend that actions be taken such that collections are no longer submitted to Accounting Services. However, in the event that collections are still received in Accounting Services, actions should be taken (1) to timely record the receipt of the collections and to maintain documentation of the receipt date and (2) to obtain documented acknowledgement of acceptance of custodial responsibility from the Revenue Office.</p>
7.	Information Processing	<p>✓ Accounting Services staff reviewed collection transactions prior to transfer for deposit.</p>	

		<p>✗ There was no independent verification that collections picked up the Revenue Office courier or transferred to the Revenue Office by Accounting Services staff were properly deposited. Without such verification, the ability to detect losses or unauthorized diversions is limited.</p>	<p>As noted above under “Execution of Transactions and Events,” we recommend that actions be taken such that collections are no longer submitted to Accounting Services. However, in the event that collections are still received in Accounting Services, there should be independent verification by Accounting Services staff that documented collections were properly deposited.</p>
8.	Documentation	<p>✓ Forms and records were generally established and maintained to provide an adequate accounting of collections.</p> <p>✓ There were internal written procedures for the receipt and processing of collections by Accounting Services staff. Written procedures help ensure a consistent and appropriate methodology for collecting and processing funds.</p>	

Table Legend:

- ✓ Activities increased assurance that collected funds are properly accounted for and deposited
- ✗ Identified risks for which revisions, enhancements, and/or improvements are needed

Note (1): Applicable Control Activities determined from INTERNAL CONTROL GUIDELINES - Administrative Policies and Procedures No. 630, Section .09, Part III.

Conclusion. Accounting Services implemented certain control activities to provide some assurance that collections are properly accounted for and transferred for deposited into the City’s bank account. However, based on our consultations with staff from Accounting Services and the Revenue Office, we noted several areas where control activities should be revised and/or enhanced and improved. One of the more significant revisions, as noted above, should be to have all collections remitted directly to and timely deposited by the Revenue Office, instead of being submitted to Accounting Services prior to transfer to the Revenue Office. Other recommendations applicable in the event that collections continue to be received and processed in Accounting Services include safeguarding of collections, timely endorsement of negotiable instruments, timely transfer of collections for deposit, preparing records of initial receipt and maintenance of documentation reflecting dates of receipt, documented acknowledgements of custody transfers, and independent verifications that transferred amounts are deposited.

ACCOUNTING SERVICES			
<i>Action Plan</i>			
Condition – Risks relating to the cash collection and processing function were identified for which revisions, enhancements, or improvements are needed.			
Step #	Action/Task	Responsible Employee	Target Date
A. Objective: To ensure that collections are timely deposited into the City’s bank account.			
1.	Applicable City departments/offices will again be instructed to submit their collections directly to the Revenue Office and not to Accounting Services.	Tammy Erewa-Harris	7/16/01*
2.	Applicable external entities will be instructed to submit their payments directly to the Revenue Office and not to Accounting Services. These instructions will be provided in accordance with the implementation schedule established in conjunction with the Revenue Office.	Tammy Erewa-Harris	7/12/01*
3.	The standard City billing invoice will be revised to specify that payment should be mailed to the Revenue Office.	Tammy Erewa-Harris	8/31/01
4.	Any collections received in Accounting Services will be secured in locked file cabinets/desk drawers pending their transfer to the Revenue Office.	Tammy Erewa-Harris	7/27/01*
5.	Accounting Services will obtain an endorsement stamp from the Revenue Office and will restrictively endorse any negotiable instruments upon their receipt.	Tammy Erewa-Harris	9/1/01
6.	Any negotiable instruments received in Accounting Services will be transferred to the Revenue Office within one week of receipt.	Tammy Erewa-Harris	7/27/01*
7.	For any collections received in Accounting Services, the receipt dates will be documented.	Tammy Erewa-Harris	7/27/01*
8.	Documentation of receipt dates will be retained.	Tammy Erewa-Harris	7/27/01*
9.	Documented acknowledgements of custodial responsibility will be obtained from the Revenue Office for any collections received in Accounting Services and transferred to the Revenue Office.	Tammy Erewa-Harris	7/27/01*

* As per department, action plan step has been completed as of indicated date.

MUNICIPAL SUPPLY CENTER

Annual Collections (Calendar Year 2000) \$360,000

Description. Revenues collected by the Municipal Supply Center (MSC) included the following:

- Proceeds from the company hired to conduct the annual auction of City surplus property. (One check was received in September 2000 for \$357,093.)
- Proceeds from the sale of used utility poles. MSC management indicated that the primary reason for “selling” these used poles (30 cents per foot) is to provide an orderly and controlled disposition of the poles to citizens, and not to generate City revenues. (Approximate annual collections of \$3,000)

All collections received by MSC were transferred to the Revenue Office for deposit into the City’s bank account.

