



## **Follow-Up Report Cash Handling Audit and Bulk Trash Sticker Review at City Clerk**

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*February 2023*

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  
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February 13, 2023

Re: Audit Recommendation Follow- Up Report related to Cash Handling Audit  
and Bulk Trash Sticker Review at City Clerk

Honorable Members of the Audit Committee,

Please find enclosed the Office of Internal Audit's Audit Recommendation Follow-Up Review Report related to the Cash Handling Audit and the Bulk Trash Sticker Review at the City Clerk. This report provides the status of open recommendations as of April 30, 2022 related to this audit and review. 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 the staff from the City Clerk that provided us with information for this report. All of their time and efforts are greatly appreciated.

Sincerely,

A handwritten signature in black ink that reads "Yong Ju No" with a stylized flourish at the end.

Yong Ju No

Enclosure

**STATUS OF AUDIT RECOMMENDATIONS AS OF APRIL 30, 2022  
CASH HANDING AUDIT AND BULK TRASH STICKER REVIEW AT CITY CLERK**

**BACKGROUND**

This report summarizes the status of five recommendations from the Cash Handling Audit at City Clerk, which was completed in November 2016 as part of a Citywide Cash Handling Audit, and of two recommendations from the Bulk Trash Sticker Review, which was completed in November 2020.

The attached report (Attachment A) includes the audit findings, recommendations, Management’s response, and the current status. When possible, we verified the status of recommendations shown as “Implemented” and or “In Process” through interviews with appropriate staff and reviews of relevant supporting documentation. The results of work are documented under the heading “Office of Internal Audit Comments.”

During the follow up review, we noted additional findings related to the cash handling protocols at the City Clerk and made recommendations for their remediation. See New Findings and Recommendations.

**CATEGORIES OF IMPLEMENTATION STATUS**

We contacted the staff at City Clerk to gather recommendations status, reviewed all recommendations, and placed the recommendations into the following categories:

<b>Implemented</b>	The department/program provided sufficient and appropriate evidence to support all elements of implementing the recommendation,
<b>In Process</b>	The department/program provided some evidence but not all elements of the recommendation were addressed or the department has agreed to implement the recommendation but has not yet completed the implementation.
<b>Will Not Implement</b>	The department/program disagreed with the recommendation, did not intend to implement, and no further action will be reported; and
<b>Not Implemented – N/A</b>	Circumstances changed to make the recommendation not applicable.


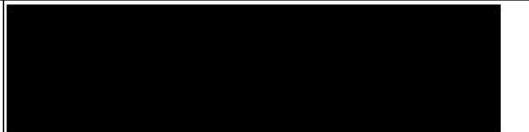


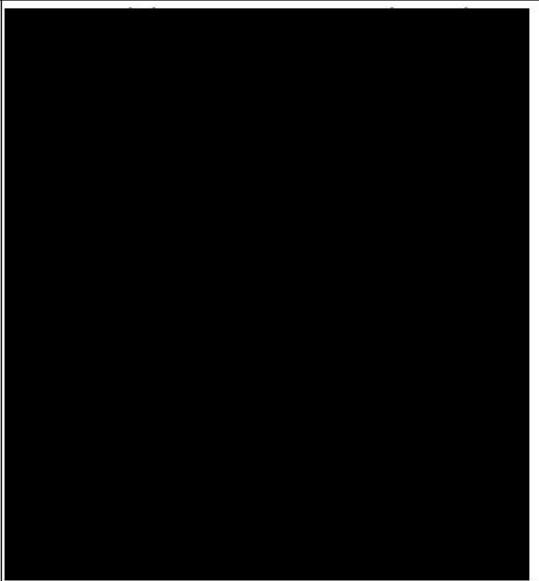
**STATUS OF AUDIT RECOMMENDATIONS AS OF APRIL 30, 2022  
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Attachment A

Finding	Recommendation	Management Response	Status	Office of Internal Audit Comments
<b>Findings from the Citywide Cash Handling Audit</b>				
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2. 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	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	In Process	We noted that the City Clerk has some cash handling procedures documented, but many procedures, including those corrective actions to address the findings from the Cash Handling Audit, were not documented.

