



## **Citywide Cash Handling Audit**

---

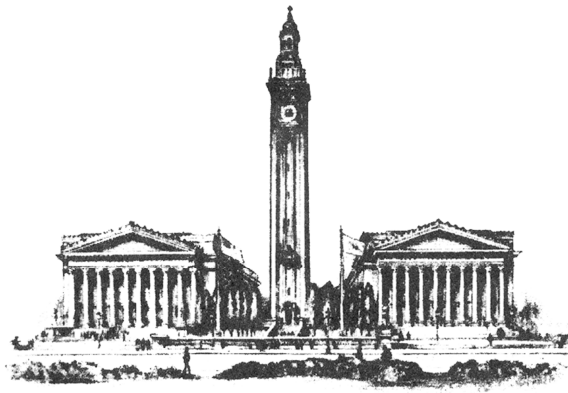
*November 2016*

Some parts of this public document have been redacted for security reasons. A copy of the report without redactions have been shared with the Mayor, Audit Committee of the City Council, and City management.

**Office of Internal Audit**

36 Court Street – Room 411  
Springfield, MA 01103

Yong Ju No, CPA  
Director of Internal Audit  
(413) 784-4844  
[yno@springfieldcityhall.com](mailto:yno@springfieldcityhall.com)



THE CITY OF SPRINGFIELD, MASSACHUSETTS

November 10, 2016

Re: Citywide Cash Handling Audit

Honorable Audit Committee Members,

The Office of Internal Audit conducted an audit of citywide cash handling practices. The accompanying report details findings and recommendations for improvement. The results of the audit have been discussed with various members of City management who have taken numerous positive actions in response to these recommendations. City management's responses have been incorporated into the report.

This report is not intended to be an adverse reflection of the City or of its departments; rather it is intended to contribute to the improvement of the City's risk management, control, and governance processes.

We wish to personally acknowledge the support received throughout this process from all of the audited departments mentioned in this report, their staff, and all others that helped to provide information during this audit. We thank them for their cooperation and courtesies extended.

Respectfully submitted,

Yong Ju No, CPA

Cc: Honorable Mayor Domenic J. Sarno  
T.J. Plante, CAFO  
Mike Nelligan, CPA, Powers & Sullivan  
Helen Caulton, HHS Commissioner  
Joseph Conant, Fire Commissioner  
Molly Fogarty, Library Director  
William Mahoney, Dir. of HR and Labor Relations  
Patrick Sullivan, Director of PBRM

Springfield City Council  
Patrick Burns, Comptroller  
John Barbieri, Police Commissioner  
Christopher Cignoli, DPW Director  
Steven Desilets, Code Enforcement Commissioner  
Stephen Lonergan, City Collector/Treasurer  
Pamela Peebles, Executive Director TJO  
Anthony Wilson, City Clerk



## Table of Contents

<b>Highlights</b>	1
<b>Introduction and Background</b>	3
<b>Objectives, Scope, and Methodology</b>	4
<b>Results of Surprise Cash Counts</b>	6
<b>Findings and Recommendations</b>	7

November 2016



## Office of Internal Audit

### Why We Did This Audit

In accordance with the Office of Internal Audit's (OIA) Audit Plan for Fiscal Year 2016, we conducted a review of the City's cash handling processes to determine whether controls over cash collection, accounting, and deposit of funds are appropriate.

### What We Recommend

We made the following general recommendations (*detailed recommendations specific to each department can be found in the attached report*):

- Develop policies and procedures for performing applicant and/or employee background checks for positions that require handling cash receipts.
- Require the confirmation/agreement of cash receipt turn over from employees involved with the process.
- Issue a City-wide billing policy that requires departments to use the MUNIS General Billing module when creating invoices.

(Continued on page 2)

## Citywide Cash Handling Audit

### Highlights

#### Audit Results

Our audit, which was performed on selected City departments excluding the Park's golf courses, the Springfield Police Department's evidence room for seized cash, and the Springfield Public Schools, did not reveal significant exceptions to the City's cash handling policy and procedures or accounting discrepancies. However, we noted that enhancements are needed in several departments to achieve the consistent application of key internal controls surrounding revenue collection processes to properly deter fraud.

#### Background

The City of Springfield accepts numerous payments for various types of services, taxes, and fees. Some examples include real estate taxes, building permits, park fees, recreational programs, and library book fines. Payments to the City are made online, by mail, or in person at City Hall or to various City departments. Some departments deposit payments directly with the City's banking institution while others deliver payments to the City Treasurer/Collector's Office for subsequent deposit.

The Office of Internal Audit performed a city-wide audit of departmental cash handling procedures. "Cash handling" encompasses processes used by departments for recording and safeguarding all payments to the City whether the payments are made by cash, check, wire, money order, or credit card.

#### Objectives and Scope

The objectives of this audit were to:

- Ensure written policies and procedures surrounding the cash handling process were properly documented and followed,
- Ascertain whether adequate segregation of duties exists for processing cash receipts,
- Determine if there was proper oversight of cash handling,
- Confirm that cash is adequately safeguarded, and
- Verify that all cash receipts were recorded and deposited in a timely and accurate manner.

