

**CITY OF HAMILTON**

**CITY MANAGER'S OFFICE  
Audit Services Division**

<b>TO:</b> Chair and Members Audit, Finance and Administration Committee	<b>WARD(S) AFFECTED:</b> CITY WIDE
<b>COMMITTEE DATE:</b> March 25, 2013	
<b>SUBJECT/REPORT NO:</b> Follow Up of Audit Report 2011-01 – Culture Facilities – Cash Handling (AUD13011) (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>	

**RECOMMENDATION**

That Report AUD13011, respecting the follow up of Audit Report 2011-01, Culture Facilities – Cash Handling, be received.

**EXECUTIVE SUMMARY**

Audit Report 2011-01, Culture Facilities – Cash Handling, was originally issued in September, 2011 and management action plans with implementation timelines were included in the Report. In January, 2013, Internal Audit conducted a follow up exercise to determine if appropriate and timely actions had been taken. The chart under the Analysis section summarizes the implementation status for each of the 16 original recommendations as they apply to the cash handling at the City's museums, part of the Tourism and Culture Division of the Planning and Economic Development Department.

**Alternatives for Consideration – Not Applicable**

**FINANCIAL / STAFFING / LEGAL IMPLICATIONS (for Recommendation(s) only)**

**Financial:** Sound procedures and strong controls over the handling and safeguarding of cash reduce the risk of loss or theft. Reconciling records and investigating and resolving discrepancies mitigate the risk of misappropriation of funds.

**Staffing:** None.

**Legal:** None.

**HISTORICAL BACKGROUND (Chronology of events)**

Audit Report 2011-01, Culture Facilities – Cash Handling, was originally issued in September, 2011. The Report provided 16 recommendations identifying areas to strengthen internal controls, safeguard assets and identify opportunities for administrative efficiencies.

It is normal practice for Internal Audit to conduct follow up reviews within a 12-18 month period following issuance of the original report in order to determine whether action plans committed to by department management have been implemented.

**POLICY IMPLICATIONS/LEGISLATED REQUIREMENTS**

None.

**RELEVANT CONSULTATION**

The results of the follow up were provided to management responsible for the administration of cash handling at the City's museums, part of the Tourism and Culture Division of the Planning and Economic Development Department.

**ANALYSIS / RATIONALE FOR RECOMMENDATION**

(include Performance Measurement/Benchmarking Data, if applicable)

There were 16 individual recommendations which applied specifically to one or more of the civic museums that are administered and maintained by the Tourism and Culture Division of the Planning and Economic Development Department. The follow up status for a particular recommendation can vary depending on the efforts of the applicable museum(s).

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The following table lists the status of the implementation of the recommendations for each individual museum to which they apply (e.g., Battlefield House has two undetermined, one not completed, four in progress, ten completed, etc.):

	Museum	Status						
		U	NC	I	IP	C	AI	NA
1.	Battlefield House Museum	2	1		4	10	3	1
2.	Hamilton Children’s Museum	1	2		2	11		1
3.	Dundurn Castle		4	1	2	8		
4.	Fieldcote Memorial Park & Museum	1	1	1	2	8	2	1
5.	Griffin House		1			1		
6.	Museum of Steam & Technology	1	3		2	10		
7.	Whitehern Museum		1	1		12		
8.	All Museums				1			

Legend

U = Undetermined, NC = Not Completed, I = Initiated, IP = In Progress,  
C = Completed, AI = Alternative Implemented, NA = No Longer Applicable

The report attached as Appendix “A” to Report AUD13011 contains the first three columns as originally reported in Report 2011-01 along with an added fourth column indicating Internal Audit comments as a result of the follow up work in each of the museums. Since there are many status combinations across the various museums, only the most frequent “Completed” and “Not Completed” recommendations are noted below.

Completed – Deposits made on a more timely basis (#12)  
– Timing, forms and management oversight provided for daily reconciliations of revenue (#7)

Not Completed – Storage of Moneris point of sale administrator card not in a restricted location, allowing for potential access to credit card information (#11)

For more detailed Internal Audit follow up comments for particular museums, refer to Appendix “A”.

**ALTERNATIVES FOR CONSIDERATION**

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

Not applicable.

**ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN:**

**Strategic Priority #2**

Valued & Sustainable Services

*WE deliver high quality services that meet citizen needs and expectations, in a cost effective and responsible manner.*

**Strategic Objective**

2.1 Implement processes to improve services, leverage technology and validate cost effectiveness and efficiencies across the Corporation.

**Strategic Priority #3**

Leadership & Governance

*WE work together to ensure we are a government that is respectful towards each other and that the community has confidence and trust in.*

**Strategic Objective**

3.4 Enhance opportunities for administrative and operational efficiencies.

**APPENDICES / SCHEDULES**

Appendix “A” to Report AUD13011.

