



City of
Corpus
Christi

AU12-003
Financial Services
Central Cashiering

Office of the City Auditor
Arlena Sones, CPA, CIA, CGAP
City Auditor

June 6, 2014

Executive Summary

In accordance with the FY 2012 Annual Audit Plan, we conducted an audit of Central Cashiering in the Financial Services Department of the City of Corpus Christi (City). The objective of this audit is to evaluate the adequacy of cash handling controls over receipts. It was broken down into three sub-objectives:

- Determine if cash payments are collected, receipted, deposited, and posted to PeopleSoft accurately, completely, and timely.
- Determine if controls in place for posting external data file payments into SunGard HTE are working effectively and efficiently.
- Determine if controls are in place over the physical security of Central Cashiering assets and staff.

The scope for this audit was for the eighteen month period of August 1, 2011 to January 31, 2013.

We concluded that cash handling controls over receipts are barely sufficient, and we have provided recommendations for strengthening the existing controls. Our conclusions for the sub-objectives follow:

- Cash payments generally are collected, receipted and deposited accurately, completely and timely.
- Processes for posting payment data files into SunGard HTE are not working effectively.
- Physical security of Central Cashiering assets and staff could be improved.¹

Management of the Financial Services Department agrees with this report. See the responses at Appendix B.

¹ Appendix A contains sensitive information related to security issues at cash handling locations, and Appendix C contains management responses to these issues. Therefore, both Appendix A and Appendix C will be redacted from the audit report provided to the general public as provided by the Local Government Code Section 552.139.

Table of Contents

Executive Summaryi

Background2

Statutory Authority and Municipal Guidelines3

Audit Objective, Scope and Methodology3

Conclusion.....4

Staff Acknowledgement.....5

Audit Results and Recommendations.....6

A. Cash Deposits.....6

B. Cash Counts6

C. Cash Overages and Shortages.....7

D. Voids, Reversals, and Deleted Transactions7

E. Record Retention.....8

F. Non-Sufficient Funds9

G. Mandatory Vacations9

H. Cashier Window Signage.....9

I. Procedures Manual10

J. Check Verification Services.....10

K. Electronic Data Payment Files11

L. Daily Reconciling Activities.....12

Appendix A – Security Issues13

Appendix B – Management Response16

Appendix C – Management Response to Appendix A23

Background

The Central Cashiering section of the Financial Services Department reports directly to the City Treasurer who oversees the Cash Management division. Central Cashiering is staffed by one supervisor, one assistant supervisor and eight cashiers. Central Cashiering was budgeted \$786,558 \$637,756, and \$600,154 for FY2012, FY2013, and FY2014, respectively.

Central Cashiering operates three locations throughout the city. The primary site is located on the first floor of City Hall. Business operations are Monday through Friday. Cashiering staff also work at the Development Services Department and J.C. Elliot Landfill; however, services at these two locations are limited to collections and receipting specific to those sites.

Central Cashiering is responsible for:

- Accepting, receipting, and depositing payments made by walk-in customers
- Posting payments made via data payment files (i.e. payments received online, by telephone, through Western Union, or the lockbox mail location)
- Accepting deposits and posting revenue from other City departments

Other responsibilities are listed below; however, these were not tested during this audit.

- Replenish and reimburse departments for petty cash and travel requests
- Conduct cash handling training and providing personnel during staff vacancies for other City departments
- Advise other departments with cash collection sites on cash handling practices
- Conducting cash counts at other City collection sites as needed

An armored transport service collects Central Cashiering's deposits and transports them to the bank. On return, they drop off bank bags sent by the City's depository that includes the previous day's validated deposit slips and revenue reports. This information is forwarded to Cash Management so they can ensure deposits are properly posted to the City's financial system of record, PeopleSoft.

Central Cashiering uses the SunGard HTE software system (HTE) to receipt payments made for utility bills and other City services. Each evening, the automated system posts all daily batch activity, such as payment and adjustment, to customer accounts in HTE. HTE does not directly interface with PeopleSoft; however, semi-automated processes were developed to allow for data transfer between the two systems via journal entry.

