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February 6, 2017

OFFICE OF THE MAYOR
HONORABLE CITY COUNCILMEMBERS
CITY ADMINISTRATOR
CITY ATTORNEY
CITIZENS OF OAKLAND
OAKLAND, CALIFORNIA

RE: Audit of Cash Handling in the Revenue Management Bureau

Dear Mayor Schaaf, City Council President Reid, Members of City Council, City Administrator Landreth, City Attorney, Barbara Parker, and Oakland Citizens:

At the request of the then Interim Revenue and Tax Administrator, my Office completed an audit of the internal controls pertaining to the cashiering and payment collection process at the City's cashier offices. The audit objective was to confirm that cashiering systems and cash handling process controls currently in place at City cashier offices are sufficient to safeguard against significant misappropriation and error.

The Revenue Management Bureau (Department), under the Finance & Management Agency collects a significant portion of the City's approximately \$550 million general purpose fund revenues—some of which is through business taxes and fees. These are collected as mailed in or as walk-in payments at the three cashier offices located at Frank H. Ogawa Plaza. Cash payments present the highest risk of misappropriation and error. Accordingly, our audit procedures were specifically focused on the process of handling cash, including cash payments received in person from taxpayers at the cashier offices.

The audit found that many standard controls or practices were not followed and the department had not developed a fully documented procedures manual for staff. This could create an environment that is high risk for cash shortages, errors, and misappropriation. Our recommendations were developed to help management remediate these deficiencies. Specifically, our recommendations call for separating the various cashiering duties between staff so that no one staff member fully controls all duties of the office; stronger access controls; proper record retention of critical documents and records; timely deposits of monies collected; and reconciliations of all staff work.

The City recently contracted with a new service provider for a taxpayer record system. This system was implemented at the end of December 2016, which resulted in changes to processes and workflows. As a result, many of the required and standard controls and practices are now

Audit of Cash Handling in the Revenue Management Bureau
February 6, 2017

in place. Although this report relates to the previous taxpayer record system, the audit findings identified and recommendations made in this report should be considered to confirm that safeguards and controls are integrated into the new system and work processes meet standard cash handling practices.

Other recommendations relate to better practices that will further strengthen controls over cash handling and provide for greater efficiencies.

I want to express our appreciation to the Revenue and Tax Administrator and to the Treasurer and their staff for their cooperation during this audit and to their commitment to improving the practices in the Revenue Management Bureau and Treasury that will strengthen controls around the cash handling processes.

Respectfully submitted,



BRENDA D. ROBERTS
City Auditor

Enclosure

cc: Margaret O'Brien, Revenue and Tax Administrator
Katano Kasaine, City Treasurer
Kirsten LaCasse, Controller
Paige Alderete, Assistant Controller

City Auditor
Brenda Roberts
CPA

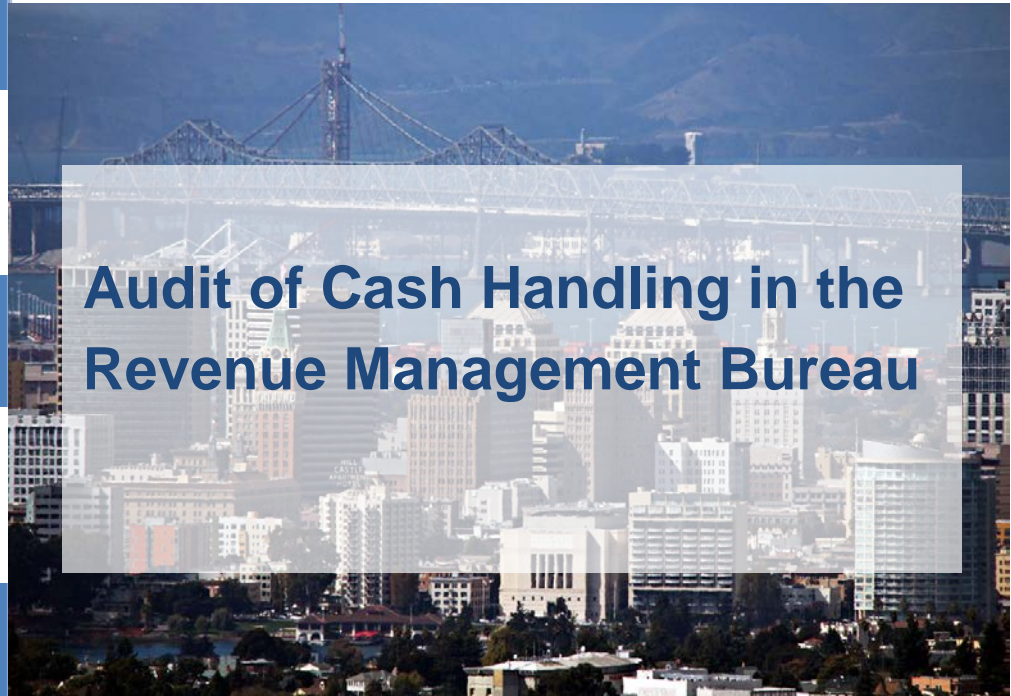
February 06,
2017

Audit Team:

Lisa Ringer
Performance Auditor

Mark Carnes
Performance Auditor

Alessia Dempsey
Performance Auditor



Audit of Cash Handling in the Revenue Management Bureau



CITY OF OAKLAND

OFFICE OF THE CITY AUDITOR

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Introduction and Background

Introduction

The Office of the City Auditor, at the request of the then Interim Revenue & Tax Administrator, initiated an audit of internal controls pertaining to the cashiering and payment collection process at the City's cashier offices.

