
City of Laredo, Texas

Internal Audit Division



Cash Handling Policy Compliance Audit Report:
Parks Department (with Executive Summary)

November 12, 2021

**City of Laredo
Internal Audit Division**

**Cash Handling Policy Compliance Audit Report: Parks Department (with Executive
Summary)**

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EXECUTIVE SUMMARY

In accordance with the Fiscal Year (FY) 2021 Annual Audit Plan, a Cash Handling Policy Compliance Audit was conducted on the Parks Department, Pools Division.

The objective of this audit was to determine if all cash, checks, money orders and credit card payments received by the Pools Division have been processed and deposited in accordance with the City of Laredo's (City) Cash Handling Policy. Additionally, source Cash Receipts Listing documentation was verified for reliability, reconciliation with general ledger entries and compliance with the City's Cash Handling Policy. Finally, an assessment of the monitoring and enforcement mechanisms was conducted in order to verify that proper internal controls are in place.

The following areas were noted as part of the audit results. While there were no findings noted, it should be noted that the following observations were made:

1. Deposit #06-12 from North Central Pool dated June 25, 2021 is out of balance: the posting is not in balance with the cash count slip. Due to the Financial Services noting this as a violation on the Cash receipts Violation Report, Internal Audit listed this as an observation.
2. In reviewing ExecuTime system generated audit reports to verify the Pools Division's collections staff attendance for the selected time period, Internal Audit observed several instances where timecards were missing employee or supervisor approval(s) prior to payroll being processed. Additionally, there were instances of time card approvals occurring after payroll had been processed for our sample time period.

Based off of the results noted, the following recommendations were made:

- That the Cash Handling Policy be followed, specifically, page 4, *Preparation of the Bank Deposit: Item #3. Once the employee collecting the revenue has completed Step #2 above, they should advise their Designated Supervisor, who will then perform a cash count, in the presence of the employee. If the cash count is correct, the Designated Supervisor will sign the three copies of the cash count sheet.*
- That both employee and Supervisor approve time cards by 8:00 am Tuesday morning of payroll week in accordance with the City's Payroll Policies and Procedures under "ExecuTime Approvals". This should be done in an effort to verify that the time cards are correct prior to processing payroll and to minimize the potential for corrections to payment of payroll hours after the fact.

No Department Responses were required for this audit.

A more extensive report of all the audit results and recommendations can be found in the following report.

INTRODUCTION

In accordance with the Fiscal Year (FY) 2021 Annual Audit Plan, a cash handling policy compliance audit was conducted of the Parks Department, Pools Division, which was selected based on the 2020 – 2021 Cash Receipt Violations Report received from the Financial Services Department.

AUDIT OBJECTIVES

The objective of this audit was to determine if all cash, checks, money orders and credit card payments received by the Pools Division have been processed and deposited in accordance with the City of Laredo's (City) Cash Handling Policy. Additionally, source Cash Receipts Listing documentation was verified for reliability, reconciliation with general ledger entries and compliance with the City's Cash Handling Policy. Finally, an assessment of the monitoring and enforcement mechanisms was conducted in order to verify that proper internal controls are in place.

AUDIT SCOPE AND METHODOLOGY

The sample time period selected for this review consisted of the Daily Cash Receipts Listing Reports maintained by the Parks Department and submitted to the Financial Services Department for the two-week time period of June 13, 2021 through June 19, 2021 and June 20, 2021 through June 26, 2021. In order to achieve the audit objectives, we:

- Conducted interviews of the Parks and Financial Services Departmental staff;
- Obtained an understanding of the City's most current Cash Handling Policy (with any applicable amendments);
- Obtained an understanding of any applicable internal department Overage/Shortage Policies to be followed in addition to the City's Cash Handling Policy;
- Conducted a review of the following audit support documents for Cash Handling Policy compliance test work and assessment of monitoring internal controls:
 - Sample of Cash Receipts Listing Reports consisting of receipts issued and voided (if applicable), copies of checks and money orders received (or DIY Remote Access Check Scanning Reports), credit card transactions received, Approved Cash Count Sheet, respective deposit slips and identification strip from corresponding deposit bag for the selected time period for both the Parks and Financial Services Departments;
 - Cash Posting and General Ledger (G/L) Batch generation reports for the selected time period from both the Parks and Financial Services Departments;
 - Electronic Settlement (Bank) Statement Reports for June 2021 from BBVA Compass Bank;
 - Financial Services Department issued Cash Receipts Policy Violations Report for June 2021; and,
 - ExecuTime system generated audit reports (i.e. Employee Time Card Reports, Supervisor Audit Reports and Transaction Audit Reports) to verify the Parks Department's collections staff attendance for the selected time period.

