



Follow-up Report on Status of Cash Handling Recommendations at the Animal Care and Adoption Division

April 29, 2014

Report No. 14 - 02



Office of County Auditor
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Executive Summary

This report presents the results of a limited follow-up review to our Report 10-05, *Review of Select Business Processes at Animal Care and Regulation Division*, now Animal Care and Adoption Division (Division).¹ The purpose of our review was to verify the implementation of nine cash handling recommendations, numbers 8 through 16, made in Report 10-05, (see excerpt at Appendix B, page 6).

We concluded that as of January 2014 only two of the recommendations were fully implemented. Five recommendations were not implemented, one was partially implemented and another was no longer applicable. The following recommendations were not implemented:

- Improve controls governing access to safe.
- Increase controls to ensure the security of cash and checks received through the mail.
- Ensure all deposits are made within one business day of receipt.
- Segregate staff duties and responsibilities.
- Ensure cash and checks transported by staff are delivered using locked bags and detailed receipts.

Appendix A on page 3 lists the Recommendations from the April 2010 report and the implementation status as of January 2014.

Management's failure to address the recommendations leaves the Division with inadequate controls over cash handling to prevent or detect losses.

Recommendation

We recommend the Board of County Commissioners (Board) direct the County Administrator to assign appropriate personnel to ensure implementation of the cash handling recommendations at the Division by June 30, 2014.

Purpose, Scope and Methodology

The purpose of our review was to verify the implementation of cash handling recommendations numbered 8 through 16. To accomplish our objectives we:

- Requested from the Division's management the status of the implementation of the nine cash handling recommendations as of October 1, 2013,
- Reviewed responses provided by management in November 2013, and
- Performed site visits in January 2014 to:
 - Interview staff,
 - Observe cash handling operations, and
 - Review supporting documentation.

¹ Effective October 1, 2013 Animal Care and Regulation Division (ACARD) was renamed Animal Care and Adoption Division (ACAD).

Finding

Controls over cash handling remain inadequate to prevent or detect losses

Our report, *Review of Select Business Processes at Animal Care and Regulation Division*, dated April 15, 2010, identified, among other things, significant control deficiencies over cash handling. The report contained 25 recommendations including nine recommendations designed to address the control deficiencies over cash (see Appendix B on page 6 of this report for excerpt from Report 10-05). As stated above, in January 2014, we visited the Division, interviewed staff, observed cash handling operations, and reviewed supporting documentation to determine the status of the nine cash handling recommendations. We found only two of the recommendations were fully implemented, five were not implemented, one was partially implemented, and another was no longer applicable. See Appendix A on page 3 for more detail status of the recommendations.

We concluded that management's failure to address the recommendations leaves the Division with inadequate controls over cash handling to prevent or detect losses.

Recommendation

We recommend the Board direct the County Administrator to assign appropriate personnel to ensure implementation of the cash handling recommendations at the Division by June 30, 2014.

APPENDIX A

STATUS OF CASH HANDLING RECOMMENDATIONS

We categorized the status of each recommendation below using the following classifications:

- **“Not Implemented”** - the recommendation was not implemented and the issue is the same as presented in the report,
- **“Partially Implemented”** – some aspect(s) of the recommendation was implemented
- **“Fully Implemented”**- the recommendation was implemented,
- **“No Longer Applicable”** – the recommendation no longer applies because of changing circumstances.

April 2010 Recommendation	County Auditor Status Update January 2014
<p>8. Improve controls governing access to safe including:</p> <ul style="list-style-type: none"> • Limiting staff access to area where safe is located, • Changing safe combination on a periodic basis, including after changes in staff or assigned responsibilities, • Maintaining a written log of staff with safe access, including names, dates and a listing of assigned responsibilities necessitating access, and • Adhering to other procedures defined within the Internal Control handbook and/or recommended by the Records, Taxes and Treasury Division (RTT). 	<p><u>Not Implemented</u></p> <ul style="list-style-type: none"> • The safe is located in an unlocked supply cabinet that is accessible to all staff. • The safe combination was last changed in April 2010 and was not changed annually or when two employees with access transferred from the Division.² • The Division maintains an incomplete list of employees with safe access. The list excluded an Administrative Coordinator who stated they had access during our site visit. The list also did not include dates access was authorized and assigned responsibilities for each employee. • Adhering to other procedures we observed during our site visit: <ul style="list-style-type: none"> ➤ Boxes containing approximately 29,000 pet licenses³ were not stored in a secured location and some licenses were stored in an unlocked supply cabinet. This is in violation of County policy and Animal Care's Standard Operating Procedures. Failure to secure the inventory of licenses could result in undetected losses. ➤ A relief cashier worked out of the same drawer as the main cashier. The County's Cash Handling Procedures require that "...only one employee

