

City of Richmond Hill
Access Richmond Hill Cash Handling Audit
January 2019

TABLE OF CONTENTS

Section	Page No.
1.0 MANAGEMENT SUMMARY	3
2.0 INTRODUCTION.....	3
3.0 OBJECTIVES AND SCOPE	4
4.0 BACKGROUND	5
4.1 OBSERVATIONSAND RECOMMENDATIONS	5

1.0 Management Summary

Audit Services recently completed an audit of the Access Richmond Hill Contact Centre (ARH) cash handling processes. The focus of the audit was to assess the controls in place over the receipt and processing of payments through ARH as well as to assess whether the recommendations made in the Operational and Strategic review completed in 2015 and the Security review completed in 2017 have been implemented.

The focus of our audit was to provide an assessment of the controls in place over the cash handling processes, as well as to identify opportunities for improvement. The scope of the audit included only the cash handling aspect of ARH. The telephone services provided by ARH were not included and all other cash handling aspects within the City of Richmond Hill were excluded from the audit.

Our review included an examination of a sample of daily deposit batches and tracing a selected sample through to the bank reconciliations; a review of the deposit preparation process; observation of Advisors serving customers; a review of the ARH shared files and logs; an analysis of the levels of cash received; a review of the drop box collection procedures; and interviews with appropriate personnel. As well, the Operational and Security reviews were examined along with the ARH implementation plan documentation which compared the recommendations with the completed actions.

Based on the work performed, we conclude that overall there are good controls in place for the receiving, balancing and depositing of the ARH payments. As well, the recommendations in the Operational and Security reviews have been implemented. We have also noted opportunities for improvements and have provided our observations and recommendations in section 4.1 of the report.

Audit Services would like to thank the staff and management of ARH and the Finance department for their cooperation and assistance during the audit.

2.0 Introduction

Audit Services was engaged to perform an audit of the cash handling processes for the Access Richmond Hill Contact Centre (ARH). The focus of the audit was to assess the controls in place over the receipt and processing of payments through ARH as well as to assess whether the recommendations made in the Operational and Strategic review completed in 2015 and the Security review completed in 2017 have been implemented.

The scope of the audit included detailed testing of a sample of ARH Advisor's daily deposit summaries from 2017, a selected sample of which was then traced through to the bank reconciliations performed by the Finance department; a review of the daily verification of the cash balancing and the preparation of the daily deposit; observing the Advisors serving customers and posting payments; interviews with Advisors; a review of the ARH shared files, where the daily logs and other files are maintained and a review of the drop box collection procedures. As well, the Operational and Security reviews were examined along with the ARH implementation plan documentation which compared the recommendations with the completed actions.

3.0 Objectives and Scope

The objective of the audit was to provide an assessment of the controls in place over the ARH cash handling processes, as well as to identify opportunities for improvement.

The scope of the audit included the receipt and processing of payments through ARH as well as an assessment of whether the recommendations made in the Operational review completed in 2015 and the Security review completed in 2017 have been implemented.

Specifically, we performed:

1. Interviews with appropriate personnel including: City staff from ARH, Finance and Revenue;
2. A review of a sample of daily cashier deposit batches from 2017;
3. Tracing of a selection of daily deposits from the sample through to the bank reconciliation performed by Finance;
4. A review of the files and logs maintained on the ARH shared drive;
5. An analysis of cash levels received from 2015 to 2018;
6. Verification that the recommendations from the Operational and Security reviews had been implemented;
7. A review of the procedures for collecting and processing items from the drop box;
8. Observations of Advisors accepting and posting payments; and
9. A review of the ARH Procedures Manual.

4.0 BACKGROUND

In 2008 the City of Richmond Hill consolidated its payment processes into the Access Richmond Hill Contact Centre (ARH), providing a one point service for all municipal payments. In 2015 an Operational and Strategic review was performed which made a number of recommendations for process improvements within ARH. In 2017 a Security review was performed which made recommendations to improve the level of security at ARH.

ARH reports to the Director of Communications within the CAO's office and accepts payments on behalf of various departments/divisions/business lines within the City of Richmond Hill. The payments include, but are not limited to: tax and water for Revenue; parking and licensing for By-laws; building and developmental charges for Planning and Building; marriage licenses and records requests for Clerks; and blue boxes and garbage tags for Operations.