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**CITY OF HAMILTON  
INTERNAL AUDIT REPORT 2011-01  
CULTURE FACILITIES – CASH HANDLING  
FOLLOW UP**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2013)
1.	<p><u>Void / Refund Approval</u> Controls over void (reversing the last sale on the cash register) and refund processing can be improved. Cashiers void and refund transactions without management approval. The act of recording the nature of the void or refund on a register receipt or log is not carried out consistently at the museums. No documentation exists to corroborate that management reconciles these receipts or questions voids and refunds reported on the register transaction summary tape. Lack of supervisory oversight provides the cashier with an opportunity to process a void or refund for cash and misappropriate the funds.</p>	<p>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.</p>	<p><u>All Sites</u> Agreed. Management has already created a log book that includes date, void/refund, name, reason and supervisor's initials. Voided tapes are attached to daily "Z out" register printouts.  A formal procedure will be added to the Museum and Heritage Presentation Section cash handling procedure manual and to training and staff orientation by Q4, 2011.</p>	<p>The <i>Cash-Handling Manual</i> requires employees to complete a transaction log stating the reason for the refund or void, the employee's name and the supervisor's initials. Void and refund receipts are to be attached to the register transaction summary tape.  <u>Steam Museum</u> <u>Children's Museum</u> <u>Battlefield House Museum</u> <u>Fieldcote Museum</u> In Progress. Although a log was created to document the date, nature and approvals, amounts and/or payment types are not recorded. At Battlefield House Museum, descriptions do not adequately explain the nature or rationale for voided and refunded transactions.</p>

**CULTURE FACILITIES – CASH HANDLING  
FOLLOW UP – JANUARY 2013**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2013)
1.	<u>Void / Refund Approval (Cont'd.)</u>			<p>Voids and refunds are not consistently recorded in the log. As a result, management cannot reconcile approved transactions to voids and refunds processed through the cash register.</p> <p><u>Dundurn Castle</u> Not Completed. Voided and refunded transactions are not recorded or explained in a log or similar document.</p> <p><u>Whitehern Historic House</u> Completed. Voids and refunds on the register transaction summary tape are accompanied by a memo approved by the curator and register receipts which detail the date, amount, nature and payment.</p>

**CULTURE FACILITIES – CASH HANDLING  
FOLLOW UP – JANUARY 2013**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2013)
2.	<p><u>Donation Counts and Physical Security</u></p> <p>Donation box count processes do not contain adequate controls or generate documentary evidence to substantiate the completeness and accuracy of donations recorded in the cash register. For instance:</p> <ul style="list-style-type: none"> <li>• Although two people count and initial a piece of paper noting the donation amount at Dundurn Castle, the cashier destroys this evidence after entering the donation in the register, leaving no audit trail.</li> <li>• At other museums, the same person counts and enters the donation in the register.</li> </ul> <p>Without adequate checks and documentation to facilitate oversight, the person counting the donation or the cashier recording the donation has an opportunity to misappropriate funds.</p>	<p>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.</p>	<p><u>All Sites</u> Agreed. Two (2) staff members will now empty the donation box twice each month and enter the amount into the cash register. As a result, the donation money will always appear in the daily box office reconciliation.</p> <p>This procedure will be added to the Museum and Heritage presentation Section cash handling procedure manual and to training and staff orientation by Q4, 2011.</p>	<p>The <i>Cash-Handling Manual</i> requires donation box funds to be counted by two employees and processed through the register. The register receipt is to be labeled "Donation Box", initialed by the two employees and attached to the register transaction summary tape.</p> <p><u>Steam Museum</u> <u>Fieldcote Museum</u> Undetermined. Donations on the register transaction summary tape are not consistently accompanied by a register receipt. Any attached receipts did not indicate whether donations originated from the donation box (and thus should follow the required procedures) or represented extra amounts rung directly into the cash register.</p>

**CULTURE FACILITIES – CASH HANDLING  
FOLLOW UP – JANUARY 2013**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2013)
2.	<p><u>Donation Counts and Physical Security (Cont'd.)</u></p>			<p><u>Battlefield House Museum</u> Undetermined. Donations were not collected while the Gage House was closed for renovations. Staff did not have an opportunity to implement the donation count procedures.</p> <p><u>Dundurn Castle</u> Completed. Funds from the donation box are counted by two employees and recorded on an initialed note which is retained with the day's cash receipts as support for donations entered into the cash register. Donations appearing on the register tape are reconciled by the Gift Shop Supervisor to this count documentation.</p> <p><u>Griffin House</u> Not Completed. Management acknowledged that donation box counting procedures outlined in the <i>Cash-Handling Manual</i> were not being followed.</p>



