

City Council Revenue Review

**March 30, 2011
Special Report #704**

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OFFICE OF THE COUNCIL AUDITOR
Suite 200, St. James Building



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Honorable Members of the City Council
Jacksonville, Florida

We performed a review of the cash handling procedures and controls of the City Council and have prepared this report thereon. Our review did not include Value Adjustment Board (VAB) revenues as these were reviewed separately. (See Special Report #688 - Value Adjustment Board Revenue for 2008 and 2009.) The scope period for this review was October 1, 2009 through December 31, 2010.

We are providing this special written report in accordance with Ordinance Code Section 102.102. This report does not represent an audit or attestation conducted pursuant to Government Auditing Standards. It is important to note that the Council Auditor is appointed and confirmed by the City Council.

Background

The Legislative Services Division receives most City Council revenues, except for those received by VAB and occasional bond issue review fees received by the Council Auditor's Office. The Division collects funds for public records requests (copies, cassette tapes, CDs, or DVDs), Fair Share legislation advertising charges, and zoning appeals notifications. The Division charges \$0.15 per page for a one-sided copy and \$0.20 for a two-sided copy in accordance with Florida Statutes for public records requests. It also charges \$1 per audio tape, \$4 per CD, and \$5 per DVD of meetings.

When a request for copies, CDs (for documents) or DVDs (for meetings) is received in the Legislative Services Division, an employee of the Division calculates the amount due and prepares the documents or media. The staff member enters the request and cost in a logbook (ledger), collects the money from the customer, and issues a receipt. The staff member places the funds in a moneybag that is locked up along with the receipt book. If the payment is made with a check, the customer is instructed that checks should be paid to the order of the Tax Collector. If the total cost of the copies is under \$1, the staff normally will not charge for making the copies due to the small amount, but will still enter the information into the log sheet.

Methodology

We reviewed all City cash handling procedures, ordinance code sections, and internal policies related to receiving monies for goods and services. We interviewed City Council personnel that are directly involved with the cash handling process. We obtained copies of the receipt book and the public records logbook from Legislative Services. We reviewed the receipt book to account for all prenumbered receipts completed during the scope period. We compared the logbook to the receipt book to ensure that a receipt was issued for records in the logbook. The Tax Collector Cash Receipts system was accessed to obtain all the Cash Receipts (CRs) processed during the scope period. The Tax Collector CRs were compared to copies of CRs provided by Legislative Services to determine if Legislative Services kept accurate records. We matched the receipts

located in the receipt book to a CR and used FAMIS, the City's Accounting System, to determine if funds were properly deposited. In addition, we used the "NET Working Days" formula in Excel to calculate the number of working days between when funds were collected and when they were deposited at the Tax Collectors Office.

Using the Legislative Tracking System (LTS) computer program, we searched for all fair share, zoning appeals, and Health Facilities Authority (HFA) legislation introduced during the scope period. We reviewed the files of the Fair Share and appeal legislation located in the Legislative Services office. We reviewed hearing notices and confirmations of the advertisement cost provided by the applicable newspaper company. For zoning appeals, we recalculated the fee based on the Ordinance Code requirements. We agreed the amounts paid to validated CRs and the Legislative Services receipt book (if applicable) and agreed the payment amounts to FAMIS to ensure the funds were deposited accurately. In addition, we searched the City's Municipal Code online for any references to HFA bond fee amounts. We reviewed the Council Auditor's Office files of the HFA bond legislation initiated during the scope period. We reviewed the file documentation and agreed the fees to the validated cash receipt information as well as FAMIS.

Finding 1

Based on our testing, it appears that Legislative Services is not in full compliance with the City's Cash Receipts Standard Operating Procedures (SOPs) and the City Council Public Records Policy. We tested 132 transactions and discovered instances where:

- Both copies of a receipt were missing from the receipt book.
- Both copies of a receipt were blank.
- The activity listed on a receipt was not entered into the logbook.
- The receipt could not be traced to a CR from the Tax Collector.
- Legislative Services did not have a copy of the Tax Collector CR in their files.
- Two or more days elapsed between the receipt date and when the CR was validated (deposited) by the Tax Collector.
- Two or more days elapsed between the creation of the CR and validation (deposit) by the Tax Collector.
- Voids and refunds were performed without supervisor approval.