Statutory Authority and Municipal Guidelines

In conducting our audit, we relied on the following authoritative guidelines to serve as criteria for the audit:

- Texas Penal Code §32.41 Issuance of Bad Check
- Texas State Library and Archives Commission
- City Policy F-2.0 Cash Management
- City Policy F-2.1 Petty Cash Funds
- City Policy F-3.0 Depositing, Disbursing, and Check Cashing
- City Policy F-5.0 Cash Over/Short
- City HR Policy Manual
- Central Cashiering Manual
- Graphic Standards Manual
- Controls Over Cash Review, external audit report, May 26, 2006
- Cashiering Systems and Process Review, external audit report, September 9, 2004

Audit Objective, Scope and Methodology

The objective for this audit project is to evaluate the adequacy of cash handling controls over receipts. We divided the objective into three sub-objectives:

- Determine if cash payments are collected, receipted, deposited, and posted to PeopleSoft accurately, completely, and timely.
- Determine if controls in place for posting external data payment files into SunGard HTE are working effectively and efficiently.
- Determine if controls are in place over the physical security of Central Cashiering assets and staff.

The audit scope was August 1, 2011 through January 31, 2013. We conducted this audit from March 2013 to March 2014.

Our methodology included inquiry, observation, data analysis, and tests of transactions to complete the objectives of this audit. We reviewed State of Texas statutes, City ordinances, and policies and procedures related to Central Cashiering payment collection process. We conducted interviews with appropriate staff and management of the Financial Services Department including: Central Cashiering, City Treasurer, Cash Management, Accounts Receivable, and the financial accounting division. Audit steps were developed to evaluate and test compliance with established policies and procedures and to test the internal controls. In performing these steps, we:

- Conducted cash counts of each cashier and change fund in Central Cashiering
- Tested daily cashier packets including payment reversals and voids
- Traced daily receipts to the bank statement and to the general ledger
- Reviewed transaction data files
- Evaluated physical security over City assets and personnel

We relied on general ledger data from PeopleSoft system; however, we did not audit the system's general or application controls. We relied on data queries generated by Municipal Information Systems Department and demand reports generated out of HTE. We did not evaluate system controls of HTE. We used spreadsheets provided by Cash Management to reconcile the HTE transactions to the bank statement and to PeopleSoft. We used judgmental and non-statistical random sampling for testing HTE transactions.

City management is responsible for establishing and maintaining a system of internal controls to ensure assets are safeguarded, financial activity is accurately reported and reliable, and management and employees are in compliance with laws, regulations, and agreements with other entities.

This audit report provides independent, objective analysis, recommendations, and information concerning the activities reviewed. The report is a tool to help management discern and implement specific improvements. The report is not an appraisal or rating of management.

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 audit results 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.

Conclusion

Cash handling controls are barely sufficient. Lack of written procedures has resulted in:

- Missing documentation which created a scope limitation to auditors
- Undocumented or unauthorized voids, reversals and deleted transactions
- Ineffective supervisory oversight of overages/shortages

The semi-automated process created by Utility Billing Office (UBO) staff to transfer data payment files from external sources into HTE is unsuccessful 13% of the time (42% on Mondays). Central Cashiering did not develop this process; however, their work is greatly affected by it.

Other semi-automated processes designed by Cash Management staff to transfer data are overly complex, and they do not leave a clearly defined audit trail.

Finally, physical security at each of the cashiering locations could be improved.

Staff Acknowledgement

Kimberly Houston, Senior Auditor
Jacey Reeves, Auditor
Sarah Arroyo, Management Assistant

Audit Results and Recommendations

A. Cash Deposits

Eighty-one (81) individual cashier deposit slips were traced to the bank statements of the City's depository, and no exceptions in amounts were noted; however, issues were discovered when we tested the supporting documentation contained in the daily cashier packets. Issues not otherwise documented in this report include mathematical errors and a lack of supervisor review (4%) of the cash balancing sheets.

