



The City of Winnipeg Audit Department

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Review of Transit Treasury Branch Cash Handling Controls

November 1998

Table of contents

Executive summary	1
Scope and procedures	1
Conclusion and summary of key observations	2
Detailed observations and recommendations.....	4
Control over cash handling procedures.....	4
Cashiers	4
Recommendation	4
Transit Department response	4
Revenue cage.....	5
Recommendation	5
Transit Department Response	5
Inventory storage and control of tickets, passes and transfers	6
Tickets and passes.....	6
Recommendation	6
Transit Department response	6
Control of storage and distribution of fareboxes	7
Receipt, control and destruction of redeemed tickets	8
Policy and procedures manual.....	8
Recommendation	9
Transit Department response	9

Executive summary

In 1997 the City of Winnipeg Audit Department was asked by the Transit Department to perform a review of the controls at the Transit Treasury Branch (TTB). This request came as a result of management's desire for an independent review of the cash handling controls identified at the TTB and because such a review of the cash handling controls and procedures had not been performed for some time. An initial visit was made by the Audit Department in December 1997 to perform a series of surprise cash counts. In July 1998, the review was continued as a further follow-up examination of the controls in place.

The TTB is responsible for the daily counting, processing and depositing of all cash collected and received from the transit bus fare boxes as well as cash collected from the "agency" locations. The TTB also controls the inventory storage and subsequent issuance of bus tickets, bus passes and Handi-Transit passes to the various agency locations throughout the city. As an additional service, the Branch also counts and processes the coins removed from the City's parking meters and public fountains (wishing wells).

Scope and procedures

Our review focused on the cash handling processes and procedures including

- Controls over cash handling functions.
- Inventory storage and control of tickets, passes and transfers.
- Control over storage and distribution of fare boxes.
- Receipt, control and destruction of redeemed tickets.

Our procedures consisted of

- The performance of cash counts.
- Observations of the facilities and procedures followed.
- Discussion with management and examination of the daily cash handling activities.
- Tests of the routine documentation that is prepared.
- Review of a cash handling self assessment questionnaire with management.

Our procedures did not include the performance of detailed testing procedures of all controls that exist at the TTB. The intent of this review was to conduct an overview to ensure that adequate cash handling controls do exist and are functioning properly.

During the course of our review we were advised that the ticket and bus pass manual inventory, consignment and sales systems were soon to be replaced by a fully integrated PC software program that had been developed in-house. As this system will have an effect on a number of the controls in place and the procedures performed by treasury personnel, we have decided to also examine, at a later date, the software program, procedures and controls that may have changed or improved, once the system is fully installed.

Conclusion and summary of key observations

Our review did not reveal any critical control deficiencies in the TTB. The cash handling controls in place appeared to be functioning adequately, and the processing systems are working as intended.

Based on the outcome of the review procedures performed, however, several observations have been presented to management as well as recommendations for enhancement of the controls in place, or improvements to the effectiveness of certain processes and procedures. These observations are summarized as follows:

- The total cash float that is on hand in two locations is excessive for the Branch's needs and should be reduced to a more reasonable dollar amount.
- Access to the vaults is restricted to certain personnel but such access is not monitored as to who entered the vault and for what reason.
- The main vault contents are not counted on a regular or a test basis to ensure the actual contents agree with the perpetual inventory records.

- A policy and procedures manual should be prepared to document major processes, procedures and policies. This could be used for training personnel, maintaining continuity of understanding of job functions and as a reference to follow any policy's special procedures.

The remainder of this report details the findings highlighted above and provides recommendations for consideration by management. *Management responses to the findings and recommendations have also been included in the body of the report.*

Detailed observations and recommendations

Control over cash handling procedures

Cashiers

The Treasury front office has two cashiers with a cash float totaling \$6,500 and an inventory of bus tickets and passes for sale. The cashiers count the cash daily including their ticket and pass values and reconcile it to the “*control figure*” dollar value that they should have on hand. The cash float is needed at these locations to give change when tickets or passes are sold. The cashiers are treated like any other distribution agency whereby the sales proceeds from their inventory are forwarded to the treasury for processing and depositing once a week. Throughout the course of the week, the cash on hand can accumulate to amounts in excess of the original cash float. Our review indicated that the petty cash float presently allocated to the cashiers in the front office is unnecessarily high for their requirements and results in excess cash amounts being maintained.

Recommendation

The Audit Department recommends that the cashiers’ floats be reduced to a more reasonable amount as determined by the TTB. This will serve to reduce the daily balance of undeposited cash on hand resulting in less cash to control, store and count on a daily basis.

Transit Department response

The current \$6,500.00 cashier float is split between two cashiers, with one having a float of \$1,500.00 and the main cashier having \$5,000.00. The main cashier's float is used to cash petty cash cheques for other Departments within the building, for miscellaneous purchases, and to purchase a supply of transit tickets for sale to the public. We do not want to reduce the floats to such an extent that it makes an operating hardship, but recognize that there is some room for reduction. The TTB is prepared to reduce the floats on a trial basis, to \$1,000.00 and \$3,000.00 respectively. We can then monitor these to decide whether we should make further adjustments. As well, we will review current processes to determine if we can make additional reductions.

Revenue cage The “*revenue cage*” acts as a clearing-house where a number of cash balancing, counting and depositing activities are performed by the revenue officer. The revenue officer prepares an overall Treasury Branch daily reconciliation of the day’s cash receipts, deposits and cash on hand. The cash on hand consists of receipts not deposited, the cashiers’ cash float of \$6,500 and a revenue cage cash float of \$21,000. The cage cash float is partly stored in the cage cash drawer and partly stored at the side of the cage in the “*cash truck*”.