In Part II, Section D, City of Jacksonville Cash Receipts Standard Operating Procedures state:

- *"Receipt of assets must be properly recorded and documentation must be created at the time of receipt."*

In Part II, Section E, City of Jacksonville Cash Receipts SOPs state:

- *"The cashier must not have the ability to void and refund without the supervisor's approval."*

In Part III, Section C, City of Jacksonville Cash Receipts SOPs state:

- *"Monies shall be deposited same day as received."*

City Council Public Records Policy states that:

- *"A file with all receipts from the collection of funds from requestors in a numbered sequence shall be maintained."*
- *"If a constituent appears in person to request a public record and the document is readily available...the request should be subsequently documented in the ledger located within the Office of Legislative Services."*

- *“The Chief of Legislative Services shall ensure that CR (sic) is typed in each day and that all funds are deposited with the Tax Collector.”*

Also, good business practice requires a receipt for all monetary transactions as a way of tracking and reconciling deposits.

Recommendation 1

We recommend the following:

- All pre-numbered receipts should be accounted for and used in sequential order. The reasons for any missing receipts should be documented by the Chief of Legislative Services.
- All public record requests should be entered in the logbook and the logbook should be routinely reviewed as recommended in Internal Control Weakness #1 below.
- All receipts should be reconciled to validated CRs and the logbook. This recommendation is also made in Internal Control Weakness #1 below.
- Legislative services should maintain a copy of all CRs for funds deposited into their FAMIS account regardless of where the deposit was initiated.
- Funds should be deposited at the Tax Collector’s office on the same day the funds are collected. If same day deposit is not possible, funds should be deposited within 24 hours of collection.
- All voids and refunds should be pre-approved by a supervisor.

Response to Finding 1

Agree Disagree Partially Agree

The Auditor’s finding and recommendation are accepted. The Legislative Services staff is now following and shall continue to follow the City’s Cash Receipts Policy, and Office of Staff Services – Legislative Services Standard Operations Procedures (SOP). Also, the Director and Chief have provided written materials and oral discussions to all applicable personnel.

Finding 2

We noted that supporting information for Fair Share and zoning appeals legislation payments was kept for some files, but not for other files. Specifically, we noted instances where the Legislative file did not include a copy of the check and we noted instances where the Legislative file did not include documentation of the third-party advertisement fees.

Recommendation 2

We recommend that all Legislative files include a copy of the check as required by City of Jacksonville Cash Receipts SOPs. In addition, documentation of advertising fees should be kept in the file as support for the reimbursements received from the public.

Response to Finding 2

Agree Disagree Partially Agree

The Auditor’s finding and recommendation are accepted. The Chief of Legislative Services is now following and shall continue to follow the City’s Cash Receipts Policy, and Office of Staff Services – Legislative Services Standard Operations Procedures (SOP). Also, the Director has provided written materials and oral discussions to all applicable personnel.

Internal Control Weakness #1

We did not see any evidence of a routine review of the information maintained in the public records logbook or the receipt book by someone not involved in the cash receipt process. It would be good business practice to have weekly reviews that would ensure that the receipt book and log book are properly prepared by employees and to reconcile the log book and receipt books to the validated CRs to ensure all funds are deposited correctly and in a timely manner.

Recommendations Regarding Internal Control Weakness #1

We recommend that an individual not associated with the cash receipts process routinely review the logbook/receipt books and reconcile to validated CRs. This review should also note if the Legislative Services staff are not properly filling out these documents, as this may indicate a need for corrective action. This review should be documented.

Response to Internal Control Weakness #1

Agree Disagree Partially Agree

The Auditor’s finding and recommendation are accepted. The Legislative Services staff is now following and shall continue to follow the City’s Cash Receipts Policy, and Office of Staff Services – Legislative Services Standard Operations Procedures (SOP). Also, the Director and Chief have provided written materials and oral discussions to all applicable personnel. The Chief of Legislative Services has been instructed on how to reconcile the information with an independently assigned staff member.

Internal Control Weakness #2

There appear to be no physical controls to prevent Legislative Services staff from performing a public records request service and pocketing the funds collected without recording it in the logbook or receipt book.

Recommendations Regarding Internal Control Weakness #2

We recommend that a sign be conspicuously displayed on the front counter informing customers that they must receive a receipt for every payment. This is an inexpensive control which engages the customers to make sure that all payments are recorded.

Response to Internal Control Weakness #2

Agree Disagree Partially Agree

The Auditor’s finding and recommendation are accepted. A printed sign will be displayed.

