



OFFICE OF THE
City Auditor

Cash Handling Review Mitchell Transit Garage

December 17, 2007

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

Cash Handling Review – Mitchell Garage

1. Introduction

Cash handling reviews are performed to determine whether cash resources are handled in a manner consistent with established City requirements and are adequately safeguarded against loss. They also assess the adequacy and effectiveness of internal controls within the cash handling location. These 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) completes several cash handling projects each year. Projects are selected based on a number of criteria including estimated revenue, volume of transactions processed, cash handling risk, date of any previous audit(s) undertaken in the area, and history of problems and control weaknesses identified. A cash handling audit of Edmonton Transit was on the 2007 OCA audit plan and Mitchell Garage was chosen based on the criteria noted above.

2. Background

The Mitchell Garage provides a range of bus fleet services including repairs, servicing, dispatch and booking out buses for operators. Each day transit dispatchers are responsible for removing fare boxes from buses, depositing the cash into the cash room vaults, moving the cash from the vaults into cash bags and transferring the cash bags to the armoured car service. Cash collected at the Mitchell Garage is processed at the Coin Processing Centre. Once the deposit is processed, a Memorandum of Deposit form is sent to Finance for recording into the accounting system.

3. Objectives

The objectives of this review were 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 Mitchell Garage.

4. Scope and Methodology

The OCA reviewed the physical security and cash handling procedures and practices and conducted the following tests:

1. Observed the physical safeguarding of cash assets
2. Observed cash handling processes to ensure adequate chain of custody
3. Interviewed staff to assess compliance with cash handling procedures
4. Tested a sample of Cash Delivery receipts for accuracy, completeness and appropriate authorization
5. Reviewed a sample of employee files to ensure all contained Acknowledgement Forms as per procedure
6. Traced the cash receipts from a randomly chosen deposit to the Coin Processing Centre and into the accounting records
7. Reviewed and discussed findings with management

5. Observations and Analysis

Based on our observations and tests, the OCA believes the Mitchell Garage possesses the following strengths with respect to their cash handling controls:

- Dual custody over cash is maintained in all appropriate situations
- Cash Delivery receipts are completed accurately and authorized as appropriate
- The new Key Keeper system provides adequate security for cash room and vault keys as well as provides the ability to track access to the keys
- Dispatch staff are aware of the *Edmonton Transit Bus Operations Cash Handling Procedures*.

Our review provided the following opportunities for the Mitchell Garage to improve controls to ensure greater effectiveness of cash handling procedures:

5.1 ***Acknowledgement Forms***

The OCA reviewed 10 employee files in order to ensure they contained an Acknowledgement Form as directed in the *Edmonton Transit Bus Operations Cash Handling Procedures*¹. This form indicates that employees have read, understood and accepted their responsibilities as specified in the procedures.

¹ *Edmonton Transit Bus Operations Cash Handling Procedures* Section 1.2 - Cash Handling Procedures.

We found that 4 of the 10 employee files did not contain the Acknowledgement Forms. Subsequent to our review, we received copies of the 4 missing Acknowledgement Forms, which had been signed in 2006 but not placed on the employee's file.

Based on our review and discussions with management we believe the processes are adequate to ensure all staff are provided training on procedures and are required to sign Acknowledgement Forms. Management has agreed to ensure these forms are placed on employee files in a timely manner.

5.2 Armoured Car Service Employee Identification List

The process in place at Mitchell Garage when the OCA performed this review was to keep a list of authorized armoured car employees, containing signatures and pictures, in the cash room so that dispatch staff could verify armoured car employees prior to the cash transfer. On our first site visit to Mitchell Garage it was noted the list was over eighteen months old, but a subsequent visit proved the list had been updated to April 2007. We believe it is important to keep this list up to date in order that cash bags are not transferred to unauthorized persons. The City of Edmonton *Handbook for the Handling of City Money* states that these identification lists should be no more than 6 months old².

During the writing of this report the OCA was informed that a contract with a new armoured car service provider will commence October 1, 2007. This contract does not specify the new service provider must supply authorized employee lists nor does the new service provider normally provide this service. Treasury Management is currently working towards resolving this issue and will be updating all written procedures accordingly.

Recommendation #1	Management Response and Action Plan
<p>1. The OCA recommends that Dispatch Management work with Treasury Management to ensure there are appropriate controls in place that reduce the risk of transferring money to unauthorized persons. The City of Edmonton <i>Handbook for the Handling of City Money</i> and the <i>Bus Operations Cash Handling Procedures</i> may need to be updated to reflect any changes to procedure.</p>	<p>Accepted</p> <p>Comments: <i>ETS Bus Operations Cash Handling Procedures</i> and <i>City Cash Handling Procedures</i> are under review. Changes to procedures will be made to the manual as required.</p> <p>Planned Implementation: February 2008. Responsible Party: Cash Consultant and Supervisor of Branch Operations Support Service.</p>

² The City of Edmonton *Handbook for the Handling of City Money* Section 5.35. City Policy A1200A *Receiving, Transporting, Storing and Depositing of City Money*, was replaced by Administrative Directive A1200B *Handling of City Money* in July 2007. As per the Administrative Directive, detailed standard procedures for the handling of City Money are provided in the City of Edmonton *Handbook for the Handling of City Money*.

