



Follow-Up Report Citywide Cash Handling Audit

April 2019

Some parts of this public document have been redacted for security reasons. A copy of the report without redactions have been shared with the Mayor, Audit Committee of the City Council, and City management.

City of Springfield
Office of Internal Audit
Springfield, MA 01103

Yong Ju No, CPA
Director of Internal Audit
(413) 784-4844
yno@springfieldcityhall.com



April 16, 2019

Councilor Tracye Whitfield, Chairperson
Councilor Kateri Walsh
Councilor Timothy Ryan

Re: Follow- Up Report - Citywide Cash Handling Audit

Honorable Members of the Audit Committee,

Please find enclosed the Office of Internal Audit's Follow-Up Review Report related to the Citywide Cash Handling Audit. This report provides the status of recommendations as of September 30, 2018 related to this audit. The intent of this report is to keep the Audit Committee informed about the implementation status of recommendations made by the Office of Internal Audit.

We would like to thank all of the staff from the various City departments that provided us with information for this report. All of their time and efforts are greatly appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read 'Yong Ju No'. The signature is stylized and includes a long, sweeping flourish at the end.

Yong Ju No

Enclosure

**STATUS OF AUDIT RECOMMENDATIONS AS OF SEPTEMBER 30, 2018
CITYWIDE CASH HANDLING AUDIT**

BACKGROUND

The Office of Internal Audit (OIA) issued the Citywide Cash Handling Audit report in November 2016 in which the OIA made 43 recommendations.

The attached report (Attachment A) includes the audit findings from that report, related recommendations, Management’s original responses, original target dates for implementation (when provided), the current statuses, and Management’s updated responses to address those recommendations in progress. Management’s updated responses are as of September 30, 2018 unless otherwise indicated. When possible, we verified the status of recommendations shown as “implemented” through interviews with appropriate City staff and reviews of relevant supporting documentation.

CATEGORIES OF IMPLEMENTATION STATUS

We contacted City departments/programs to gather the status of recommendations, reviewed all recommendations, and placed the recommendations into the following categories:

- | | |
|------------------------------|---|
| Implemented | The department/program provided sufficient and appropriate evidence to support all elements of implementing the recommendation. |
| In Process | The department/program indicated they agree with the recommendation and are in the process of implementing. |
| Will Not Implement | The department/program disagreed with the recommendation, did not intend to implement, management of the department has agreed to assume the risk for not implementing the finding; no further action will be reported; and |
| Not Implemented – N/A | Circumstances changed to make the recommendation not applicable. |

SUMMARY

The following provides a summary of the status of recommendations related to the Citywide Cash Handling Audit – Issued November 2016: The OIA made 43 recommendations of which 24 have been implemented, 16 are in process, 1 will not be implemented, and 2 are not implemented, i.e., not applicable. [REDACTED] The two recommendations that have not been implemented, i.e., not applicable, were due to the department having policies/procedures in place to address the finding.

**STATUS OF AUDIT RECOMMENDATIONS AS OF SEPTEMBER 30, 2018
CITYWIDE CASH HANDLING AUDIT**

Attachment A

Finding	Recommendation	Responsible Department	Status	Remediation Plan
		Human Resources	Implemented	<p><u>Human Resources</u> <i>Original Management Response:</i> We agree with the finding and will comply with the City Treasurer’s Cash Turnover Policy by November 30, 2016.</p>
		DPW	Implemented	<p><u>DPW</u> <i>Original Management Response:</i> Management agrees with the auditor’s assessment. We are drafting and implementing policies that will address the chain of custody issue and will make sure that employees are informed of said policies. This process will be completed by June 1, 2016.</p>
		Fire	Implemented	<p><u>Fire</u> <i>Original Management Response:</i> We agree with the auditor’s recommendation. Beginning June 1, 2016 there will be a log utilized to track any change in custody of payments.</p>
		Library	Implemented	<p><u>Library</u> <i>Original Management Response:</i> The Library Department will revise our current cash handling policies to include the following:</p> <ul style="list-style-type: none"> • All payments received by employees turned over to another employee will be counted in the presence of both employees and they will sign a receipt to document that both employees are in agreement as to the amount turned over. • Locations that don't currently count cash at the end of the day will be instructed to count their cash at the end of the day. Since we consider counting cash while the public is in the building a security issue, staff will be scheduled and will adjust their schedules to stay after the library is closed to the public to count the cash.