City Policy F-2.0 and the Cashier Manual require supervisor review of cash receipts.

Recommendation:

Management should review every cashier packet (cashier balancing sheet) for mathematical accuracy and to ensure the completeness of the cash fund.

B. Cash Counts

Cash counts conducted by auditors showed that cashier change funds (cashier tills) were intact; however, cash counts are not routinely conducted by supervisors on the cashier change funds at the end of the shift. Additionally, unannounced cash counts were documented for only 8 of 18 cashier change funds (44%) during the 18 month scope of the audit. Finally, department management does not periodically perform cash counts of the supervisor's change funds, and cash counts are not required after a change in staffing.

City Policy F-2.1 (since revised) requires audits (cash counts) to be conducted on petty cash funds, but the same could be assumed for cashier change funds. Unannounced cash counts can be used to detect and deter misappropriations of funds.

Also, it appears that the amount of cash on hand might be more than needed. City Policy F-2.1 states that custodians should monitor cash funds to assure they are neither too large nor too small. Large amounts of cash on hand increases susceptibility to misappropriation.

Recommendation:

Management should conduct and document unannounced cash counts on all cash funds in its possession and it should also re-assess the balances of cash held at its various locations.

C. Cash Overages and Shortages

Cashier overages/shortages are not routinely monitored, and cashiers are not counseled in a timely manner. Of 34 records reviewed, only 6% had documentation showing that the cashier had been counseled, and one of these counseling sessions occurred more than one year after the event.

Additionally, 17% of the 34 transactions were actually revenue transactions posted erroneously into the over/short line item.

Prior to October 2013, there was no requirement to monitor cashier overages/shortages; however, Policy F-5.0 has been implemented to evaluate cashier performance related to overages/shortages.

If management were to maintain a log of overage/shortages, it could readily identify cashiers in need of additional training, or be made aware of those cashiers who should be subject to increased monitoring activities. Reviews of cashier overages/shortages could improve cashier performance and reduce the risk of misappropriation of funds and posting errors.

Recommendation:

Management should review cashier overages/shortages every 30 days and take appropriate action based on the results of its review to be in compliance with Policy F-5.0.

D. Voids, Reversals, and Deleted Transactions

Central Cashiering does not maintain adequate support documentation for voided or reversed transactions. Seventy-three (73) of 149 voided or reversed transactions (49%) lacked proper supporting documentation and/or written authorization.

Voided transactions can be used to misappropriate money and lack of supervisory review may encourage such behavior. Well documented and adequately reviewed transactions help prevent and detect fraud.

There are no written procedures for performing voids or reversals; however, Central Cashiering traditionally uses standardized forms for cashiers to request that a transaction be voided or reversed. These forms are authorized (signed) by a supervisor who will perform the void in HTE.

Additionally, supervisors can void their own transactions because HTE does not have the capabilities to prevent them from doing so. This creates an issue with segregation of duties. The lack of system control makes the use of the standardized forms even more important.

No one person should be in the position of committing an irregularity and then concealing it. Properly segregating incompatible duties reduces the risk of erroneous and inappropriate actions.

Finally, cashiers can delete individual transactions prior to posting. Deleted transactions generally occur when a customer has mistakenly paid twice using one of the automated payment systems. The problem with deleting transactions is that it leaves no audit trail.

Recommendation:

Management should develop written procedures for appropriate use of voids and reversals. It should not allow for deleted transactions; instead it should post a credit to the customer's account to leave an audit trail. Management should enforce its own requirement that voids and reversals have the written authorization of a supervisor. Finally, supervisors should not authorize their own void requests.

E. Record Retention

The department has inadequate record keeping practices. Twenty-one (21) of 81 cashier packets (26%) tested were missing at least one piece of supporting documentation (i.e. HTE system reports such as the cashier's cash edit listing or the supervisor's cash post listing).

