



City of Markham Cash Handling Audit – Follow Up

November 12, 2018

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November 12, 2018

Mayor and Members of Council,

Pursuant to MNP LLP's appointment to provide Auditor General Services, I am pleased to present the Cash Handling Audit Follow-Up Report ("Follow-Up Report") of the Auditor General for the City of Markham ("City"). This Follow-Up Report provides a status update on follow up procedures conducted August 2018 on management's remediation of the observations and recommendations made in the Cash Handling Audit issued on April 18, 2017.

As reported in the April 18, 2017 audit report, the City had adequate procedures in place over cash handling processes; and, the audit found efficient and effective internal controls surrounding cash handling. Furthermore, there were several strengths noted in the areas of internal controls with respect to segregation of duties relating to recording of cash transactions and preparation of deposits; use of safes to keep cash secure; effective monitoring and routine conduct of surprise audits; and, oversight over the issuance of refunds.

The results of the audit identified six low priority observations which included preparation of a Cash Handling Policy; limiting the opening of cash tills for non-cash transactions; ensuring second-person verification for all cash counts and reconciliations; review of security camera placement; and consideration of the establishment of a whistleblower hotline.

As part of the Auditor General's audit plan, we conducted follow-up procedures to determine the status and evaluation of the effectiveness of management's activities to remediate the six observations identified in the April 18, 2017 audit report. This Follow-Up Report also provides any additional recommendations, if necessary.

This Follow-Up Report was discussed with the City's management, who have reviewed and provided their responses within, as applicable.

This Follow-Up Report will be posted on the City's website and made available to the public after tabling to Council.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Geoff Rodrigues', with a stylized flourish at the end.

Geoff Rodrigues, CPA, CA, CIA, CRMA, ORMP
Auditor General, City of Markham

REMEDIATION STATUS

#	Observations & Recommendations (from April 18, 2017 Audit Report)	Initial Rating	Remediation Overview and Further Auditor General Recommendations	Status
1	<p><u>Cash Handling Policies and Procedural Documents</u></p> <p>Cash handling process and procedures documentation varies between the City's locations. In addition, the City does not have a Cash Handling Policy or a Change Float Policy, to provide all departments and locations guidance and consistency on proper cash handling and security controls and protocols.</p> <p>While a standard set of policies and procedures are important and would normally be rated as a medium priority, the current practices and controls that are in place are working effectively. The new Program Administration Facility Booking System and POS will be purchased and implemented. This observation has been rated low in order for management to develop, update and roll-out policies, processes and procedures at all locations, in conjunction with the timing of the roll out of the new system.</p> <p><u>Recommendations</u></p> <p>To ensure a consistent application of all City policies and procedures, management should prepare a Cash Handling Policy, Cash Handling Process and Procedures Manual, and Change Float Policy and Procedures.</p> <p>The procedures manual should be in sufficient detail to facilitate staff training and provide guidance over standard operating procedures outlining roles and responsibilities around key tasks.</p> <p>Management should leverage the existing process maps and procedures documentation to further develop formal and consistent protocols and procedures for all City locations that handle cash.</p> <p><i>Management Timeline: Q3 2018</i></p>	L	<p>The City has prepared a Corporate Cash Handling Policy and Cash Handling Procedures issued to City departments September 2018.</p> <p>The Policy and Procedures includes direction and roles and responsibilities for the major areas within Cash Handling (i.e. Safeguarding of Cash, Segregation of Duties, Collecting and Receipting, Refunds, Deposit Preparation, Change Floats, Audit). The City's existing POS Manual has also been integrated into the Cash Handling Procedures providing references to detailed POS procedures.</p> <p>The City also implemented a Cash Handling Acknowledgement Form requested to be completed during Policy rollout in September 2018 from all existing staff handling cash and using the POS. New staff will be required to complete the Form as part of the City's new hire on-boarding procedures. The Form will be required to be completed by staff on an annual basis.</p> <p><u>Further Auditor General Recommendations</u></p> <p>None.</p>	Complete
2	<p><u>Point of Sale (POS) System Controls</u></p> <p>Log-in ID</p> <p>In order to enter transactions within the POS system, a staff member is required to use their individual log-in ID into the POS terminal.</p> <p>During our interview with the Contact Centre desk we were informed that staff did not log out of their individual log-in ID after each transaction. Since there are multiple staff who can be on shift on any day, only one person's log-in ID is used to conduct all of a day's transactions. This circumvents the system's</p>	L	<p>Log-in ID</p> <p>The City has implemented automatic log-out windows for all POS terminals at City locations. The timing for the automatic log-out has been set to either a 0, 2, or 5 minute window, requiring staff to use their unique log-in ID to process transactions.</p>	Complete