The \$21,000 float is used to purchase non-cash vouchers and cheques payable to other departments that were cashed by the front cashiers. Our examination indicated that the average value of the vouchers purchased from the front cashiers that are waiting for reimbursement from Corporate Finance is between \$8,000 and \$12,000. This results in an excess amount of cash on hand at all times which ranges from \$9,000 to \$13,000.

Recommendation The Audit Department recommends that the revenue cage float be reduced to a more reasonable amount as determined by the TTB. This would improve the efficiency of

- Balancing the cash daily.
- Reducing the risk of balancing errors.
- Reducing the volume of cash in the cage to maintain on a regular basis.

Transit Department Response *The current revenue cage float is \$21,000.00. This float is used to provide the cash for those sales paid for by voucher or on account. Our current accounting system requires a deposit of cash so that the sale gets recorded. The cash provided for these instances is generally between \$8,000.00 and \$12,000.00, but has gone well above that figure on nine occasions this year. For the time being we will reduce this float to \$17,000.00 but will be reviewing our accounting system in an attempt to reduce this further.*

Inventory storage and control of tickets, passes and transfers

Tickets and passes Inventory of unsold tickets and passes are located in three physical locations at the TTB. The process of forwarding inventory to the sales distribution agencies throughout the City requires the inventory to be physically moved through these three locations. The largest volume and dollar value of inventory is stored in the main vault of the Transit Treasury Branch. Tickets and passes that are being held for preparation to ship to the sale agencies are physically stored in *the “ticket cage”* vault. In our review we noted that

- Access to the main ticket vault is not recorded or monitored.
- The main vault contents are not counted on a regular basis.

Recommendation The Audit Department recommends that although the access to the main vault is physically restricted to specific personnel, any and all access should be monitored or logged. The person, date, time and reason for entering the main vault should be recorded.

In addition, the main vault contents should be counted on a regular or a test basis to ensure the actual contents agree with the perpetual inventory records.

Transit Department response *Since meeting with the Audit Department, we have implemented the above recommendations. A log has been created, requiring that any person entering the vault write in the log, their name, date, time and reason for entry into the vault. As well, a spot check was conducted, ensuring that the contents of the vault agreed with the inventory records. In the future, the Superintendent of Treasury will review the log on a regular basis and spot checks will be conducted to ensure there are no anomalies.*

Control of storage and distribution of fare boxes

Each bus till (fare box) is stamped with a unique identification number. A specific quantity of fareboxes is kept in inventory. These are constantly controlled and monitored regarding the use and location of each till.

In the Transit garage the “full” fareboxes are removed from the buses after each route shift is complete. At the same time an empty farebox is inserted on the bus. The fare box identification number is recorded for each one removed and installed and it is monitored during the various phases of the farebox movement from the garage to the Transit Treasury Branch.

At the TTB the removed “full” fareboxes are stored, emptied, (the contents counted) and the boxes returned to the garages. The result is that the total number of fare boxes, as well as the fare box identification numbers are strictly controlled to ensure that each one can be accounted for at all times. A reconciliation of the total fare boxes by location is made at the TTB daily from the documentation that is prepared at the garages as described above. The total number of fareboxes recorded in the locations of the Transit Treasury Branch, the various garages, the repair shop, and in storage are totaled and must balance to the number of fare boxes owned by Transit.

While the fare boxes are at the TTB. they are stored in a locked area set aside for them. Access to this area is restricted to specific employees during specific times. The movement of the full fare boxes to the coin counting area is monitored and two employees must be present at all times.

Based on a review of the above processes, our conclusion is that the handling, storage and monitoring of the system’s fare boxes contain adequate fare box control. We have no specific cost effective recommendations to make at this time.

Receipt, control and destruction of redeemed tickets

Our review indicated that transit tickets redeemed and collected at the TTB are stored in unsecured buckets until they are destroyed. Although a transit ticket has been redeemed, it still is a valid “reusable” ticket until destroyed. The small size and bulk of tickets increase the relative risk of misappropriation, as they are accessible in the open containers awaiting destruction.

The till contents of coin and bus tickets are separated by a “shaker” machine whereby the heavy coins fall into a large pan and the lighter tickets are directed by a fan into open metal buckets. The buckets of tickets are moved from the shaker room and set along the wall near the coin sorter machine. When all the fareboxes have been emptied the buckets of tickets are weighed to determine the total daily weight. One employee then removes and weighs 20 ounces of tickets and puts them in a bucket. One employee shreds the total tickets (less the 20 ounces) when all farebox contents have been counted that day. The 20 ounces of tickets are separated, counted and valued and these values are extrapolated to represent the estimated value of the total tickets collected.

Based on a review of the above processes, our conclusion is that the receipt, control and destruction of redeemed tickets are adequately controlled. The risk of misappropriation is low, based on the existing controls such as

- All functions are performed under dual control.
- Work areas are monitored by surveillance cameras.
- The buckets of separated tickets are destroyed on a timely basis.

Policy and procedures manual

During our discussions with TTB personnel it was noted that there was no policy and procedures manual to reference during the course of our review.

Documentation of company or branch policies and procedures is a standard method of ensuring that the work performed at a location has continuity. A policy and procedure manual is a standard to which activities and actions can be compared and which can be referred to for guidance in decision making. It is also an effective method of training new employees.

- Recommendation** The Audit Department recommends that the branch begin to prepare and compile a policy and procedures manual. This manual should include items such as
- A procedure check list for access control.
 - A summary of special access areas, the method of access to specific areas and the individuals (positions) that are allowed access.
 - The procedures and responsibilities of each position in order to ensure new employees are trained completely and consistently.
 - Procedures to follow when a branch employee leaves so that controls are maintained at the TTB.

Transit Department response *The Department and the TTB fully support the above recommendation. A procedures manual has been started and we will continue to pursue this recommendation as resources permit.*