After identifying the City departments that handle cash and cash equivalents, a risk assessment was performed to determine which departments to include in our testing. This determination was based upon existing management controls in place, the volume of transactions and amounts handled by the departments, and other selective factors. After choosing the departments to review, we tested cash receipts processes and transactions on a sample basis from July 1, 2014 to December 31, 2015.

(Continued on page 2)

---

November 2016

### What We Recommend (continued)

- Document formal cash receipts handling policies and procedures.
- Implement a reconciliation process for parallel revenue tracking systems to be performed regularly and explore the option of having IT develop an automated solution.
- Improve internal controls to safeguard cash such as using a designated safe which should be kept locked at all times. Limit access to drawers, cash boxes, and safes to authorized personnel.
- Segregate employee duties involving record keeping from those having access to assets.

For more information, contact Yong Ju No at (413)784-4844 or [yno@springfieldcityhall.com](mailto:yno@springfieldcityhall.com)

### What We Found

- The City does not have a policy on performing background checks on all employees/candidates who handle cash.
- Opportunities exist to improve the revenue chain of custody process in some departments.
- Some City and departmental revenue collection policies need improvement.
- The City was noncompliant with Massachusetts sales tax laws applicable to retail sales.
- Departmental reconciliations of parallel revenue tracking systems are not performed.
- Internal controls to safeguard cash in some departments need improvement.
- Some departmental employees have conflicting responsibilities which should be segregated.
- The customer transaction receipt process in some departments needs improvement.



## INTRODUCTION

Chapter 468 of the Acts of 2008 authorizes the Director of Internal Audit to examine the records of the City and its departments to prevent and detect waste, fraud and abuse and to improve the efficiency, effectiveness and quality of public services provided in and by the City. In accordance with this legislation, all offices and employees of officers, boards, commissions, agencies, and other units of City government are required to comply with requests for information or access to systems and records by the Office of Internal Audit (OIA). The following audit aligns the authority and goals of the OIA with those of the City. Specifically, this audit addresses the City's values related to accountability such as integrity, fiscal responsibility, and transparent practices. The audit also supports the City's strategic priorities ensuring operational excellence, fiscal health and sustainability in all divisions, departments, programs, and activities.

Although due professional care was exercised in the performance of this audit, unreported noncompliance and/or irregularities may exist. Management is responsible for the deterrence of fraud. Audit procedures alone, even when carried out with professional care, cannot guarantee that fraud exists or will be detected. The purpose of this audit report is to furnish management objective analyses and to help management identify weaknesses and implement specific improvements and recommendations.

This report is not intended to be an adverse reflection of the City or of its departments. The intent is for City management to use these findings and recommendations to help in making future well-informed strategic decisions while ultimately meeting City objectives.