The audit objective was to confirm that cashiering systems and cash handling process controls currently in place at City cashier offices are sufficient to safeguard against significant misappropriation and error.

Background

The Revenue Management Bureau (Revenue), under the Finance & Management Agency collects a significant portion of the City's approximately \$550 million general purpose fund revenues. These include but are not limited to:

- City Business License Tax (including cannabis dispensaries)
- City Wide Delinquent Accounts
- Mandatory Garbage (monies are designated to a separate fund)
- Parking Citations
- Rent Adjustment Program (monies are designated to a separate fund)
- Taxi Permit

Business License Tax totaled \$75.57 million for fiscal year 2015-2016 and accounted for approximately 13.7% of general purpose fund revenues.

Finance and Management Agency Cashiering Process

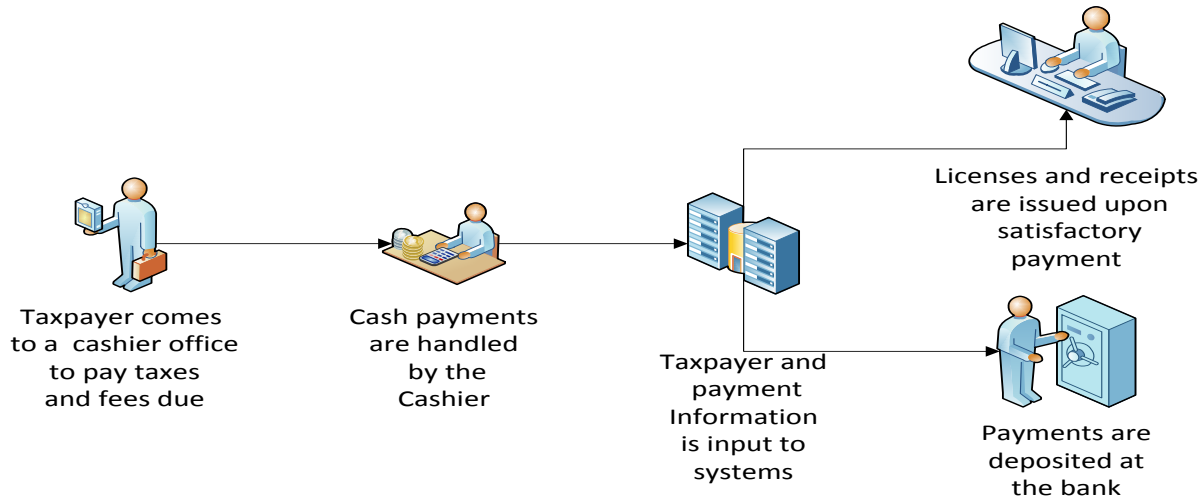
Revenue established three Frank H. Ogawa Plaza cashiering locations to receive business tax payments. Mailed payments are received at a bank lockbox for processing by Treasury and the City's banking institution. Prior to January 1, 2017, the City did not offer online payments for City business license tax.¹

Taxpayers making in-person payments present their invoices and statements to the Tax Enforcement Officer (Officer) at one of the cashiering offices. The Officer reviews the files and calculates the correct amount owed. If the taxpayer pays by check, money order or credit card, the Officer accepts these payments and provides the taxpayer a receipt. Those paying by cash are directed to the cashier who processes the cash payment by collecting the cash and providing a receipt to the taxpayer.

¹ The City of Oakland started accepting on-line payments for taxes with the implementation of a new system and upgrade on January 1, 2017.