**CULTURE FACILITIES – CASH HANDLING  
FOLLOW UP – JANUARY 2013**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2013)
3.	<p><u>Donation Counts and Physical Security (Cont'd.)</u></p> <p>There are opportunities for improvements to the physical security over on-site donation boxes. For instance:</p> <ul style="list-style-type: none"> <li>• Seven (7) staff at Fieldcote and nine (9) at the Steam &amp; Technology museums can open the donation box.</li> <li>• Donation boxes are not secure. The Children's Museum's donation box is missing from the front counter. The Fieldcote and Steam &amp; Technology Museums' boxes are easy to remove from the premises (light weight, inside visible) and there is the ability to easily remove funds from the Fieldcote donation slot.</li> <li>• Donations are not regularly removed from the boxes and deposited in the bank.</li> </ul> <p>Inadequate physical security combined with infrequent donation deposits exposes these funds to the risk of misappropriation or being stolen.</p>	<p>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.</p>	<p><u>All Sites</u> Agreed. Donation boxes have been secured and/or are stored in a secure location at night and donation box keys are stored in a secure location. See response for observation #2 regarding emptying of donation boxes.</p> <p>This procedure will be added to the Museum and Heritage presentation Section cash handling procedure manual and to training and staff orientation by Q4, 2011.</p>	<p><u>Steam Museum</u> Not Completed. All employees have access to the keys which open the donation box. The donation box is not secured to restrict removal from the premises. Donations are not deposited through the register on a bi-monthly basis.</p> <p><u>Battlefield House Museum</u> Undetermined. Donations were not collected while the museum was under renovation. Management did not have an opportunity to improve physical security or restrict access to donations.</p> <p><u>Fieldcote Museum</u> <u>Griffin House</u> Completed. Access to funds in the donation boxes is restricted to two employees. Chains are used to physically secure the donation boxes. However, donations are not deposited bi-monthly but exposure is minimal.</p>

**CULTURE FACILITIES – CASH HANDLING  
FOLLOW UP – JANUARY 2013**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2013)
#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2013)
3.	<u>Donation Counts and Physical Security (Cont'd.)</u>			<u>Children's Museum</u> No longer applicable. There is no longer a donation box at this site.

**CULTURE FACILITIES – CASH HANDLING  
FOLLOW UP – JANUARY 2013**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2013)
4.	<p><u>Offsite Cash Collection</u> At Battlefield House and Fieldcote Museums, there are occasions when interpreters/volunteers collect admission fees at a site location other than where the cash register is situated. Due to the lack of direct supervision of these activities, management cannot verify that remitted cash receipts are complete. For example, a Battlefield interpreter collects cash, records admissions and reconciles cash collected to admissions recorded. Inadequate segregation of duties exists as the interpreter handles cash and prepares the reconciliation. This can result in an opportunity to misappropriate funds and cover up the shortage.</p>	<p>That interpreters issue pre-numbered admission tickets. Management should then account for the sequential numbering of issued tickets and reconcile the number of tickets sold to cash remitted and recorded in the register on at least a weekly basis.</p>	<p><u>General Comment</u> Agreed. See below for specific variations to procedures.  Only those staff persons with cash handling in their job descriptions will be permitted to handle cash.  <u>Battlefield</u> All ticket sales now take place at Nash-Jackson House.  <u>Fieldcote</u> Due to the limited staffing at Griffin House during open hours, it is not practical to adhere to standard cash out and cash handling procedures. Staff will request City Council to revert to donation only admission at Griffin House and staff will adhere to the procedures as noted in #2 and #3 (donation box). The request will be made in the User Fee Report to Council to be effective January 1, 2012.</p>	<p><u>Battlefield House Museum</u> Alternative Implemented. Admission fees are no longer collected at the museum. Visitors are directed to the Nash-Jackson House to purchase tickets and are led by an interpreter to and from the museum.  <u>Fieldcote Museum</u> No longer applicable. Admission fees are no longer collected at Griffin House.</p>

