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City of Minneapolis Cash Collection and Handling Review

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Date: October 19, 2011

To: Kevin Carpenter, Finance Department
 Timothy Dolan, Minneapolis Police Department (MPD)
 Jeff Johnson, Minneapolis Convention Center
 Henry Reimer, Regulatory Services Department

Re: City of Minneapolis Cash Collection and Handling Review

The Internal Audit Department (IA) conducted a review of the Cash Collection and Handling practices throughout the City of Minneapolis (City). This review was included in the 2011 Internal Audit Plan and completed in August 2011.

Background

IA identified all cash handling locations throughout the City, had discussions with Department management and performed walkthroughs at various locations to understand the cash collection and handling processes. IA performed a preliminary risk assessment for all cash handling locations in an effort to narrow the scope of this review by focusing on management controls in place, total dollar amount handled, number of transactions processed, number of cash exchange locations and whether other upcoming or past audits included cash collection and handling in the scope and objectives of the review. Based on this preliminary risk assessment, IA focused on the following areas for this review:

Department	Amount processed in 2010 (approx.)
Minneapolis Convention Center	\$12,000,000
MPD – Property and Evidence Room	1,000,000
MPD – Records Information Unit	40,000
Regulatory Services – Business Licensing Division	6,700,000
Regulatory Services – Minneapolis Development Review	16,000,000
Finance – Treasury Division: Utility Billing	142,000,000

Objectives

This review was performed to assess whether controls over cash handling are adequate to ensure:

- Cash is collected appropriately;
- Accounting over cash is managed properly;
- Deposits are made appropriately; and
- Duties are appropriately segregated in the above processes.

Scope

This review included gaining an understanding of internal controls, including current policies and procedures, through observation, inquiry, and limited testing surrounding the processes listed above. We performed, on a sample basis, testing of processes and transactions within the period January 1, 2010 through September 9, 2011, end of fieldwork.

Summary of Findings and Management Action Plans

A) **Minneapolis Convention Center**

IA would like to acknowledge that no findings were noted during this review at the Minneapolis Convention Center (MCC).

B) **Finance Department: Treasury Operations Utility Billing**

IA would like to acknowledge that no findings were noted during this review at the Finance Department: Treasury Division's Utility Billing area.

C) **Minneapolis Police Department: Property and Evidence Unit**

1. **Timely Deposits**

In 2011 through the end of August 2011, MPD Property and Evidence Unit had a total of three cash deposits made. IA recommends the Property and Evidence management deposit cash, at a minimum, on a monthly basis, when appropriate. Or if there is a business need that requires deposits less frequently than monthly, the policies and procedures should be updated to reflect this.

Management Action Plan

The section of the Supervisor's Manual and Property and Evidence Unit Standard Operating Procedures Manuals dealing with the handling of money and frequency of deposits is being revised to meet the recommendation of Internal Audit.

2. **Written Procedures**

The current practice of releasing property back to its rightful owner is not reflected in the written procedures for the MPD Property and Evidence Unit. IA recommends MPD Property and Evidence Unit management update the written procedures for releasing property back to its owner as well as other key processes.

Management Action Plan

An update to the current MPD Property and Evidence Unit Standard Operating Procedures is being undertaken. These procedures will outline in more detail the responsibility of Property and Evidence Unit personnel in the release of property back to a rightful owner.

D) **Minneapolis Police Department: Records Information Unit**

3. **Segregation of Duties and Cashbox Controls**

At day's end, one of four designated Records Information Unit employees count the cash/check amounts received, reconcile the amounts to the receipts and enter the deposit information into the City's financial software. IA recommends the MPD Records Information Unit properly segregate the duties between collecting cash, reconciling it and recording cash transactions in the accounting records. Furthermore, all of the Records Information Unit's ten employees are authorized to conduct cash transactions using one cashbox. IA recommends reducing the number of those individuals authorized to conduct cash transactions as appropriate, preferably one person a day, if practical. Additionally, IA recommends MPD Records Information Unit look at obtaining a cash register to enhance controls and increase efficiencies throughout the Unit.

Management Action Plan

MPD Records Information Unit will develop procedures that will allow for proper segregation of duties between collecting cash, reconciling and recording. MPD Records Information Unit management will also designate a lead cashier as well as a back-up cashier to perform cashiering duties when the lead cashier is out. Additionally, MPD Records Information Unit will seek approval to purchase a cash register for enhanced controls.