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	<p>security controls and tracking of user access. We further understand that the terminal's time-out window is approximately 20 minutes and due to the frequent nature of transactions, the terminal would not have the opportunity to automatically log-out staff.</p> <p>Cash Till</p> <p>We also found that POS system cash tills at several of the City's locations currently open when processing non-cash transactions, such as debit or credit card payments, increasing the risk of the misappropriation of cash.</p> <p><u>Recommendations</u></p> <p>Management should ensure that each staff uses their own unique log-in ID to process transactions. In addition, each POS terminal should have a short time-out window (i.e. five minutes or less) so that the system can automatically log-out staff.</p> <p>Management should ensure that all City POS system cash tills are programmed so that they do not open for non-cash transactions.</p> <p><i>Management Timeline: Completed at time of April 2017 Report issuance</i></p>		<p>Cash Till</p> <p>The City has programmed all cash tills to only open when cash transactions occur (and not for credit card and debit card payments).</p> <p><u>Further Auditor General Recommendations</u></p> <p>None.</p>	
3	<p><u>Access to and Location of Safes</u></p> <p>We noted that safes at two locations are kept in areas with relatively high visibility by internal staff or are accessed by non-senior personnel.</p> <p>In addition, we noted that at one location, the cash till is not locked within the safe overnight.</p> <p><u>Recommendations</u></p> <p>Management should ensure that cash safes are physically maintained in locations with reduced visibility and accessible only to individuals requiring access.</p> <p>All cash tills should be stored in a safe when not in use.</p> <p><i>Management Timeline: Q2 2017</i></p>	L	<p>The City has rectified the high visibility locations of the safes, as well as restricted access to safes by non-senior personnel.</p> <p>Cash tills are locked within a safe overnight.</p> <p><u>Further Auditor General Recommendations</u></p> <p>None.</p>	Complete

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4	<p><u>Inconsistent Application of Cash Handling Procedures</u></p> <p>We found that certain cash handling procedures are not being consistently applied, such as ensuring that two individuals be present throughout cash counting and verification processes; and cash counts, cash pick-ups and reconciliation procedures be documented on a daily basis with a second person verifier sign-off, for four City locations.</p> <p><u>Recommendations</u></p> <p>Management should ensure that at least two individuals be present throughout cash counting and verification processes for public skating.</p> <p>In addition, all cash counts, cash pick-ups and reconciliation procedures performed should be documented on a daily basis and have a second person verifier sign-off.</p> <p><i>Management Timeline: Q2 2017</i></p>	L	<p>The City has implemented procedures to include that a second staff member be present to verify cash counts and reconciliations on a daily basis, and for the second person verifier to document their review and approval for the four City locations.</p> <p><u>Further Auditor General Recommendations</u></p> <p>None.</p>	Complete
5	<p><u>Security Camera Placement</u></p> <p>Each City location accepting payments has a number of security cameras recording the surrounding area.</p> <p><u>Recommendations</u></p> <p>Management should assess security cameras for optimal placement (i.e. unobstructed view with maximum coverage) on a regular basis.</p> <p><i>Management Timeline: Q4 2017</i></p>	L	<p>The City has reviewed security camera placement with the City's security provider and have made adjustments to the positioning of cameras to provide a better view of the surrounding areas.</p> <p><u>Further Auditor General Recommendations</u></p> <p>None.</p>	Complete
6	<p><u>Reporting of Suspected Waste, Fraud, or Wrongdoing</u></p> <p>City staff wishing to report instances of suspected waste, fraud, or wrongdoing ("whistleblowers") are currently directed to inform either:</p> <ol style="list-style-type: none"> The direct superior of the individual(s) in question; or, The Human Resources ("HR") Department. <p>There is no dedicated waste, fraud, and wrongdoing hotline available for City staff or members of the public.</p>	L	<p>The City's Legislative Office assessed various whistleblowing hotline options which were presented to the Executive Leadership Team in May 2018.</p> <p>Management determined that the City's current Accountability and Transparency Framework will be enhanced to include fraud, waste and wrongdoing. The six enhancements to the</p>	Complete

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	<p>While we did not identify any concerns or instances surrounding waste, fraud, or wrongdoing, a whistleblower hotline is a best practice for public transparency.</p> <p>Reporting instances of waste, fraud or wrongdoing to an individual's direct superior can be an adequately effective channel for staff to communicate most issues; however, is not appropriate if the individual's superior is the one suspected of committing the wrongdoing. Furthermore, the HR Department may not be equipped to handle complaints relating to fraud which are typically received by those trained to deal with fraud related matters.</p> <p><u>Recommendations</u></p> <p>A dedicated whistleblower hotline can add value to the City's control environment by:</p> <ol style="list-style-type: none"> Providing whistleblowers with a source of advice and an opportunity to report issues to an individual completely independent of management or HR. Provide an additional channel for members of the public to report potential issues they have experienced/seen. Increase the level of transparency and accountability at the City. <p>Protocols for the use of the whistleblower hotline should be included within the City's Cash Handling Policies and Procedures.</p> <p><i>Management Timeline: Q4 2017</i></p>		<p>existing framework are targeted for completion by Q1 2019.</p> <p>The City has planned to reassess the need for a separate hotline in Q2 2020.</p> <p><u>Further Auditor General Recommendations</u></p> <p>None.</p>	

RECOMMENDATION

The Auditor General recommends that:

1. The Cash Handling Audit - Follow Up Report be received.



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