**CULTURE FACILITIES – CASH HANDLING  
FOLLOW UP – JANUARY 2013**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2013)
5.	<p><u>Cheque Endorsement</u> Cheques are not adequately endorsed in a timely fashion.</p> <ul style="list-style-type: none"> <li>• Battlefield House and the Steam &amp; Technology Museums' endorsements containing the museum's name, address and/or first four digits of the bank account are not adequate.</li> <li>• At five (5) museums, cheques are endorsed when the deposit is processed rather than when the cheque is actually received.</li> </ul> <p>Risk for misappropriation or manipulation of cheques with the intent to commit fraud is increased when cheques are not appropriately endorsed in a timely manner.</p>	<p>That Battlefield House and the Steam &amp; Technology Museums procure an endorsement stamp containing appropriate deposit information.</p> <p>That cashiers restrictively endorse cheques immediately upon receipt.</p>	<p><u>All Sites</u> Agreed. Endorsement stamps are in place and procedures have been changed.</p> <p><u>All Sites</u> Agreed. All cheques are endorsed immediately upon receipt.</p> <p>These procedures will be added to the Museum and Heritage presentation Section cash handling procedure manual and to training and staff orientation by Q4, 2011.</p>	<p><u>Battlefield House Museum</u> <u>Steam Museum</u> Completed. Endorsement stamps were procured and contain appropriate deposit information.</p> <p>The <i>Cash-Handling Manual</i> requires staff endorse the back of cheques when processing the transaction.</p> <p><u>Steam Museum</u> Not Completed. The cheque examined on site during field work was not endorsed.</p> <p><u>Children's Museum</u> Undetermined. No cheques were on site during field work.</p> <p><u>Battlefield House Museum</u> <u>Fieldcote Museum</u> <u>Whitehern Historic House</u> Completed. Cheques examined on site during field work were restrictively endorsed.</p>

**CULTURE FACILITIES – CASH HANDLING  
FOLLOW UP – JANUARY 2013**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2013)
6.	<p><u>Petty Cash Reconciliation and Documentation</u></p> <p>In a well-kept petty cash system, the following are documented and accompany the receipt: an explanation as to the nature of the expense and the initials of the person authorizing the expense, the person receiving funds and the person disbursing the funds. All or some of these components are not present on a consistent basis at five (5) museums.</p> <p>The petty cash on hand plus reimbursed receipts do not reconcile to the expected petty cash float at the Fieldcote, Whitehern and Children's Museums. The following factors were determined as contributors to the discrepancy:</p>	<p>That all museums adopt the Steam &amp; Technology Museum's petty cash voucher system which contains all components of a well-documented petty cash system.</p>	<p><u>All Sites</u> Agreed. All sites will adhere to the municipal petty cash procedures, effective immediately.</p> <p>In the longer term, because sites do not have inter-office mail service, there is a challenge related to the timeliness of the petty cash process. Staff are investigating the possibility of electronic submissions.</p>	<p>The <i>Cash-Handling Manual</i> requires Petty Cash Vouchers to be completed before an employee is reimbursed from the petty cash fund.</p> <p><u>Children's Museum</u> <u>Battlefield House Museum</u> In Progress. Petty Cash Vouchers are completed at the time when cash is disbursed. However, the initials of the person authorizing the expense, the person receiving the funds and/or the person disbursing the funds were not present on several vouchers in the petty cash box.</p> <p><u>Dundurn Castle</u> <u>Fieldcote Museum</u> <u>Whitehern Historic House</u> Initiated. Petty Cash Vouchers are completed when the petty cash replenishment request is prepared as opposed to when funds are disbursed from petty cash.</p>

**CULTURE FACILITIES – CASH HANDLING  
FOLLOW UP – JANUARY 2013**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2013)
6.	<p><u>Petty Cash Reconciliation and Documentation (Cont'd.)</u></p> <ul style="list-style-type: none"> <li>Receipts in the petty cash box have not been reimbursed because there is a lack of funds;</li> <li>Funds are removed from petty cash to purchase items without tracking or controlling withdrawals;</li> <li>Funds from the daily deposits are borrowed to reimburse petty cash expenses without an adequate tracking system;</li> <li>Receipts are only partially reimbursed due to the lack of funds without adequate documentation; and</li> <li>Poor controls result from not limiting the number of staff who have access to the petty cash float.</li> </ul> <p>Lack of proper controls can result in the misuse of petty cash funds such as inappropriate reimbursements and lack of accountability for the funds.</p>	<p>That the custodian only reimburse receipts in their entirety when petty cash is available and only store paid receipts in the petty cash box.</p> <p>That management improve physical security over the petty cash funds by restricting access to only the petty cash custodian.</p>	<p>Agreed. Custodians reimburse receipts in their entirety when cash is available and only reimbursed receipts are stored in the cash box. This procedure is in place now.</p> <p>Agreed. Petty cash boxes have been secured in spaces accessible only to the petty cash custodian.</p> <p>The procedures will be added to the Museum and Heritage presentation Section cash handling procedure manual and to training and staff orientation by Q4, 2011.</p>	<p><u>Children's Museum</u> <u>Fieldcote Museum</u> <u>Whitehern Historic House</u> Completed. Receipts are reimbursed in their entirety and only paid receipts are stored in the petty cash box.</p> <p>The <i>Cash-Handling Manual</i> states that administration of petty cash funds should be restricted to the petty cash custodian or an authorized designate.</p> <p><u>Steam Museum</u> <u>Children's Museum</u> <u>Dundurn Castle</u> <u>Whitehern Historic House</u> Completed. Access to petty cash is restricted to the petty cash custodian.</p>