Internal Control Weakness #3

Legislative Services staff did not appear familiar with the City’s Cash Receipts SOPs, and indicated they had not received any formal training on their cash handling responsibilities. The City’s Cash Receipts policy states, “Departments must ensure that employees assigned cash handling responsibilities receive appropriate training, and are familiar with the department’s policies and procedures. Responsibility for handling cash must be clearly documented and defined.”

Recommendations Regarding Internal Control Weakness #3

We recommend that all Legislative Services personnel be required to read the City’s Cash Receipts SOPs and indicate in written form that they have read it. We also recommend that periodic formal group training on handling cash transactions occur at a minimum of every two years or whenever policy or personnel changes occur.

Response to Internal Control Weakness #3

Agree Disagree Partially Agree

The Auditor’s finding and recommendation are accepted. Also, the Director and Chief have provided written materials and oral discussions to all applicable personnel. Training will continue to be provided.

Internal Control Weakness #4

It appears that there are not adequate internal controls over the process of voiding and/or refunding transactions. We noted two instances where a receipt indicated a payment was voided or refunded to the payee. The top copy of the receipt was not kept in the receipt book and there was no explanation for why the refund/void occurred.

Recommendations Regarding Internal Control Weakness #4

We recommend that if a transaction is voided or refunded, all copies of the receipt should be kept in the receipt book. This ensures that the records were not marked “void” or “refunded” after the customer was given a receipt. In addition, we recommend that the reason for voided or refunded transactions be noted on the receipt and supervisor approval be obtained as required by Part II, Section E, of the City of Jacksonville Cash Receipts SOPs. The supervisor should sign or initial the refunded or voided receipt indicating their approval.

Response to Internal Control Weakness #4

Agree Disagree Partially Agree

The Auditor’s finding and recommendation are accepted. This request has been reinforced with all applicable personnel.

Internal Control Weakness #5

Legislative Services staff members do not always indicate the payment method on the receipts given to constituents. During our testing, we observed that the payment method (check or cash) was not always noted on the receipt even though there was space for this information. Specifying

the method of payment is very important for reconciliation purposes (See Internal Control Weakness #1).

Recommendations Regarding Internal Control Weakness #5

We recommend that staff specify the payment method on the receipt. In instances where a payment is made partially with cash and partially with check, the dollar amount of each should be specified separately.

Response to Internal Control Weakness #5

Agree Disagree Partially Agree

The Auditor’s finding and recommendation are accepted. The Legislative Services staff is now following and shall continue to follow the City’s Cash Receipts Policy, and Office of Staff Services – Legislative Services Standard Operations Procedures (SOP). Also, the Director and Chief have provided written materials and oral discussions to all applicable personnel. All personnel have been reminded to fill in all areas of the receipt, as referenced in SOP and Cash Policy.

Opportunity for Improvement #1

Legislative Services should use 3-part receipt books. (They currently use a 2-part receipt book.) In Part D of Section II of the City’s Cash Receipts SOPs, it states that “Receipts must be pre-numbered and consist of three parts: customer copy, deposit copy and file copy.”

Recommendation

We recommend that Legislative Services begin to use a 3-part receipt book as required in the City’s SOPs. The receipt book would allow for better record-keeping. One part goes to the customer. One part could be placed in the cash box to be used for reconciling purposes during the creation of the CR, and the third part would stay in the receipt book.

Response to Opportunity for Improvement #1

Agree Disagree Partially Agree

The Auditor’s finding and recommendation are accepted. The Legislative Services staff is now following and shall continue to follow the City’s Cash Receipts Policy, and Office of Staff Services – Legislative Services Standard Operations Procedures (SOP). Also, the Director and Chief have provided written materials and oral discussions to all applicable personnel. New receipt books have been ordered and are being utilized.

Opportunity for Improvement #2

Staff should indicate the payment method on the logbook. During our testing, we observed that the logbook does not have a column to indicate the method of payment for each transaction.

Recommendation

We recommend that the logbook be modified to allow space for indicating the payment type. This can be useful in reconciling information as mentioned in Internal Control Weakness #1 mentioned earlier in this report.

Response to Opportunity for Improvement #2

Agree Disagree Partially Agree

The Auditor's finding and recommendation are accepted. The Chief of Legislative Services has been directed to amend the report logbook to reflect the required change as requested.

We wish to thank the Legislative Services Office and the Council Secretary for their cooperation during this review.

Respectfully Submitted,

Kirk A. Sherman, CPA
Council Auditor