4. Written Procedures

There are no written procedures in place for cash handling processes in the MPD Records Information Unit. IA recommends MPD Records Information Unit management develop written procedures for cash handling as well as all key processes in their area.

Management Action Plan

MPD Records Information Unit will develop written procedures detailing all key processes for cash handling, cash register operations, lead and back-up roles, recording cash transactions and accounting. These written policies will be distributed to all unit personnel and implemented in daily operations.

E) Regulatory Services Department: Business Licensing Division

5. Written Procedures

There are no formal written procedures in place for cash handling in the Business Licensing Division. IA recommends Business Licensing management develop written procedures for cash handling as well as all key processes in their area.

Management Action Plan

Some of our cash handling procedures are documented in written procedures; however a detailed, comprehensive written procedure manual is now being prepared.

6. System Automation

On-line customer payments are currently not available and all credit card payments must be conducted in person. System automation and the ability to allow customers to make payments on-line for new and renewal license applications, when appropriate, would improve customer satisfaction, increase efficiency and enhance controls. IA recommends the Business Licensing Division consider automation of its business licensing process and offer customers the option to pay on-line.

Management Action Plan

Regulatory Services, in conjunction with Business Information Services (BIS), has begun the process of developing a new Enterprise Land Management System. The requirements of this system will have on-line permit and license functions as a mandatory feature.

F) Regulatory Services Department: Minneapolis Development Review

7. Written Procedures

While Regulatory Services has written procedures that cover the MDR process, they only specify the collection of fees. They do not specifically describe the cash handling process. IA recommends MDR management develop written procedures for the cash handling process.

Management Action Plan

Some of our cash handling procedures are documented in written procedures; however, a detailed comprehensive written procedure manual is now being prepared.

G) Physical Security at Various Cash Handling Locations

IA noted a need for physical security enhancements in some of the cash handling locations. To protect city resources and comply with the Minnesota Data Practices Act regarding security data, IA is not disclosing the specific vulnerabilities of these locations. IA has discussed with management the details of suggested enhancements and management has agreed to seek options that would allow for the security enhancements.

Management Action Plan

Management agreed with IA and will look for options to make the necessary enhancements.

Conclusion

Based on our review, we believe there are opportunities for improvements that address risk areas identified in this report. The Minneapolis Police Department and Regulatory Services worked collaboratively with Internal Audit to develop action plans that effectively address these risk exposures.

IA would like to extend our appreciation to Minneapolis Convention Center (MCC), MPD, Regulatory Services and Finance personnel who assisted and cooperated with us during the review.

cc: Dana Banwer, Regulatory Services Department
Steven Bosacker, City Coordinator
Scott Gerlicher, Minneapolis Police Department
Kerstin Hammarberg, Minneapolis Police Department
Amelia Huffman, Minneapolis Police Department
Jennifer Kellogg, Minneapolis Police Department
Connie Leaf, Minneapolis Police Department
Dianne Papp, Regulatory Services Department
LeaAnn Stagg, Finance Department
Mary Ubl, Regulatory Services Department
Grant Wilson, Regulatory Services Department

**City of Minneapolis
Cash Collection and Handling Review**

Audit Findings and Management Action Plans

A) *Minneapolis Convention Center*

IA would like to acknowledge that no findings were noted during this review at the Minneapolis Convention Center (MCC).

B) *Finance Department: Treasury Operations Utility Billing*

IA would like to acknowledge that no findings were noted during this review at the Finance Department: Treasury Division's Utility Billing area.

C) *Minneapolis Police Department: Property and Evidence Unit*

1. *Timely Deposits*

In 2011 through the end of August 2011, the Minneapolis Police Department (MPD) Property and Evidence Unit had a total of three cash deposits made. MPD Property and Evidence Unit policies and procedures states that cash taken in should be deposited on a monthly basis by the supervisor.

Due to the nature of the Property and Evidence Room, IA understands that not *all* cash received can be deposited as some is held for and used as evidence in court cases. IA also recognizes there is a shortage of staff in the Property and Evidence Unit; however, from an internal control perspective, the best approach is to deposit cash received as soon as possible, in relation to the confines and nature of the business. The longer money remains un-deposited, the greater the risk that loss or theft can occur.

Recommendation

IA recommends the Property and Evidence management deposit cash, at a minimum, on a monthly basis, when appropriate. Or if there is a business need that requires deposits less frequently than monthly, the policies and procedures should be updated to reflect this.

