



OFFICE OF THE
City Auditor

South Eco Station – Cash Handling Review

Follow Up

October 23, 2007



The Office of the City Auditor conducted
this project in accordance with the
*International Standards for the
Professional Practice of Internal Auditing*

South Eco Station Cash Handling Review Follow-up

1. Introduction

This is a follow-up review to determine the status of the Office of the City Auditor's (OCA's) recommendations contained in the South Eco Station Cash Handling Review of November 4, 2005. The primary objective of that review was to assess the level of compliance with established City policies and procedures for cash handling and to evaluate the adequacy and effectiveness of controls over cash handling at the South Eco Station with the intent to minimize loss of revenue resulting from theft or error.

The follow-up review was limited to the action taken by Collection Services (Waste & Recyclables) to address the recommendations. The original OCA report contained five recommendations and action plans developed by management to implement the recommendations by March 31, 2006. Through the completion of the follow-up review, we conclude that one of the recommendations was completed in a satisfactory manner and four recommendations are in various stages of completion but require further action.

2. Summary of Original Report

In 2005, we conducted a cash handling review of the South Eco Station. We reviewed the physical security and cash handling procedures and practices at the facility and conducted several audit tests to assess the adequacy and effectiveness of cash handling controls. Areas reviewed included (a) cash equipment, (b) controls over floats, (c) controls over refunds, voids and cancellations, and (d) reconciliation of daily sales and deposit preparation. We identified five opportunities for improvement (see section 3). Management accepted all of the recommendations and committed to full implementations of the recommendations by March 31, 2006.

3. Results of Follow-up Review

To determine the status of the five recommendations, we completed the following steps:

1. Paper-based follow-up: we requested Collection Services to provide us with documentation that substantiates the degree of completion of the recommendations and action plans.
2. Fieldwork: where required, we validated the information provided to support the actions taken.
3. Management confirmation: the project team confirmed the status of each recommendation with management.

3.1. Recommendation 1 - <In Progress>

The OCA recommends that the branch investigate the feasibility of upgrading the manual cash register to a corporate electronic Point-of-Sale system.

Early 2006 steps were undertaken to implement the POS-system *Cashier for Windows*. During the implementation three issues emerged:

1. Software could not be installed on PCs.
2. Software did not recognize cash draws.
3. Software is unable to handle free-of-charge items and produce required operational statistics.

Issues one and two were resolved by March 2007. Issue three is still outstanding. A software patch has been bought by Business Enterprise Services to fix the issue, but has not been installed and tested as of July 19, 2007.

We recommend that management work with Business Enterprise Services to address the outstanding issue and develop an action plan (with timeline) to implement the POS-system. After the system implementation is completed, staff will need to be trained on how to use the new system.

3.2. Recommendation 2 - <In Progress>

The OCA recommends that all ECO station employees be given robbery prevention training.

Two robbery prevention awareness training sessions were held in November 2005. All active Eco staff, including foreman, cashiers and other attendants received training. However, staff hired since November 2005 have not received robbery prevention awareness training. In addition, according to Administrative Directive A1200B *Handling of City Money*, cashiers need to undergo a robbery prevention awareness training at least once every two years.

We recommend that management work together with corporate security to schedule regular robbery prevention training sessions for Eco Station staff. In addition, we recommend that management include an expiry date for the robbery prevention training in their training tracking system, to ensure the training remains up-to-date.

3.3. Recommendation 3 - <In Progress>

The OCA recommends that all personnel handling cash on behalf of the City of Edmonton be subject to rigorous pre-screening and background checks.

According to Administrative Procedure A1200B Handling of City Money, “*Employment reference checks, with specific questioning about the candidate’s previous money handling duties and responsibilities, as well as a Police Information Check [or Security Clearance Letter] from the Edmonton Police Service, are required for all candidates being considered for positions involving the routine handling of City Money.*” Proof of the

reference check and the Security Clearance Letter should be kept by Human Resources in the candidate's personnel file. A sample taken of five recent (re-)hires showed that reference checks are not conducted, Security Clearance Letters are not consistently requested of successful candidates in the offer letter, and Security Clearance Letters that are obtained are not retained in the candidate's personnel file. According to the Recycling Supervisor, Security Clearance Letters are requested directly of recent (re-)hires by him. Letters received are then forwarded to Human Resources for filing.

We recommend that Management ensures that:

1. Security Clearance Letters are requested of successful candidates in the offer letter. Security Clearance Letters should not be older than 6 months.
2. Security Clearance Letters are obtained from candidate by Recycling Supervisor and then forwarded to Human Resources for filing in candidate's personnel file (this is consistent with the current practice).
3. Security Clearance Letters are included in Eco Station's training tracking system to track compliance.
4. Reference checks, with specific questioning about the candidate's previous money handling duties and responsibilities, are performed by Recycling Supervisor and that proof of checks is retained in the candidate's personnel file.

3.4. Recommendation 4 - <Complete>

The OCA recommends that armored vehicle pickup be increased to a frequency that complies with the Administrative Directive.

Armored pickup of coins, cash, cheques etc. is now conducted twice a week at both Eco Stations.

3.5. Recommendation 5 - <In Progress>

The OCA recommends that a formalized spot check procedure be developed to check each cashier on at least a bi-monthly basis and fully document the details and results of the spot check.