**CULTURE FACILITIES – CASH HANDLING  
FOLLOW UP – JANUARY 2013**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2013)
6.	<u>Petty Cash Reconciliation and Documentation (Cont'd.)</u>			<u>Battlefield House Museum</u> <u>Fieldcote Museum</u> Alternative Implemented. Access to petty cash is restricted to the petty cash custodian and a designate.

**CULTURE FACILITIES – CASH HANDLING  
FOLLOW UP – JANUARY 2013**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2013)
7.	<p><u>Daily Reconciliations</u></p> <p>Daily, bi-monthly and monthly box office reports are prepared in Excel to summarize revenues and funds collected for preparing the PeopleSoft journal entry and bank deposit. As a result, information on the register transaction summary tape, the Moneris batch tape and the bank deposit should reconcile to the box office report to ensure all revenue recorded in the register is collected, deposited in tact and recorded in the financial records.</p> <p>On several occasions, the daily box office report did not reconcile to the register transaction summary tape and no reasons were documented. Internal Audit identified the following practices which contributed to improper reconciliation of daily transactions:</p> <ul style="list-style-type: none"> <li>• Not recording all transactions and cash receipts through the register;</li> <li>• Grouping cash short/over with other balances;</li> </ul>	<p>That the following procedures be performed to improve the reconciliation process:</p> <ul style="list-style-type: none"> <li>• The cashier prepares the box office report at the end of the day when the daily deposit is prepared;</li> </ul>	<p><u>All Sites</u></p> <p>Agreed in Principle. At this time, there are staffing and logistical issues with following these recommendations, as written.</p> <p>A point-of-sale system (currently under development) would solve many of these issues. The expected implementation period of the point-of-sale system and alignment with other City systems will require several years.</p> <p>In the meantime, staff are instituting a Microsoft Access database system which will have greater security controls. This system will be implemented by the end of 2011.</p> <p>All sites will follow the daily cash out procedures in place at Dundurn National Historic Site which were endorsed by the previous cash handling audit in 2007.</p>	<p><u>Steam Museum</u> <u>Battlefield House Museum</u> <u>Fieldcote Museum</u></p> <p>In progress. The cashier prepares a daily box office report or other similar sheet but it is not prepared on the day the funds are received.</p> <p><u>Children's Museum</u> <u>Dundurn Castle</u></p> <p>Completed. The cashier prepares the box office report (Children's Museum) and/or another sheet (Dundurn) at the end of the day to reconcile receipts and transactions.</p> <p><u>Whitehern Historic House</u></p> <p>Completed. The cashier and curator prepare and review the box office report together at the end of the day.</p>



**CULTURE FACILITIES – CASH HANDLING  
FOLLOW UP – JANUARY 2013**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2013)
7.	<p><u>Daily Reconciliations (Cont'd.)</u></p> <ul style="list-style-type: none"> <li>Overriding formulae in the daily box office report to make revenues match deposits, irrespective of total revenues reported on the register tape; and</li> <li>Not understanding the importance of or rationale behind the reconciliation by employees.</li> </ul> <p>Inadequate segregation of duties exists as the cashier handles cash, prepares the deposit and, at most sites, prepares the box office report. Without adequate supervisory review as a compensating control, cashiers have the opportunity to misappropriate funds and conceal the shortage by manipulating the box office report.</p>	<ul style="list-style-type: none"> <li>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;</li> </ul>	<p>This procedure will be added to the Museum and Heritage presentation Section cash handling procedure manual and to training and staff orientation by Q4, 2011.</p>	<p><u>Steam Museum</u> Completed. The curator prepares, reviews and initials the box office report. No discrepancies were noted with the box office reported selected for testing.</p> <p><u>Children's Museum</u> <u>Whitehern Historic House</u> Completed. The curator reviews and initials the box office report. No discrepancies were noted with the box office reports selected for testing.</p> <p><u>Battlefield House Museum</u> In Progress. The curator does not initial the box office report as evidence of the review. In addition debit, Visa and MasterCard transactions processed through the cash register are not reconciled to the Moneris batch total tape.</p>