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	<p>procedures regarding over the counter payments, payments by mail, credit card processing, over and short amounts, and office security.</p>	<p>complete over the next month.</p>		<p>The City Clerk plans to update its policies and procedures manual, including remediation procedures to address all of the findings included in this report.</p>
<p>3. The payment data in Velosum (ordinance violation application) is not reconciled to MUNIS.</p>	<p>We recommend the following:</p> <ul style="list-style-type: none"> <li>• Implement a reconciliation process to be performed regularly.</li> <li>• Explore the option of having the City's IT department to develop an automated solution.</li> </ul>	<p>We agree with this recommendation. However, the systems that we use are not under our control. We will work with the IT department to determine if an automated solution could be developed.</p>	<p>Not Implemented - NA</p>	<p>The City no longer uses Velosum.</p>
				

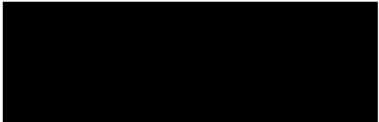
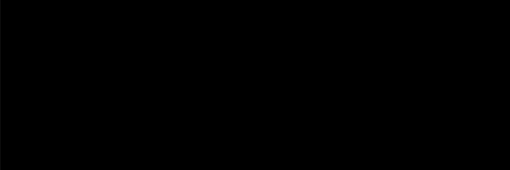
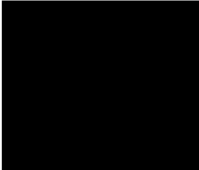
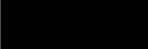
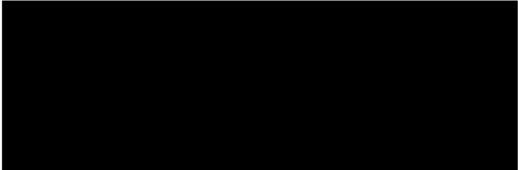
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<p>5. Some employees have conflicting responsibilities that should be segregated.</p>	<p>We recommend that conflicting duties be segregated. The person who is responsible for collecting revenue should be separate from the person that enters the transaction(s) into the City's accounting system. The person performing the data entry function should also be separate from the person that deposits or turns the payments over to the City Treasurer/Collector. A system should be in place where one employee provides a verification of the work of another employee so that any one individual is not performing a process from beginning to end.</p>	<p>We have implemented this change. We have assigned one employee to process the mail and another employee to enter the payments to Munis. The employee processing the mail will turnover a sheet detailing the number of checks received to the receiving employee.</p>	<p>In Process</p>	<p>We noted that employees take turn collecting the mail, including recording check information on a payment log form, and distributing the checks to the applicable employee. However, we noted that the employee who checks the mail and logs payment information continues to process their own payment in MUNIS – the segregation of duties risk continues to exist.</p> <p>The City Clerk plans on assigning individuals, who do not have the ability to create invoices, to check the mail, record payment information, and distribute checks to the applicable employee.</p>
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Finding	Recommendation	Management Response	Status	Office of Internal Audit Comments
<b>Findings from the Bulk Trash Sticker Review</b>				
<p>1. Bulk trash sticker activity is neither monitored nor reconciled.</p>	<p>We recommend that the City Clerk reconcile its bulk trash sticker activity monthly. At any point in time, the reconciliation should indicate how many bulk trash stickers are on hand, which can be verified with a physical inventory count. We have provided a Monthly Reconciliation Template for City Clerk to use.</p>	<p>We agree with the Audit and have taken the following steps: Our office will use a reconciliation template to begin tracking/inventor ying the bulk pick up stickers. Beginning November 1, 2020, we will perform a monthly inventory of the stickers performed by Atty. Davis and double checked by Ms. Nelson.</p>	<p>In Process</p>	<p>The City Clerk plans on developing a reconciliation process for both bulk trash stickers and certificate paper used at the City Clerk’s office, which a supervisor will monitor regularly.</p>
				

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Finding	Potential Risk/Impact	Recommendation	Management Response
<b>NEW FINDINGS</b>			
<p>1. Cashiers share registers</p> <p>Cashiers do not sign out of their assigned registers or close their tills when they go on break, thus allowing other cashiers to enter transactions using that cashier's credentials.</p>	<p>Sharing user credentials on a register creates an opportunity for theft, as it would be difficult to identify the perpetrator.</p>	<p>We recommend that cashiers shut down and lock their register when they go on break. Or alternatively, if the City Clerk wants to continue to use the register, then the new cashier should sign into that register with their own till.</p>	<ul style="list-style-type: none"> <li>- All cashiers sign out after shifts</li> </ul>
<p>2. The use of certificate paper is neither monitored nor reconciled.</p> <p>Certificate paper used for birth and death certificates is not monitored or reconciled. Since City Clerk is not performing reconciliations, the actual use of certificate paper or the quantity certificate paper that is currently on hand is unknown.</p>	<p>The lack of monitoring and reconciling the certificate paper activity increase the risk of certificates for death and/or birth to be misused or stolen without detection.</p>	<p>We recommend that the City Clerk perform the following:</p> <ul style="list-style-type: none"> <li>• Reconcile its certificate paper activity monthly. At any point in time, the reconciliation should indicate how many certificate paper are on hand, which can be verified with a physical inventory count.</li> <li>• Secure unused certificate paper in the office vault.</li> </ul>	<ul style="list-style-type: none"> <li>- Certificate paper is now held by Clerk &amp; EA to Clerk to keep track</li> <li>- Every time replenished Clerk or EA to Clerk puts in shared calendar</li> <li>- 250 sheets per each replenish</li> </ul>
<p>3. Data in other applications used at City Clerk is not reconciled to MUNIS.</p> <p>Death and Birth certificates are tracked in the MMS and VIP databases, dog licenses are tracked in Softwrite, and payment of code violations are tracked in Code V. We noted that payments from the issuances of birth and death certificates in MMS and VIP, dog licenses in Softwrite, and</p>	<p>Issuances of certificates and licenses and payment of code violations that are in these respective systems without the corresponding payments in MUNIS are problematic</p>	<p>We recommend that the City Clerk reconcile monthly payments from issuances of dog licenses and code violations from the respective applications to MUNIS and investigate differences.</p> <p>See New Finding 2 for recommendations on reconciling birth</p>	<ul style="list-style-type: none"> <li>- We are currently working on establishing a monthly reconciliation formula. We are currently working with the Treasurers on reports for all charge codes in MUNIS for our department.</li> </ul>

