

**REVENUE & FINANCE DEPARTMENT
BANKING
AUDIT 19-12
SEPTEMBER 3, 2019**



CITY OF TAMPA

Jane Castor, Mayor

Internal Audit Department

Christine Glover, Internal Audit Director

September 3, 2019

Honorable Jane Castor
Mayor, City of Tampa
1 City Hall Plaza
Tampa, Florida

RE: Banking, Audit 19-12

Dear Mayor Castor:

Attached is the Internal Audit Department's report on Banking.

We thank the management and staff of Revenue & Finance's Banking office for their cooperation and assistance during this audit.

Sincerely,

/s/ Christine Glover

Christine Glover
Internal Audit Director

cc: John Bennett, Chief of Staff
Dennis Rogero, Interim Chief Financial Officer
Lee Huffstutler, Chief Accountant
Ernest Mueller, Chief Assistant City Attorney
Caryn Kirley, Accounting Operations Manager

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BANKING
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/s/ Stephen Mhere

Auditor

/s/ Christine Glover

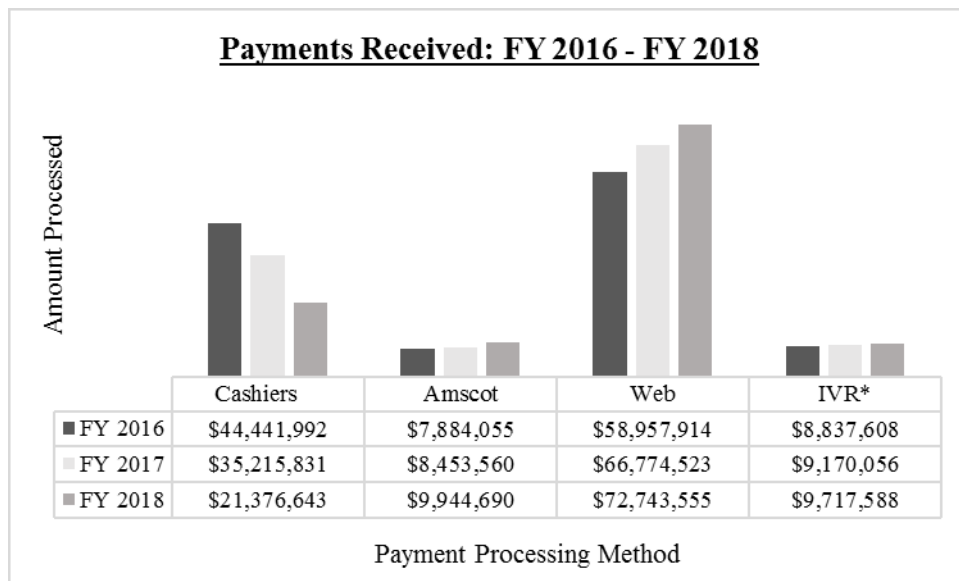
Audit Director

**REVENUE & FINANCE DEPARTMENT
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BACKGROUND

Banking, formerly known as Central Cashiering, is an office within the Accounting Operations Division in the City of Tampa (COT)’s Department of Revenue & Finance (R&F). It is responsible for the City’s day-to-day cash handling activities and has a complement of 15 fulltime employees. Banking’s staff includes one accounting supervisor, two accountants, nine accounting technicians, one customer service representative, and two customer service clerks. An accounting operations manager supervises these employees under the direction of the chief accountant.

Banking is a decentralized function. Employees in COT’s “outer departments” – COT departments and/or divisions that provide services to the public for payment – collect and process payments from the public under the direction of Banking. Outer departments include McKay Bay Scale House, Neighborhood Empowerment, Parking, Parks & Recreation, Tampa Fire Rescue, Tampa Police Department, and Water. For public convenience, COT also processes utility payments through outsourcing arrangements with private entities like banks and other institutions. These organizations process checks sent via lockbox facilities, cash brought in-person to facilities located throughout the city, and handle automatic bank-to-bank electronic payments through the Automated Clearing House network. Payments processed in fiscal years FY 2016, 2017, and 2018, were \$120,121,568, \$119,613,970, and \$113,782,477, respectively. The graph below shows the breakdown of the payments. Not included in these amounts are check payments processed through lockbox services provided by a private contractor: they amounted to \$156,861,440 for the period March 1, 2017 through February 28, 2018, and \$160,141,724 for the period March 1, 2018 through February 28, 2019.



IVR* is for amounts processed through interactive voice response.

Source: Figures provided by Revenue & Finance, obtained from Oracle system

STATEMENT OF OBJECTIVES

We conducted this audit in accordance with the Internal Audit Department's Fiscal Year (FY) 2019 Audit Agenda. The objective was to review the internal control framework for Banking activities by determining whether the office:

1. Creates and maintains policies and procedures to guide its activities.
2. Has established an effective training program for outer department employees that handle cash and/or are involved in processing of transactions.
3. Verifies that payments received at the City's various payment processing locations are accurately posted to the ledger in the Oracle accounting system.
4. Conducts regular and unannounced cash audits at the City's various payment processing centers.

STATEMENT OF SCOPE

The audit period was mainly FY 2018 as well as part of FY 2019. The focus of this audit was on Banking's oversight of outer departments' banking activities. We did not include in our audit scope a detailed review of outer departments' activities beyond verifying their operational interactions with Banking.