**CULTURE FACILITIES – CASH HANDLING  
FOLLOW UP – JANUARY 2013**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2013)
7.	<p><u>Daily Reconciliations (Cont'd.)</u></p>	<ul style="list-style-type: none"> <li>All cells in the daily box office report, apart from admission numbers and adjustments, are protected so formulae cannot be manipulated;</li> </ul>		<p><u>Dundurn Castle</u> In Progress. The supervisor prepares and initials the daily box office report. However, one month or more may pass before the box office report is prepared. In addition misclassifications between cash, debit, MasterCard and Visa transactions identified were not documented on the box office report.</p> <p><u>Fieldcote Museum</u> Not Completed. The electronic box office reports are not printed, reviewed or initialed by the supervisor. In addition, three weeks may pass before the box office report is prepared.</p> <p><u>Steam Museum</u> <u>Children's Museum</u> <u>Battlefield House Museum</u> <u>Fieldcote Museum</u> <u>Whitehern Historic House</u> Completed. Other than admission numbers and adjustments, all cells in the box office report are password protected so formulae cannot be manipulated.</p>

**CULTURE FACILITIES – CASH HANDLING  
FOLLOW UP – JANUARY 2013**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2013)
7.	<p><u>Daily Reconciliations (Cont'd.)</u></p>	<ul style="list-style-type: none"> <li>Daily box office reports contain a cash short/over adjustment line to capture differences between revenue reported in the register, box office report and bank deposit;</li> </ul>		<p><u>Dundurn Castle</u> In Progress. A password protected box office report is being developed.</p> <p><u>Steam Museum</u> <u>Children's Museum</u> <u>Battlefield House Museum</u> <u>Dundurn Castle</u> <u>Fieldcote Museum</u> <u>Whitehern Historic House</u> Completed. Daily box office reports contain a cash short/over adjustment line to capture differences between revenue reported in the register, box office report and bank deposit.</p>

**CULTURE FACILITIES – CASH HANDLING  
FOLLOW UP – JANUARY 2013**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2013)
7.	<u>Daily Reconciliations (Cont'd.)</u>	<ul style="list-style-type: none"> <li>Management performs training if aspects of the reconciliation process are not understood.</li> <li>All employees are aware of basic cash handling controls and are reminded of the importance of the reconciliation process; and</li> </ul>		<p><u>Steam Museum</u> <u>Children's Museum</u> <u>Battlefield House Museum</u> <u>Dundurn Castle</u> <u>Fieldcote Museum</u> <u>Whitehern Historic House</u> Completed. Management performs one-on-one training and reminds staff of cash handling controls and processes during staff meetings, as needed.</p> <p><u>Steam Museum</u> <u>Children's Museum</u> <u>Battlefield House Museum</u> <u>Dundurn Castle</u> <u>Fieldcote Museum</u> <u>Whitehern Historic House</u> Completed. Employees have read the <i>Cash-Handling Manual</i> and <i>Procedures</i>. Staff at each site was trained on the daily close and reconciliation processes. Management performs one-on-one training and reminds staff of cash handling controls and processes during staff meetings, as needed.</p>

**CULTURE FACILITIES – CASH HANDLING  
FOLLOW UP – JANUARY 2013**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2013)
8.	<p><u>Fund Access</u> Many employees have physical access to the safe or cash storage areas. In many locations, boxes containing change, deposits or petty cash are not locked. Otherwise, cash is stored in envelopes, plastic bags in tins or plastic containers which may be opened and resealed at any time. For instance:</p> <ul style="list-style-type: none"> <li>At Dundurn Castle, upwards of eight (8) to ten (10) people have access to the safe which contains the cash tray (\$220), change box (\$150) and daily deposits (average \$7,750). Daily deposits are stored in white envelopes sealed with scotch tape.</li> <li>At Battlefield House Museum, the \$4,000 Battle Re-enactment change float is stored in the Museum's safe and not used 51 weeks of the year. At least three (3) people are aware of the safe's combination.</li> </ul>	<p>That management improve the security over cash with the following:</p> <ul style="list-style-type: none"> <li>Limit the number of people who have access to the safe, daily deposits and cash storage areas;</li> </ul>	<p><u>All Sites</u> Agreed. All of these recommendations have been implemented.</p> <p>The procedures will be added to the Museum and Heritage presentation Section cash handling procedure manual and to training and staff orientation by Q4, 2011.</p>	<p><u>Steam Museum</u> <u>Battlefield House Museum</u> <u>Fieldcote Museum</u> Completed. Access to daily receipts awaiting deposit is restricted to the one or two employees who prepare and/or approve the bank deposit. Access to floats and change boxes is not restricted as rotating staff schedules necessitate access for most staff but the amounts susceptible to misappropriation is minimal.</p> <p><u>Children's Museum</u> <u>Dundurn Castle</u> <u>Whitehern Historic House</u> Not Completed. Access to daily receipts awaiting deposit has not changed. Access was not restricted to those who prepare and/or approve the bank deposit. Access to floats and change boxes also remains unchanged.</p>

**CULTURE FACILITIES – CASH HANDLING  
FOLLOW UP – JANUARY 2013**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2013)
8.	<u>Fund Access (Cont'd.)</u>	<ul style="list-style-type: none"> <li>Store the locked petty cash box in a secure location with access restricted to the petty cash custodian;</li> </ul>		<u>Steam Museum</u> <u>Children's Museum</u> <u>Dundurn Castle</u> <u>Whitehern Historic House</u> Completed. Access to petty cash is restricted to the petty cash custodian. Funds are stored in a locked box and/or locked location.