² County payroll reports indicate transfers out of ACAD of an Interim Director in May 2010 and an Account Clerk in February 2011.

³ While difficult to place an exact dollar amount, we estimate an approximate value of \$900,000.

April 2010 Recommendation	County Auditor Status Update January 2014
	<p>should be allowed to work out of a single register/cash drawer unless there is a mutual, formal count and receipted transfer of the register/cash drawer contents." This policy protects the employees and enables Management to identify a single employee responsible for shortages and discrepancies.</p>
<p>9. Increase controls to ensure the security of cash and checks received through the mail.</p>	<p><u>Not Implemented</u> Checks are received at Government Center West (GCW), transported in interoffice envelopes to the main shelter by Division staff and are not properly secured prior to deposit.</p> <p>We observed at GCW checks are not restrictively endorsed and logged upon receipt, envelopes with checks were observed in an employee's unlocked drawer and mail with checks was left unattended on the counter in front of the employee's desk in the Animal Care Section.</p> <p>Controls over checks received through the mail are deficient and create an environment conducive to loss or theft of County assets.</p>
<p>10. Ensure all deposits are made within one business day of receipt, or in accordance with other Division specific guidelines as may be established by the RTT Division.</p>	<p><u>Not Implemented</u> Deposits are not made in a timely manner. We observed approximately 125 envelopes in the safe at the main shelter containing checks that were date stamped up to seven days prior to the date of our site visit.</p> <p>This is a violation of the County's Cash Handling Policy which requires deposit of cash receipts by 10:30 a.m. of the following business day.</p>
<p>11. Reconcile pet license tags issued by staff to fees collected on a daily basis.</p>	<p><u>Fully Implemented</u> The Division reconciles pet license tags issued by staff to fees collected on a daily basis.</p>
<p>12. Segregate staff duties and responsibilities in accordance with the ICH.</p>	<p><u>Not Implemented</u> Two employees have complete control of the citation process including issuance of warnings and citations, payment processing and clearing citations. They also have the same security access in Chameleon.⁴</p> <p>The ability to perform all citation functions violates the basic principles of segregation of duties and could result in errors and irregularities going undetected.</p>

⁴ Chameleon is the Division's computer software system used to process citations.

April 2010 Recommendation	County Auditor Status Update January 2014
<p>13. Ensure cash and/or checks transported by staff are delivered using locked bags and detailed receipts.</p>	<p><u>Not Implemented</u> We observed locked bags were not used to transport checks from GCW to the main shelter. Instead, an inter-office envelope was used. Also, these checks were not endorsed and a list or amount of total checks was not included in the envelope for verification.</p> <p>Failure to properly secure and control checks could result in loss or misappropriation of County assets.</p>
<p>14. Explore the feasibility of Pompano shelter facility making its own deposits.</p>	<p><u>No Longer Applicable</u> The Pompano facility closed; therefore, the recommendation is no longer applicable.</p>
<p>15. Immediately prohibit staff from taking cash, checks or other County assets home for overnight storage.</p>	<p><u>Fully Implemented</u> Division staff deposit cash immediately following off-site rabies clinic events as recommended.</p> <p>We reviewed two deposit tickets for monies collected at the off-site rabies clinics and compared to bank statements to verify that the date and amount of the deposits were made the same day as the clinics.</p>
<p>16. Improve controls protecting the safety and security of both ACAD staff and County revenue collected during off site rabies clinics through:</p> <ul style="list-style-type: none"> • Exploring feasibility of accepting credit card payments in lieu of cash, • Accepting checks in payment for services and immediately endorsing all checks 'for deposit only' with the name of the Division, and/or • Requiring staff to return to ACAD offices and secure cash receipts within the Division's safe or have staff make bank deposits immediately following off site events. 	<p><u>Partially Implemented</u></p> <ul style="list-style-type: none"> • Management reports that credit cards are not accepted. • Management states that checks can be accepted. However, upon reviewing the deposit slip from the off-site rabies clinic, we noted the deposit contained cash only. • Division staff immediately deposits revenues following offsite rabies clinics as recommended.