The cash edit listing provides a summary of the cashier's receipting while the cash post listing shows a summary of what the supervisor posted. Variances between these two reports could be an indication of misappropriation of funds. Records were incomplete because filing methods are not documented which results in an inconsistent work product.

Also, the Cash Management division is not adequately maintaining merchant bank statements in accordance with the records retention schedule. Merchant bank statements from Bank of America, Wells Fargo, and American Express were not provided for certain periods.

According to the records control schedule on file with the Texas State Library and Archives Commissions, bank statements must be retained for a period of five years from the end of the fiscal year. No local government office may dispose of a record listed in the retention schedule prior to the expiration of its retention period. Anyone doing so without legal authorization may be subject to criminal penalties and fines under the Public Information Act (Government Code, Chapter 552).

Recommendation:

Management should develop, document, and implement more efficient record keeping procedures for cashiering reports and merchant bank statements to meet the State's retention schedule.

F. Non-Sufficient Funds

Central Cashiering does not notify the originating department when checks are returned due to non-sufficient funds (NSF). Some, but not all, departments are notified of the returned check by an accountant. Additionally, if collection efforts are unsuccessful, the NSF checks are not forwarded to the Nueces County Hot Check Division for prosecution.

City Policy F-3.0 states Central Cashiering will notify the department that originally accepted the check so it can take appropriate steps to charge back the customer account and discontinue services. According to staff, the responsibility of notifying departments of NSFs was transferred from Central Cashiering to Accounting midway through 2011; however, Policy F-3.0 was not updated to reflect the change.

Recommendation:

Management should immediately develop and implement procedures to notify all departments of the NSF checks and to prosecute those who do not make good on NSF checks.

G. Mandatory Vacations

Central Cashiering staff members are not required to take mandatory vacations and the Cashiering supervisor has not taken a full 1-week vacation in two years.

In lieu of mandatory vacations, some cashiers rotate amongst the three cashiering sites in 1-week increments. The supervisor does not have adequate back-up to perform all her duties during her absence.

When an employee does not take vacation days, it may be a red flag for fraud. Employees who engage in fraud may resist taking a vacation, fearing that someone else doing their job in their absence may discover the irregularities.

For a mandatory vacation to be effective as a fraud deterrent and detection tool, someone else must be cross-trained in the supervisory and cashiering functions and must perform the work during the mandated vacation period.

Recommendation(s)

Management should consider a mandatory vacations policy for employees with financial responsibilities and ensure adequate back-up is available to perform all duties in their absence.

H. Cashier Window Signage

Messages posted at cashier windows at City Hall are inconsistent and may be difficult for some to read. The messages are either in all capital letters or very small font.

Signage at cashier windows is one of the primary ways Central Cashiering communicates with the public. Without legible signage, customers may disregard important messages. The Public Information Office has provided guidelines for use on all visual communications material which can be found in its Graphics Standards Manual.

Additionally, there is no posting of current utility rates or a sample sales receipt to show customers what to expect after their bill is paid. A posted example of a printed sales receipt can reduce the likelihood of theft on the part of the cashier.

Recommendation:

Management should ensure that current utility rates and a sample receipt are posted at each cashier's window. Management should consult with the Public Information Office when signage is needed to ensure compliance with City standards.

I. Procedures Manual

Central Cashiering provides its Cashier Manual to its staff; however, the manual does not have sufficient written procedures to address all functions performed by cashiers. Further, it does not contain monitoring procedures or other functions performed by supervisors. In addition to the Cashier Manual, staff follows City Policy F-3.0; however, the policy contains minimal instructions on receipting payments and depositing funds. Additionally, neither document requires specialized training for employees in cash handling positions.

Written procedures are an internal control used by management to ensure that strategic objectives are achieved effectively and efficiently. Well-developed procedures provide consistent, reliable, and accurate work products.