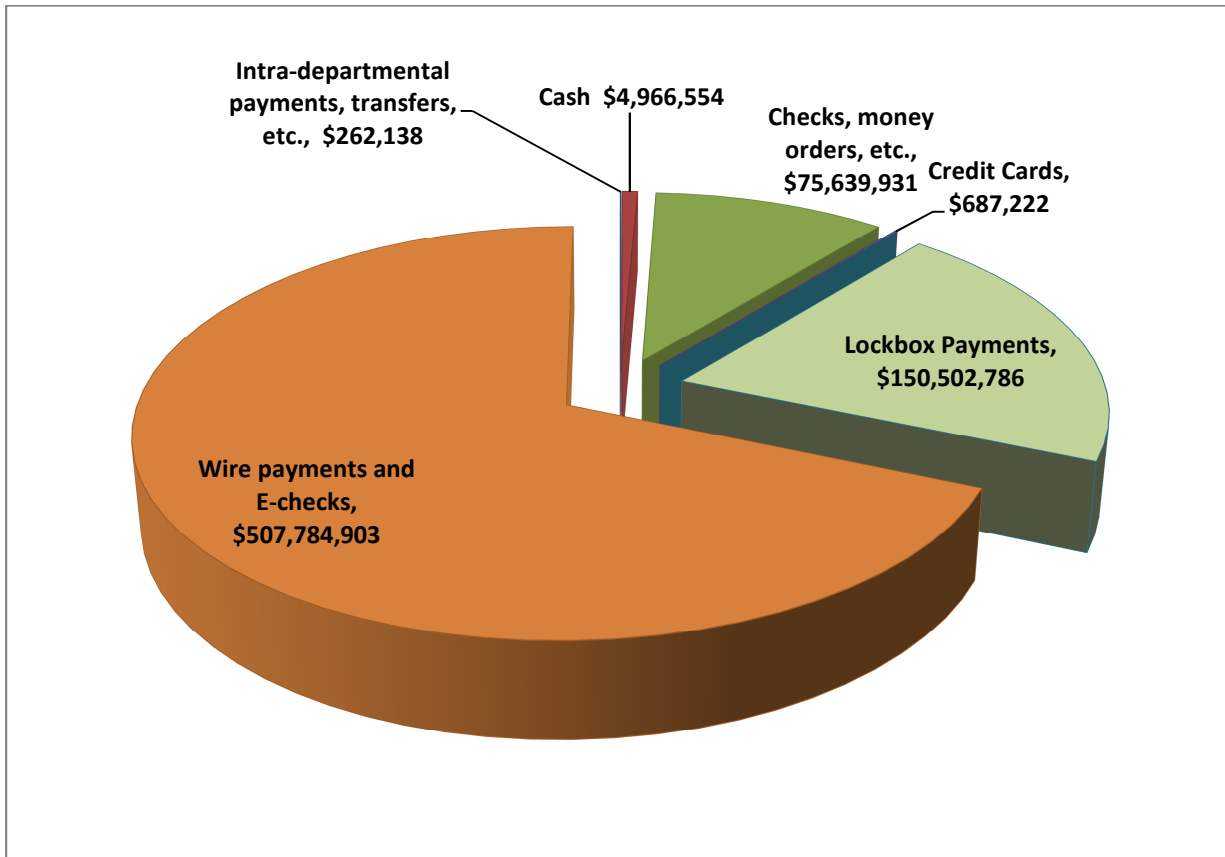
## BACKGROUND

The City of Springfield accepts numerous payments for various types of services, taxes, and fees. Some examples include real estate taxes, building permits, park fees, recreational programs, and library book fines. Payments to the City are made online, by mail, or in person at City Hall or to various City departments. Some departments deposit payments directly with the City's banking institution while others deliver payments to the City Treasurer/Collector's Office for subsequent deposit. The City has a Cash Handling Policy as issued by the City Treasurer which provides a means of effectively safeguarding, depositing, and accounting for cash on behalf of the City. While each department is to abide by the general guidelines established by the City Treasurer, each department is responsible for developing their own specific procedures in accordance with the City policy.

We performed a city-wide audit of departmental cash handling procedures per the OIA's Audit Plan for Fiscal Year 2016. "Cash handling" encompasses processes for recording and safeguarding all payments to the City whether the payments are made by cash, check, wire, money order, or credit card. Similarly the terms "cash" and "cash receipts" are mentioned throughout this report which include all payment methods received by the City. Cash handling procedures require strong controls to ensure all payments are properly recorded and safeguarded to protect the payments from loss or misappropriation.



In Fiscal Year 2015, the City received \$739,843,535 in revenue with the payment types broken down as follows:



## OBJECTIVES, SCOPE, AND METHODOLOGY

### Objectives

The objectives of this audit were to:

- Ensure written policies and procedures surrounding the cash handling process were properly documented and followed,
- Ascertain whether adequate segregation of duties exists for processing cash receipts,
- Determine if there was proper oversight of cash handling,
- Confirm that cash is adequately safeguarded for misappropriation, and
- Verify that all cash receipts were recorded and deposited in a timely and accurate manner.

### Scope

After identifying the City departments that handle cash, a risk assessment was performed to determine which departments to include in our testing. This determination was based upon existing management controls in place, the volume of transactions and amounts handled by the departments, and other selective factors. Ultimately we chose a sample of City departments that covered approximately 72% of total City revenues for FY15.



The sample departments we subsequently reviewed and the relative departmental revenues from all sources are illustrated below:

Department	Total Revenue FY15
Building-Code	\$ 2,652,053
City Clerk	1,131,592
Department of Public Works (DPW)	8,420,075
Fire	767,028
Health & Human Services (Health or HHS)	3,003,033
Library	1,372,564
Parks	4,281,349
Police (SPD)*	8,134,430
Thomas J. O'Conner Animal & Adoption Center (TJO)	744,261
Treasurers/Collectors	552,562,224
Total	<u>\$ 583,068,608</u>

*\*Limited procedures were performed at the SPD as testing was previously performed in a recent review. Current procedures were merely performed to follow up on previous recommendations.*

After choosing the departments, we tested cash receipt transactions on a sample basis from July 1, 2014 to December 31, 2015. Please see section entitled Results of Surprise Cash Counts below for scope related to performing surprise cash counts.

The terms “cash” and “cash receipts” are mentioned throughout this report which include all payment methods received by the City, i.e., cash, check, wire, money order, or credit card.

The City’s golf courses, the SPD’s evidence room for seized cash, and the Springfield Public Schools were excluded from the scope of this audit. A separate review will be performed on the operations of the City’s golf courses. OIA issued a report on the review of SPD’s Seized Cash Procedures in February 2016. A review of the cash handling procedures at the Springfield Public Schools will be considered in a future audit.