There are twelve (12) Advisors within ARH. They are all cross trained on cash and on the telephones. Each Advisor will work two (2) to three (3) weeks on cash and then be scheduled on the phones for two (2) to three (3) weeks. There are generally three (3) to four (4) Advisors on cash during the period of the tax due dates and on other days, there are two (2) Advisors. If the day is busier than normal then an Advisor can move from the telephones to cover on cash as necessary.

When an Advisor opens to serve on cash they are assigned a unique drawer number for all their transactions. At the end of each day each Advisor must complete an "ARH – Cashier Drawer Summary" form, and also balance the payments they have received. Both the cash drawer summary and the cash balancing sheet are electronic spreadsheets with automatic formulas. The forms are located on the ARH shared drive. The Advisor completes a preprinted bank deposit slip with the details of the cash and cheques and prepares a deposit bag. Each deposit summary has a unique bag number with the identification number attached to the cash balancing print out and written on the deposit slip.

The following day the Coordinator ARH (or if she is not available another advisor is assigned), verifies each Cash Drawer Summary and cash balancing sheet and signs both the cash balancing sheet and the tape print out that verifies the deposit total. Each individual deposit bag is then combined in a single bag that is picked up by Inkas Security and taken to the bank for deposit. Each Advisor's total deposit for the day is listed separately on the bank statement noting the number on the preprinted deposit slip. If there is any need to trace the deposit this allows it to be easily identified.

4.1 OBSERVATIONS AND RECOMMENDATIONS:

4.1.1 DAILY DEPOSIT BATCHES

ARH accepts payments for the Revenue department (taxes and water), By-laws, Planning, Building, Clerk's Office, Operations, as well as for several other departments. Payments are entered into the following systems by the Advisor at the time the payment is made by the customer: Cayenta for miscellaneous payments, FIMs for tax and water, and AIMs for By-Laws by the. A receipt is printed for each payment containing the date, the payment type and method, the amount, the Advisor's initials and any other details required. One copy is given to the customer, one copy is filed numerically and the third copy is to be kept with the deposit batch.

Each deposit batch contains of a copy of the "ARH – Cash Drawer Summary" sheet as a cover sheet which includes the unique drawer number, the date and an Advisor identifier. The cover sheet lists the types of payments (tax, water, miscellaneous) on one side and the method of payment (cash, cheque, credit, and debit) on the other side. The two sides should balance and there is a formula at the bottom of

the form that indicates if there is an overage or shortage. Generally shortages are only a few cents and come from rounding. The batches also contain a copy of the cash balancing sheet, a copy of the deposit slip, a printout from the system that the payment was posted to and copies of receipts as supporting documentation.

The deposit batches are filed individually by drawer number and are used as a resource if there is any question about a payment.

Observation

Our audit reviewed seventy five (75) daily deposit batches, representing a selection of twenty five (25) days throughout 2017. The days included in the sample contained all of the tax due dates as well as a selection of days from each month. The sample included all of the daily deposit batches from the same day and also represented daily deposit batches from ten (10) of the twelve (12) Advisors.

We noted that there was an inconsistency in the level and type of detail used by the Advisors throughout the sample. Payments are often made by one individual for two (2) or more types of payments i.e. tax and water together, for several tax accounts together, for parking or licensing and tax together, etc. Also a customer will use two or more methods of payment, i.e. cash, debit, credit and cheque. Some of the Advisors used a calculator tape to record and balance the payments, some wrote the details on the receipt and some recorded no details. Some Advisors wrote the cheque number on the receipt and others simply wrote a "c" or a "chq". Some Advisors wrote out the denominations and change given from a cash payment, some used a calculator tape and some wrote nothing about the payment. There were receipts missing from some of the batches. There were errors made in recording a payment in the system as cash when it was a cheque or as a cheque when it was cash.

Some of the batches were well ordered and well documented and some of them had receipts out of order and almost illegible handwriting of the details. It appeared that a number of the Advisors may have been hurrying through the transaction rather than taking an adequate amount of time to process the payment properly.

Recommendation

ARH management should establish a standard for the level of detail required in the deposit batch documentation that supports the transactions. The standards should be communicated to the Advisors and recorded in the Procedures Manual.

ARH management should consider performing a periodic audit of each of the Advisor's batches, possibly three (3) to four (4) times per year and give them feedback on their work. ARH management is planning to implement a performance management system in 2019 for the Advisors on the cash handling process and the results of these audits could be used to assess their performance.

Management Comments

A standard level of detail will be established and documented for all ARH advisors to follow. Training on the requirements will take place with ARH advisors and a quarterly audit of cashier batches will be introduced to ensure compliance and quality assurance.