The results of inadequate department procedures have been reported in Issues A-H presented above.

Recommendation:

Management should identify the significant functions performed by Central Cashiering staff and supervisors, and it should develop, document, and implement procedures for each of these functions. The procedures should include monitoring to be conducted by supervisors to deter or detect errors or fraudulent behavior. The procedures should be made readily available to all personnel.

J. Check Verification Services

Central Cashiering has not received check verification services from CheckRite since January 2014 when the CheckRite verification terminals were removed.

The service agreement with CheckRite requires the vendor to: provide check verification services to City departments, provide Central Cashiering with verification terminals, and refer checks for collection to the County Attorney's office after 90-days.

Check verification services were suspended due to concerns with recent settlements between the Federal Trade Commission (FTC) and two other check verification companies. The FTC alleged these companies did not follow proper dispute procedures and failed to investigate disputes and correct inaccuracies.

Because cashiers are not made aware of customers with NSF checks, they may, through no fault of their own, continue to provide services and continue to accept bad checks from these customers. Per City Policy F-3.0 a cashier may not accept checks from a customer with an NSF check until the NSF check is made good.

Recommendation:

Management should work with CheckRite to develop a method of verifying checks presented for payment or consider using electronic check conversion services through the City's depository.

K. Electronic Data Payment Files

Electronic data files containing utility customer payments do not always post successfully to HTE. Email correspondence from Central Cashiering to UBO shows that the semi-automated scripted process did not run successfully 13% of the time. More precisely, the processing of the RPPS/MasterCard file on Monday mornings failed 42% of the time.

Utility Billing Office (UBO) staff created the scripted process to download electronic data payment files to the City server. The process converts the data into a readable format for posting into HTE utility customer accounts. When the scripted process does not run successfully, the file is manually downloaded.

UBO staff stated that the scripted process does not prepare the Monday data files as designed due to the naming convention used by the bank. The scripted process was revised during the audit (December 2013); however, Monday errors still occur.

In addition to the high failure rate of the scripted process, Central Cashiering states that there can be significant delays in obtaining the files (up to two business days) after the failure is reported to UBO. Also, electronic files have been duplicated and uploaded twice because UBO does not review the files prior to uploading them.

Moreover, we noted that Central Cashiering is not provided a batch record count or total dollar amount for the electronic data files. This information could be used to ensure that the batch posted accurately and completely and to prevent duplicated uploads.

When data files are not posted timely, utility customers are susceptible to service disconnection. If a duplicate data file is posted in HTE, customer accounts will reflect payments not actually received.

Recommendation:

Management should work with the bank to resolve the Monday scripting error or revert back to manually processing interface files. Each electronic file should be reviewed prior to uploading and the record count and dollar amount of batches should be provided to Central Cashiering to ensure accurate posting of customer payments.

L. Daily Reconciling Activities

We could not trace certain credit card payments to the merchant statement or the bank statement for four of five randomly selected days (80%) because the merchant statements or supplemental reports were not provided. This includes all credit card payments made through the City's automated payment systems and American Express payments made at the Police Department.

The process of tracing credit card transactions to the bank statement involves the use of complex spreadsheets created by Cash Management. The process is not formally documented; it is extremely cumbersome; it lacks management review; and there is no periodic monitoring performed.

Because the reconciling process is so complex, Cash Management writes-off variances without researching the issue or notifying the originating department of the variance. One example seen was a credit card transaction for \$201 which was not paid by the merchant. Cash Management did not inform the originating department of the issue, and the amount was written off instead of being researched.

Timely and properly completed reconciliations help to detect fraud or errors relating to cash flows, decrease the likelihood of timing errors in the financial statements, and provide a key monitoring control for management. Inadequate review could result in inaccurate and unreliable financial records and reports.

Recommendation:

Management should simplify and document the process of reconciling daily receipts to the bank statement. Reconciling revenue items should be reported back to the originating department for research prior to writing-off the amounts.