## Methodology

To accomplish our objectives, we performed the following audit procedures:

- Conducted walk-thru observations and interviewed employees to gain an understanding of the operational cash handling processes and procedures, including collection, recording, safeguarding, and turnover/deposit of payments received,
- Interviewed departmental management regarding policies, reconciliations, and monitoring,
- Reviewed applicable City/departmental policies and procedures and relevant state and federal laws and regulations,
- Evaluated internal controls over major cash handling processes,
- Tested a sample of invoices and invoice adjustments prepared by departments to confirm that receivables were accurately calculated, allowable, and properly recorded,
- Confirmed a sample of departmental accounts receivable amounts with vendors,





- Tested a sample of deposits to ensure receipts were accurately processed,
- Tested a sample of departmental internal applications and forms to determine receipts were accurately processed and recorded,
- Obtained reports and data from systems outside of the City's accounting system to ensure transactions were accurately processed and recorded,
- Consulted with the City's external auditors and the Massachusetts Department of Revenue regarding technical sales tax issues, received their guidance regarding the Commonwealth's Amnesty program, and advised departments accordingly to immediately enter the program and achieve compliance with sales tax requirements in Massachusetts,
- Observed physical security measures such as the use of safes and whether keys were secure to ensure controls were properly in place,
- Tested alarm systems and cameras to ensure functionality,
- Performed surprise cash counts to verify amounts on hand accurately matched transactions per the City's system of record, and
- Performed other tests deemed as necessary.

Our findings and related recommendations are in the following sections of the report. Each department was given the opportunity to respond to the findings. The departmental responses are incorporated into the report following each finding and recommendation.

For security reasons, certain areas of this report have been redacted. This was done in accordance with all relevant laws, including Massachusetts General Laws, c.4, Section 7(26) n. A copy of the report without redactions has been shared with the Mayor, the Audit Committee of the City Council, and City management.

## **RESULTS OF SURPRISE CASH COUNTS**

We performed surprise cash counts at five City departments/locations on various dates in FY16, including: City Clerks, Library, Parks, TJO, and City Treasurer/Collector. We counted the cash on hand and compared the amounts to what was recorded in MUNIS, the City's accounting system. We noted that funds were properly accounted for at three departments/locations; and there were minimal differences at the other two departments/locations as follows: TJO and the City Treasurer/Collector had an overage of \$90 and \$4, respectively. Both departments subsequently corrected the overage in MUNIS.



## FINDINGS AND RECOMMENDATIONS

### **Finding 1: The City does not have a policy on performing background checks on all employees/candidates who handle cash.**

Individuals with a history of certain convictions or pending offenses may not be satisfactory candidates for filling positions involving the handling of cash receipts. We discovered that the departments are currently relying on the City's Human Resources (HR) department for conducting formal background checks on employees responsible for handling cash receipts. However, HR is only conducting such checks on employees that interact with the elderly or children. HR currently obtains Criminal Offender Record Information (CORI) reports for these types of employees. Problematic information that could have been gleaned from background checks for other candidates/employees now potentially creates a potential safety and security issue for existing employees, constituents, and could impact the proper safeguarding of City assets. A City-wide background check policy has not been issued to date.

#### **Recommendation**

City Management should establish policies and procedures for filling positions that require handling cash receipts. Standards should be developed for performing applicant and/or employee background checks and credit checks if warranted. To efficiently and effectively screen applicants/employees, the City should develop a consistent process for using available City resources, third party services, reporting agencies, and public records. Criteria should be established to guide HR employees and Management in utilizing and applying the background information appropriately and in accordance with Massachusetts General Laws and union contracts.

#### **Management Response**

##### Human Resources

We agree with the finding and will have a policy and procedures in place by the end of Fiscal Year 2017.

### **Finding 2: Opportunities exist to improve the revenue chain of custody process.**

City funds often change hands, whether between employees within a department or when transporting funds between locations. Individual accountability is maintained by having the cash count, reconciliation, and transfer of funds witnessed and acknowledged by more than one employee. This process is referred to as protecting the "chain of custody." A clear chain of custody over revenue payments must be maintained at all times as a best practice and is required in the City Treasurer's Cash Turnover Policy. Also, we noted instances where cash receipts were counted the next morning.

Not having proper, timely sign-offs when an employee turns over payments to another employee creates an opportunity for fraud as the person responsible for the misappropriation of cash receipts may not always be identifiable. We found several areas where the chain of custody process could be improved within five departments.



## Recommendation

We recommend that employees count cash receipts in the presence of a supervisor/manager on the same day of collection. Employees involved in the cash turnover process should sign the batch report to document their agreement as to the amount turned over; and then that employee who received the cash turnover should properly secure the batches in a safe, etc. with limited access. If turnover and counting the payments on the same day is impractical due to staffing or allocated time issues, we recommend that the department invest in either a drop safe or individual locking bags. The drop safe and/or locking bags should be opened, counted, and reconciled the next morning by two employees. We also recommend that the City Treasurer ensure compliance with his department's Cash Turnover Policy.

## Management Response

### City Clerk

We have implemented a policy where all batches will be turned over to the assistant clerk or the clerk at the end of the day. The clerk or assistant clerk will store the batch in a lock-box until the next morning when the batches are transported to the treasures office. These steps will be recorded on a document signed by the employee and the Clerks.

### City Treasurer/Collector

Management agrees with the Internal Audit finding, and has reached out to the Human Resources Department. Further discussion was done and agreed that there will be a turnover procedure for HR.

### Human Resources

We agree with the finding and will comply with the City Treasurer's Cash Turnover Policy by November 30, 2016.

