

# INFORMATION REPORT

<b>TO:</b> Chair and Members Audit, Finance and Administration Committee	<b>WARD(S) AFFECTED:</b> CITY WIDE
<b>COMMITTEE DATE:</b> September 9, 2013	
<b>SUBJECT/REPORT NO:</b> Planning and Economic Development – Culture Facilities – Cash Handling (AUD13029) (City Wide)	
<b>SUBMITTED BY:</b> Ann Pekaruk Director, Audit Services City Manager's Office	<b>PREPARED BY:</b> Ann Pekaruk 905-546-2424 x4469
<b>SIGNATURE:</b>	

## Council Direction:

At the Audit, Finance and Administration (A, F&A) Committee meeting of March 25, 2013, staff were directed to report back “with a supplementary report, respecting the status of the incomplete recommendations outlined in Report AUD13011 - Follow up of Audit Report 2011-01 – Culture Facilities – Cash Handling, at the September 9, 2013 meeting”.

## Information:

In January, 2013, Internal Audit conducted a follow up exercise to determine if appropriate and timely actions had been taken for the recommendations in Audit Report 2011-11 – Culture Facilities Cash Handling. There were 34 outstanding recommendations (the same recommendation may apply to more than one museum and thus counts as multiple instances) whose implementation and administration is the responsibility of the Tourism and Culture Division of Planning and Economic Development.

**SUBJECT: Planning and Economic Development – Culture Facilities – Cash Handling (AUD13029) (City Wide) - Page 2 of 3**

The following table summarizes the status of the implementation of the recommendations that were presented to A, F&A on March 25, 2013 (e.g., Battlefield House has two undetermined, one not completed, and four in progress, etc.):

	Museum	Status				
		U	NC	I	IP	Total
1.	Battlefield House Museum	2	1		4	7
2.	Hamilton Children’s Museum	1	2		2	5
3.	Dundurn Castle		4	1	2	7
4.	Fieldcote Memorial Park & Museum	1	1	1	2	5
5.	Griffin House		1			1
6.	Museum of Steam & Technology	1	3		2	6
7.	Whitehern Museum		1	1		2
8.	All Museums				1	1
	<b>Total</b>	<b>5</b>	<b>13</b>	<b>3</b>	<b>13</b>	<b>34</b>
<u>Legend</u> U = Undetermined, NC = Not Completed, I = Initiated, IP = In Progress						

The status of the implementation of the 34 incomplete recommendations was again assessed as part of the Annual Follow Up of Outstanding Audit Recommendations process that was performed in July 2013. The table below provides the updated status of implementation of recommendations as 21 completed, nine are in progress, two are no longer applicable, one is undetermined and one remains incomplete. There has been an obvious shift to complete or in progress status for a majority of the outstanding recommendations.

	Museum	Status						
		U	NC	I	IP	C	NA	Total
1.	Battlefield House Museum		1		1	4	1	7
2.	Hamilton Children’s Museum				1	4		5
3.	Dundurn Castle				2	5		7
4.	Fieldcote Memorial Park & Museum	1			2	2		5
5.	Griffin House						1	1
6.	Museum of Steam & Technology				2	4		6
7.	Whitehern Museum					2		2
8.	All Museums				1			1
	<b>Total</b>	<b>1</b>	<b>1</b>		<b>9</b>	<b>21</b>	<b>2</b>	<b>34</b>
<u>Legend</u> U = Undetermined, NC = Not Completed, I = Initiated, IP = In Progress, C = Completed, NA = Not Applicable								

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The report attached as Appendix “A” to Report AUD13029 contains the 34 outstanding recommendations with comments about the current status of implementation.

Audit Services conducted this follow up process in conformity with the *International Standards for the Professional Practice of Internal Auditing*.