We conducted this audit from September 2021 – November 2021 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit results and conclusions based on our audit objectives.

AUDIT RESULTS & RECOMMENDATIONS

PARKS DEPARTMENT:

Internal Audit found no findings. The Parks Department – Pools Division is following the City of Laredo’s (City) Cash Handling Policy accordingly. Additionally, proper documentation is being sent to the Financial Services Department for reconciliation and proper internal controls are in place. However, we do note the following minor observations:

Observation #1

Internal Audit observed deposit # 06-12 for North Central Pool, dated June 25, 2021 is out of balance: the posting is not in balance with the cash count slip. Upon reviewing documentation submitted, the Financial Services Department noted this as a violation on Cash Receipts Violations for the month of June.

Recommendation(s)

Internal Audit recommends the Cash Handling Policy be followed, specifically page 4, *Preparation of the Bank Deposit: Item #3. Once the employee collecting the revenue has completed Step #2 above, they should advise their Designated Supervisor, who will then perform a cash count, in the presence of the employee. If the cash count is correct, the Designated Supervisor will sign the three copies of the cash count sheet.*

Observation #2

In reviewing ExecuTime system generated audit reports (i.e. Employee Time Card Reports, Supervisor Audit Reports and Transaction Audit Reports) to verify the Pool Division’s collections staff attendance for the selected time period, Internal Audit observed several instances where timecards were missing employee or supervisor approval(s) prior to payroll being processed. Additionally, there were instances of time card approvals occurring after payroll had been processed for our sample time period. For reference, payroll approvals on our sample time period should have been submitted by June 29, 2021 by 8:00 am.

Recommendation(s)

It is recommended that both employee and Supervisor approve time cards by 8:00 am Tuesday morning of payroll week in accordance with the City’s Payroll Policies and Procedures under “ExecuTime Approvals.” This should be done in an effort to verify that the time cards are correct prior to processing payroll and to minimize the potential for corrections to payment of payroll hours after the fact.

FINANCIAL SERVICES DEPARTMENT:

Internal Audit found no findings. The Financial Services Department continues to monitor all City departments submitting Cash Receipts Listing Reports through random spot checks for compliance with the City’s Cash Handling Policy on a monthly basis. Proper monitoring

mechanisms are in place through the monthly Cash Receipts Violations Reports sent out by the Financial Services Department to the corresponding departments, the City Manager's Office and the Internal Audit Division.

Prepared By: <u>Bmedellin</u> <u>11/10/2021</u>		Reviewed By: <u>Tina Rodriguez</u> <u>11/10/2021</u>	
Bianca Medellin, Auditor I	Date	Tina O. Rodriguez, Internal Auditor	Date
Report Issued To:	Response Required	Response Due Date	
Juan J. Gomez Jr., Parks and Recreation Director	NO	Not Applicable	
Jose F. Castillo, Acting Financial Services Director	NO	Not Applicable	
<p>All responses must be signed by the Department Director, addressed and submitted to the Internal Auditor with a copy to their respective Assistant/Deputy City Manager and City Manager, and include the following:</p> <ol style="list-style-type: none"> 1. Agreement with audit findings and recommendations or reasons for disagreement with audit findings and recommendations; 2. A description of the progress in resolving findings noted or plans for addressing findings noted; and, 3. An implementation schedule identifying specific steps to be taken and target dates for resolution of findings and/or implementation of corrective action taken. 			
Report Distribution:			
Robert A. Eads, City Manager Rosario C. Cabello, Deputy City Manager Riazul I. Mia, Assistant City Manager			

Appendix A – Internal Audit Staff Acknowledgment

APPENDIX A
INTERNAL AUDIT STAFF ACKNOWLEDGMENT

Tina O. Rodriguez, Internal Auditor

Bianca V. Medellin, Auditor I