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**Cash Handling Review  
Transit Information Centre**

May 3, 2005

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# Cash Handling Review

## Transit Information Centre

### 1. Introduction

Cash Handling Reviews determine whether cash resources are handled in a manner consistent with established City requirements and whether they are adequately safeguarded against loss. They also assess the adequacy and effectiveness of internal controls within cash-handling locations. Cash Handling Reviews consist of an objective review and evaluation of the cash-handling practices and procedures relating to the receiving, transporting, storing, depositing, recording and safeguarding of City money (including cash, cheques, credit cards and debit cards).

The Office of the City Auditor (OCA) selected five cash-handling projects for review in 2004. Projects were selected based on a number of criteria including estimated revenue; volume of transactions processed; cash-handling risk; date of previous audit undertaken in the area, if any; and history of problems and control weaknesses identified. The Edmonton Transit Information Centre, with annual revenue of approximately \$1.9M was selected for review based on these criteria.

### 2. Background

The Edmonton Transit Customer Information Centre, located in the Churchill LRT Station handles inquiries from the public regarding transit routes and schedules and assists customers in planning transit trips. The Centre also provides information on special events within the City and responds to inquiries about all aspects of Edmonton Transit such as fares, policies and procedures. The Centre is also a retail outlet for all Transit products including tickets, passes and other sundry items.

For each shift, cashiers prepare a deposit which is reconciled to the point of sale system. In addition all changes in ticket and pass inventories are reconciled to product on hand at the end of each shift.

### 3. Objectives

The objective of this review were to assess the level of compliance with established City policies & procedures for cash handling and to evaluate the adequacy and effectiveness of controls over cash handling at the Information Centre with the intent to minimize loss of revenue resulting from theft or error.

#### 4. Methodology and Scope

The OCA reviewed the physical security and cash handling procedures and practices at the Information Centre and conducted several audit tests to assess the adequacy and effectiveness of cash handling controls. Areas reviewed included (a) cash equipment, vaults and skim safes; (b) controls over floats; (c) controls over refunds, voids and cancellations; (d) ticket and pass inventories and (e) reconciliation of daily sales and deposit preparation. The OCA staff reviewed cash handling procedures at the Information Centre for the period December 2004 to February 2005.

#### 5. Observations and Recommendations

##### 5.1 Supervision of Daily Cash Deposits

The Memorandum of Deposit form and the Daily Sales/Deposit Report form are not reviewed or approved by the area supervisor. Daily deposits are reconciled to changes in product inventory levels. End-of-day product inventory levels are not currently reviewed and approved on a test basis by the area supervisor. Without these controls, lost or misappropriated tickets and/or passes inventory could be concealed by falsified or incorrectly completed product inventory sheets. Undetected deposit sheet errors could also occur.

| Recommendation #1   | Management Response and Action Plan  |
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| <p>The Office of the City Auditor recommends that on a periodic and random basis the area supervisor review and approve the Memorandum of Deposit forms and the Daily Sales/Deposit forms for each cashier. The review should ensure the completeness and the accuracy of the deposit form and product inventory form. The forms need to be signed and dated by the supervisor as evidence of the review.</p> | <p><b>Accepted</b><br/> Comments:<br/> Random checks of the Memorandum of Deposit form and Daily Sales/Deposit forms will be performed by a supervisor every three months or as required.</p> <p>Planned Implementation: June 30, 2005<br/> Responsible Party: Director, Community Relations - ETS</p> |

##### 5.2 Enhanced Screening Procedures for Hiring Cashiers

All personnel who handle cash on behalf of the City of Edmonton should be subject to a rigorous background check. This should include a thorough security check and detailed check of all references. Because cash handling personnel hired at the Transit Information Centre are not subject to any additional or enhanced pre-screening procedures, persons with a history of cash handling wrongdoing or irregularities could be hired, which would increase the risk of cash misappropriations.

| Recommendation #2   | Management Response and Action Plan   |
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| <p>The Office of the City Auditor recommends that the hiring process for new cashiers include a thorough security check and a detailed and documented follow-up with listed references.</p> | <p><b>Accepted</b><br/> Comments:<br/> The Transit Information Centre will work with Human Resources Personnel to implement enhanced screening procedures.</p> <p>Planned Implementation: June 30, 2005<br/> Responsible Party: Director, Community Relations - ETS</p> |

### 5.3 Recording Cash Overages and Shortages

The current practice is to use petty cash funds to cover cash shortages so that the Memorandum of Deposit forms do not reflect any shortages. Cash overages and shortages need to be recorded on the Memorandum of Deposit. An account in the general ledger should keep track of the accumulated overages and shortages and should be monitored by the Area Supervisor.

| Recommendation #3  | Management Response and Action Plan  |
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| <p>The Office of the City Auditor recommends that all cash overages and shortages be documented on the Memorandum of Deposit form and that accumulated totals be monitored by the area supervisor on a periodic basis.</p> | <p><b>Accepted</b><br/> Comments:<br/> Cash handling procedures and the Memorandum of Deposit form will be changed to show cash overages and shortages. Accumulated amounts will be monitored by the area supervisor.</p> <p>Planned Implementation: May 2, 2005<br/> Responsible Party: Director, Community Relations - ETS</p> |

### Conclusions

In all cash reviews conducted by the OCA, the OCA's goal is to provide assistance in helping the Administration strengthen internal controls and to improve methods of prevention and detection of fraud.

We wish to thank the staff at the Transit Information Centre for their cooperation and support during this review.