### DPW

Management agrees with the auditor's assessment. We are drafting and implementing policies that will address the chain of custody issue and will make sure that employees are informed of said policies. This process will be completed by June 1, 2016.

### Fire

We agree with the auditor's recommendation. Beginning June 1, 2016 there will be a log utilized to track any change in custody of payments.

### Library

The Library Department will revise our current cash handling policies to include the following:

- All payments received by employees turned over to another employee will be counted in the presence of both employees and they will sign a receipt to document that both employees are in agreement as to the amount turned over.
- Locations that don't currently count cash at the end of the day will be instructed to count their cash at the end of the day. Since we consider counting cash while the public is in the building a security issue, staff will be scheduled and will adjust their schedules to stay after the library is closed to the public to count the cash.



- New procedures, forms and schedules for delivery of weekly cash from the Branch Libraries and the Central Library to the Library Business Office at the Central Library will be developed by the Directors Office and all appropriate staff will be trained by July 15, 2016.
- New procedures will be required of all staff beginning July 18, 2016.

**Finding 3: Some City and departmental revenue collection policies need improvement.**

An essential element of internal control is a formalized system of documentation and authorization, which can be achieved through the establishment of written policies and procedures. Formal policies and procedures communicate management’s expectations and intentions, and provide employees with guidance to carry out tasks in an effective and efficient manner.

We noted that revenue collection policies and procedures were not formally issued, documented and/or updated across the City. Our specific observations/concerns, related recommendations, and management comments are as follows:

Department	Observation/Concern	Recommendation	Management Response
<b>Lack of formal written/updated revenue collection policies and procedures</b>			
Building Code, City Clerk, DPW, Parks, SPD, Health, Library	<p>We found in all of the departments we examined that procedures have been developed but those procedures were not always formally documented. Three departments: Code Enforcement-Buildings, City Clerk, and the DPW do not have any formal written policies regarding departmental revenue collection.</p> <p>Four departments: Health, Library, Parks, and the SPD have written policies however they do not address employee overages or shortages. Patterns of employee overages and shortages may not be recognized if Management does not properly document them.</p> <p>A lack of formal written policies and procedures can lead to individual interpretation creating a risk of inconsistent job performance or reduced efficiency.</p>	<p>Formal policies and procedures should be documented and updated to communicate management’s expectations, provide employees with written guidance to carry out activities in an effective and efficient manner, and to assist with training or cross-training employees. These should include procedures regarding over the counter payments, payments by mail, credit card processing, over and short amounts, and office security.</p>	<p><u>Building Code</u> The Department has since put in writing a Procedure on how to handle and process the checks that we receive either in the mail or at the counter.</p> <p><u>City Clerk</u> We agree with the auditor’s assessment. We have begun the process of reviewing our current cash handling and creating a written record. This process should be complete over the next month.</p> <p><u>DPW</u> Management agrees with the auditor’s assessment. We are drafting and implementing formal policies and will make sure that employees are informed of said policies. This process will be completed by June 1, 2016.</p> <p><u>Parks</u> The department has developed a policy and recommends Finance and the Auditors review to approve.</p>



Department	Observation/Concern	Recommendation	Management Response
<b>Lack of formal written/updated revenue collection policies and procedures (continued)</b>			
Building Code, City Clerk, DPW, Parks, SPD, Health, Library (continued)			<p><u>SPD</u>            We agree with the auditor’s recommendation, and the following action took place. General Order 16-11 Cash Received for Permits, Reports, and Details was distributed.</p> <p><u>Health</u>            Management does not think this condition of overages and shortages (policy and procedures) applies to SHHS. The department does not have a daily cash drawer where we reconcile revenue received at day's end. Hand delivered payments or payments received via USPS are accompanied by invoices which are then turned over to respective departments to review and record. Occasionally vendors will send revenue checks with an incorrect amount; when that happens, the checks are still posted into the Accounts Receivables Module, if it is an overpayment, the Collector’s office will be informed of the overpayment and a credit will be issued. If it is a shortage, vendor will be notified by phone and mail of the outstanding balance they still owe for the permit (burial, tobacco or environmental health).</p> <p><u>Library</u>            The Library Department has reviewed the attached UPSEU policy regarding overages/shortages and has sent the UPSEU Memorandum of Agreement regarding Drawer Shortages/Overages to Human Resources to review and recommend appropriate language to be included in the SOLE and AFSCME contracts.</p>