Background

Graphic depiction of taxpayer payment process



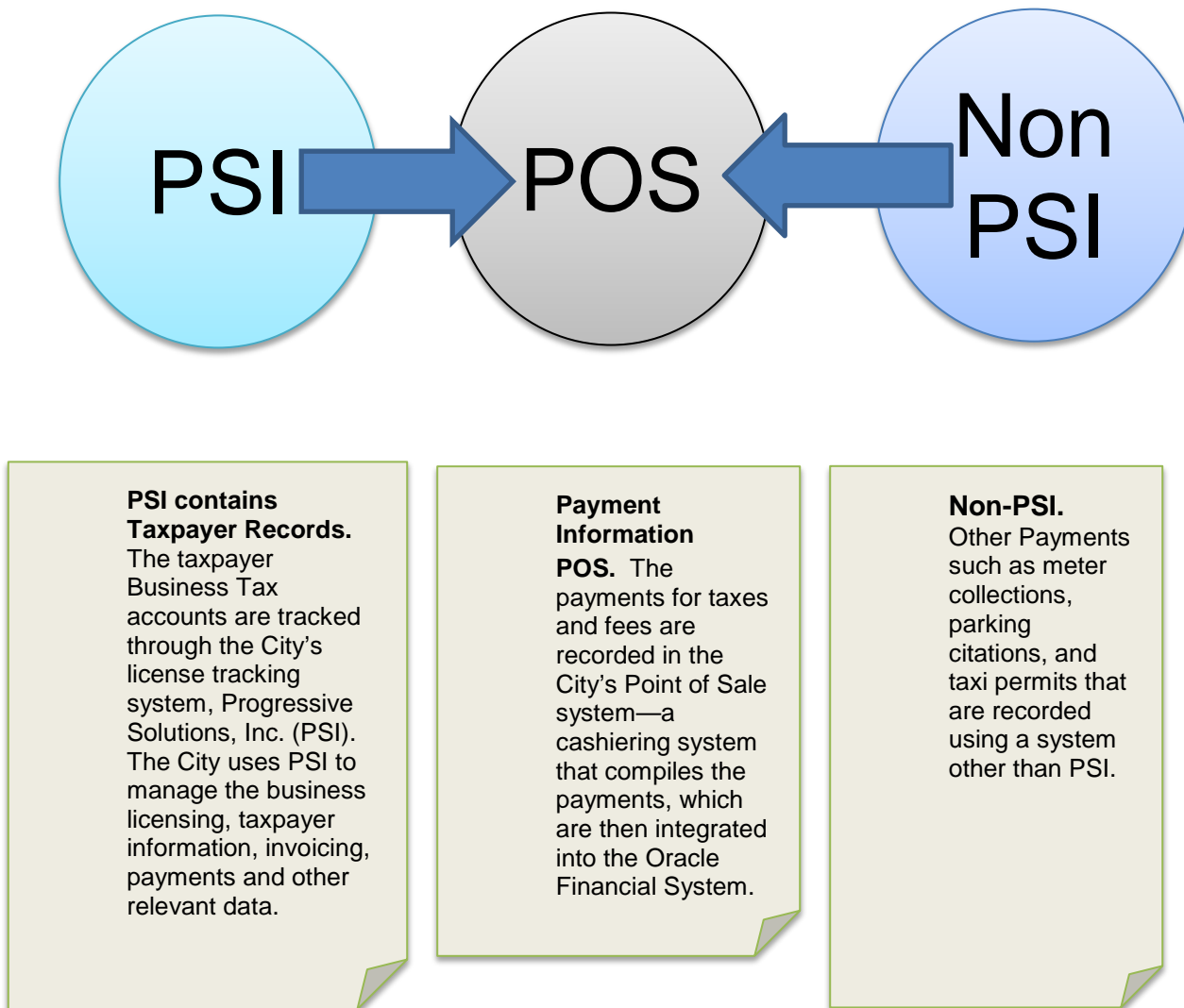
The process of invoicing and collecting payments and tracking this activity is performed using two systems. Progressive Solutions, Inc. (PSI)² is the primary system of record for various business tax revenues collected and taxpayer records. Some payments such as meter collections, parking citations, and taxi permits are not recorded in PSI. These payments are recorded using a different system. The City's Point of Sale system (POS) records all revenue collected (regardless of source) and is integrated with the City's system of financial record, Oracle, as managed by Treasury.

All tax payments (credit cards, checks, and cash) received by Revenue must be data-entered, posted and recorded by the cashier in both PSI and POS. The cashier is responsible for preparing an end of day bank deposit of all monies collected at their station. On some days, due to volume, there may be more than one deposit. The daily deposit(s) includes a printed report of monies recorded in PSI and a cashier's packet that includes all activity and supporting documentation corresponding to the deposit. The cashier's packet is retained as documentation of the activity and stored by date in locked file cabinets. Deposits are processed through Treasury and delivered to the City's bank account.

² <http://www.progressivesolutions.com>. The City Council approved the selection of another taxpayer records vendor, HdL (<https://www.hdlcompanies.com/>) after the completion of a Request for Proposal process. This contract was approved by council in April 2016, and the new system was implemented in December 2016.

Background

Graph represents how payments collected from taxpayers are recorded



Standard Cashiering Controls

Cash receipts are an area in which a poorly-controlled department can lose a considerable amount of money. Cash is one of the more easily negotiable assets, and is a continual concern for theft and losses due to error. Internal control is not one event, but a series of actions that occur throughout the City's operations. Industry and government standards require management to assume responsibility for an effective internal control environment.³ Our audit looked for controls, practices, and directives around the cash handling process.