STATEMENT OF METHODOLOGY

We achieved the objectives of this audit by reviewing relevant laws, namely the Florida statute on public money banking by governmental entities and COT ordinance on duties of City departments. We evaluated Banking's internal controls, including its policies and procedures, training program, segregation of duties protocols, and general oversight of activities taking place at the City's payment processing locations.

To better perform its banking activities as well as meet COT's banking needs, R&F has outsourced some services and contracted with private entities that provide payment processing, armored car, lockbox, and banking services. As such, we reviewed contract documentation and agreements between the City and these private contractors.

We held interviews with COT personnel, including the chief accountant and accounting operations manager. We also interviewed staff involved with cash handling activities at Neighborhood Empowerment, Parks and Recreation, Parking Division, Tampa Fire Rescue, and Water. We also reviewed surprise cash count reports, cash handling training material, and training documentation.

STATEMENT OF AUDITING STANDARDS

We conducted this performance audit 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 findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT CONCLUSIONS

Based on our audit analysis and review of the internal control framework we conclude that Banking:

1. Creates policies and procedures to guide its activities. However, due to some changing aspects of the banking function, some of the policies and/or procedures have not been maintained to remain up-to-date.
2. Has established a training program for employees that handle cash or are involved in transaction processing. However, some outer departments have not been sending their employees for this training because they were not aware of the training program.
3. Verifies that payments received at the City's various payment processing locations are accurately posted to the ledger in the Oracle accounting system.
4. Conducts unannounced cash audits at each of the City's various payment processing centers at least once annually.

POLICIES AND PROCEDURES

STATEMENT OF CONDITION: Cash handling and providing accounting technical support are two of the many functions of Banking. These responsibilities are critical to COT and require proficiency, diligence, and familiarity with policies and procedures. Our review of Banking's policies shows that some have become outdated.

CRITERIA: City Code Section 2-46 under the archives and records division of the Code states departments shall create and maintain all records with adequate and proper documentation, including functions, policies, decisions, procedures, and essential transactions. Policy and procedure manuals, which are included within the City's archives and records service, should be kept up-to-date with policy or operational changes as they occur so that they properly reflect the current state.

CAUSE: Banking did not undertake certain policy updates when changes in operational methods occurred.

EFFECT OF CONDITION: Outdated policies are inconsistent with City Code Section 2-46 and could provide employees with outdated guidance, potentially causing operations to be inefficient and ineffective.

RECOMMENDATION 1: We recommend Banking update policies and procedures on a timely basis so that they accurately reflect how tasks are performed.

MANAGEMENT RESPONSE: Agree. The Banking Section agrees that some of the overarching policies that are disseminated to the departments have become outdated. However, as discussed, procedural manuals for the internal Banking team are up-to-date. Additionally, there has been work on updating policy documents in the past year, which had not been finalized at the time this Audit started. The Banking Section will continue updating policy documents until all are up-to-date.

TARGET IMPLEMENTATION DATE: June 30, 2020.

TRAINING FOR CASH HANDLING

STATEMENT OF CONDITION: One of Banking's functions is to oversee the performance of cash handling functions by staff in outer departments/divisions. City employees from various departments and divisions frequently handle cash¹ when they process payments made by the public for various services. To help these departments/divisions perform their payment processing functions effectively and efficiently, Banking provides training for all employees handling cash. The training includes cash handling best practices, cash deposit review, check acceptance and worthless check processing, and best practices for processing of credit cards.

Records we reviewed show that in 2018 Banking provided cash handling training for the City Clerk's Office, Risk Management Division, McKay Bay Scale House, Tampa Police Department, Tampa Convention Center, Parking, Parks & Recreation, and Planning & Urban Design. However, other departments that would have benefited from this training did not participate.

CRITERIA: Best practice standards require employees that process payments to be regularly trained in cash handling. Training helps employees acquire skills they need to appropriately handle potentially fraudulent transactions, including those involving the use of counterfeit currency, worthless checks, or unauthorized credit cards.

CAUSE: Banking does not have a written policy requiring participation in its cash handling training. As such, some outer departments may not prioritize Banking's training events for their employees and therefore miss the benefit of getting the training Banking provides.

EFFECT OF CONDITION: A lack of training could lead to inconsistent, ineffective, and inefficient cash handling. It also exposes the City to a higher risk of fraud through processing of fraudulent transactions.

RECOMMENDATION 2: We recommend Banking do the following:

- a) Establish a training policy for all of COT's employees with cash handling responsibilities that requires attendance at the training.
- b) Work with COT's Human Resources Training & Management Development Division to utilize the City's online tracking platform to create schedules, maintain records of participation, and track employees who have not met training requirements.

MANAGEMENT RESPONSE: Agree. While, as indicated, Banking trains departmental employees on cash handling with good attendance at these sessions, there is no formal policy requiring training by all affected employees. Banking will require mandatory cash handling training and utilize the City's online system to monitor it and report on participation.

TARGET IMPLEMENTATION DATE: June 30, 2020.

¹ Banking defines cash as any funds COT receives in the form of coin or currency, as well as other legal tender including certified or cashier's checks, money orders, or other instruments acceptable to the City as substitutes for coin and currency.