**CITY OF HAMILTON  
INTERNAL AUDIT REPORT 2011-01  
PLANNING AND ECONOMIC DEVELOPMENT (FORMALLY COMMUNITY SERVICES)  
CULTURE FACILITIES – CASH HANDLING – FOLLOW UP (2)**

<b>Recommendation</b>	<b>Current Status</b>	<b>Comments</b>	<b>Anticipated Completion Date</b>
1. That cashiers maintain a log documenting the date, amount, nature and payment with respect to all voided and refunded transactions. Management should use this log to reconcile and approve voided or refunded transactions reported on the register transaction summary tape. The log and register transaction summary tape should bear evidence of this review and indicate resolution of questionable items.	<u>Steam Museum</u> In Progress	A transaction log was created to document the date, transaction type, payment type, amount, and reason but the amount is not consistently being recorded in the log and there is no evidence that voids and refunds recorded in the log are reconciled to those processed through the cash register.	Sept. 2013
	<u>Children's Museum</u> In Progress	A transaction log was created to document the date, transaction type, payment type, amount, and reason but the amount is not consistently being recorded in the log by cashiers and there is no evidence that voids and refunds recorded in the log are reconciled to those processed through the cash register. Also, there is no documentation of the resolution of questionable items.	Sept. 2013
	<u>Battlefield House Museum</u> In Progress	A transaction log was created to document the date, transaction type, payment type, amount, and reason but the amount is not consistently being recorded in the log and there is no evidence that voids and refunds recorded on the log are reconciled to those processed through the cash register. Transactions entered on the log are not consistently approved by Supervisors.	Sept. 2013

**PLANNING AND ECONOMIC DEVELOPMENT – CULTURE FACILITIES -  
CASH HANDLING – FOLLOW UP (2) – JULY 2013**

<b>Recommendation</b>	<b>Current Status</b>	<b>Comments</b>	<b>Anticipated Completion Date</b>
	<u>Dundurn Castle</u> In Progress	A transaction log was created to document the date, transaction type, payment type, amount, and reason but voids and refunds and their amounts are not consistently being recorded in the log. There is no evidence that voids and refunds recorded in the log are reconciled to those processed through the cash register. Voids and refunds are not consistently recorded in the transaction log and the payment type was removed from the log.	Sept. 2013
	<u>Fieldcote Museum</u> In Progress	A transaction log was created to document the date, transaction type, payment type, amount, and reason but voids and refunds are not consistently being recorded in the log and there is no evidence that voids and refunds recorded in the log are reconciled to those processed through the cash register.	Sept. 2013
2. That two employees count funds from the donation box, record the counted donation, initial the form and retain this documentation in the register. The Curator should reconcile recorded donations to this form.	<u>Steam Museum</u> In Progress	Although two employees count the funds from donation boxes, record the counted donation in the register and initial the receipt, donations received at the register do not consistently follow procedures outlined in the Cash Handling Manual indicating that the receipt with two signatures is to be attached to the daily reports.	Sept. 2013
	<u>Battlefield House Museum</u> Not Completed	The donation box is no longer used to collect donations. Donations received at the till are not rung through the register when received and therefore, do not follow procedures outlined in the Cash Handling Manual.	Sept. 2013
	<u>Fieldcote Museum</u> Undetermined	The donation box has not yet been emptied following the new procedures. Therefore, staff did not have an opportunity to implement the donation count procedures. Also, donations received at the register do not consistently follow procedures outlined in the Cash Handling Manual indicating that the receipt with two signatures is to be attached to the daily reports.	Sept. 2013

**PLANNING AND ECONOMIC DEVELOPMENT – CULTURE FACILITIES -  
CASH HANDLING – FOLLOW UP (2) – JULY 2013**

Recommendation	Current Status	Comments	Anticipated Completion Date
	<u>Griffin House Museum</u> No Longer Applicable	There is no longer a donation box at Griffin House.	Not Applicable
3. That management improve physical security of the donation boxes by restricting access to required personnel. A chain or other securing mechanism should be used to physically restrict the removal of the donation box in its entirety. Donations need to be deposited through the cash register on a bi-monthly basis.	<u>Steam Museum</u> Completed	The donation box is secure and funds are deposited bi-monthly unless amounts in the donation box are minimal.	Not Applicable
	<u>Battlefield House Museum</u> No Longer Applicable	The donation box is no longer being used to collect donations.	Not Applicable
5. That cashiers restrictively endorse cheques immediately upon receipt.	<u>Steam Museum</u> Completed	Cheques are being restrictively endorsed when received.	Not Applicable
	<u>Children's Museum</u> Completed	No cheques were available for review but the observation of the endorsement stamp and discussion with the cashier indicate cheques are restrictively endorsed when received.	Not Applicable
6. That all museums adopt the Steam & Technology Museum's petty cash voucher system which contains all components of a well-documented petty cash system.	<u>Children's Museum</u> <u>Battlefield House Museum</u> <u>Dundurn Castle</u> <u>Fieldcote Museum</u> <u>Whitehern Historic House</u> Completed	Petty cash vouchers are completed at the time when cash is disbursed which includes an explanation of the nature of the expense and the signature of the person authorizing the expense, the person receiving the funds and the person disbursing the funds. Attaching this documentation to the receipt provides evidence of a well-kept petty cash system.	Not Applicable
7. That the following procedures be performed to improve the reconciliation process:  a. The cashier prepares the box office report at the end of the day when the daily deposit is prepared.	<u>Steam Museum</u> <u>Battlefield House Museum</u> <u>Fieldcote Museum</u> Completed	The cashier completes the Float Sheet and Sales Breakdown Sheet at the end of the day to reconcile receipts and transactions.	Not Applicable

