

**Audit Committee**  
**Comité de la vérification**

**Agenda 6**  
**Ordre du jour 6**

**Wednesday, September 27, 2000 - 2:00 p.m.**  
**Le mercredi 27 septembre 2000 - 14 h**

**Guigues Room, Terrace Level**  
**Bytown Pavilion, City Hall**

**Salle Guigues, Niveau Terrasse**  
**Pavillon Bytown, hôtel de vill**

**Confirmation of Minutes  
Ratification des procès-verbaux**

Minutes 5 (June 28, 2000)

Procès-verbal 5 (Le 28 juin 2000)

## **Index**

### **Information Items**

#### **Articles pour information**

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| 1. | <b>Accountability Report - Office of the City Auditor</b><br><b>Rapport du régime de responsabilisation, Bureau du vérificateur de la Ville</b><br>Ref.: ACS2000-AU-AUD-0009 | <b>1</b><br><br><b>City Wide</b> |
|----|--|----------------------------------|

### **Action Items**

#### **Articles pour exécution**

- |    |   |                                  |
|----|---|----------------------------------|
| 2. | <b>Audit of Cash Handling and Other Receipts</b><br><b>Tenue de la caisse et d'autre reçus</b><br>Ref.: ACS2000-AU-AUD-0010 | <b>5</b><br><br><b>City Wide</b> |
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#### **Members' Reports - Enquiries**

#### **Rapports des membres - demandes de renseignements**

Councillor/Conseiller Ron Kolbus, Chairperson/Président

Councillor/Conseiller Brian Mackey, Vice-Chairperson/Vice-président

Councillor/Conseiller Jim Bickford

Acting Mayor/Maire par intérim Allan Higdon

LZF

September 18, 2000

ACS2000-AU-AUD-0009  
(File: AAD 3600)

Office of the City Auditor

Ward/Quartier  
City Wide

- Audit Committee / Comité de la vérification

Information

## 1. Accountability Report - Office of the City Auditor

### Rapport du régime de responsabilisation, Bureau du vérificateur de la Ville

#### Information

This report summarizes the administrative activities and status of the workplan to 30 August 2000.

#### Budget

The status of the Office's Budget as at 31 August, 2000 is as follows:

	<i>Estimate</i>	<i>Spent/ Committed</i>
2000 Approved Budget	\$755,000.00	\$467,887.00

#### Staffing

In accordance with City policy, the two vacancies in the Office have been maintained. There will be a third vacancy due to a resignation effective 22 September 2000.

Two staff members are working part-time (30% - 40%) on Ottawa Transition Board projects.

Together, this represents about a 57% (3.4/6) professional staff resources reduction.

*Status of Workplan*

<i>Project</i>	<i>Status</i>
Performance Reporting	COMPLETED, Report to Council, 02/02/2000
Audit Function for the New City	COMPLETED, Report to Council, 23/02/2000
Review of Budget Process	COMPLETED, Report to Council, 26/04/2000
Assets and Equipment	COMPLETED, Report to Council, 26/04/2000
HRMIS System Implementation	COMPLETED, Report to Council, 21/06/2000
Handling of Cash and Other Receipts	COMPLETED, Part 1, Report to Audit Cttee, 27/09/2000
Public Markets	IN-PROGRESS, Report due October Audit Cttee
Fire Services	NOT STARTED, Suggest do not proceed

*Proposed for Balance of Year*

Procurement Cards,	Review of procedures put in place for procurement cards recently introduced at City.
Handling of Cash and Other Receipts	Part II: - Development of management tools - Receipts outside City Hall



September 18, 2000 (2:56p)

Peter O'Callaghan  
City Auditor

PO:po

Contact: Peter O'Callaghan - 244-5300 ext. 1-3050

## Financial Comment

N/A.



September 19, 2000 (9:57a)

for Marian Simulik  
Acting City Treasurer

BH:cds

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September 19, 2000

ACS2000-AU-AUD-0010  
(File: CMH2000-01)

Office of the City Auditor

Ward/Quartier  
City Wide

- Audit Committee / Comité de la vérification
- City Council / Conseil municipal

Action/Exécution

## 2. Audit of Cash Handling and Other Receipts

### Tenue de la caisse et d'autres reçus

#### Recommendation

That the report entitled "Audit of Cash Handling and Other Receipts" Document 2, be received, and the recommendations contained in Document 1 be approved.



September 19, 2000 (9:01a)

Peter O'Callaghan  
City Auditor

TMCT:tmct

Contact: Tracy McTaggart - 244-5300 ext. 1-3053

#### Financial Comment

The recommendations are administrative and will not require any additional funding.



September 19, 2000 (10:03a)

for Marian Simulik  
Acting City Treasurer

BH:cds

## Executive Report

### Reasons Behind Recommendation

This report presents the initial results of the Office of the City Auditor's review of the handling cash and other receipts at City Hall. The objective of the audit was to review the processes and controls over the handling of cash and other receipts to ensure they are adequate to protect and properly account for cash receipts.

Our review found that in general well established procedures were in place with many of the attributes of a good cash handling system. There are some internal control weaknesses which should be addressed by management. These areas represent a risk exposure, not evidence of error. Where a risk exposure was identified, testing of a sample of transactions was performed to determine the extent of error, if any, that had resulted from the lack of a strong internal control system. The tests found only a few, isolated, small errors. But, again, this does not mean that the exposure should not be addressed.