Department	Observation/Concern	Recommendation	Management Response
<b>Lack of City-wide billing policy</b>			
CAFO	<p>In accordance with the City's Financial Policy Ordinance, all departments must use the City's central accounting system and post all financial transactions thereto in a timely manner. Also, in accordance with the City's accounting policy for governmental funds, revenue is recognized in the period in which it becomes both measurable and collectible (modified accrual basis). We discovered that there are several City departments and divisions that are creating invoices outside of the City's system of record, MUNIS.</p> <p>These include Building-Code (Weights and Measures), DPW, Fire, Fire - Central Medical Emergency Direction division (CMED) and Parks (Main Office and Cyr Arena). Departments are using various applications instead of the MUNIS General Billing module to create invoices.</p> <p>Because receivables are not recorded when created, revenue is understated and receivables cannot be properly monitored by City Management. Payments received by other City departments cannot properly be applied to outstanding receivables due to the lack of transparency. A City-wide billing policy has not been issued to date.</p>	<p>We recommend that the CAFO in conjunction with the City Comptroller issue a City-wide billing policy that requires departments to use the MUNIS General Billing module when creating invoices. In the policy, City Management should reserve the right to judgmentally and ultimately determine which receivables should be included in the module based on enforcement/collectability.</p> <p>The City wide billing policy should also include the following:</p> <ul style="list-style-type: none"> <li>• Current procedures for setting up customers, creating invoices, applying payments, making adjustments to invoices, and monitoring/reconciling activity.</li> <li>• Emphasis of segregation of duties and departmental management's regular review and follow-up of receivables</li> </ul> <p>Departments work collaboratively with the City Treasurer/ Collector's Office in learning and implementing the module.</p>	<p>Management agrees with the recommendation of the Internal Auditor and is currently developing a formal City-Wide billing and revenue collection policy. The policy will include all aspects of creating and collecting bills utilizing the MUNIS General Billing module.</p> <p>Management is currently performing an analysis on a departmental basis by charge code to assist the City Treasurer/Collector in determining the proper implementation of the General Billing Module. This analysis will help to comply with the Internal Auditor's recommendation of choosing receivables which reasonably can be collected by the City of Springfield.</p>



Department	Observation/Concern	Recommendation	Management Response
<b>Formalized procedures needed for recording payment dates at the City Treasurer/Collector's Office</b>			
City Treasurer/Collector	In the City Treasurer/Collector's Office we found that procedures are in place to account for payment dates of rejected lockbox payments which can vary depending upon the situation. We were advised that sometimes the date the payment is received by the lockbox vendor is used and sometimes the date the payments are received by the Treasurer's Office is used. Existing policies and procedures do not document a consistent method of recording payment dates for rejected lockbox payments.	Formal policies and procedures should be documented regarding recording payment dates for rejected lockbox payments. These policies and procedures will communicate management's expectations, provide employees with written guidance to carry out activities in an effective and efficient manner, and to assist with training or cross-training employees.	Although management has always vocalized the policy of using the date received by the City, or its designee as the record date of any payment, it recognizes the need to have it formalized as part of the departmental policies and procedures, which are distributed to all staff annually or when new policies are added.

#### **Finding 4: The City was noncompliant with Massachusetts sales tax laws applicable to retail sales.**

We found that sales tax calculations, collection, remittal, and reporting on applicable sales/rentals at Parks and the TJO were not performed, and thus the City was not in compliance with Massachusetts sales tax laws. Unlike specific exemptions for sales to the Commonwealth, its municipalities, and 501(c)(3) organizations, there is no corresponding blanket exemption for retail sales or leases by such entities. The City is liable for the collection and remittance of taxes on various retail sales and rentals to customers.

#### **Recommendation**

We recommend that the Parks Department and TJO work collaboratively with the City Treasurer/Collector to enter the DOR's Amnesty Program and begin filing timely monthly sales tax returns.

#### **Management Response**

##### Parks

This matter has been addressed and all sales taxes have been properly reported to the state. The department was unaware this fell to the department's responsibility.



TJO

With the assistance of the audit, treasurer and HHS departments, TJO entered into MA DOR's Amnesty Program. Past tax amounts due have been paid. TJO, through HHS, will be compiling and submitting monthly tax reports as required, effective immediately.

**Finding 5: Departmental reconciliations of parallel revenue tracking systems are not performed.**

In general, to maintain the integrity of financial data, a systematic careful review and reconciliation of revenue transactions should be performed to ensure completeness and accuracy. In testing departmental reconciliations, we noted a lack of reconciliation procedures citywide.

In addition to using the City's accounting system, MUNIS, we noted several departments are also using additional applications to house supplementary detailed records. In five instances we found a lack of processes in place to reconcile the data between the two systems used by departments. The lack of reconciliation between these applications and MUNIS could allow discrepancies and/or misappropriated funds to go undetected.

Our specific observations/concerns, related recommendations, and management responses are as follows:

Department	Observation/Concern	Recommendation	Management Response
<b>Applications not reconciled to MUNIS</b>			
Parks	Subsystems are currently used for entering detailed accounting transactions for the Toll Booths and Banquet Facilities functions which are outside of MUNIS. Management is unable to access these systems directly, thus unable to properly monitor revenue.	We recommend that the Parks Department work collaboratively with the IT Department to ensure that management either requires all employees to use MUNIS as their system of record or ensure management has the ability to view transactions within outside applications. If outside applications are maintained, we recommend that the Parks Department works collaboratively with the IT Department to build a bridge to import the data into MUNIS so that real time data can be monitored and reconciled.	Not everything can be entered into MUNIS. General billing will be implemented. The department will work with Treasurer/Collectors and the City Comptroller's office to implement processes.