Management Action Plan

The current Supervisor's Manual and Property and Evidence Unit Standard Operating Procedures Manual are currently in the process of being updated. The section of the manuals dealing with the handling of money and frequency of deposits is being revised to meet the recommendation of Internal Audit, by depositing money on a monthly basis.

Responsible Party

Kerstin Hammarberg, Property and Evidence Unit Supervisor

Expected Completion Date

November 10, 2011

2. *Written Procedures*

The current practice of releasing property back to its rightful owner is not reflected in the written procedures for the MPD Property and Evidence Unit. Without well written procedures in place, MPD personnel may not have clear, consistent guidance to meet management expectations as it pertains to their job functions.

Good business practices require up-to-date, well written and detailed procedures. The procedures should be detailed enough to identify the required process, who will perform it, how it should be performed and when it should be performed.

Recommendation

IA recommends MPD Property and Evidence Unit management update the written procedures for releasing property back to its owner as well as other key processes. Additionally, IA suggests the Property and Evidence Unit management revisit and update, as needed, their procedures on an annual basis to ensure they accurately reflect current practices and processes.

Management Action Plan

An update to the current MPD Property and Evidence Unit Standard Operating Procedures is being undertaken. As this task is large and takes a significant amount of time, specific areas will be updated with a higher priority. With the highlighting of this area, a draft of the procedures is currently underway. This process will outline in more detail the responsibility of Property and Evidence Unit personnel in the release of property back to a rightful owner.

Responsible Party

Kerstin Hammarberg, Property and Evidence Unit Supervisor

Expected Completion Date

December 31, 2011

D) Minneapolis Police Department: Records Information Unit

3. Segregation of Duties and Cashbox Controls

At the end of each business day, one of four designated Records Information Unit employees count the cash/check amounts received, reconcile the amounts to the receipts and enter the deposit information into the City's financial software, Compass. The cash/checks and a copy of the deposit information printed from Compass are then taken to the Finance Department for deposit by the same person. Segregating the duties of receiving cash, reconciling it and recording transactions prevents unnecessary risks to the City.

Furthermore, there is one cashbox that remains accessible to all ten employees in a central location within the MPD Records Information Unit office. All of the Unit's ten employees are authorized to conduct cash transactions using the same cashbox. Assigning a single person to be cashier for the day provides individual accountability over the cash received by that person. Additionally, fewer employees collecting cash reduces opportunities for theft to occur and provides better accountability over cash collections.

Recommendation

IA recommends the MPD Records Information Unit properly segregate the duties between collecting cash, reconciling it and recording cash transactions in the accounting records. IA also recommends MPD Records Information Unit consider reducing the number of those individuals authorized to conduct cash transactions as appropriate, preferably one person a day, if practical. Additionally, IA recommends MPD Records Information Unit look at obtaining a cash register to enhance controls and increase efficiencies throughout the Unit.

Management Action Plan

MPD Records Information Unit will develop procedures that will allow for proper segregation of duties between collecting cash, reconciling and recording. Furthermore, MPD Records Information Unit management will designate a lead cashier as well as a back-up cashier to perform cashiering duties when the lead cashier is out. Additionally, MPD Records Information Unit will seek approval to purchase a cash register for enhanced controls.

Responsible Party

Jennifer Kellogg, Records Information Unit Supervisor

Expected Completion Date

November 20, 2011

4. Written Procedures

Informal guidelines in the form of e-mails outlining cash handling procedures were disseminated to MPD Records Information Unit staff in 2010; however, there are no written procedures in place for cash handling processes in the MPD Records Information Unit. Without well written procedures in place, MPD personnel may not have clear, consistent guidance to meet management expectations as it pertains to their job functions.

Good business practices require up-to-date, well written and detailed procedures. The procedures should be detailed enough to identify the required process, who will perform it, how it should be performed and when it should be performed.

Recommendation

IA recommends MPD Records Information Unit management develop written procedures for cash handling as well as all key processes in their area. Additionally, IA suggests MPD Records Information Unit management revisit and update, as needed, their procedures on an annual basis in order to ensure they accurately reflect current practices and processes.

Management Action Plan:

MPD Records Information Unit will develop written procedures detailing all key processes for cash handling, cash register operations, lead and back-up roles, recording cash transactions and accounting. These written policies will be distributed to all unit personnel and implemented in daily operations. Records Information Unit management will review and update Unit procedures on an annual basis as needed.

