



City Wide Cash Handling II Audit

Audit Report 13-03

December 2013

Cash handling is a very visible and important government fiscal function. Citizens expect government to provide high-quality services and, at the same time, be accountable for public funds.

The City wide Cash Handling II Audit (13-03) focused on these four objectives:

- 1.Determine if internal controls over cash handling are appropriate;**
- 2.Determine if cash is collected, receipted, recorded, deposited, transported, reconciled and secured in an adequate and accurate manner;**
- 3.Ensure that change fund balances are accurate, fund limits are appropriate, and proper controls over account use are in place; and**
- 4.Determine if City employees are adequately trained in cash handling responsibilities.**

Using criteria from:

- **American Institute of Certified Public Accountants (AICPA)**
- **Committee on Sponsoring Organization of the Treadway Commission (COSO)**
- **United States General Accountability Office (GAO)**
- **South Dakota Codified Laws**

COMPASS presented City management with findings and 9 recommendations in the following areas:

- **Policies and Procedures**
- **Fund Documentation**
- **Receipts**
- **Segregation of Duties**
- **Safeguards**
- **Management Oversight**
- **Training**

Policies and Procedures

Recommendation 1: We recommend the City Finance Office develop cash handling guidelines to assist City departments in developing effective written cash handling policies and procedures.

Recommendation 2: We recommend that City departments use these guidelines in drafting policies and procedures and make modifications as necessary to address site specific situations. All policies and procedures should address the following:

- **Collection**
- **Receipts**
- **Deposits**
- **Recording Transactions**
- **Cash Reconciliations**
- **Deposit Reconciliation**
- **Safeguards**

Fund Documentation

Recommendation 3: We recommend the City Finance Office create and maintain a complete and accurate list of all petty cash and change funds that are properly supported by City Council Resolutions. We also recommend that all future resolutions are written to ensure:

- The custodial division or program is identified;
- The authorization specifies a new fund or an increase or decrease to an existing fund;
- Proper identification as a petty cash or change fund; and
- The fund function is explained.

Receipts

Recommendation 4: We recommend the City Finance Office develop a process for City department employees to use to review missing, voided, or canceled receipts when pre-numbered or system generated receipts are used.

Segregation of Duties

Recommendation 5: We recommend department managers properly segregate cash handling duties where resources are available. We also recommend they implement mitigating controls where resources are limited. Duties to segregate include, but are not limited to:

- Collection and reconciliation of cash;
- Collection and depositing of cash;
- Reconciliation of deposits to financial system records;
- Opening mail and creating a remittance list; and
- Reconciling the deposits to the remittance list.

Safeguards

Recommendation 6: We recommend that management properly safeguard cash and that all staff receiving checks restrictively endorse them immediately where practical.

Recommendation 7: We recommend that all payments for tap fees be received and processed at the Utility Maintenance Facility.

Management Oversight

Recommendation 8: We recommend department management develop and implement monitoring procedures over cash handling to ensure that records are complete and accurate; and that change funds are accurate, reasonable, and sufficient.

Training

Recommendation 9: We recommend the City Finance Office develop and provide training on proper internal controls for all City employees with cash handling responsibilities.

**The City-Wide Cash Handling II Audit Report (13-03)
is available online at:**

<http://www.rcgov.org/Compass-Committee/index.html>