**CULTURE FACILITIES – CASH HANDLING  
FOLLOW UP – JANUARY 2013**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2013)
8.	<p><u>Fund Access (Cont'd.)</u></p> <ul style="list-style-type: none"> <li>At Whitehern Historic House and Garden, all employees have access to the unlocked filing cabinet in the staff room containing the cash tray (\$100) and the daily deposits (average \$916). Internal Audit discovered funds of \$1,114.70 Canadian and \$36.00 US in the filing cabinet that could not be accounted for.</li> <li>At the Battlefield House Museum's administration office, cheques for deposit are stored in a binder in an unlocked cupboard.</li> </ul> <p>Lack of restricted access to funds provides the opportunity for misappropriation of funds from the float, change box, daily deposits or petty cash. It may be difficult to identify when and why discrepancies occur or the person responsible if access to cash is not restricted to only employees who need such access for their jobs.</p>	<ul style="list-style-type: none"> <li>Deposit the Battlefield Re-enactment float in the bank when it is no longer needed after the annual event; and</li> <li>Store deposit cheques in a secure location with restricted access.</li> </ul>		<p><u>Battlefield House Museum</u> <u>Fieldcote Museum</u> Alternative Implemented. Access to petty cash is restricted to the petty cash custodian and a designate.</p> <p><u>Battlefield House Museum</u> Completed. The Battlefield Re-enactment float was deposited the day following the close of the event in 2012.</p> <p><u>Battlefield House Museum</u> No Longer Applicable. Deposit cheques are no longer required or accepted.</p>

**CULTURE FACILITIES – CASH HANDLING  
FOLLOW UP – JANUARY 2013**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2013)
9.	<p><u>Security of Change Box</u> The change box is not adequately secured at Dundurn Castle. It is stored in an unlocked cupboard.</p> <p>Not securing the change box makes the funds contained therein more susceptible to theft or misappropriation.</p>	<p>That the change box at Dundurn Castle be kept in a locked cupboard.</p>	<p><u>Dundurn</u> Agreed. Change boxes at Dundurn Castle have been moved to a secure location.</p>	<p><u>Dundurn Castle</u> Completed. The change box is locked in a cupboard during gift shop hours and locked in the safe when not in use.</p>



**CULTURE FACILITIES – CASH HANDLING  
FOLLOW UP – JANUARY 2013**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2013)
10.	<p><u>Standardized Procedures</u></p> <p>Cash handling processes are not standardized or documented across the City's six (6) museums because each museum operates as a stand alone entity. Lack of standardized processes has led to differences with respect to:</p> <ul style="list-style-type: none"> <li>• Which controls are implemented to address common cash handling risks (as evidenced throughout this report);</li> <li>• Who assumes responsibility to create invoices and follow up on outstanding account balances;</li> <li>• How various types of revenue are classified and grouped for reporting purposes; and</li> <li>• How refunds and amounts to be invoiced are entered into the register and reconciled on the box office report.</li> </ul>	<p>That management build upon the extensive procedures documented for Dundurn Castle to create standard cash handling processes for all museums and ensure compliance.</p>	<p><u>All Sites</u> Agreed. Section-wide cash handling procedures will be in place by the beginning of Q4, 2011.</p> <p>The procedures will be added to the Museum and Heritage presentation Section cash handling procedure manual and to training and staff orientation by Q4, 2011.</p>	<p>In Progress. The <i>Cash Handling Policy, Procedures</i> and <i>Manual</i> outline standard cash handling processes for all museums.</p> <p>An effective date and requirement to review documented processes on an annual basis have not been incorporated into these documents.</p> <p>Not all sites have implemented documented cash handling processes (e.g. void and refund approval, donation box counts, petty cash vouchers and cheque endorsements). There is no formal process in place by which management ensures compliance with stated cash handling processes.</p>