In Progress – Target completion Q3 2019

4.1.2 DUPLICATE DEPOSIT BOOK

ARH uses preprinted deposit books ordered from the bank. Each book contains twenty five (25) deposit slips with four (4) copies each. Each Advisor uses an individual deposit slip for their daily deposits and it is the bank's encoded number on the deposit slip that is used to trace the deposit on the bank statement.

Observation

One of the daily deposits in our sample was dated May 9, 2017 with a deposit tracking number of 670046. When Finance produced the supporting bank statement for this deposit it showed as being from April 19, 2017 with the tracking number of 670046. We were able to determine that there had been two deposit books issued by the bank with the same numbers in the same batch of deposit books. We did verify that the May 9th deposit was on the bank statement for May 10th, using the same tracking number 670046.

The numbers on the deposit slips should be consecutive and unique as they are used as the audit trail for the deposits. We verified that there were other duplicate deposit numbers used from that same book during that time period.

Recommendation

ARH Management should bring the duplicate deposit book to the attention of the bank so that they are aware of the issue. ARH Management should also double check the numbering system on the deposit slip books when a new batch is received.

Management Comments

ARH informed RBC of the duplicate deposit book numbering. ARH also contacted the vendor, Davis & Henderson to obtain order numbering sequence to ensure no further duplication with deposit slip orders.

There is a detailed and thorough process with several measures in place to verify daily deposits. ARH verifies deposit amounts on the RBC Express bank statement against the ARH daily deposit report. A monthly reconciliation is completed by the Reconciliation Analyst (Finance Division) to confirm deposits posted to the general ledger. Cashier deposits are connected to a unique deposit bag and cashier batch for identification and tracking of all deposits.

Completed.

4.1.3 PROCEDURES MANUAL

ARH currently has a Procedures Manual on their shared drive.

Observation

We reviewed the ARH Procedures Manual on the shared drive and noted that it was dated 2015 and is still in draft form. It was not complete but appears to be quite thorough. It has not been updated since 2015.

Recommendation

ARH should complete the Procedures Manual and periodically review and update it.

Management Comments

A complete review of ARH cashier procedures is currently underway. Documentation of all cashiering function processes will be included with version control to update all changes. The procedures manual will introduce a standard level of detail for cashiers to ensure accuracy and consistency.

In progress – Target Completion Q3 2019

4.1.3 SERVICE LEVEL AGREEMENTS

ARH is acting on behalf of the departments/divisions/business lines when they accept and process payments.

Observation

ARH has informal agreements or understandings with most of the departments/divisions/business lines for which they process payments however, they have no formal service level agreements with any of them. There are often issues with the Advisors receiving different types of receipts for the same type of transaction, or receipts which are missing some key information. For some transactions there is no indication of the general ledger account to which the payment should be posted.

Recommendation

ARH should approach each department/division/business line and establish a formal service level agreement (SLA) defining how each one requires their payment to be processed. The SLA should define the type of payment, the type of receipt that is to be paid, where the transaction is to be posted, what type of payment method is acceptable and details of any other requirements.

As each service level agreement is formalized, ARH should take the opportunity to reassess any work that does not fit within their mandate.

Management Comments

ARH is working on documenting formal service level agreements (SLA) with all departments and service areas that ARH supports. The SLAs will help to ensure there is a consistent approach to recording payments and increase efficiency.

In progress – Target Completion Q4 2019

4.1.4 LEVELS OF CASH RECEIVED

The City of Richmond Hill has no set limit on the amount of cash that a customer can use to make a payment; therefore ARH must accept whatever amount of cash a customer presents.

Observation

From our review of the daily deposit batches we noted that there is a significant amount of cash intake for the payments processed by ARH. Most of the cash payments were made around the tax due dates; however there were eighty (80) days in 2017 where the cash intake was above twenty thousand dollars (\$20,000). There were seven (7) days when the cash intake was in excess of one hundred thousand dollars (\$100,000). The largest intake in one day in 2017 was one hundred and seventy seven thousand seven hundred and twenty three dollars (\$177,723).

We noted there was a tax payment of over fourteen thousand dollars (\$14,000) paid in cash; a tax payment for ten thousand dollars (\$10,000) paid in cash; a development charge of ten thousand dollars (\$10,000) paid in cash; building charges of six thousand dollars (\$6,000) paid in cash; and numerous tax payments in cash that were upwards of one thousand dollars (\$1,000). Many of these payments were made with twenty dollar (\$20) bills. In one case the customer used two hundred and two (202) twenty dollar (\$20) bills to make the payment.