APPENDIX B

Excerpt from our Report 10-05, *Review of Selected Business Processes at the Animal Care and Regulation Division*, dated April 15, 2010 (pages 15 to 20).

Cash Handling

As noted on page 5, ACAD [Animal Care and Regulation Division] has several sources of revenue, including adoption fees, shelter charges, licenses and citations. Payments for these services/fines can be received as cash, checks or credit card transactions, which can be made either in person, by mail or over the internet. Based on the variety of payment types and methodologies, the processing of cash receipts within ACAD can be complicated. However, as all County agencies face ongoing budgetary cutbacks, it is increasingly important that all available revenues are properly realized, recorded and deposited.

The Internal Control Handbook (ICH) provides guidance to County agencies for the management of cash receipts. Effective internal controls at ACAD are critical to its financial support of operations. These controls include:

- Proper recording of revenue ensures charges to customers are correctly assessed in accordance with County fee schedules established by the BOCC,
- Receipting and documenting monies paid helps to maximize revenue used to support County programs and provides effective services to customers and stakeholders,
- Timely deposits help to maximize County cash flow,
- Segregation of duties minimizes loss due to theft, and
- Supervisory review ensures accountability, accuracy and integrity of operations.

Finding 3:

ACAD does not have adequate controls in place to ensure the integrity of its cash handling processes.

Control deficiencies noted:

- Lack of controls to adequately monitor access to safe,
- Failure to secure cash and checks received through the mail,
- Failure to ensure all deposits are made within 24 hours of receipt as required by County policy,
- Lack of daily reconciliations for licensure and citation activities,
- Lack of segregation of duties,
- Unsecured transportation of cash between facility locations, and
- Unsecured cash and late deposits following off site rabies vaccination clinics.

Each deficiency is examined in detail below.

Lack of controls to adequately monitor access to safe

Volume 8, Cash Handling and Deposit Procedures, Section V.B of the ICH describes controls for the safekeeping of cash, noting access to secured areas should be controlled, safe combinations should be changed annually or after the termination of employees with previous access, and records should be maintained of all changes. These procedures help to reduce loss by limiting access to the safe and tracking those who are granted access.

ACAD's Fort Lauderdale facility has a small safe which is used to store daily deposits (cash and checks), cashier 'banks' and other assorted documents. The safe is located in a locked area within the Administrative offices. At the time of our fieldwork, no log of safe combination changes or staff access had been maintained. ACAD staff were unable to recall when the combination was changed, which staff possessed knowledge of the combination, which staff had access to the locked area, or when the lock to the safe was changed.

Upon observation of these conditions, we shared our concerns with ACAD Managers who took immediate action. Specifically, Managers reported that access is restricted to only essential personnel and the lock to the general area containing the safe and the safe combination were subsequently changed. Also, ACAD created a log to record all persons with access to the area and the combination itself. These initial actions appear adequate; however, monitoring and ongoing implementation of these controls will be needed.

Failure to secure cash and checks received through the mail; failure to ensure deposits are made within 24 hours of receipt

ACAD receives various payments through the mail. The most common payment types are checks for citation payments and license fees (from individual owners and veterinarians that issue licenses, see pages 6-13 for additional descriptions of licensing processes).