The report makes recommendations for improvements in the areas of: segregation of duties; handling of cheques in the Client Service Centre; use of the automated cash register; receipting practices and physical custody of cash. Management has accepted these recommendations and undertaken to take steps to implement the necessary control procedures.

The Office plans, as part of the Fall work program, to continue this audit to review cash handling at selected sites outside of City Hall. The results of these reviews would be presented individually to management and a summary status report would be prepared for Audit Committee.

In preparing this report, the Office was cognizant of the impact of re-structuring to the new City of Ottawa on City operations and established adopted the following strategy:

- . Recommendations are presented to address those areas at City Hall where major risk or control exposures were found and which the City should address immediately. In these cases, the report recommendations call for improvements that the City is able to implement immediately and with minimal cost. This ensures all recommendations are practical given the potential December 31, 2000 life span for the current processes and controls.
- . Where areas for improvements were identified and no immediate, cost-effective solution was available, the finding was reviewed with management for validation and to increase management awareness.



It was our intention from the outset that our work on reviewing cash handling would have relevance in establishing an appropriate control framework for the new City. Throughout the audit, we worked closely with staff involved in design of the arrangements for the new City. Based on the work we have done, we will be preparing a document that sets out key controls and best practices for cash handling which will be made available to the relevant transition project teams and to staff of the new City. The intention is that this document can be used as a template or guidelines in designing and reviewing the control structures for cash handling in the new City.

## **Disposition**

The A/Commissioner of Corporate Services and A/City Treasurer to implement upon approval.

## **List of Supporting Documentation**

- Document 1     Audit Recommendations and Management Responses
- Document 2     Audit of Cash Handling and Other Receipts (Distributed separately and on file with the City Clerk)

## Part II - Supporting Documentation

Document 1

### AUDIT RECOMMENDATIONS AND MANAGEMENT RESPONSES

- R1** That Managers responsible for the three cash handling sites at City Hall, in cooperation with the Department of Finance, re-assign duties in order to ensure basic segregation of duties is established.

*Agreed, staff responsibilities are being reviewed in order to implement the recommended improved segregation of duties.*

- R2** That all cheques be endorsed “for deposit only” at the cash handling site immediately upon receipt from the client. Management should conduct periodic spot checks to ensure this is being done.

*Agreed, staff have been reminded of the need to endorse cheques immediately upon receipt. Spot checks will be performed. Cashiers will be instructed to process all cheques using the cash register as soon as the programming can be updated.*

- R3** That mechanisms be implemented requiring all cheques, with the exception of post-dated cheques, be processed through the cash register or point-of-sale device to create a basic record of the transactions. (This recommendation to be implemented in conjunction with the recommendation in the next section.)

*Agreed, staff have been reminded of the need to endorse cheques immediately upon receipt. Spot checks will be performed. Cashiers will be instructed to process all cheques using the cash register as soon as the programming can be updated.*

- R4** That steps be taken to increase the use of automation such as cash register system reports, to prepare the CRS.

*Agreed. The freeze on programming enhancements due to Y2K priorities and the lack of available resources from IT over the last couple of years to complete back-end Point-of-Service programming are the reasons which contributed to the General Services Zone’s inability to properly exploit the functionality of its*

*cashiering system. However, the cash register system programming is now being updated to produce the necessary information.*

**R5 That a single receipt be provided to the client as proof of payment. To the extent possible, the receipt should consist of:**

- . **cash register tape or franked document**
- . **document generated by a point-of-sale device or system**

*Agreed, the recommendations will be implemented as soon as possible.*

**R6 That a separate form be implemented for use as a transmittal document both between the service counter and the cashier and between the CSC and Finance.**

*Agreed, the recommendations will be implemented as soon as possible.*

**R7 That the use of Official Receipts be restricted to situations where the cash register/point-of-sale device is not operational.**

*Agreed, the recommendations will be implemented as soon as possible.*

**R8 That procedures be implemented to track the use of Official Receipt books, including their issue and return. The procedure should also provide guidance on the use of Official Receipts.**

*Agreed, the recommendations will be implemented as soon as possible.*

**R9 That all cash drawers be integrated with the cash register or point-of-sale device in order to improve physical security and staff accountability.**

*Agreed, management is looking into integrating cash drawers with the cash register systems, providing a cash drawer for each user, and at the current procedures for cash close-out and logging on of cashiers.*

*Management has been working with staff in the Business Services Zone and the Security Coordinator to resolve this situation.*

**10**

**R10** That use of a cash register should be restricted to the cashier currently logged on to that register. Replacement cashiers should be logged onto the register they are using. Each cashier should be assigned their own cash drawer.

*Agreed, management is looking into integrating cash drawers with the cash register systems, providing a cash drawer for each user, and at the current procedures for cash close-out and logging on of cashiers.*

*Management has been working with staff in the Business Services Zone and the Security Coordinator to resolve this situation.*

**R11** That procedures for the use of safes be improved so as to appropriately restrict access and ensure their correct use.

*Agreed, management is looking into integrating cash drawers with the cash register systems, providing a cash drawer for each user, and at the current procedures for cash close-out and logging on of cashiers.*

*Management has been working with staff in the Business Services Zone and the Security Coordinator to resolve this situation.*