Appendix B - Management Response



May 16, 2014

**City of
Corpus
Christi**

Arlena Sones, CPA, CIA, CGAP
City Auditor
Corpus Christi, Texas

Re: AU12-003 Financial Services Department, Central Cashiering Audit Report

We have carefully reviewed the issues presented in the audit report and in Appendix A. Our responses to the issues contained in the report are described below. Our responses to the issues in Appendix A will be provided separately due to the sensitive nature of the issues presented.

FINANCIAL SERVICES

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Texas 78469-9257
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www.cctexas.com

A. Cash Deposits

Eighty-one (81) individual cashier deposit slips were traced to the bank statements of the City's depository, and no exceptions in amounts were noted; however, issues were discovered when we tested the supporting documentation contained in the daily cashier packets. Issues not otherwise documented in this report include mathematical errors and a lack of supervisor review (4%) of the cash balancing sheets.

Recommendation: Management should review every cashier packet (cashier balancing sheet) for mathematical accuracy and to ensure the completeness of the cash fund.

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
Agree	Terry Lugo, Central Cashiering Section Supervisor	March 31, 2014

Action Plan: At the time of balancing, each cashier will be asked to bring all of their documents (batch of work) to be reviewed for balancing their cash drawer. The supervisor or designee will run a tape on the actual cash, checks and credit cards to match the system-generated edit listing. The amount of the starting cash drawer will be verified and a tape will be attached to the yellow Central Cashiering balancing sheet. The cashiers will sign an acknowledgement form at the end of the month stating that all of their paperwork is in order and ready to be filed in the storage area.

B. Cash Counts

Cash counts conducted by auditors showed that cashier change funds (cashier tills) were intact; however, cash counts are not routinely conducted by supervisors on the cashier change funds at the end of the shift. Additionally,

Appendix B - Management Response

unannounced cash counts were documented for only 8 of 18 cashier change funds (44%) during the 18 month scope of the audit. Finally, department management does not periodically perform cash counts of the supervisor's change funds, and cash counts are not required after a change in staffing.

Also, it appears that the amount of cash on hand might be more than needed. City Policy F-2.1 states custodians should monitor cash funds to assure they are neither too large nor too small.

Recommendation: Management should conduct and document unannounced cash counts on all cash funds in its possession and it should also re-assess the balances of cash held at its various locations.

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
Agree	Terry Lugo, Central Cashiering Section Supervisor	April 30, 2014
<p><i>Action Plan: The change fund at Central Cashiering was re-evaluated; all excess monies were deposited into the City's combined operating bank account; and recorded by the Accountant (Johanna Ramirez) in November 2013. Additionally whenever any employee leaves or quits the cash drawer is audited under dual control. The Central Cashiering change fund including the Development Services and Elliott Transfer Station was audited by Judy Villalon, Interim City Treasurer, on April 22, 2014 and April 23, 2014. All funds were accounted for. Unannounced cash audits on these funds will continue to be performed by Finance management. At this time, all cash drawers along with the deposit will be verified by the supervisor or designee at the time the cashier completes her balancing for the day.</i></p>		

C. Cash Overages and Shortages

Cashier overages/shortages are not routinely monitored, and cashiers are not counseled in a timely manner.

Recommendation: Management should review cashier overages/ shortages every 30 days and take appropriate action based on the results of its review to be in compliance with Policy F-5.0.

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
Agree	Terry Lugo, Central Cashiering Section Supervisor	April 30, 2014
<p><i>Action Plan: Central Cashiering staff will adhere to Policy F-5.0. The Section Supervisor has created a log of cashiering overages and shortages and will record all cashier differences. She will monitor the logs monthly and take appropriate action as outlined in the policy.</i></p>		

Appendix B - Management Response

D. Voids, Reversals, and Deleted Transactions

Central Cashiering does not maintain adequate support documentation for voided or reversed transactions.