Reasons for External Collection. MSC staff indicated that it was not appropriate and/or convenient for customers to have to visit both MSC and the Revenue Office in order to purchase used utility poles, especially given the relative immateriality of the individual sales (30 cents per foot). In regard to auction proceeds, MSC staff indicated that the auction company had traditionally submitted the annual payment to MSC.

Assurances, Risks, and Recommendations. The following table describes the assurances and risks identified during, and recommended actions resulting from, our review and related consultations with MSC staff regarding control activities for the noted revenues.

ASSURANCES, RISKS, AND RECOMMENDATIONS		
Applicable Control Activity (Note 1)	Assurances/Risks	Recommendation
1. Access to and Accountability for Resources	<ul style="list-style-type: none"> ✓ Custody of collections was assigned to specific staff. ✗ Access to utility pole sale proceeds was not adequately limited, as the proceeds were stored in an unlocked desk drawer in an unlocked office during working hours. ✗ Forms (Indemnification Statements Forms) completed for each used utility pole sale are not sequentially numbered or controlled in a manner that allows verification that all collected amounts are transferred for deposit. 	<p>Collections should be stored in secured areas prior to their transfer to the Revenue Office.</p> <p>Sequentially numbering and accounting for such forms would provide a means for ensuring that collections are properly received and transferred for deposit. However, due to the relative immateriality of those collections, such a control may not be cost beneficial. Accordingly, we</p>

			recommend an alternative analytical procedure (control) to provide management the desired assurances. See "Information Processing" below.
2.	Direct Activity Management	<ul style="list-style-type: none"> ✓ Management and MSC staff monitor the annual surplus property auction for the purpose of ensuring auction proceeds paid the City are correct. ✓ MSC management is directly involved in the sale and collection of used utility poles. 	
3.	Segregation of Duties	<ul style="list-style-type: none"> ✓ While custodial responsibility was assigned to MSC staff, Accounting Services staff recorded the collection transactions in the City's general ledger. 	
4.	Physical Controls	<ul style="list-style-type: none"> ✓ Currency is not accepted – MSC staff will only accept checks or money orders, thereby reducing the likelihood of uncompensated loss or unauthorized diversion. ✗ MSC staff did not restrictively endorse checks and money orders. Endorsements were not placed on the negotiable instruments until after they had been transferred to the Revenue Office. 	The Revenue Office should provide an endorsement stamp to each City location where checks or other negotiable instruments are collected. The stamp should be placed on each check/instrument at the place of collection immediately upon receipt of the check/instrument. The stamp should specify that the checks/instruments are "for deposit only" into the applicable City bank account.
5.	Execution of Transactions and Events	<ul style="list-style-type: none"> ✓ Collections were received and processed by MSC staff acting within their assigned authority and responsibility. ✓ Procedures existed for the receipt, processing, and transfer of collections to the Revenue Office for deposit. ✗ Collections for utility pole sales were not always timely transferred to the Revenue Office, thereby (1) increasing the exposure to loss or unauthorized diversion and (2) limiting the interest that could be earned on such collections once deposited. Our analysis of 16 collections received during the period November 2000 through January 2001 showed that the applicable checks were held for periods ranging from 13 to 63 days, or an average of 33.5 days (approximately one month), prior to being transferred to the Revenue Office. 	Collections should be transferred for deposit in a timely manner. In regard to utility pole sale proceeds, the daily transfer of checks may not be cost beneficial to the City. However, efforts should be made to make timely transfer of the checks for deposit, preferably at least on a weekly basis.

