



CHARLOTTESM

INTERNAL AUDIT

**Audit Report
Cash Collections FY16
August 25, 2016**

**City Auditor's Office
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Purpose and Scope

The purpose of this audit was to determine whether departments have established effective controls related to cash collections. As part of the City's ongoing cash collection monitoring, Internal Audit performed unannounced audits of cash collections sites throughout the City.

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.

This report is intended for the use of the City Manager's Office, City Council and all City Departments.

Conclusion

The City's cash collection policies and procedures are satisfactory. The Finance Office has continued to further strengthen cash collection controls.

Summary Findings, Recommendations and Actions Planned

The following findings are detailed, beginning on page 3:

1. City-wide cash collection controls continue to improve.
2. Desktop depositing has streamlined the cash collection process.
 - In response to Audit's recommendation that efforts to expand desktop depositing should be continued, Finance plans to continue evaluating opportunities. Aviation is in the queue to implement desktop depositing this fall.
3. Revenue has effectively monitored cash collection activities.

Background

An audit was performed during 2014 examining the City's collection sites, with the results reported in October 2014. The audit was initiated to respond to both:

- An embezzlement of cash funds related to CATS' fare evasion fine collections at the City's Park It office, and
- A recommendation by the City's external auditors for increased monitoring of cash collection activities to ensure internal controls are properly designed and operating effectively.

A follow-up audit was conducted, with results reported in August 2015. The audit concluded that the City's cash collection policies and procedures are satisfactory and continue to improve. Revenue staff has made progress toward implementing previous audit recommendations, as summarized below.

Summary and Status of 2015 Findings and Recommendations

In the August 2015 report, Internal Audit provided findings and recommendations to improve internal controls over the City's cash collection activities. A current assessment of each finding follows:

1. City-wide cash collection controls; site consolidation; and electronic collections

Original Recommendation: The collection site controls matrix completed by Revenue staff in January 2015 should be regularly updated and used to evaluate the level of controls appropriate based on collection site activity. While it is Revenue's responsibility (per City Policy FIN 1, subsequently renamed MFS 1) to determine the required controls at each location, Audit notes Aviation Parking as an outlier among City locations for high cash revenues and no security cameras – and therefore, this location is strongly encouraged to be considered for upgraded controls, including cameras. Revenue should continue to research alternatives and consider reducing the number of cash collection sites throughout the City, as well as the electronic depositing options for satellite locations and online payment options City-wide.

Current Assessment:

- Revenue evaluates the matrix on a regular basis and proposes changes when necessary.
- Aviation and Revenue are collaborating to improve cash collection procedures and enhance controls related to parking operations.
- Revenue has led the effort to automate cash collections where possible, with the implementation of desktop depositing (several locations) and the ongoing development of online payment solutions (Fire and CMPD – Animal Care & Control were implemented during FY16).

2. Most checks are being deposited timely.

Original Conclusion: Internal Audit and Revenue staff worked together over several months to perform detailed reviews of potentially late deposits. The majority of

checks reviewed for possible noncompliant handling were found to have been received with a stale date. A few individuals were instructed to follow the existing policies more stringently. Revenue is establishing a new position which will allow continuing follow-ups of possible late deposits, and Internal Audit is satisfied with the overall high compliance rates that have been established.

Current Assessment: Audit staff did not find any stale dated checks on site visits during FY16. It should be noted that auditors only sampled a week or less of deposits during each audit. Revenue continues to monitor and report checks dated older than 30 days for follow-up with the Department.

3. *Revenue should continue to monitor cash collection activities.*

Original Conclusion: Revenue has established an improved process of working with all departmental Fiscal Control Officers. Revenue staff has an adequate plan to address our prior recommendations.

Current Assessment: See Finding #3 below, which details Revenue's effective monitoring efforts in FY16.

Audit Findings and Recommendations – 2016

1. *City-wide cash collection controls continue to improve.*

During FY16, audit staff visited eight cash collection sites throughout the City. Each was unannounced and the Department Director was notified of the audit as it was in progress. Following each review, auditors prepared a memo that was sent to the Department Director as well as Management & Financial Services detailing observations and any recommended actions. Overall, cash collection controls are improving City-wide. Many recommendations proposed after the site visits have been implemented, while departments have initiated discussions and are researching solutions for outstanding recommendations. Several improvements were noted – addressing audit recommendations, the Revenue Compliance Officer's (RCO) input, and departmental initiatives during FY16 – as follows:

- Installation of security cameras at various sites (Aviation and CDOT)
- Implementation of locked bank bags for transporting deposits (Aviation)
- Purchase of new safes for secure storage of deposits (CMPD – Animal Care & Control)
- Securing cash handling areas, including locked doors and tills (several)
- Desktop depositing (nine collection sites, detailed in #2 below)

2. *Desktop depositing has streamlined the cash collection process.*

In an effort to improve efficiencies within the cash collection process, a desktop depositing program was established in September 2015, following Revenue's initial

testing and implementation. Management & Financial Services' Risk Management Division served as the pilot for the desktop depositing program. After working through technical issues, the process has been running efficiently.

Desktop depositing allows the department to electronically deposit checks and money orders directly to a bank. For those collection sites adopting desktop depositing, the need for collection and transportation of checks is eliminated. The new process has aided the City's compliance with the State Statute that requires deposits within 24 hours, as well as reducing the number of people that handle the checks.

After the success of the pilot program, Engineering & Property Management – Cemeteries Division, Charlotte Mecklenburg Police Department Animal Care & Control, and Charlotte Water (New Services, Temporary Hydrant, IDS Fees) implemented desktop depositing during FY16. The initial results have been positive in each department.

Recommendation: The efforts to expand desktop depositing should be continued, wherever Finance determines appropriate and feasible.

Management & Financial Services Response: The Revenue Compliance Officer will continue to monitor City-wide compliance with controls and procedures related to cash handling and work with Departmental Fiscal Control Officers to evaluate and assess potential for reduction of cash collection sites. In areas where consolidation is not viable, automation of cash handling (i.e., desktop depositing) will be presented as an option. Aviation is in the queue to implement remote deposit capture this fall.

3. Revenue has effectively monitored cash collection activities.

Revenue has established a full time position within the division to assist with departments' compliance to State statutes and City policies related to cash collections. The RCO has established positive relationships with City departments and assists in the following areas:

- Recommends control improvements
- Visits cash collection sites periodically
- Desktop depositing implementation
- Improving iNovah's (City's cashiering system) reporting capabilities
- Policy revisions
- Annual confirmation of Department FCOs and designees

Audit staff worked with the RCO throughout FY16 to coordinate our combined coverage of cash collection sites, and will continue the collaborative effort to monitor cash collections throughout the City.