Recommendation: Management should develop written procedures for appropriate use of voids and reversals. It should not allow for deleted transactions; instead it should post a credit to the customer's account to leave an audit trail. Management should enforce its own requirement that voids and reversals have the written authorization of a supervisor. Finally, supervisors should not authorize their own void requests.

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
Agree	Terry Lugo, Central Cashiering Section Supervisor	May 31, 2014
<i>Action Plan: Existing Central Cashiering procedures will be updated to address the appropriate use of voids and reversals. Transactions will not be deleted but rather posted and credited so that an audit trail remains.</i>		

E. Record Retention

The department has inadequate record keeping practices.

Recommendation: Management should develop, document, and implement more efficient record keeping procedures for cashiering reports and bank statements to meet the State's retention schedule.

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
Agree	Judy Villalon, Acting City Treasurer	May 31, 2014
<i>Action Plan: Cash Management will follow the State's retention schedule. It should be noted that all checking account bank statements are currently maintained by Accounting staff. The merchant bank statements for Bank of America, Wells Fargo and American Express are maintained by Cash Management and had not been centrally filed; thus difficult to locate. However, all merchant bank statements will now be filed in one central location. Additionally, more efficient record keeping procedures will be evaluated and implemented for all cashiering reports.</i>		

F. Non-Sufficient Funds

Central Cashiering does not notify the originating department when checks are returned due to non-sufficient funds (NSF). Some, but not all, departments are notified of the returned check by an accountant. Additionally, if collection efforts are unsuccessful, the

Appendix B - Management Response

NSF checks are not forwarded to the Nueces County Hot Check Division for prosecution.

Recommendation: Management should immediately develop and implement procedures to notify all departments of the NSF checks and to prosecute those who do not make good on NSF checks.

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
Agree	Teddi Giddy, Accountant	July 31, 2014
<p><i>Action Plan: Currently, a third party, Quantum collects NSF checks for the City of Corpus Christi. They send a list of all checks returned to the City of Corpus Christi for departments such as Utilities, Development Services, Park and Recreation, Latchkey, Marina, Municipal Court and Solid Waste to Finance. The Accountant then sends a list to all departments that have had checks returned. The Nueces County Hot Check Division currently is not able to collect on most checks because all of the required information (driver's license number and date of birth) is not obtained. We will, therefore, begin writing the date of birth in addition to the driver's license number on all checks so that any returned checks can be turned over to the Nueces County Hot Check Division for collection. City Procedure F-3.0 "Depositing, Disbursing, and Check Cashing" is being revised to reflect the recommendations made in this audit report.</i></p>		

G. Mandatory Vacations

Central Cashiering staff members are not required to take mandatory vacations and the Cashiering supervisor has not taken a full 1-week vacation in two years.

Recommendation: Management should consider a mandatory vacations policy for employees with financial responsibilities and ensure adequate back-up is available to perform all duties in their absence.

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
Agree	Terry Lugo, Central Cashiering Section Supervisor and Judy Villalon, Acting City Treasurer	July 31, 2014
<p><i>Action Plan: Financial Services will require all Central Cashiering staff member to take a consecutive one-week vacation annually.</i></p>		

H. Cashier Window Signage

Messages posted at cashier windows at City Hall are inconsistent and may be difficult for some to read.

Appendix B - Management Response

Recommendation: Management should ensure that current utility rates and a sample receipt are posted at each cashier's window. Management should consult with the Public Information Office when signage is needed to ensure compliance with City standards.

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
Agree	Terry Lugo, Central Cashiering Section Supervisor	May 31, 2014
<i>Action Plan: All signs have been taken off for better visibility for cashiers. Central Cashiering will work with UBO to obtain the current utility rates and a sample receipt to post.</i>		

I. Procedures Manual

Central Cashiering provides its Cashier Manual to its staff; however, the manual does not have sufficient written procedures to address all functions performed by cashiers. Further, it does not contain monitoring procedures or other functions performed by supervisors. In addition to the Cashier Manual, staff follows City Policy F-3.0; however, the policy contains minimal instructions on receipting payments and depositing funds. Additionally, neither document requires specialized training for employees in cash handling positions.