³ September 2014 GAO Standards for Internal Control in the Federal Government Section 1 p. 6

Background

Accepted accounting and auditing standards include these control practices for cash handling:

Separation of duties among key personnel – Errors and misappropriation may not be detected and corrected when key tasks are performed by the same employee. Separating these among staff also promotes cross-training and minimizes process delays when employees are absent.

System access and functional assignments – Authorization to perform appropriate systematic processes should be limited to a user's specific role and on a 'need to know' basis.

Recordkeeping – is the process of recording transactions and events that will create, capture, and maintain accurate and thorough records in paper copy or electronically.

Reconciliation – is the process of ensuring that two or more sets of records are in agreement and the recording input is accurate.

Supervisory review – forms a part of a standard quality assurance program. Key functions are subject to periodic review to reduce the incidence of errors and misappropriation as well as provide on-going training.

Timely cash deposits – The entity should have established procedures for making bank deposits timely, which are designed to safeguard cash collected and manage the entity's cash flow needs.

Security – Cash is highly susceptible to theft and the entity's management must ensure that adequate security measures are in place to safeguard this asset.

Our testing was designed to confirm that:

- ✓ Systematic controls exist to ensure that payments are accurately recorded by authorized personnel;
- ✓ Documents related to payments are retained;
- ✓ Cashiering controls are in place such as reconciliation and supervisory oversight;
- ✓ Payments by cash are deposited accurately and timely; and
- ✓ Standard security controls are in place.

Audit Results

Audit Findings

The audit findings are linked to the controls or practices expected to be in place. Not all findings apply to all of the cashiering offices but rather apply to the overall cash handling processes reviewed.

Revenue has provided its employees with an instructional guide on the operations of the PSI system. The department had not developed a documented procedures manual for its staff. Rather, activities and workflows we observed are *practices* that staff has developed over time. The lack of structured procedures is the basis for many of the findings identified in this audit.

1. Lack of separation of duties

Industrywide standard accounting control requires different employees perform the tasks of authorization, custody of assets, recordkeeping and reconciliation of cashiering functions. We found cashiers in Revenue were granted permission to process all four cashiering functions. This is a control weakness. During our audit we determined that a cashier had the access ability to record a tax liability and then subsequently adjust the amount without supervisory review or approval. This action did not prompt an automated alert to Revenue management by PSI, the City's electronic revenue and taxpayer record system.

Allowing each cashier to perform every cashiering function permits them to adjust tax payments or amounts owed, without supervisor review. This can adversely impact the integrity of taxpayers' records, allow for payment transactions to go undetected and invites opportunities for fraud.

2. System access was neither updated nor restricted

Electronic access to both the City's point of sale (POS) and revenue record system (PSI) was neither regularly updated when Revenue personnel left the department nor was access regularly reviewed and re-authorized by management.

We identified instances where a cashier used the POS login credentials of a supervisor who retired in 2010 to approve the cancelation of 11 transactions totaling over \$14,000, over the course of 2 months. Management was unaware of the unauthorized use of this login until we brought it to their attention. This situation occurred because Revenue management did not notify Treasury to remove the supervisor's access at time of retirement.

Other Revenue personnel were granted access rights in PSI that allowed them to adjust tax amounts owed. Management does not have an established, regular process to review and validate user access. As a result, opportunities for fraudulent activity exist and the City may have unknowingly collected less revenue than is actually due.

Audit Results

3. Cashier packet documentation was missing and incomplete

We sought to examine the records or cashier packets of 25 dates as part of our audit work. These packets include documents that provide evidence to the daily cashiering activity and include certain records such as PSI and POS reports, taxpayer payment declarations or applications, invoices, credit card receipts, cashier's calculations, bank deposit slips, and the cashier deposit log. These records provide the back-up activity for the cashiering processes.

Cashier packets for five of the 25 dates (20 percent) selected for testing could not be located; two of the remaining 20 dates (10 percent) were substantially incomplete and were discarded from our testing sample. Revenue management only learned of these missing records when we made a request for them. Without these documents, Revenue cannot accurately confirm that tax payments were made or that business licenses were issued properly.

4. Bank deposits were not timely submitted to Treasury

Our audit determined that in 29 of 52 (56 percent) deposits tested, monies collected were not submitted to Treasury by the established timelines and therefore, were not deposited at the bank as soon as they could have been. These deposits totaled more than \$1 million over the course the of 5 month period we tested. Administrative Instruction 1002 establishes protocols for timely deposits based on dollar amount thresholds.⁴ Industrywide financial controls provide for the prompt deposit of funds collected, including cash, checks and money orders. By delaying deposits, the City has no opportunity to use or invest these funds. Delays can also negatively impact the City's cash flow management and increases the risk of misappropriation.

5. Reconciliations lack supervisory review

We sought to review the quality of daily reconciliations between cash drawer counts and the amounts recorded in the point-of-sale (POS) system against PSI, the City's electronic revenue and taxpayer record system. We could not determine that supervisors at all locations performed a thorough review of these reconciliations. We selected six dates to test and re-perform the reconciliations. From this test, we determined that cash recorded in PSI was different from cash entered into POS in 83% of the samples we tested. These differences were not noted or highlighted in the reviews performed by supervisors.