Department	Observation/Concern	Recommendation	Management Response
<b>Applications not reconciled to MUNIS (continued)</b>			
City Clerks, SPD	<p>Payments are received online and in the City Clerk's Office for SPD ordinance violations issued through another application by the SPD. Payments are entered in both systems. However, an independent reconciliation is not performed. We tested twenty five check payments that were entered into the ordinance violation application to determine if the payments were also entered into MUNIS. Eighteen transactions totaling \$1,400 could not be found in MUNIS. Payments that are in the ordinance violation application but not in MUNIS are problematic because we do not know whether revenues were properly deposited with the City. Payments that are in MUNIS but not in the other application are problematic because receivables cannot be properly monitored within that application. Municipal Lien Certificates prepared by the City Treasurer/Collector's office therefore could potentially be incomplete.</p>	<p>We recommend the following:</p> <ul style="list-style-type: none"> <li>• Implement a reconciliation process to be performed regularly.</li> <li>• Explore the option of having the City's IT department to develop an automated solution.</li> </ul>	<p><u>City Clerks</u> The Clerk's office agrees with the finding and would like to work with the finance department to find a solution. The current application is a very useful system that allows the clerk's office and police department keep track of violations and it allows the residents to pay tickets online without coming into the office.</p> <p><u>SPD</u> The Department agrees with the findings and is currently in the process of converting over to Acella software which is already utilized by several city departments. Acella includes a mechanism to reconcile with MUNIS</p>
Health	<p>Medical payment information is entered into both MUNIS and the E-Clinical application. Medical related payments are received by check or wire payments at Health and the City Treasurer/Collectors' Offices for claim amounts per the E-Clinical application. Payments are entered in both MUNIS and E-Clinical. However, an independent reconciliation is not performed. Payments that are in E-Clinical but not in MUNIS are problematic because we do not know whether revenues were properly deposited with the City. Payments that are in MUNIS but not in E-Clinical are problematic because receivables cannot be properly monitored within E-Clinical.</p>	<p>We recommend the following:</p> <ul style="list-style-type: none"> <li>• Implement a reconciliation process to be performed regularly.</li> <li>• Explore the option of having the City's IT department to develop an automated solution.</li> </ul>	<p>Although there is not an "automatic" cross check between the systems, (Munis and eClinical), staff verifies payments as they come in before posting. Treasurer's office will call Fiscal Manager with an amount received electronically, Fiscal Manager verifies payments with Medical Billers as to where to post the payments to in Munis, either Medical/Dental homeless or School Based (NTLBC). When checks are received in the mail, billers will record which accounts to post checks to, then complete the process by posting into eClinical.</p> <p>IT department informed us there may be a way to reconcile these accounts with the updated version of MUNIS.</p>



Department	Observation/Concern	Recommendation	Management Response
<b>Applications not reconciled to MUNIS (continued)</b>			
TJO	Payments are received at TJO and are entered in both Chameleon and in MUNIS. However, an independent reconciliation is not performed. TJO staff members have recently worked collaboratively with IT, OMB, and the City Treasurer/Collector's Office to design a solution but to date the reconciliation has not been implemented.	We recommend that after the designed reconciliation process has been documented and tested, the Health Commissioner approve the implementation of the process and require that it is performed on a consistent, routine basis. Errors and omissions could be communicated and resolved timely which would increase accuracy and reduce the risk of fraud.	Collaborating with Finance, IT, Treasurer's and HHS, a new system to enter and reconcile all TJO's payments in Chameleon and Munis is currently in use. Each week, a MUNIS report is generated and emailed to the TJO Director and Operations Manager. One of these two staff reviews the report and look for problems that MUNIS flagged for attention. To date, this has worked very well. The system is finding fewer errors each week and several times there has been none. The errors are considerably benign, such as an employee choosing an item to sell that does not have a charge code assigned. Given the system is working so well, it appears that the errors found were while we were in a learning phase and have become uncommon.
Library	Library fine payments are received by cash or check at all library branches and are entered into the CW Mars application. Payments are also subsequently entered in MUNIS. However, an independent reconciliation of the data from the two applications is not performed. OIA requested a detailed report from CW Mars but only a summary report was able to be provided.	We recommend the following: <ul style="list-style-type: none"> <li>• Implement a reconciliation process to be performed regularly for the CWMARS data</li> <li>• Explore the option of having the City's IT Department to develop an automated solution with the vendor that would allow Library management to be able to monitor data.</li> <li>• Prepare the reconciliation in Excel and include subtotals for cash, check and donations.</li> <li>• Record each branch total into MUNIS separately instead of in the aggregate.</li> </ul>	CWMARS can provide a detailed and itemized report that will include daily cash and check transactions for all Library Department locations. The reports will be automatically sent to the Director by email by noon of the following day.  The Library Director will log into the Evergreen client to retrieve the daily reports. These reports can then be used to reconcile daily cash and check receipts.



