



Hamilton

INFORMATION REPORT

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	March 25, 2021
SUBJECT/REPORT NO:	Enhancing Compliance with City-Wide Cash Handling Policy (AUD21002) (City Wide)
WARD(S) AFFECTED:	City Wide
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COUNCIL DIRECTION

The Council-approved Office of the City Auditor Work Plan 2019 to 2022 (AUD19007) included “Spot Cash Counts” and an “Organization-Wide Fraud Prevention and Detection Program”.

Council approved the most recent version of the City-Wide Cash Handling Policy (FCS19067) in October 2019.

INFORMATION

Unannounced Spot Cash Counts (also known as Cash Compliance Audits) are conducted by the Office of the City Auditor at a select number of locations across all operations to ensure compliance with the City’s Corporate Cash Handling Policy, safeguard assets, and act as a fraud deterrent.

Through these audits combined with the Office of the City Auditor’s efforts related to the Fraud and Waste Hotline that launched in July 2019, it became apparent that additional effort was needed by the organization to ensure compliance with the City-Wide Cash Handling Policy, to safeguard City assets, and deter and detect fraud.

OUR Vision: To be the best place to raise a child and age successfully.

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.

Policy Purpose

The purpose of the City-Wide Cash Handling Policy (Policy) is to define the acceptable level of control for cash handling operations for all City departments to ensure clear and consistent practices within the City for the handling of cash. This Policy is designed to avoid fraudulent activity in the handling of City cash and to prevent and minimize the risk to City employees when handling cash.

Process Owner

The Process Owner for this Policy is the Director-Financial Planning, Policy and Administration in the Corporate Services Department.

General Manager Responsibilities

- Ensuring that the Policy's guidelines and internal controls are incorporated into cash handling procedures developed for and implemented in their respective service areas;
- Ensuring that cash handling procedures and related internal controls are in place and operating;
- Establishing additional procedures and controls required to meet specific departmental needs; and
- Ensuring that personnel, who handle cash, are informed of, understand and adhere to the provisions of departmental cash handling procedures.

City Auditor Responsibilities

The City Auditor is responsible for completing cash handling reviews on a periodic basis subject to Council approval to provide assurance on cash handling compliance and identify opportunities for improving and strengthening cash handling practices.

Need to Enhance Compliance

The Office of the City Auditor found areas of non-compliance and instances of fraud, which were included the Fraud and Waste Annual Report (AUD20007). The Cash Handling Policy has been in place for several years (first approved in 2014, Report FCS14003), but there is still not a high enough awareness level in the organization. The Office of the City Auditor has worked on developing ways to enhance cash handling practices and levels of compliance at the City of Hamilton, through more effective assurance mechanisms that rely on the guided use of cash handling self-assessments.

New Assurance Process

As a result of the instances of fraud and findings of non-compliance, a new assurance process has been designed by the Office of the City Auditor to enhance compliance with

the City-Wide Cash Handling Policy, with leadership being provided by the Customer Service Division for the training aspects of this new process. The Customer Service Division was an early adopter of compliance self-assessments for cash handling operations which allowed great insight into how this could be implemented more broadly across the organization.

On October 30, 2020 the Senior Leadership Team at the City of Hamilton approved this new process. This new process includes all service areas conducting cash compliance self-assessments. The roll-out of this program began in Q1 of 2021.

New 2-part Process:

1. Simplified Access to Resources
2. Conducting Compliance Self-Assessments

Simplified Access to Resources

- A revised Intranet site was launched with a new Cash Compliance Self-Assessment Tool Kit.
- Training will be provided to departmental assessors so that Compliance Self-Assessments can be conducted.

Self-Directed Compliance Assessments

With support and training provided by the Customer Service Division, departments will conduct internal cash compliance self-assessments at each cash handling location the department is responsible for.

It is the expectation of the Office of the City Auditor (OCA) and the Senior Leadership Team (SLT) that all cash handling locations will be conducting these cash compliance self-assessments at a minimum annually (once per calendar year beginning with 2021. This deadline may change (be extended) due to COVID-19 operational considerations and its impact on cash handling operations in the organization.

New Process Overview

- Simplified Access to Cash Handling Resources
- Training for how to complete assessments provided by the Customer Service Division
- Departments Conduct Cash Compliance Self-Assessments
 - Minimum frequency is annually, higher volume locations should conduct more frequently based on assessed risks

- Results of Cash Compliance Self-Assessments reviewed by the Office of the City Auditor
- Summary of results and organizational themes and trends shared with SLT and the Audit, Finance, and Administration Committee by the Office of the City Auditor. First report is planned for the first half of 2022.

Continuous Assurance Approach

The approach taken for this work is a Continuous Assurance approach. By having the departments complete at least one cash compliance self-assessment annually, there is a much higher visibility into the organization's risks relating to cash handling. A much greater amount of coverage is obtained in this approach (all cash handling locations receive a compliance self-assessment at least annually), rather than a sample of locations being audited by the Office of the City Auditor. By having the departments complete these compliance self-assessments, the results can be furnished to and validated by the Office of the City Auditor when Cash Handling Compliance Audits occur. This enables the continuous monitoring of controls by the General Managers and enables the Office of the City Auditor to provide greater overall assurance regarding the existing controls and compliance levels.

Cash Handling Compliance Audits Will Continue

The Office of the City Auditor will continue to periodically conduct unannounced cash handling compliance audits to evaluate the validity of the Cash Compliance Self-Assessment results and to obtain further information about cash handling compliance risks in the organization. Fraud response will continue be performed as required by the Office of the City Auditor.

Reporting

Results of the Cash Compliance Self-assessment process and the periodic unannounced Cash Handling Compliance Audits will be shared with the Audit, Finance and Administration Committee after enough time has passed for this new process to be implemented and is planned to occur in the first half of 2022.

APPENDICES AND SCHEDULES ATTACHED

None.