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Attachment A

Finding	Recommendation	Responsible Department	Status	Remediation Plan
		Library (continued)		<p>Library <i>Original Management Response (continued):</i></p> <ul style="list-style-type: none"> • New procedures, forms and schedules for delivery of weekly cash from the Branch Libraries and the Central Library to the Library Business Office at the Central Library will be developed by the Directors Office and all appropriate staff will be trained by July 15, 2016. • New procedures will be required of all staff beginning July 18, 2016.
Finding 3: Some City and departmental revenue collection policies need improvement.				
Lack of formal written/updated revenue collection policies and procedures.	Formal policies and procedures should be documented and updated to communicate management’s expectations, provide employees with written guidance to carry out activities in an effective and efficient manner, and to assist with training or cross-training employees. These should include procedures regarding over the counter payments, payments by mail, credit card processing, over and short amounts, and office security.	Building Code	Implemented	<p>Building Code <i>Original Management Response</i> The Department has since put in writing a Procedure on how to handle and process the checks that we receive either in the mail or at the counter.</p>
		City Clerk	In Process	<p>City Clerk <i>Original Management Response</i> We agree with the auditor’s assessment. We have begun the process of reviewing our current cash handling and creating a written record. This process should be complete over the next month (October 2016).</p> <p><i>Updated Management Response</i> We will implement this before the end of the year (2018).</p>
		DPW	Implemented	<p>DPW <i>Original Management Response</i> Management agrees with the auditor’s assessment. We are drafting and implementing formal policies and will make sure that employees are informed of said policies. This process will be completed by June 1, 2016.</p>

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Attachment A

Finding	Recommendation	Responsible Department	Status	Remediation Plan
		Parks	Implemented	<p><u>Parks</u> <i>Original Management Response:</i> The department has developed a policy and recommends Finance and the Auditors review to approve.</p>
		SPD	Implemented	<p><u>SPD</u> <i>Original Management Response:</i> We agree with the auditor’s recommendation, and the following action took place. General Order 16-11 Cash Received for Permits, Reports, and Details was distributed.</p>
		Health	Not Implement – NA	<p><u>Health</u> <i>Original Management Response:</i> Management does not think this condition of overages and shortages (policy and procedures) applies to SHHS. The department does not have a daily cash drawer where we reconcile revenue received at day's end. Hand delivered payments or payments received via USPS are accompanied by invoices which are then turned over to respective departments to review and record. Occasionally vendors will send revenue checks with an incorrect amount; when that happens, the checks are still posted into the Accounts Receivables Module, if it is an overpayment, the Collector’s office will be informed of the overpayment and a credit will be issued. If it is a shortage, vendor will be notified by phone and mail of the outstanding balance they still owe for the permit (burial, tobacco or environmental health).</p>
		Library	Not Implement - NA	<p><u>Library</u> <i>Original Management Response:</i> The Library Department has reviewed the attached UPSEU policy regarding overages/shortages and has sent the UPSEU Memorandum of Agreement regarding Drawer Shortages/Overages to Human Resources to review and recommend appropriate language to be included in the SOLE and AFSCME contracts.</p>

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Attachment A

Finding	Recommendation	Responsible Department	Status	Remediation Plan
The City lacks a City-wide billing policy.	<p>We recommend that the CAFO in conjunction with the City Comptroller issue a City-wide billing policy that requires departments to use the MUNIS General Billing module when creating invoices. In the policy, City Management should reserve the right to judgmentally and ultimately determine which receivables should be included in the module based on enforcement/ collectability.</p> <p>The City wide billing policy should also include the following:</p> <ul style="list-style-type: none"> • Current procedures for setting up customers creating invoices, applying payments, making adjustments to invoices, and monitoring/reconciling activity. • Emphasis of segregation of duties and departmental management’s regular review and follow-up of receivables. <p>Departments work collaboratively with the City Treasurer/ Collector’s Office in learning and implementing the module.</p>	CAFO	In Process	<p><u>CAFO</u> <i>Original Management Response:</i> Management agrees with the recommendation of the Internal Auditor and is currently developing a formal City-Wide billing and revenue collection policy. The policy will include all aspects of creating and collecting bills utilizing the MUNIS General Billing module.</p> <p>Management is currently performing an analysis on a departmental basis by charge code to assist the City Treasurer/Collector in determining the proper implementation of the General Billing Module. This analysis will help to comply with the Internal Auditor’s recommendation of choosing receivables which reasonably can be collected by the City of Springfield.</p> <p><i>Updated Management Response</i> We are currently developing a strategy to determine which departments need to implement general billing. Once we have an implementation plan, we will issue the citywide billing policy.</p>
Formalized procedures are needed for recording payment dates at the City Treasurer/ Collector’s Office.	Formal policies and procedures should be documented regarding recording payment dates for rejected lockbox payments. These policies and procedures will communicate management’s expectations, provide employees with written guidance to carry out activities in an effective and efficient manner, and to assist with training or cross-training employees.	City Treasurer/ Collector	Implemented	<p><u>City Treasurer/Collector</u> <i>Original Management Response:</i> Although management has always vocalized the policy of using the date received by the City, or its designee as the record date of any payment, it recognizes the need to have it formalized as part of the departmental policies and procedures, which are distributed to all staff annually or when new policies are added.</p>