During our fieldwork we observed the mail opening, sorting and distribution processes for license fees. These tasks are assigned to clerical staff by the Office Manager on a rotating schedule. Mail is opened and envelopes, letters or invoices are date stamped. If checks are received, they are typically left in the original envelope. Once all mail is sorted, bundles are either hand delivered to the assigned section, or placed in the appropriate staff member's mailbox. As a result, envelopes containing checks may be left unsecured in mailboxes for hours or overnight until the staff person retrieves them. This condition is particularly troublesome because mailboxes can be readily accessed by all staff and are within eye's view and arm's reach of the visiting public. On Thursday July 30, 2009, prior to normal shelter operating hours, we observed over 60 checks which were left in mailboxes overnight awaiting pick up by staff.

We also noted that after staff picked up their mail, open envelopes with checks remained on the staff's desk for hours and/or days waiting processing. This creates opportunities for loss and delays in the processing of deposits. For example, on Friday, July 24, 2009, we observed data entry staff processing mail and checks received on Wednesday July 21, which we were told were deposited on Monday July 27, three business days after receipt.

The Internal Control Handbook provides guidance to County agencies regarding the receipt of mail and time frames for deposits. *Volume 8, Section III. C.* of the ICH notes that a record of all mail receipts should be made and kept (such as a list or photocopy) for comparison to deposits as well as serving as a source of information in case of loss. It also requires that all checks "be endorsed immediately upon opening of the mail to prevent access by others." Further, *Sections IV. A and B* of the ICH state the "control objective of deposits is ensuring that the funds are deposited intact and timely." Therefore, it is required that agencies "deposit funds received during the business day no later than 10:30 a.m. the next business day." The ICH notes the "daily depositing of receipts is necessary to promote to maximum return on funds invested and to minimize loss due to theft of funds that would remain on hand."

In response to our concerns, ACAD managers immediately changed their mail distribution and depositing processes. Managers state the individual who is assigned to mail distribution for the day now creates photocopies of all checks received. The actual checks are immediately stamped for County deposit, tallied, and placed in the safe for deposit the next day. The photocopies of checks are then distributed to staff who process the payments received. This allows deposits to occur in a timely manner while securing payments received through the mail immediately upon receipt.⁹

Lack of daily reconciliations

Following our observations of mail distribution process, we observed data entry staff performing tasks relating to the licensing process. Staff assigned to license activities act as "cashiers" and "receive" the license fees sent through the mail. Staff updates the Chameleon database with applicable information and then mail license tags to paying customers. At the close of business, each cashier completes a Cashier Verification Worksheet and submits the day's receipts to the Accounting Clerk. We noted there was no daily reconciliation of licenses sold against inventory held by staff. Lack of reconciliation creates an opportunity for loss as there is no control in place to verify the correct numbers of licenses that were sold and the appropriate amount of monies collected.

⁹ The US Postal Service typically delivers mail to ACAD offices in the mid to late afternoon. Therefore mail is sorted for the day by late afternoon hours. Deposits are prepared each morning which are then picked up by an armored car service mid-day. As a result, ACAD is unable to make deposits by 10:30 a.m. Managers state that Revenue Collection is aware of their circumstances and daily timetables.

Volume 8, Section VIII.A of the ICH states daily reconciliations should occur to “review the work of the cashier making sure that funds received agree with the record of daily transactions” and later verify that “the amount deposited agrees with recorded revenue.” At the close of our fieldwork, ACAD had not yet initiated a process to compare the number of licenses issued during the day against the inventory on hand.

These same concerns exist for the processing of checks received through the mail for the payment of citations. These items are processed in a similar method as license fees, and additional reconciliation duties would be indicated here as well.

Lack of separation of duties

The ICH notes the objective of proper separation of duties as the prevention of one individual from having control of all stages of cash handling. Examples of separation of duties outlined in the ICH include maintaining records of cash receipts, restricting use of cash drawers to a single employee per day, requiring supervisory approval of voids and/or corrections, and limiting employees who handle cash receipts from record keeping responsibility.

In observing activities at ACAD, we noticed several instances where increased separation of duties is warranted:

- One staff person with full administrative rights to the Chameleon database is also responsible for administering the online system used to purchase licenses via credit card. This includes responsibility for documenting receipt of on line credit card payments and issuing license tags to customers.
- One staff person is in control of issuing citation warnings, creating citation charges, receipting citation payments and clearing incorrect citation charges.
- Cashiers create charges for customers paying for services received at the shelter; if an error is made cashiers may “void” their own work.
- The Accounting Clerk occasionally acts as a “verifier” for cashiers. The same staff member is later required to “check” the same amounts while preparing the daily deposit.