The purpose of the reconciliation is to (1) ensure the drawer count matches the amounts recorded in the POS system, and then (2) ensure the POS amounts match those amounts recorded into PSI since this serves to ensure payments are applied to the correct taxpayer for the correct amounts.

⁴ Revenue must submit deposits to Treasury using these thresholds: \$10,000 or more -one business day, \$5,000-\$9,999 - two business days, \$500-4,999 - three business days, less than \$500 - within a week.

Audit Results

Because reconciliations lacked supervisory oversight and follow-up, the City can neither be assured that all cash collected from a taxpayer was correctly recorded to the taxpayer's account nor that all cash collected by cashiers was received by the City.

6. Staff can alter Business Tax License Registry reports and issue business licenses in error

In one instance we observed a Revenue staff adjust a taxpayer's record in PSI that showed a balance due to zero, in order to expedite the review of the License Registry report.

A business license is issued when the information in PSI indicates taxes are paid and the account is up-to-date. A PSI License Registry Report is generated and Revenue staff are tasked with reviewing this report to confirm that all accounts are paid in full. Any exceptions should be escalated to supervisors. Once this review is complete, the report is sent to an outside vendor to print and mail the business license certificates to the taxpayer.

During certain times of the year, Revenue experiences a high volume of Business Tax payment processing. At these times, the License Registry report can be voluminous. Staff may feel time pressure to alter the report to show accounts paid so to finalize the process as quickly as possible.

PSI generates logs of all staff activity in the system. But management does not regularly review these logs. As a result, staff are able to make these alterations in the License Registry report with no supervision or follow-up. Auditors performed no further testing to determine the extent of these errors, as management anticipated the implementation of a new system to replace PSI that will not permit the override of invoiced amounts without supervisory approval. However, it is possible that Revenue may have issued Business licenses to applicants who may not have paid in full.

Audit Recommendations

Auditor's Conclusions

We acknowledge that there may be losses to the City from unrecorded cash payments and that records may be incomplete and inaccurate. However, the very nature of cash and the inability to trace cash transactions prevented us from reasonably assessing the amount, extent or impact to the City.

The cashiering function in the Revenue Management Bureau lacks a system of controls and practices. This created an environment that is extremely high risk for cash shortages, errors and misappropriation. Our audit identified deficiencies in nearly all areas of controls deemed to be standard for cash handling functions.

The City Auditor's recommendations were developed to assist management in strengthening these systematic controls as well as other process level controls.

Once informed of the findings, Management took immediate steps to remediate the deficiencies. A summary of these are included within our recommendations below. For a complete description of management's action plan please see Appendix A - Management Response to City Auditor's Report.

Recommendations

The City Auditor acknowledges that the Revenue Management Bureau recently implemented a new taxpayer record system that replaced the current PSI system. The following recommendations should be considered to ensure that the system's automated and process controls meet standard practices that will complement the City's framework for internal controls of cash handling practices.

1. Separation of Duties

Management should review key tasks and employees assigned to those tasks to ensure that duties are properly separated so that the risk of errors and misappropriations is mitigated and employees are cross-trained.

Management Response: With the implementation of the new taxpayer solution software, cashiers will no longer have access to adjust tax amounts owed. Further, the new system will be fully integrated with the POS system so that payment transactions will be recorded simultaneously in both taxpayer and POS systems.

Audit Recommendations

2. Systems Access

Treasury should prepare a listing of employees by department, noting access and request confirmation from department heads as to the accuracy and completeness of the report. In this way, the City can confirm that access rights are current and that retired or departed employees' access has been turned off.

- ✓ Management should ensure that exception reporting is in place and that appropriate procedures are applied to resolve exceptions.
- ✓ Management should determine whether Revenue Staff should be able to change revenue amounts in PSI. If so, exception reporting should be developed so that management can review these activities and confirm that changes were made appropriately.
- ✓ Exceptions in the reconciliation process should be forwarded to a supervisor for follow-up. Resolutions should be noted in the system for future reference.
- ✓ A regular review of all user access for POS and PSI must be performed to confirm that permissions granted are appropriate for assigned tasks and that access has been removed for terminated and transferred employees and those on long-term leave.

Management Response: All department managers are now required to notify Treasury of employees with POS access that are terminated, retired or on long-term leaves of absence.

On a periodic basis, Treasury will send a notice of current users to all managers, requiring a confirmation that employment status is current to affirm that access for departed employees has been turned off.

3. Adequate supporting documentation

The documentation used in preparing the reconciliation of deposits in the POS system to the PSI report and the non-PSI revenue should be complete and these documents should be filed and stored for safekeeping.

Cashier packet documentation should be verified for completeness to include certain PSI and POS reports, taxpayer payment declarations or applications (e.g. Business Tax declarations) and invoices, credit card receipts, cashier's adding machine tally tapes, bank deposit slips and the cashier deposit log.