**CULTURE FACILITIES – CASH HANDLING  
FOLLOW UP – JANUARY 2013**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2013)
10.	<p><u>Standardized Procedures (Cont'd.)</u> Lack of standard processes in combination with varying levels of internal control knowledge exposes each museum to different risks and control deficiencies. Lack of consistency in the classification and recording of transactions may make financial comparisons and operating decisions difficult. Operational efficiencies and economies of scale are not shared and utilized if museums act as independent units.</p>			

**CULTURE FACILITIES – CASH HANDLING  
FOLLOW UP – JANUARY 2013**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2013)
11.	<p><u>Protection of Cardholder Data</u> The City must demonstrate compliance with Payment Card Industry (PCI) Data Security Standards (DSS) which address the handling of credit cardholder information. The Moneris merchant receipts retained by the museum contain the Primary Account Number (PAN) and other cardholder data (i.e. cardholder name and expiry date). As the PAN and other cardholder data are stored together on these receipts, this information must be protected in order to be PCI DSS compliant in securing sensitive cardholder data.</p>	<p>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.</p>	<p><u>All Sites</u> Agreed. The change proposed in the recommendation requires an upgrade to the Moneris system which will be carried out on Moneris' schedule. If not conducted by the beginning of Q4, 2011, the Division will pay to have the system update completed by the end of 2011.</p>	<p><u>Steam Museum</u> <u>Children's Museum</u> <u>Battlefield House Museum</u> Completed. PANs and expiry dates appearing on Moneris merchant receipts are masked. No additional measures are required.</p> <p><u>Dundurn Castle</u> Not Completed. PANs, expiry dates and cardholder names appearing on Moneris merchant receipts are not masked. No other steps were taken to render this information unreadable or to restrict access to receipts stored on site. The Moneris system upgrade was not carried out.</p>

**CULTURE FACILITIES – CASH HANDLING  
FOLLOW UP – JANUARY 2013**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2013)
11.	<p><u>Protection of Cardholder Data (Cont'd.)</u> Also, the Moneris point of sale administrator card, which can be used to generate reports that contain the PAN and other cardholder data that must be protected, is stored in the cash tray.</p>	<p>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.</p>	<p><u>All Sites</u> Agreed. Point-of-sale administrator cards have been moved to a secure location in a locked drawer controlled by the Supervisor. Reports generated with the administrator card will be password protected and restricted to supervisory staff. This procedure will be added to the Museum and Heritage presentation Section cash handling procedure manual and to training and staff orientation by Q4, 2011.</p>	<p><u>Steam Museum</u> <u>Children's Museum</u> Not Completed. Access to the Moneris POS administrator card is not restricted. There is no evidence that detailed transaction listings were generated using the administrator card.</p> <p><u>Battlefield House Museum</u> <u>Dundurn Castle</u> Not Completed. Access to the Moneris POS administrator card is not restricted. PANs and other cardholder information appearing on daily detailed transaction listings is not rendered unreadable, encrypted or secured appropriately.</p>

**CULTURE FACILITIES – CASH HANDLING  
FOLLOW UP – JANUARY 2013**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (JANUARY 2013)
12.	<p><u>Timely Deposit of Funds</u> Daily cash receipts are accumulated and are to be deposited twice a month (mid and end of month). For several of the museums, it was found that a deposit slip would be created and funds readied for deposit. However, the actual deposit in the bank would not be made until 7-25 days later, leaving some funds undeposited for over six (6) weeks. For example, Battlefield House Museum's actual deposits lagged 7-14 days from the deposit slip dates, Whitehern Historic House and Garden's deposit dates lagged 12-18 days and the Children's Museum deposit dates were 13-25 days after the deposit slip dates.</p> <p>Cash being stored for such long periods before actual deposit in the bank and the fact that so many employees have easy access to the stored funds as noted in Observation #8 provide the opportunity for misappropriation or lapping.</p>	<p>That all deposits be made in the bank in a timely manner, within the twice monthly guidelines as required.</p>	<p><u>All Sites</u> Agreed. A revised procedure is now in place that all bank deposits are completed twice monthly and money is physically deposited at the bank or city Hall on the same day as the preparation of the bank deposit.</p>	<p>The <i>Cash-Handling Manual</i> states that deposits should be made bi-weekly, at a minimum.</p> <p><u>Children's Museum</u> <u>Whitehern Historic House</u> Completed. Deposits occur within the bi-weekly timeframe. The majority of deposits from October to December 2012 were made up to three days after the deposit slip was prepared which is a marked improvement from the original audit observations.</p> <p><u>Battlefield House Museum</u> Completed. The majority of the actual deposits in the bank occurred one to eight days from the deposit slip date which is a marked improvement from the original audit observation. Otherwise, deposits mainly fell within the 15 day timeline implied by the bi-weekly deposit required by the <i>Cash-Handling Manual</i>.</p>