5.3 Armoured Car Service Employee Verification

The *Edmonton Transit Bus Operations Cash Handling Procedures* specify that the armoured car employee should be verified with the armoured car employee list³. During a site visit, the OCA observed that the dispatcher did not immediately verify that the person receiving the cash bags was an authorized armoured car employee.

We noted that it is quite difficult for dispatch staff to immediately identify the armoured car employees upon their arrival at the delivery area. The delivery door through which the cash bags are transferred is quite small and at waist height for the armoured car employee. There is a camera feed viewable in the cash room that shows the area where the armoured car employee receives the money, however, it is situated above the area and does not provide an opportunity for clear identification.

Recommendation #2	Management Response and Action Plan
<p>The OCA recommends that management have the delivery area redesigned or cash transfer process altered so that the armoured car employees are easily identified by dispatch staff prior to the transfer of cash bags.</p>	<p>Accepted</p> <p>Comments: ETS Bus Operations Cash Handling Procedure has been revised by memo to Dispatch staff at Mitchell Garage. When the Armoured car arrives to receive the cash the Dispatcher will proceed out to the dumping station and unlock the sliding door. At this time the armoured car personnel will be clearly identified.</p> <p>Planned Implementation: September 20, 2007 (Complete) Responsible Party: ETS Dispatch Supervisor</p>

5.4 Bus Operations Cash Handling Procedures

Review of the *Edmonton Transit Bus Operations Cash Handling Procedures* reveals they do not contain any guidance for staff when the armoured car employee waiting for receipt of cash bags is not familiar or known to be an authorized armoured car employee. Established procedure for this type of situation is critical to ensure staff safety.

³ *Edmonton Transit Bus Operations Cash Handling Procedures* Section 1.21(c) – Delivery of Sealed Coin Bags to the Armoured Car Guard.

Recommendation #3	Management Response and Action Plan
<p>The OCA recommends that the <i>Edmonton Transit Bus Operations Cash Handling Procedures</i> be updated to include guidance to staff when the person waiting for the cash transfer is not familiar or known to be an authorized armoured car employee.</p>	<p>Accepted</p> <p>Comments: ETS Bus Operations Cash Handling Procedures and City Cash Handling Procedures are under review. Changes will be made to these procedures to ensure the staff has direction to handle this situation as per revised City Policy.</p> <p>Planned Implementation: February 2008. Responsible Party: Cash Consultant and Supervisor of Branch Operations Support Service. ETS Dispatch Supervisor.</p>

5.5 Robbery Prevention Awareness Training

The City of Edmonton *Handbook for the Handling of City Money* states that all employees handling City money should attend a Robbery Prevention Awareness session once every 2 years⁴. Information received from dispatch staff and management interviews indicates that this session is not part of initial training or ongoing staff development.

New dispatchers are provided with one-on-one training of the *Edmonton Transit Bus Operations Cash Handling Procedures* which includes a section about special security instructions in the event of a robbery⁵. We reviewed the Robbery Prevention Awareness training provided by Corporate Security and the *Edmonton Transit Bus Operations Cash Handling Procedures* and found the Corporate Security training to be more comprehensive.

We also spoke to a cash consultant from Treasury Management to help determine if the current dispatch staff training fulfills the intent of the City of Edmonton *Handbook for the Handling of City Money*. The cash consultant advised the current process does not fully fulfill the requirement of the *Handbook for the Handling of City Money* but they will be assessing the training needs of all cash handling staff and intend to develop programs to meet these needs.

⁴ The City of Edmonton *Handbook for the Handling of City Money* Section 5.03 – Guidelines for the Operation of Cash Sites.

⁵ *Edmonton Transit Bus Operations Cash Handling Procedures* Section 1.23 – Special Security Instructions in the Event of a Robbery.

Recommendation #4	Management Response and Action Plan
<p>The OCA recommends that management work with the cash consultants to further develop their robbery awareness training so that the requirement in the City of Edmonton <i>Handbook for the Handling of City Money</i> is met.</p>	<p>Accepted</p> <p>Comments: Cash Handling Procedures are under review. Clarification and information on Robbery Prevention will be included in the procedures. Robbery prevention training for staff will be done in accordance with guidance in the City of Edmonton <i>Handbook for the Handling of City Money</i>.</p> <p>Planned Implementation: July 2008 Responsible Party: Cash Consultant and Supervisor of Branch Operations Support Service. ETS Dispatch Supervisor. Training to be provided by Corporate Security.</p>

6. Conclusion

The OCA is satisfied that the controls over cash handling at the Mitchell Garage are generally effective in minimizing the loss of revenue resulting from theft or error. We believe that the implementation of the recommendations developed during this audit will improve the cash-handling controls at the Mitchell Garage and further reduce the City's risk of losing cash revenue.

We thank the staff and management of the Edmonton Transit for their cooperation and support during this review.