Recommendation: Management should identify the significant functions performed by Central Cashiering staff and supervisors, and it should develop, document, and implement procedures for each of these functions. The procedures should include monitoring to be conducted by supervisors to deter or detect errors or fraudulent behavior. The procedures should be made readily available to all personnel.

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
Agree	Terry Lugo, Central Cashiering Section Supervisor	July 31, 2014
<i>Action Plan: Management will review existing Central Cashiering policies and procedures and will make the necessary changes.</i>		

J. Check Verification Services

Central Cashiering has not received check verification services from CheckRite since January 2014 when the CheckRite verification terminals were removed.

Appendix B - Management Response

Recommendation: Management should work with CheckRite to develop a method of verifying checks presented for payment or consider using electronic check conversion services through the City's depository.

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
Agree	Terry Lugo, Central Cashiering Section Supervisor and Judy Villalon, Acting City Treasurer	July 31, 2014
<i>Action Plan: At this time, the City no longer uses the Quantum verifications terminals at the request of Quantum. City staff will work with Quantum to determine what information can be provided to the City to verify checks at the point of sales. Additionally, it is a long term plan for the City to utilize electronic check processing in conjunction with the new accounting system.</i>		

K. Electronic Data Payment Files

Electronic data files containing utility customer payments do not always post successfully to HTE. Email correspondence from Central Cashiering to UBO shows that the semi-automated scripted process (the script) did not run successfully 13% of the time. More precisely, the processing of the RPPS/MasterCard file on Monday mornings failed 42% of the time.

In addition to the high failure rate, Central Cashiering reports there can be significant delays in obtaining the files (up to two business days) after the failure is reported to UBO.

Moreover, we noted that Central Cashiering is not provided a batch record count or total dollar amount for the electronic data files.

Recommendation: Management should work with the bank to resolve the Monday scripting error or revert back to manually processing interface files. Each electronic file should be reviewed prior to uploading and the record count and dollar amount of batches should be provided to Central Cashiering to ensure accurate posting of customer payments.

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
Agree	Drew Tyree, Functional Analyst	May 2, 2014
<i>Action Plan: The functional analyst for UBO met with Cash Management and Central Cashiering to determine how to resolve the issue. A visual basics script was written to create an output file to contain Saturday's date. It was tested on Monday, May 5, 2014 and was successful. Finance has also begun reviewing each electronic file prior to posting to HTE to ensure accurate posting of customer payments. The totals for each of the electronic data files received via email from independent sources are compared by Central Cashiering staff to the HTE batches produced. If they do not agree, then a Lockbox Exception Listing is generated, and the discrepancies are researched and corrected by Central Cashiering staff prior to posting.</i>		

Appendix B - Management Response

L. Daily Reconciling Activities

We could not trace certain credit card payments to the merchant statement or the bank statement for four of five randomly selected days (80%) because the merchant statements or supplemental reports were not provided. This includes all credit card payments made through the City's automated payment systems and American Express payments made at the Police Department.

Because the reconciling process is so complex, Cash Management writes-off variances without researching the issue or notifying the originating department of the variance.

Recommendation: Management should simplify and document the process of reconciling daily receipts to the bank statement. Reconciling revenue items should be reported back to the originating department for research prior to writing-off the amounts.

Agree/Disagree	Responsible Party, Title	Completion Date
Agree	Judy Villalon, Acting City Treasurer	July 31, 2014
<i>Action Plan: Cash Management is evaluating the process of reconciling daily receipts.</i>		

We are committed to correcting the issues in the audit report by implementing the action plans described above.

Sincerely,


 Constance P. Sanchez, Director
 Financial Services Department

5-19-14
 Date


 Margie C. Rose
 Assistant City Manager

5.27.14
 Date


 Ronald L. Olson
 City Manager

3 June 2014
 Date