



CITY OF HAMILTON
CITY MANAGER'S OFFICE
Audit Service Division

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	July 12, 2017
SUBJECT/REPORT NO:	Audit Report 2016-06 Compliance with City-Wide Cash Handling Policy (AUD17014) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Charles Brown CPA, CA, CPA (Illinois) 905-546-2424 x4469
SUBMITTED BY:	Charles Brown CPA, CA, CPA (Illinois) Director, Audit Services, City Manager's Office
SIGNATURE:	

Discussion of Appendices A & B to Report AUD17014 in closed session are 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 City.

RECOMMENDATION

- a) That the Management Action Plans, as detailed in Audit Report 2016-06 (Private and Confidential Appendix "A" to Report AUD17014) 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 Appendices "A" and "B" to Report AUD17014, respecting Audit Reports 2016-06 and 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 six spot cash counts was conducted in November 2016 at city cash handling locations.

A summary of the issues identified across the locations is included in Audit Report 2016-06 (Private and Confidential Appendix "A" to Report AUD17014), with each location having already received a detailed memo outlining the issues specific to their location. In addition, a summary of the status of the recommendations made in Audit Report 2015-15 is also included (Private and Confidential Appendix "B" to Report AUD17014).

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: Implementing the recommendations listed in Private and Confidential Appendix "A" of Report AUD17017 may reduce the risk of future fraud or misconduct incidents that could result in financial loss for the city.

Staffing: None

Legal: None

HISTORICAL BACKGROUND

The City handles a volume of approximately \$500 million in cash transactions per year.

A corporate City-Wide Cash Handling Policy was approved by Council in 2014. To evaluate compliance with this policy, and to adhere to the Council approved 2015 Internal Audit Work Plan, Audit Services performed ten random cash spot counts between January 2015 and January 2016.

The Council approved 2016-2018 Audit Services Work Plan includes additional cash compliance work in both 2016 and 2017. Surprise cash spot counts were performed at six locations in November 2016.

While the original cash spot counts were taking place in 2015, cross functional working group (the Corporate Cash Handling Team) was 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. The Corporate Cash Handling Team continued their work throughout 2016 and 2017. The City-Wide Cash Handling Policy was revised in July 2016 and was posted on the City's eNet in February 2017.

Audit Services considered the input from the Corporate Cash Handling Team in making recommendations to strengthen cash handling processes and mitigate risks.

The results of the 2016 spot cash count are attached as Audit Report 2016-06 (Private and Confidential Appendix "A" to Report AUD17014). The status of the recommendations made in Audit Report 2015-15 is also included (Private and Confidential Appendix "B" to Report AUD17014).

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

- City-Wide Cash Handling Policy (2016)

RELEVANT CONSULTATION

Audit Services consulted with management reporting to the General Manager of Finance and Corporate Services responsible for administering the City-Wide Cash Handling Policy. Management provided responses used in developing the action plans to Private and Confidential Appendix "A" that is forms part of Report AUD17014.

Private and Confidential Appendix "B" to Report AUD17014 includes Follow Up notes which were also developed with the assistance of management responsible for the Administration of the City-Wide Cash Handling Policy.

Input was received from the cross functional working group (Corporate Cash Handling Team) and incorporated into the audit report.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

A formal Audit Report (2016-06) containing observations, recommendations and resulting management action plans was issued. Six recommendations were included in Audit Report 2016-06 (attached as Private and Confidential Appendix "A" to Report AUD17014).

The Corporate Cash Handling Team has continued to identify opportunities to refine the City-Wide Cash Handling Policy making it more relevant in today's business environment. It was for this reason that the following recommendations were made: implementing a dollar threshold below which the name, address, and telephone number of the individual receiving a refund is not needed; and, consider policy exceptions to accommodate unique situations of some locations.

The audit also identified opportunities to guard against potential malfeasance by recommending: regular ongoing reviews of refunds and voided transactions for unusual patterns; and, enforcing all deposit slips to be signed off by two individuals.

Management has agreed to take measures to implement all of the recommendations.

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OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

ALTERNATIVES FOR CONSIDERATION

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 AUD17014;

Private and Confidential Appendix “B” to Report AUD17014

CB:dp