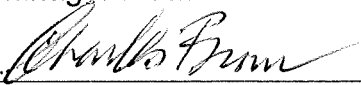


TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	September 12, 2016
SUBJECT/REPORT NO:	Audit Report 2015-15 – Compliance with City-Wide Cash Handling Policy (AUD16009) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Brigitte Minard CPA, CA, CIA, CGAP 905-546-2424 x2088
SUBMITTED BY:	Charles Brown CPA, CA, CPA (Illinois) Director, Audit Services City Manager's Office
SIGNATURE:	

Discussion of Private and Confidential Appendix “A” to Report AUD16009 in Closed Session is subject to the following requirement(s) of the City of Hamilton’s Procedural By-law and the Ontario Municipal Act, 2001:

- ◆ The security of the property of the municipality or local board.

RECOMMENDATION

That the Management Action Plans, as detailed in Audit Report 2015-15 (Private and Confidential Appendix “A” to Report AUD16009) be approved;

- (b) That the General Manager of Finance and Corporate Services and the City Manager be directed to instruct the appropriate staff to have the Management Action Plans implemented; and
- (c) That the Appendix “A” to Report AUD16009, respecting Audit Report 2015-15 – Compliance with City-Wide Cash Handling Guidelines, remain confidential and restricted from public disclosure.

EXECUTIVE SUMMARY

Compliance with the City-Wide Cash Handling Policy was evaluated during this project. A random selection of 10 spot cash counts was conducted between January 2015 and January 2016 at City cash-handling locations.

A summary of the issues identified across the locations is included in Audit Report 2015-15 (Private and Confidential Appendix “A” to Report AUD16009), with each location having already received a detailed memo outlining the issues specific to their location, or a detailed summary if the cash spot count was combined with a different audit project in that same area.

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS (for recommendation(s) only)

Financial: Implementing the recommendations listed in Private and Confidential Appendix “A” of Report AUD16009 may reduce the risk of future fraud or misconduct incidents that could result in financial loss for the city. Some minor, one-time expenditures will be incurred as part of the action plan for one of the recommendations regarding equipment and related maintenance.

Staffing: None.

Legal: None.

HISTORICAL BACKGROUND (Chronology of events)

Areas for improvement in cash handling procedures have been identified and highlighted in several past audits.

In 2014, a corporate City-Wide Cash Handling Policy was approved by Council. Staff was directed to implement the elements of the policy in all the operations that handle cash. The 2015 Internal Audit work plan approved by Council in January 2015 included a Spot Cash Counts project.

Selected cash spot counts occurred randomly across all operations to evaluate compliance with the City-Wide Cash Handling Policy. These counts took place between January 2015 and January 2016.

As the cash spot counts began to take place, there was increased interest from City departments in working together collaboratively to achieve compliance with the Policy and mitigate the risks associated with cash handling processes. Working groups were formed to share information about cash handling processes, equipment requirements (i.e. safes) and to discuss areas of the Policy that were unclear or challenging to operationalize.

Concurrently while the cash spot counts were being conducted at various locations, these working groups (in which Audit Services participated as a subject matter expert) provided to Audit Services input for how to further strengthen the existing Policy.

Audit Services considered this input when making recommendations to strengthen cash handling processes and to mitigate the risks associated with the process. The working groups are continuing with their work throughout 2016.

The results of this project are attached as Audit Report 2015-15 (Private and Confidential Appendix “A” to Report AUD16009).

The Audit, Finance and Administration Committee receives and approves final audit and review reports as part of its responsibilities for the oversight of governance and control.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

- City-Wide Cash Handling Policy (2014)

RELEVANT CONSULTATION

Private and Confidential Appendix “A” to Report AUD16009 includes action plans which reflect the responses of management responsible for the administration of the City-Wide Cash Handling Policy, the General Manager of Finance and Corporate Services.

Input from the cross-functional working group was received and incorporated into the audit report. A presentation summarizing a portion of the project findings was provided to the Senior Management Team in April 2016.

ANALYSIS AND RATIONALE FOR RECOMMENDATION (Include Performance Measurement/Benchmarking Data if applicable)

A formal Audit Report (2015-15) containing observations, recommendations and resulting management action plans was issued. Three recommendations were included in Audit Report 2015-15 (attached as Private and Confidential Appendix “A” to Report AUD16009).

The audit work identified opportunities to strengthen processes, enhance internal controls and improve the safeguarding of City assets. Key areas needing improvement included:

- Segregation of duties;
- Management/supervisory review and oversight; and
- Equipment and related maintenance

Management has agreed to take measures in the near future in order to implement all three of the formal recommendations. Specific action plans can be found in the attached report (Private and Confidential Appendix “A” to Report AUD16009).

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Per the Council-approved 2016-2018 Audit Services Work Plan, additional Cash Spot Counts will be conducted in 2016 to further evaluate compliance with the Policy.

Audit Services conducted this audit in conformity with the *International Standards for the Professional Practice of Internal Auditing*. These standards require that Audit Services plan and perform the audit to obtain sufficient, appropriate evidence to support the findings and conclusions based on the audit objectives. Audit Services believes that the work performed provides a reasonable basis for the audit findings and conclusions.

ALTERNATIVES FOR CONSIDERATION

(Include Financial, Staffing, Legal and Policy Implications and Pros and Cons for each alternative)

Not applicable

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Our People and Performance

Hamiltonians have a high level of trust and confidence in their City government.

APPENDICES AND SCHEDULES ATTACHED

Private and Confidential Appendix “A” to Report AUD16009

Appendix “B”: City-Wide Cash Handling Policy, Report FCS14003(a)

CB:bm