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<p>code violations in Code V are not reconciled to the respective payments in MUNIS.</p> <p>According the City Clerk, they are unable to generate birth and death certificates issuances and would be unable to reconcile birth such information from these applications to MUNIS. However, they are able to generate reports for issuances of dog licenses and payment of code violations in the respective applications and would be able to reconcile such information to MUNIS.</p>	<p>because we do not know whether revenues were properly deposited with the City. Payments in MUNIS without the corresponding certificates, licenses and code violation payments in these respective systems are problematic because they could potentially represent transaction errors in MUNIS or unaccounted for transactions in these respective systems.</p>	<p>and death certificates.</p>	
<p>4. There are inherent limitations in Vital Check as follows:</p> <ul style="list-style-type: none"> <li>• Prices for services are not automatically populated for credit card transactions.</li> <li>• The settlement of credit card and online transactions are not automatic, but must be initiated by an employee.</li> </ul> <p>As such, the prices for services have to be manually entered by an employee into the Vitalchek merchant system.</p>	<p>Manual pricing entries to Vitalcheck could potentially lead to inaccurate fees charged to customers.</p> <p>Manual settlement request to Vitalcheck could potentially delay the City receiving funds if an employee forgets to make the settlement request.</p>	<p>We recommend that the City Clerk work with the City Treasurer in looking at other merchant providers that do not have these inherent limitations.</p>	<ul style="list-style-type: none"> <li>- We are developing an order and payment entry system with City Hall Systems. This will allow for a new payment entry method that will reduce user error by the Vital Records Clerks.</li> </ul>




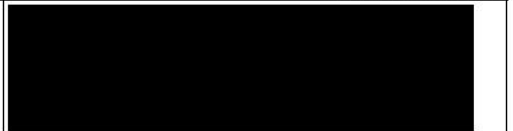
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<p>5. Monitoring of accounts receivable needs improvement.</p> <p>We noted that accounts receivable balances are not followed up on for collections. As of April 30, 2022, we noted 109 customers had \$40,619 in accounts receivable greater than 360 days. Of the those customers who had accounts receivable balances greater than 360 days, 43 of them continued to receive services from the City Clerk.</p> <p>We also noted that the when generating bills, the Clerk’s office reused invoice numbers from previous years and did not specify due dates.</p>	<p>Having past due amounts for services adversely affects the City in terms of loss of interest income, less cash flows and working capital, and the practice provides free financing to customers.</p> <p>Reusing invoices numbers on bills could potentially lead to the misapplication of payments to customer accounts and incorrect aging classification for customer accounts.</p> <p>By not specifying due dates on invoices as 30 days or less, the City could potentially encourage customers to pay late( not within 30 days) thereby delaying cash flows to the City.</p>	<p>We recommend the following:</p> <ul style="list-style-type: none"> <li>• Regularly monitor its account receivable balances by aging them and following up on payment. Services to customers with outstanding balances should be suspended until their outstanding balances are paid in full.</li> <li>• Use unique invoice numbers associated with general billing.</li> <li>• Specify due dates on invoices as 30 days or less.</li> </ul>	<ul style="list-style-type: none"> <li>- New bills inform the customer that “certificates will not be issued if outstanding invoice exists” The past due invoices will be mailed with the new bill.</li> <li>- Next time generating bills will occur with unique invoice numbers</li> <li>- We have begun creating our bills with due dates (30 days)</li> </ul>
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