Management should confirm that all reporting tools in the PSI system are used to their full capability to enhance the reconciliation process and the integrity of input into the system.

Management Response: Revenue management has revised its closing procedures, filing procedures, and expectations in the cashiering function that are now included in the recently published Revenue Management Bureau policy documents.

Audit Recommendations

4. Timely Deposits

Treasury should conduct a daily review of monies collected, based on the reporting from the POS system and compare to deposits submitted to Treasury. Treasury staff should contact cashiers to remind them to submit their deposits.

Treasury should work with the Revenue management and City Administrator to update the **Administrative Instruction 1002**, which was last revised in 2008. City managers should ensure that the procedures outlined in this instruction represent up-to-date cash handling practices and appropriate security measures for monies collected at City locations.

Management Response: Revenue increased the staffing for cashiers, so that monies can be submitted to Treasury as required. Treasury staff contacts and supervises cashiers to make sure deposits are submitted. The importance of timely deposits is reiterated at citywide cashier meetings.

Treasury will review Administrative Instruction 1002 for needed updates.

5. Reconciliations and Supervisory Reviews

Cashiers at all locations must use a standard reconciliation process at the end of each day or at the close-out of activity. This includes reconciliation to the PSI report as well as non-PSI revenue.

The supervisor's review of the cashier's reconciliation must be thorough and include and confirm the following:

- ✓ Ensure a reconciliation has been performed between POS and PSI/Non-PSI activity.
- ✓ All documents are included in the deposit reconciliation and support the amounts included in POS and PSI.
- ✓ The supervisory review should be performed after the PSI report has been 'merged' which is a final document that cannot be altered after review.
- ✓ Cashier's cancellations are authorized and documented.

Management's Response: Revenue has revised its procedures to include the roles of supervisors in this process. These procedures are currently being updated to reflect the processes that will be a part of the new taxpayer solution software. Payment transactions will be automatically recorded in both systems, reducing the risk of errors and incorrect data input.

Audit Recommendations

6. Business Tax License Reviews

Management should adjust staffing schedules and work assignments so that the Business license reports can be reviewed thoroughly and timely throughout the year.

Business License PSI reports showing exceptions, such as unpaid taxes, should be escalated for further action before submission to the vendor for printing of business license certificates.

Management Response: Revenue staff will no longer have access to adjust tax amounts in the taxpayer system. Further, the new system will automatically prepare a Business License Tax report that will only include fully paid accounts. Exception reports will be reviewed by supervisors.

Audit Recommendations

Other Areas of Consideration

The following non-inclusive and extensive list represents successful or best practice recommendations for cashier functions for any organization.

- ✓ Dedicated cash station or cash drawer for each cashier.
- ✓ Cash drawers, stations and offices that lock and that are locked any time the cashier is not present.
- ✓ Cash drawers should have keys specific to that drawer and issued only to a limited number of staff as necessary.
- ✓ Each cashier's cash drawer is counted and reconciled daily at the end of their shift as per the close of day procedures. Exceptions are resolved timely and prior to new activity.
- ✓ The supervisor recounts the cash in cashier's presence to verify amounts.
- ✓ Supervisor, not the cashier, secures cash and reports in a safe overnight after reconciliation. Only supervisors should have access to the safe.
- ✓ Cashier's beginning and ending balance is set at a fixed amount.
- ✓ The supervisor maintains a log of each cashier's cash deposit put into the safe awaiting armored transport and the cashier signs the log.
- ✓ All staff sign off on the policies and procedures upon hire and annually thereafter.
- ✓ Cash counting machines.
- ✓ Window or peephole in the cashier office door.
- ✓ Cameras over the cashier station and in the general work area.
- ✓ Count cash in an area not visible to the public.
- ✓ Ability for taxpayers to pay online.

Statement of Compliance, Audit Objectives, Scope and Methodology

Statement of Compliance with Government Auditing Standards

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Objectives and Scope

The audit objectives were to confirm that cashiering systems and cash handling process controls currently in place at City cashier offices are sufficient to safeguard against significant misappropriation and error.

We performed tests of the cashiering process to include samples of deposits or collection activity that occurred in January, February, October, November and December, 2015. Our testing focused on cash transactions to confirm that amounts were properly recorded in PSI and POS. Our procedures were limited to the cash handling process and payments received in person from taxpayers at the three cashier offices located in Frank H. Ogawa Plaza. Our audit tests did not include all City of Oakland cashier locations. For instance, we did not review cash handling at City park centers, libraries, parking kiosks and City garages.

Methodology

In conducting the audit, we:

- Reviewed the governance documents pertaining to payments in cash.
- Observed the cash handling procedures at the three Revenue Management Bureau cashiering locations at Frank H. Ogawa Plaza.
- Tested whether staff adhered to policies and procedures.
- Examined and tested documentation for compliance, accuracy and completeness.
- Re-performed reconciliations
- Reviewed Administrative Instructions related to cashiering.