Eco Stations went beyond the recommendation: spot checks are performed twice a month for each cashier. Spot checks and regular supervisory observations of cashiers' activities provide some of the essential internal controls to prevent as well as detect theft of cash. The current spot checks consist of:

1. Surprise cash counts of coins and currency, cheques, Debit Card, Visa and MasterCard payments.
 2. Reconciliation of count to X-tape (reset tape).
 3. Supervisory observation of cashiers' activities including testing receipt accuracy.
- Unfortunately, there is no proof of the reconciliation as the X-tape is not retained for control purposes.

We recommend that management continue the spot check process, document the spot check procedure and change the process to include proof of reconciliation. The X-tape should be signed and retained for control purposes.

3.6. Summary Results

We assessed the implementation status of management's actions to address the five recommendations contained in the original report. The following table summarizes the implementation status for each recommendation.

Appendix	Status	Number
–	Complete – satisfactory	1
A	In progress	4
–	Not implemented	–
–	No longer applicable	–
Total recommendations		5

4. Conclusion

Overall Collection Services has made reasonable progress in completing the recommendations from our original report. The control environment of the South Eco Station has improved since the original report was issued on November 4, 2005. Four recommendations require further action on the part of management. We will continue to monitor the Eco Station's progress in completing the outstanding recommendations. A second follow-up review to determine the status of the outstanding recommendations will be scheduled for 2009.

We thank all City staff who participated in this review for their support, cooperation and feedback.

Appendix A – Status of Outstanding Recommendations

Original Recommendation #1	Original Management Response
<p>The OCA recommends that the branch investigate the feasibility of upgrading the manual cash register to a corporate electronic Point-of-Sale system.</p>	<p>Accepted Comments: The Waste Management Branch will consult with IT and Finance to determine if the Eco Stations are capable of upgrading – both operationally and technically, to an electronic Point-of-Sale system.</p> <p>Planned Implementation: June 30, 2006 Responsible Party: Senior Recycling Foreman.</p>
Follow-up Review – Implementation Status:	
<p><input checked="" type="checkbox"/> In progress <input type="checkbox"/> Not implemented <input type="checkbox"/> No longer applicable</p>	
<p>Management Response to Follow-up Recommendations: The POS system has been updated and installed at both Eco Stations. Training for staff is scheduled to be completed by October 31, 2007.</p>	
<p>Revised Implementation Date:</p>	<p>October 31, 2007</p>

Original Recommendation #2	Original Management Response
<p>The OCA recommends that all ECO station employees be given robbery prevention training.</p>	<p>Accepted</p> <p>Comments: Corporate Security will conduct Robbery Prevention training for Eco Station staff. Training is scheduled November 9 & 16, 2005 at the Kennedale Administration Building. All Eco Station staff including foreman, cashiers and other attendants will participate in the training.</p> <p>Planned Implementation: November 16, 2005 Responsible Party: Senior Recycling Foreman</p>
<p>Follow-up Review – Implementation Status:</p>	
<p><input checked="" type="checkbox"/> In progress <input type="checkbox"/> Not implemented <input type="checkbox"/> No longer applicable</p>	
<p>Management Response to Follow-up Recommendations: The training/tracking system has been updated to utilize expiry date two years from the robbery prevention training. Corporate Security will continue to provide training every two years for existing staff. As well, new staff will be trained at time of employment.</p>	
<p>Revised Implementation Date:</p>	<p>October 31, 2007</p>

Original Recommendation #3	Original Management Response
<p>The OCA recommends that all personnel handling cash on behalf of the City of Edmonton be subject to rigorous pre-screening and background checks</p>	<p>Accepted Comments: More rigorous pre-screening and background checks will be required on future postings for all successful candidates for Eco Station positions.</p> <p>Planned Implementation: November 1, 2005 Responsible Party: Senior Recycling Foreman</p>
<p>Follow-up Review – Implementation Status:</p>	
<p><input checked="" type="checkbox"/> In progress <input type="checkbox"/> Not implemented <input type="checkbox"/> No longer applicable</p>	
<p>Management Response to Follow-up Recommendations: The training/tracking system has been updated to include the tracking of obtaining Security Clearance Letters from (new) staff. Reference checks and previous money handling questions are part of the interview and hiring process.</p>	
<p>Revised Implementation Date: September 30, 2007</p>	

Original Recommendation #5	Original Management Response
<p>The OCA recommends that a formalized spot check procedure be developed to check each cashier on at least a bi-monthly basis and fully document the details and results of the spot check.</p>	<p>Accepted Comments: All Eco Station cashiers will now be checked on a minimum bi-monthly basis. All results and details will be fully documented.</p> <p>Planned Implementation: November 1, 2005 Responsible Party: Senior Recycling Foreman</p>

Follow-up Review – Implementation Status:		
<input checked="" type="checkbox"/> In progress	<input type="checkbox"/> Not implemented	<input type="checkbox"/> No longer applicable
<p>Management Response to Follow-up Recommendations: Proof of reconciliation will be confirmed by retention of X-tape. X-tape will be signed for control purposes.</p>		
Revised Implementation Date:		September 30, 2007