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Finding	Recommendation	Responsible Department	Status	Remediation Plan
	<p>We recommend that after the designed reconciliation process has been documented and tested, the Health Commissioner approve the implementation of the process and require that it is performed on a consistent, routine basis. Errors and omissions could be communicated and resolved timely which would increase accuracy and reduce the risk of fraud.</p>	<p>Health (continued)</p> <p>TJO</p>	<p>Implemented</p>	<p>Health <i>Original Management Response</i> (continued) IT department informed us there may be a way to reconcile these accounts with the updated version of Munis.</p> <p><i>Updated Management Response</i> Reconciling process will be implemented as soon as the Financial Analyst, (Health Services for the Homeless Program) position is filled (currently vacant). Estimated time, December 2018.SHHS will also explore the option of having City's IT department to help develop an automated solution.</p> <p>TJO <i>Original Management Response</i> Collaborating with Finance, IT, Treasurer's and HHS, a new system to enter and reconcile all TJO's payments in Chameleon and Munis is currently in use. Each week, a Munis report is generated and emailed to the TJO Director and Operations Manager. One of these two staff reviews the report and look for problems that MUNIS flagged for attention. To date, this has worked very well. The system is finding fewer errors each week and several times there has been none. The errors are considerably benign, such as an employee choosing an item to sell that does not have a charge code assigned. Given the system is working so well, it appears that the errors found were while we were in a learning phase and have become uncommon.</p>

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Finding	Recommendation	Responsible Department	Status	Remediation Plan
	<p>We recommend the following:</p> <ul style="list-style-type: none"> • Implement reconciliation process to be performed regularly for the CWMARS data. • Explore the option of having the City’s IT Department to develop an automated solution with the vendor that would allow Library management to be able to monitor data. • Prepare the reconciliation in Excel and include subtotals for cash, check and donations. • Record each branch total into MUNIS separately instead of in the aggregate. 	Library	In Process	<p><u>Library</u> <i>Original Management Response</i> CWMARS can provide a detailed and itemized report that will include daily cash and check transactions for all Library Department locations. The reports will be automatically sent to the Director by email by noon of the following day.</p> <p>The Library Director will log into the Evergreen client to retrieve the daily reports. These reports can then be used to reconcile daily cash and check receipts.</p> <p>Our cash handling procedures will be revised by June 30th to include the CWMARS report as a management tool to use for reconciliation as soon as we have reports that have all of the required information.</p> <p>The Library Department will ensure the following actions:</p> <ul style="list-style-type: none"> • An Excel spreadsheet will be formatted for reconciliations and the sheets will include subtotals for cash, check and donations. • Each Branch total will be entered into Munis separately instead of in the aggregate. • New Cash Handling procedures will be developed by the Directors Office and all appropriate staff will be trained by July 15, 2016. <p>All new procedures will be effect for all Library staff starting July 18, 2016.</p>