CITY OF OAKLAND



CITY HALL • 1 FRANK H. OGAWA PLAZA • OAKLAND, CALIFORNIA 94612

OFFICE OF THE CITY ADMINISTRATOR
Sabrina B. Landreth
City Administrator

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January 10, 2017

The Honorable Brenda Roberts
Oakland City Auditor
1 Frank Ogawa Plaza, 4th Floor
Oakland, CA 94612

RE: City Administrator's Response to the Audit of Cash Handling in the Revenue Management Bureau

Dear City Auditor Roberts:

The City Administration and the Revenue Management Bureau appreciate the Audit of Cash Handling report, which highlights areas and functions in need of further attention and improvement.

My Office is working with the Revenue Management Bureau and with Treasury to develop a management action plan that will address the issues noted in the report. Many of these have already been resolved with the recently implemented electronic revenue and taxpayer record system, provided through HdL. Other procedural changes have been put into place that will strengthen the controls in the cash handling function and provide for greater efficiencies.

The attached matrix that follows lists the audit recommendations and includes our comments to each recommendation. We have identified the responsible manager for implementation and our estimated time frames to complete. As noted above, some of these recommendations have now been implemented and are so noted.

I want to extend my gratitude to the City Auditor and her staff for alerting us to deficiencies as they were discovered. This allowed us to implement corrective action quickly.

Sincerely,

A handwritten signature in dark ink, appearing to be 'Sabrina B. Landreth', written over a horizontal line.

Sabrina B. Landreth
City Administrator

cc: Margaret O'Brien, Revenue & Tax Administrator
Katano Kasaine, City Treasurer

Attachment: Tracking Matrix

Audit of Cash Handling in the Revenue Management Bureau

Management's Response to City Auditor's Report



	City Auditor's Recommendations	Management Response	Responsible Party	Target Date to Complete
1	<p><u>Separation of Duties:</u> Management should review key tasks and employees assigned to those tasks to ensure that duties are properly separated so that the risk of errors and misappropriations is mitigated and employees are cross-trained.</p>	<p>The Revenue Management Bureau (Revenue) is replacing PSI with a new tax revenue record system, HdL. The implementation of the HdL system will:</p> <ul style="list-style-type: none"> a. Remove cashiers permission levels to change tax liabilities or payment amounts. Revenue staff will not have the ability to "zero-out" amounts due. b. Ensure policies are being documented that outline the reconciliation process. c. Procedures have been written to guide staff on escalating adjustments. d. Notes are mandatory in the system and an exception report is printed and filed on a weekly basis. <p>Furthermore, the HdL system (unlike the PSI system) is fully integrated with the City's point of sale ("POS") software. It is no longer possible for payment transactions to go unrecorded. The integration with the City's POS was a requirement in the selection of the new software solution.</p>	Revenue and Tax Administrator	12/19/2016
2	<p><u>System Access:</u> Management must:</p> <ul style="list-style-type: none"> • Ensure that exception reporting is in place and that appropriate procedures are applied to resolve exceptions. 	<p>The new taxpayer solution system will be fully integrated with the City's point of sale ("POS") software. Thus, it is no longer possible for payment transactions to go unrecorded. The integration with the City's POS was a requirement in the selection of the new software solution.</p>	Revenue and Tax Administrator	12/19/2016
	<ul style="list-style-type: none"> • Determine whether Revenue Staff should be able to change revenue amounts in PSI. 	<p>In the new local tax software solution HdL, Revenue staff will no longer have the ability to "zero out" balances due. This was functionality specific to the PSI system.</p>	Revenue and Tax Administrator	12/19/2016

Audit of Cash Handling in the Revenue Management Bureau

Management's Response to City Auditor's Report



	City Auditor's Recommendations	Management Response	Responsible Party	Target Date to Complete
	<ul style="list-style-type: none"> Forward exceptions in the reconciliation process to a supervisor for follow-up. Note resolutions in the system for future reference. 	<p>Adjustments in the system now require multiple steps to ensure that the change is authorized and approved:</p> <ol style="list-style-type: none"> 1. A request for adjustment is made to the Revenue Operations Supervisor; 2. The request is reviewed and approved by the Principal Revenue Analyst; 3. If approved, the System Administrator will make the needed adjustment in the system. 4. Notes are mandatory in the system and an exception report is printed and filed on a weekly basis. 	Revenue and Tax Administrator	12/31/2016
	<ul style="list-style-type: none"> Regularly review all user access for POS and PSI to confirm that permissions granted are appropriate for assigned tasks and that access has been removed for terminated and transferred employees and those on long-term leave. 	<p>Revenue will regularly review access and permissions of all employees requiring access as a part of their duties and responsibilities.</p> <p>On a quarterly basis, Treasury will distribute a listing of current users and permission rights. Revenue management must confirm that the listing reflects current and active employees.</p>	<p>Revenue and Tax Administrator</p> <p>City Treasurer</p>	<p>12/31/2016</p> <p>3/31/2017</p>
3	<p>Adequate supporting documentation: Verify cashier packet documentation for completeness. Make sure the packets include certain PSI and POS reports, taxpayer payment declarations or applications (e.g. Business Tax declarations) and invoices, credit card receipts, cashier's adding machine tally tapes, bank deposit slips, and the cashier deposit log.</p>	<p>Revenue has written policy for close out procedures, filing procedures, and expectations of cashiers and supervisors.</p> <p>The HdL system is integrated with City's POS system, which creates improved fiscal controls.</p> <p>The department has a designated system administrator who is tasked with managing and updating the reporting module tables to ensure accuracy of the software's reporting.</p>	Revenue and Tax Administrator	12/31/2016
	<p>Confirm that all reporting tools in the PSI system are used to their full capability to enhance the reconciliation process and the integrity of input into the system.</p>	<p>All Revenue Staff were retrained for the implementation of the HdL system. Transaction coding will be uniform and consistent going forward as the HdL system is integrated with the City's POS system. Close-out procedures are more user friendly under</p>	Revenue and Tax Administrator	12/31/2016