During our fieldwork and in response to our concerns, ACAD Managers have removed all licensing responsibilities from the database administrator and have prohibited the Accounting Clerk from verifying cashier submission prior to preparation of the daily deposit. However, additional actions should be taken to ensure appropriate separation of duties.

Unsecured cash transport between facility locations

ACAD operates two shelter facilities, both of which collect fees in the form of cash, checks and credit card payments. As most administrative personnel are located at the Fort Lauderdale shelter, it has become common practice for the Pompano shelter

location to transport their daily receipts to Fort Lauderdale to be prepared for deposit. Typically money (cash and checks) is transported in a plain, unsealed envelope noting the amount, and is hand delivered by an ACAD staff member/Animal Control Officer.

Good business practices dictate that when cash is transported between locations a locked bag or other security measures should be used. In response to our concerns, ACAD immediately purchased a lock bag to use for transporting deposits. However, additional security and timely deposits could be achieved if the Pompano location performed its own depositing function. ACAD managers state that they will be “implementing the use of an after-hours depository,” allowing Pompano to manage its own deposits.

Unsecured cash and late deposits following off site rabies vaccination clinics

To assist low income residents in obtaining rabies vaccinations and required licenses for their pets, ACAD staff conducts several events at local parks throughout the year. Events are typically scheduled in low income areas in high need of services and are held on Saturdays to increase attendance.

At these „rabies clinics“, residents pay \$15 for a rabies vaccination and pet license. Presently only cash is accepted at these events as ACAD does not have the ability to receive credit card payments while off site. Staff indicates cash is counted and secured in a locked bag after every twenty transactions. At the end of the day a final reconciliation is completed and cash is again stored in the locked bag. Cash receipts of \$3,000-\$5,000 are typical at such events. As these clinics are held outside of normal business hours (off site and on Saturdays) cash receipts are typically taken home by a staff member and brought back to ACAD offices for deposit on Monday morning.

This process falls outside of the guidelines established by the Internal Control Handbook and sound business practices. Furthermore, the safety and security of staff can be compromised when large amounts of cash are collected. In response to our concerns, ACAD managers state that their process has been modified to require staff to make an “after hours” deposit immediately following the event.

Recommendations:

To improve controls over cash handling processes and better protect the County’s interests, we recommend the BOCC direct the County Administrator to take the following actions and provide a progress report to the BOCC by September 30, 2010:

8. Improve controls governing staff access to safe including, but not limited to:
 - Limiting staff access to area where safe is located,
 - Changing safe combination on a periodic basis, including after changes in staff or assigned responsibilities,
 - Maintaining a written log of staff with safe access, including names, dates and a listing of assigned responsibilities necessitating access, and

- Adhering to other procedures defined within the Internal Control handbook and/or recommended by Records, Taxes and Treasury Division (RTT).
9. Increase controls to ensure the security of cash and checks received through the mail.
 10. Ensure all deposits are made within one business day of receipt, or in accordance with other Division specific guidelines as may be established by RTT Division.
 11. Reconcile pet license tags issued by staff to fees collected on a daily basis.
 12. Segregate staff duties and responsibilities in accordance with the ICH.
 13. Ensure cash and/or checks transported by staff are delivered using locked bags and detailed receipts.
 14. Explore the feasibility of Pompano shelter facility making its own deposits.
 15. Immediately prohibit staff from taking cash, checks or other County assets home for overnight storage.
 16. Improve controls protecting the safety and security of both ACAD staff and County revenue collected during off site rabies clinics through:
 - Exploring feasibility of accepting credit card payments in lieu of cash;
 - Accepting checks in payment for services and immediately endorsing all checks 'for deposit only' with the name of the Division;
 - Requiring staff to return to ACAD offices and secure cash receipts within the Division's safe or have staff make bank deposits immediately following off site events.