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Finding	Recommendation	Responsible Department	Status	Remediation Plan
		Library	In Process	<p><u>Library</u> <i>Updated Management Response</i></p> <ul style="list-style-type: none"> • CW Mars data is reported to the Library Director on a daily basis and saved in an Outlook Calendar folder. • Beginning July 1, 2018 a column was added to the Excel Spreadsheet to record the daily CWMARS reports for each location. • Once we noticed that there were discrepancies, we investigated and found the following: • The daily cash sheets included one total which reflected not only CWMARS payments but also printing and copying. Staff were asked to break down the daily totals by fines and fees and other and the daily cash sheet was revised, this was implemented as of August 1, 2018. • Based on an example on July 9 when the Central Library daily cash report total was \$286.71 and the CWMARS report total was \$346.67 we asked the Manager of Borrowers Services to investigate and found that one payment was recorded three times in CWMARS due to a software glitch. • Based on that finding we added a column to the spreadsheet for Comments and will continue to ask the Manager of Borrowers Services to investigate if there is a large discrepancy. • Once the Daily Cash Sheet was revised as of August 1, 2018, we noticed improvements in reconciling the reports. • Some of the reasons the CWMARS reports and the daily Cash reports may not reconcile include the following: <ul style="list-style-type: none"> ○ CWMARS updates the Evergreen Client software every six months and there are often "Bugs" associated with the upgrade and payments are not recorded accurately. ○ According to CWMARS policies payments for lost items that belong to another library in the Consortium must be sent to that Library.

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Finding	Recommendation	Responsible Department	Status	Remediation Plan
		Library	In Process	<p>Library <i>Updated Management Response</i> (continued)</p> <ul style="list-style-type: none"> ○ If a patron makes a payment for one of our lost items at another library, the payment is recorded in that Library's CWMARS report but is sent to us, so the Daily Cash sheet will reflect more income than the report. ○ We are experiencing a bug in the software system. For example we have paid the item off in the billing screen but the item does not get removed from the items out screen. We have to check the item in and then back out to the patron and make it lost by patron and pay it again to keep the item in the correct status of lost and paid. ● We will continue to record the CWMARS daily payments in the excel spreadsheet, refer discrepancies to the Manager of Borrowers Services to investigate (The Manager is the Springfield City Library liaison to CWMARS) and add findings to the Comments column. ● Library Department will use the CWMARS reports as another reconciliation tool with the understanding that discrepancies will be investigated and will reflect either payments taken at another library or payments sent to another library, software issues. ● Any discrepancies, once investigated, that are not due to CWMARS policies or Evergreen Software issues will be referred to Auditors for follow up.

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Finding	Recommendation	Responsible Department	Status	Remediation Plan
There is a lack of environmental permit reconciliation.	We recommend HHS regularly reconcile the number of permits (by permit number) issued to the payments received. We also recommend that HHS issue sequentially numbered permits which will facilitate the reconciliation process and help identify any missing permit numbers or gaps in sequence numbers for management to investigate.	Health	In Process	<p><u>Health</u> <i>Original Management Response</i> Management will institute the recommendation of the auditing department.</p> <p><i>Updated Management Response</i> SHHS is evaluating the most effective way to reconcile its permits and will let OIA know once this process is implemented.</p>
There is a lack of Big Y bulk sticker reconciliation.	We recommend that the DPW perform the following: <ul style="list-style-type: none"> • Work collaboratively with Big Y to better track bulk sticker activity by specific sticker serial numbers by beginning stickers on hand, plus additions, less sales which should equal the ending items on hand, • Reconcile sales to internal records, and • Periodically perform an inventory of stickers at Big Y locations. 	DPW	In Process	<p><u>DPW</u> <i>Original Management Response</i> Management agrees with the auditor’s assessment. We are drafting and implementing policies that will address the bulk sticker reconciliation issue and will make sure that employees are informed of said policies. This process will be completed by June 1, 2016.</p> <p><i>Updated Management Response</i> The DPW requests that the logistics of implementing this request be revisited.</p>
Finding 6: Internal controls to safeguard cash in some departments need improvement.				

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Finding	Recommendation	Responsible Department	Status	Remediation Plan
		[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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Finding	Recommendation	Responsible Department	Status	Remediation Plan
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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Finding	Recommendation	Responsible Department	Status	Remediation Plan
		[REDACTED]		[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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Finding	Recommendation	Responsible Department	Status	Remediation Plan
		<div data-bbox="884 331 989 375" style="background-color: black; width: 50px; height: 27px; margin-bottom: 10px;"></div> <div data-bbox="884 954 995 1027" style="background-color: black; width: 53px; height: 45px; margin-bottom: 10px;"></div> <div data-bbox="884 1243 1016 1352" style="background-color: black; width: 63px; height: 67px;"></div>	<div data-bbox="1062 331 1228 375" style="background-color: black; width: 79px; height: 27px; margin-bottom: 10px;"></div> <div data-bbox="1062 954 1218 1044" style="background-color: black; width: 74px; height: 55px; margin-bottom: 10px;"></div> <div data-bbox="1062 1243 1218 1287" style="background-color: black; width: 74px; height: 27px;"></div>	
		<div data-bbox="884 1243 1016 1352" style="background-color: black; width: 63px; height: 67px;"></div>	<div data-bbox="1062 1243 1218 1287" style="background-color: black; width: 74px; height: 27px;"></div>	