		<p>✗ MSC staff monitored and met with the auction company to settle and approve the proceeds to be submitted to the City. After agreement on the amount due, the auction company mailed a check to MSC. Upon receipt, the annual check was transferred to the Revenue Office for deposit. It would be advantageous to the City for the auction company to remit the payment directly to the Revenue Office. Then, only one City office (i.e., the Revenue Office) would receive/handle the payment, thereby reducing the exposure of the payment to loss or unauthorized diversion and assuring timely deposit of the payment.</p>	<p>MSC staff should instruct the auction company to remit the auction proceeds directly to the Revenue Office. Upon receipt of those payments, the Revenue Office should send the accompanying remittance advices and a copy of the checks to MSC for managerial purposes.</p>
6.	Recording of Transactions and Events	<p>✓ Procedures existed to properly classify collections for reporting purposes.</p> <p>✗ Adequate records were generally maintained that documented collections from point of receipt through transfer for deposit. However:</p> <ul style="list-style-type: none"> • In regard to utility pole sales, records (i.e., perpetual inventory records) are not maintained of poles made available, removed (e.g., sold) and on hand. Without such records, an analysis cannot be completed to ascertain whether sales proceeds collected and transferred to the Revenue Office for deposit were reasonable. Such an analysis, conducted by a person independent of the collection/custodial function, provides the ability to detect any material losses or unauthorized diversion of sale proceeds. • MSC staff did not obtain evidence from the Revenue Office documenting the transfer of custody of collections, thereby limiting the ability to determine responsibility in the event of a loss or theft. 	<p>We recommend that the MSC establish perpetual inventory records that are sufficient to enable a reasonable and independent analysis of poles sold to collections received and transferred for deposit. The accuracy of such records should be periodically verified through independent physical counts. Alternatively, an efficient and effective disposal process that does not result in the charging and collection of fees should be identified and implemented.</p> <p>At the time of transfer of collections, MSC staff should obtain documented acknowledgement of acceptance of custodial responsibility from the Revenue Office.</p>
7.	Information Processing	<p>✓ To ensure proper payment, MSC staff compares the check from the auction company to the amount previously agreed upon.</p>	
8.	Documentation	<p>✓ Forms and records were generally established and maintained to provide an adequate accounting of collections.</p> <p>✗ There were no internal written procedures for the receipt and processing of collections. Written procedures help ensure a consistent</p>	<p>Written procedures should be established for the receipt and processing of collections.</p>

		and appropriate methodology for collecting and processing funds.	
--	--	--	--

Table Legend:

- ✓ Activities increased assurance that collected funds are properly accounted for and deposited
- ✗ Identified risks for which revisions, enhancements, and/or improvements are needed

Note (1): Applicable Control Activities determined from INTERNAL CONTROL GUIDELINES - Administrative Policies and Procedures No. 630, Section .09, Part III.

Conclusion. The Municipal Supply Center (MSC) implemented certain control activities to provide some assurance that collections are properly accounted for and deposited into the City’s bank account. However, based on our consultations with MSC staff, we noted several areas where control activities should be enhanced and improved. As noted above, significant recommendations include improved safeguarding of collections, restrictive endorsement of negotiable instruments immediately upon receipt, timely transfer of collections for deposit, revised remittance instructions to the auction company, maintenance of inventory records for used poles to allow for independent reconciliations/verifications of activities and assets/collections, documented acknowledgements of custody transfers, and establishment of written procedures.

MUNICIPAL SUPPLY CENTER			
<i>Action Plan</i>			
Condition – Risks relating to the cash collection and processing function were identified for which revisions, enhancements, or improvements are needed.			
Step #	Action/Task	Responsible Employee	Target Date
A. Objective: To safeguard collections.			
1.	Fees collected for utility pole sales will be secured in a locked file cabinet or desk drawer in the Supervisor's office. Access to the contents in that cabinet/drawer will be restricted to authorized staff.	John McPhaul	7/2/01*
B. Objective: To restrict negotiability of checks.			
1.	MSC will obtain an endorsement stamp from the Revenue Office and will restrictively endorse negotiable instruments upon receipt.	John McPhaul	9/30/01
C. Objective: To ensure that collections are timely processed and deposited.			
1.	Collections for utility pole sales will be transferred to the Revenue Office within one week of receipt.	John McPhaul	7/2/01*
2.	The auction company will be instructed to remit their payments directly to the Revenue Office. These instructions will be provided in accordance with the implementation schedule established in conjunction with the Revenue Office.	John McPhaul	7/31/01*
D. Objective: To maintain adequate records and documentation accounting for collection and deposit activity.			
1.	Because of the immateriality of used utility pole sales, alternatives for disposal that do not result in the charging and collection of fees will be identified and evaluated.	John McPhaul	11/30/01
2.	In the event that an appropriate alternative is identified, the disposal process will be revised such that fees are no longer charged and collected.	John McPhaul	11/30/01
3.	In the event that an appropriate alternative is not identified, perpetual inventory records of used utility poles available for sale will be maintained, and staff independent of the collection function will periodically compare expected collections based on utility pole sales per the perpetual inventory records to amounts collected and deposited.	John McPhaul	11/30/01
4.	Documented acknowledgements of the acceptance of custodial responsibility will be obtained from the Revenue Office upon the transfer of collections to that office.	John McPhaul	9/30/01
E. Objective: To establish written procedures for receiving and processing collections.			
1.	Written procedures for the receipt and processing of collections at MSC will be established.	John McPhaul	10/1/01

*As per department, action plan step has been completed as of indicated date.