Responsible Party

Jennifer Kellogg, Records Information Unit Supervisor

Expected Completion Date

November 20, 2011

E) Regulatory Services Department: Business Licensing Division

5. Written Procedures

There are no formal written procedures in place for cash handling in the Business Licensing Division. Without well written procedures in place, Business Licensing personnel may not have clear, consistent guidance to meet management expectations as it pertains to their job functions.

Good business practices require up-to-date, well written and detailed procedures. The procedures should be detailed enough to identify the required process, who will perform it, how it should be performed and when it should be performed.

Recommendation

IA recommends Business Licensing management develop written procedures for cash handling as well as all key processes in their area. Additionally, IA suggests Business Licensing management revisit and update, as needed, their procedures on an annual basis in order to ensure they accurately reflect current practices and processes.

Management Action Plan

The Division of Licenses and Consumer Services accepts cash, checks, and credits cards for a variety of items including those fees required for the acquisition of business licenses, vehicle inspection services, temporary permits, copies of documents, etc. Some of our cash handling procedures are documented in written procedures; however a detailed, comprehensive written procedure manual is now being prepared. Staff has acquired samples of other cash handling procedure manuals that will serve as a guide to the full development of our own written procedure manual.

Responsible Party

Grant Wilson, Manager, Business Licensing Division
Dianne Papp, Customer Service Supervisor, Business Licensing Division

Expected Completion Date

November 1, 2011

6. System Automation

The Business Licensing Division sends out renewal applications for business licenses through the mail to customers. The customers are then required to either send in their payment through mail or pay in person. On-line customer payments are currently not available and all credit card payments must be conducted in person. System automation and the ability to allow customers to make payments on-line for new and renewal license applications, when appropriate, would improve customer satisfaction, increase efficiency and enhance controls.

IA recognizes that automation is costly and the City's budget is stretched thin; nevertheless, automation is designed to strengthen controls and reduce the need for direct human interaction with cash processing. Active management monitoring and oversight is still important and necessary.

Recommendation

IA understands automation might add additional costs; however, IA recommends the Business Licensing Division consider automation of its business licensing process and offer customers the option to pay on-line.

Management Action Plan

Regulatory Services, in conjunction with BIS, has begun the process of developing a new Enterprise Land Management System. The requirements of this system will have on-line permit and license functions as a mandatory feature.

Responsible Party

Grant Wilson, Manager, Business Licensing Division

Expected Completion Date
December 31, 2013

F) Regulatory Services Department: Minneapolis Development Review (MDR)

7. Written Procedures

While Regulatory Services has written procedures that cover the MDR process, they only specify the collection of fees. They do not specifically describe the cash handling process. New employees are trained by shadowing an experienced employee. During the shadowing process, tasks are slowly handed over to the new employee. The procedure for handling the cash boxes is taught during the shadowing process. Without well written procedures in place, MDR personnel may not have clear, consistent guidance to meet management expectations as it pertains to their job functions.

Good business practices require up-to-date, well written and detailed procedures. The procedures should be detailed enough to identify the required process, who will perform it, how it should be performed and when it should be performed.

Recommendation

IA recommends MDR management develop written procedures for the cash handling process. Additionally, IA suggests MDR management revisit and update, as needed, their procedures on an annual basis in order to ensure they accurately reflect current practices and processes.

Management Action Plan

Minneapolis Development Review accepts cash, checks, credits cards, and online payments for a variety of transactions including permits, annual billing, copies of documents, etc. Some of our cash handling procedures are documented in written procedures; however, a detailed comprehensive written procedure manual is now being prepared. Staff has acquired samples of other cash handling procedure manuals that will serve as a guide to the full development of our own written procedure manual.

Responsible Party

Mary Ubl, Minneapolis Development Review

Expected Completion Date

December 31, 2011

G) Physical Security at Various Cash Handling Locations

IA noted a need for physical security enhancements in some of the cash handling locations. To protect city resources and comply with the Minnesota Data Practices Act regarding security data, IA is not disclosing the specific vulnerabilities of these locations. IA has discussed with management the details of suggested enhancements and management has agreed to seek options that would allow for the security enhancements.

Management Action Plan

Management agreed with IA and will look for options to make the necessary enhancements.

Expected Completion Date

March 31, 2012

Abbreviations Used Throughout the Report	
BIS	Business Information Services
City	The City of Minneapolis
IA	Internal Audit Department
MCC	Minneapolis Convention Center
MDR	Minneapolis Development Review
MPD	Minneapolis Police Department