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Finding	Recommendation	Responsible Department	Status	Remediation Plan
		[REDACTED]		[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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Finding	Recommendation	Responsible Department	Status	Remediation Plan
	<p>In particular, we recommend the following, where applicable:</p> <ul style="list-style-type: none"> An employee independent of the accounting function be designated to open mail, make a control list of all check receipts, and restrictively endorse all items as “for deposit only.” The check receipts should then be forwarded to other designated employees for data entry. Spot checks should then be performed by supervisory personnel by comparing the listing of check receipts to the payments that were recorded into the City’s accounting system. All employees’ work should be monitored for reasonableness and accuracy. Any adjustments to bills should be approved by a Supervisor/Manager and/or Department Head. Customer payments should be sent to central location, or alternatively explore the use of a lock box processing services. CMED send the affected customer a revised bill for the amount due. 	City Clerk (continued)		<p><u>City Clerk (continued)</u> <i>Updated Management Response</i> We prepare the check receipts log by individuals who have access to accounting records. However, as a compensating control, a supervisor will review the check receipts logs regularly for completeness and accuracy.</p>
		DPW	In Process	<p><u>DPW</u> <i>Original Management Response</i> Management agrees with the auditor’s assessment. We are drafting and implementing policies that will address the segregation of duties providing another level of oversight. We will make sure that employees are informed of said policies. This process will be completed by June 1, 2016. Management agrees with the auditor’s assessment.</p>
		Fire	Implemented	<p>We are drafting and implementing policies that will address the payments received by mail issue and will make sure that employees are informed of said policies. This process will be completed by June 1, 2016.</p> <p><i>Updated Management Response</i> The DPW has implemented Check Logs effective 10/25/2018 that will be reconciled quarterly by the Deputy Director of Finance and Administration.</p> <p><u>Fire</u> <i>Original Management Response</i> We agree with the auditor’s recommendation. We will be working with Treasurer’s to move Fire Watch Detail billing into Munis effective August 11, 2016. We will also segregate duties and have one person open and log the payments (they are all received in the mail) while a separate person will process the payments going forward.</p> <p>Reasonableness and accuracy will be monitored by the Director of Finance and Administration. Adjustments, if any, will be approved and signed off by the Fire Commissioner.</p>

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		Fire (continued)	Implemented	<p><u>Fire (CMED)</u> <i>Original Management Response</i> The affected customer was contacted and has started making payments. Corrections to the account were made.</p> <p>As the account manager for the Central Medical Emergency Direction (CMED) I will agree to use of the MUNIS billing model under a trial basis for the FY 2017 fiscal year to determine whether MUNIS has the flexibility and agility to operate the Springfield CMED account. As discussed with the Springfield Audit Team, MUNIS was considered in the past and did not have the flexibility to provide optimal service. It is my anticipated hope that use of MUNIS will allow the Springfield EMS Commission to have access and visibility of the account at all times and that the account is not partitioned into categories which will constrain or limit the use of funds when emergency repairs or equipment replacement due to a catastrophic incident is required. Springfield CMED is a lifesaving communications system for communities in the Pioneer Valley. It is also hoped that MUNIS will be sensitive to the impacts on small community municipalities that must pay their bills over time.</p> <p>I am asking that a MUNIS technician work with the Office of Emergency Preparedness as soon as possible to be able to implement the MUNIS system at 00:00 on July 1st 2016.</p> <p>Record keeping/billing from the receipt of deposit function will be segregated by having accounting at the Fire Department receive and process all payments. Adjustments to bills will be approved by the Commission.</p>
		SPD	Implemented	<p><u>SPD</u> <i>Original Management Response</i> We agree with the auditor's recommendation. Duties including invoicing and collections have been segregated to the best of the department's ability. In the event of a long absence, collections will take place in the Clerk's office and checks will be signed out by those entering into the system.</p>