**PLANNING AND ECONOMIC DEVELOPMENT – CULTURE FACILITIES -  
CASH HANDLING – FOLLOW UP (2) – JULY 2013**

<b>Recommendation</b>	<b>Current Status</b>	<b>Comments</b>	<b>Anticipated Completion Date</b>
b. Management reviews the box office report to ensure balances reconcile to the register transaction summary tape, the Moneris batch total tape, the deposit slip and the cash receipts on hand to be deposited. The box office report should bear evidence of this review and indicate why discrepancies are accepted.	<u>Battlefield House Museum</u> Completed	The Curator reviews and initials the box office report. No discrepancies were noted with the reports selected for testing.	Not Applicable
	<u>Dundurn Castle</u> In Progress	No discrepancies were noted with the reports selected for testing. However, reports are not printed and initialled to show evidence of review.	Sept. 2013
	<u>Fieldcote Museum</u> In Progress	The site Supervisor reviews and initials the box office report. However, gift shop sales are being incorrectly recorded as HST.	Sept. 2013
c. All cells in the daily box office report, apart from admission numbers and adjustments, are protected so formulae cannot be manipulated.	<u>Dundurn Castle</u> Completed	Other than admission numbers and adjustments, all cells in the box office report are password protected so formulae cannot be manipulated.	Not Applicable
8. That management improve the security over cash with the following:  Limit the number of people who have access to the safe, daily deposits and cash storage areas.	<u>Children's Museum</u> <u>Dundurn Castle</u> <u>Whitehern Historic House</u> Completed	Access to daily receipts has been restricted to the one or two employees who prepare and/or approve the bank deposit. Access to petty cash has been restricted to the petty cash custodian.	Not Applicable
10. That management build upon the extensive procedures documented for Dundurn Castle to create standard cash handling processes for all museums and ensure compliance.	In Progress	Documented processes are to be reviewed quarterly. Management ensures compliance with stated cash handling processes twice yearly. An assessment was done at each location in June / July 2013. However, not all sites have fully implemented documented cash handling processes (i.e. void and refund processes and donations).	Sept. 2013

**PLANNING AND ECONOMIC DEVELOPMENT – CULTURE FACILITIES -  
CASH HANDLING – FOLLOW UP (2) – JULY 2013**

<b>Recommendation</b>	<b>Current Status</b>	<b>Comments</b>	<b>Anticipated Completion Date</b>
11a. That management investigate ways to protect sensitive cardholder data on the Moneris merchant receipts. For instance, management may contact Moneris to determine whether the PAN may be masked on future merchant receipts and black out the PAN in the interim. In addition, current practices should include the secure and restricted access to credit card information.	<u>Dundurn Castle</u> Completed	PANs and expiry dates appearing on Moneris receipts are masked. No additional measures are required.	Not Applicable
11b. That the Moneris POS administrator card be stored in a more restricted location to limit the ability to access sensitive information from point-of-sales (POS) terminals. Reports generated with the administrator card to reconcile daily receipts should be encrypted or secured appropriately after POS transactions are reconciled.	<u>Steam Museum</u> <u>Children's Museum</u> <u>Battlefield House</u> <u>Museum</u> <u>Dundurn Castle</u> Completed	Access to POS administrator cards has been restricted to only staff at each location, as all staff may require the card when Supervisors are not present. The cards are kept locked and there is no evidence that detailed transaction listings were generated using the administrator card.	Not Applicable