This means that the Advisor is holding the cash in their drawer until they can discretely remove the cash to the safe. On busy days and with the intake of large amounts of cash, timely transfers to the safe are made more difficult. As a result at certain times, Advisors could have large amounts of cash in their drawers. In our interviews with the Advisors, they indicated that they are very uncomfortable about accepting large amounts of cash. If it is known that ARH often takes in large amounts of cash they could be a target for a robbery.

There is also a period of three (3) days over the Christmas and New Year holiday when all of the City offices are closed and only ARH is open. During this time period there is no one in the building except the ARH staff and on duty security. The security guard office is located in another area of the building and is responsible for monitoring the entire building while it is closed; as a result they may be slow to respond to an incident during this period thus increasing the risk of a potential incident.

We also performed an analysis of the daily cash intake from 2015 to 2018 and determined that there has been a forty percent (40%) increase in cash intake over the three years. In 2015 the total cash intake was \$3,959,290; in 2016 it was \$4,522,165; in 2017 it was \$5,041,236; and in 2018 the total was \$5,551,284.

There are currently safer methods of payments available, such as payments made through a bank either in person or online; cheques; debit; automatic payment; etc. With all of the other methods of payment available there should be a decrease in the level of cash payments from year to year rather than having customers using large amounts of cash to pay their taxes and other fees.

With the increasing volume of cash coming into ARH year over year there is a potential that some of the cash payments are being used for money laundering and/or tax evasion. Unlike the banks and other institutions, the City of Richmond Hill does not have a responsibility to the government for reporting large cash payments and since there is no limit on the amount of cash payments that are accepted the City is at risk of unknowingly supporting this type of criminal activity.

Recommendation

The City of Richmond Hill should review the level of cash payments coming into ARH and draft a policy to present Council, asking them to approve limiting the amount of cash that can be used as payment in a single transaction through the ARH.

Management Comments

A corporate policy is required to set a cash acceptance limit per single transaction. Access Richmond Hill in collaboration with Finance will draft a report to Council.

The recommendation to Council is for approval to limit the cash intake amounts for the payment of taxes or any other service. The limit will be determined as part of the process in developing the policy including feedback from all areas impacted by payment acceptance, incorporating best practices and municipal benchmarking research. Upon Council approval, a communication strategy will be developed for adaptation and roll out of new policy.

Management recognizes staff safety is a concern. Until a new policy is in place, ARH advisors have been instructed to follow a number of additional safety measures to promote awareness and safety while handling cash.

Further, Management recommends that the cash acceptance policy is extended to include all forms of payment acceptance including credit cards and cryptocurrency. This should form an overarching Payment Acceptance Policy. Management will work with Information Technology, Finance, Communication Service (lead on website management) and the Office of the Clerk (for FOI considerations) to develop a Terms of Reference for a working group that will draft the policy.

Terms of Reference – Q4 2019

Policy Draft – Q1 – 2020

Final Policy and Staff Report to Council – Q2 2020

4.1.5 CASH HANDLING POLICY

Observation

The City of Richmond Hill currently does not have a policy that governs cash handling throughout the municipality. The Community Centres, Operations, and Parks as well as ARH all accept some type of payment and there is no overall policy to guide how payments are received and treated.

Recommendation

The City of Richmond Hill should consider implementing a cash handling policy that would standardize how payments are received and treated across all departments.

Management Comments

It is recommended that Cash Handling matters be incorporated with the proposed Payment Acceptance Policy and timelines noted in 4.1.4. This component of the Payment Acceptance Policy will inform and encourage consistent cash handling use throughout the organization and drive departmental guidelines or procedures for staff.

4.1.6 OPERATIONAL AND SECURITY REVIEWS

Observation

We reviewed the Operational and Strategic Review document that was issued in 2015, as well as the ARH implementation plan for the recommendations that were made in the report. We noted that ARH has either implemented the recommendations pertinent to the cash handling aspect of ARH or has considered them and has a further plan for implementation.

We also reviewed the Security Review completed in 2017 and noted that ARH had implemented the recommendations pertinent to the cash handling aspect of ARH.



Meeta Gandhi

Director of Strategic Initiatives & Communication Services



Paul J.J. Duggan

Director – Audit Services –
Regional Municipality of York



Neil Garbe

Chief Administrative Officer