Audit of Cash Handling in the Revenue Management Bureau

Management's Response to City Auditor's Report



	City Auditor's Recommendations	Management Response	Responsible Party	Target Date to Complete
		the HdL system.		
4	Timely Deposits: Treasury should conduct a daily review of monies collected, based on the reporting from the POS system and compare to deposits submitted to Treasury. Treasury staff should contact cashiers to remind them to submit their deposit	<p>Revenue has increased the number of trained cashiers.</p> <p>With the implementation of the HdL system, which includes the ability to pay taxes online, the volume of payments received in-house during the months of January, February, and March should decrease significantly.</p> <p>Both of these solutions will allow the department to meet deposit timelines.</p> <p>Treasury staff contacts and supervises cashiers to make sure deposits are submitted. The importance of timely deposits is reiterated at citywide cashier meetings.</p>	<p>Revenue and Tax Administrator</p> <p>City Treasurer</p>	<p>1/20/2017</p> <p>12/31/2016</p>
	Treasury should work with the Revenue and City Administrator to update the Administrative Instruction 1002 to ensure that the procedures represent up-to-date cash handling practices and appropriate security measures for monies collected at City locations.	Treasury will review Administrative Instruction 1002 for needed change.	City Treasurer	03/31/2017
5	Reconciliations and Supervisory Reviews: Cashiers at all locations must use a standard reconciliation process at the end of each day or at the close-out of activity. This includes reconciliation to the PSI report as well as non-PSI revenue.	<p>Management published closing procedures and expectations. The policies are currently being updated to reflect new processes under the HdL system. Furthermore, the HdL system is fully integrated with the City's point of sale (POS) software. It is no longer possible for payment transactions to go unrecorded.</p> <p>The integration with the City's POS was a requirement in the selection of the new software solution. Cashiers batch-out at the end of the day and the Supervisor reviews and reconciles each cashier drawer.</p>	Revenue and Tax Administrator	12/31/2016

Audit of Cash Handling in the Revenue Management Bureau

Management's Response to City Auditor's Report



	City Auditor's Recommendations	Management Response	Responsible Party	Target Date to Complete
	<p>The supervisor's review of the cashier's reconciliation must be thorough and include and confirm the following:</p> <ul style="list-style-type: none"> • Ensure a reconciliation has been performed between POS and PSI/Non-PSI activity. • All documents are included in the deposit reconciliation and support the amounts included in POS and PSI. • The supervisory review should be performed after the PSI report has been 'merged' which is a <i>final</i> document that cannot be altered after review • Cashier's cancellations are authorized and documented. 	<p>The department has already implemented new policies and procedures that include:</p> <ol style="list-style-type: none"> 1. A reconciliation between HdL and POS and between POS and non-HdL transactions. 2. Ensure that all necessary reconciliation documents support the amount of money received into POS via HdL and non-HdL activity. 3. The inability for cashiers to change amounts due. 4. Business tax accounts that have a balance due will appear in an exception report to be printed and reviewed weekly by the Supervisor, who will propose a resolution (if necessary) to the Manager. 	Revenue and Tax Administrator	12/31/2016
6	<p><u>Business Tax License Reviews:</u> Management should adjust staffing schedules and work assignments so that the Business license reports can be reviewed thoroughly and timely throughout the year.</p> <p>Business License PSI reports showing exceptions, such as unpaid taxes should be escalated for further action before submission to the vendor for printing of business license certificates.</p>	<p>The HdL system removes the need to review a business license registry. Staff, below the System Administrator level, do not have permissions to make adjustments in the system. If an adjustment is needed:</p> <ol style="list-style-type: none"> 1. A request for adjustment is made to the Revenue Operations Supervisor; 2. The request is reviewed and approved by the Principal Revenue Analyst; 3. If approved, the System Administrator will make the needed adjustment in the system. <p>Notes are mandatory in the system and an exception report is printed and filed on a weekly basis.</p>	Revenue and Tax Administrator	12/31/2016