Department	Observation/Concern	Recommendation	Management Response
<b>Applications not reconciled to MUNIS (continued)</b>			
Library (continued)			<p>Our cash handling procedures will be revised by June 30<sup>th</sup> to include the CWMARS report as a management tool to use for reconciliation as soon as we have reports that have all of the required information.</p> <ul style="list-style-type: none"> <li>• An Excel spreadsheet will be formatted for reconciliations and the sheets will include subtotals for cash, check and donations.</li> <li>• Each Branch total will be entered into MUNIS separately instead of in the aggregate.</li> <li>• New Cash Handling procedures will be developed by the Directors Office and all appropriate staff will be trained by July 15, 2016.</li> </ul> <p>All new procedures will be effect for all Library staff starting July 18, 2016.</p>
<b>Lack of environmental permit reconciliation</b>			
Health	Although permits are assigned a number that directly corresponds with payment entries in MUNIS which facilitates the tracing of permits to payments, we noted that without the issuance of sequentially numbered permits, a true reconciliation could not be performed to determine if actual permits were issued without payment.	We recommend HHS regularly reconcile the number of permits (by permit number) issued to the payments received. We also recommend that HHS issue sequentially numbered permits which will facilitate the reconciliation process and help identify any missing permit numbers or gaps in sequence numbers for management to investigate.	Management will institute the recommendation of the auditing department.



Department	Observation/Concern	Recommendation	Management Response
<b>Lack of Big Y bulk sticker reconciliation</b>			
DPW	We found that the bulk sticker reconciliation process at the DPW needs improvement. Bulk stickers are periodically provided to Big Y stores for sale to the public. These stickers are required for the pickup of large items such as refrigerators, mattresses, tires, etc. Serial numbers on the stickers are currently not inventoried or reconciled. Transactions should be periodically verified to ensure that transactions are for the correct purpose and correct amount. Transactions may be invalid and or incorrect without regularly performed reconciliations.	We recommend that the DPW perform the following: <ul style="list-style-type: none"> <li>• Work collaboratively with Big Y to better track bulk sticker activity by specific sticker serial numbers by beginning stickers on hand, plus additions, less sales which should equal the ending items on hand,</li> <li>• Reconcile sales to internal records, and</li> <li>• Periodically perform an inventory of stickers at Big Y locations.</li> </ul>	Management agrees with the auditor's assessment. We are drafting and implementing policies that will address the bulk sticker reconciliation issue and will make sure that employees are informed of said policies. This process will be completed by June 1, 2016.

### **Finding 6: Internal controls to safeguard cash in some departments need improvement.**

The City Treasurer/Collector issued a City-wide cash handling policy that includes the following excerpt regarding safety and security of revenue payments received:

*Each department must establish and document an internal policy of reconciling, locking, and assuring the safekeeping of City funds while still in the department's possession and until such time as the funds are deposited. These policies will be reviewed by The Office of Internal Audit.*

*These policies must address the following aspects of prudent cash practices:*

- a. Separation of duties for collection, reconciliation and deposit*
- b. Cash must be secured in a cash drawer, safe or deposit box.*

In examining compliance with this policy, our audit work revealed significant deficiencies within some departmental practices to safeguard cash. We found in some instances where existing security measures are present but either are not functioning or not being properly used. Poor controls to safeguard cash could lead to unauthorized access to funds and increases the risk of theft by either employees or the public and places City employees at risk of harm from criminal activity.



Our specific observations/concerns, related recommendations, and management responses follow below. In general, the observations and recommendations pertain to physical changes such as the installation of cameras, safes, cash registers, etc.

Department	Observation/Concern	Recommendation	Management Response
<b>Inadequate physical security measures</b>			
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]



Department	Observation/Concern	Recommendation	Management Response
<b>Poor controls over access to cash</b>			
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]



Department	Observation/Concern	Recommendation	Management Response
<b>Poor controls over access to cash (continued)</b>			
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]



Department	Observation/Concern	Recommendation	Management Response
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Inadequate controls to access to computer application</b>			
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

**Finding 7: Some departmental employees have conflicting responsibilities which should be segregated.**

Segregation of duties is an important preventative control to prevent opportunities for misappropriation and human error. The concept of segregation of duties means that certain roles and responsibilities should be assigned to different employees to ensure that one single employee cannot process a transaction from beginning to end.

We found instances where multiple, conflicting duties are performed by the same employee such as preparing customer bills, receiving payments, adjusting bills, entering payments into the City’s accounting system and/or other subsystem, and sometimes also depositing payments at the bank. One employee having multiple responsibilities can potentially execute and conceal errors and/or irregularities in the course of performing day to day activities.





In one instance, we noted that the lack of segregation of duties at CMED resulted in a billing error. An invoice from FY15 was incorrectly adjusted down to zero in September 2015. CMED billing policy states that organizations using CMED services are to be billed \$4 per call after the first 50 calls. The Emergency Medical Services (EMS) commission establishes these rates. Supporting documents we tested indicated that the customer still owed a balance of \$2,016 from FY14 and \$5,040 from FY15, totaling \$7,056. The same individual who billed this customer also adjusted the invoice down. We believe proper segregation of duties, including oversight, would have prevented the billing error.

### **Recommendation**

We recommend that conflicting duties be segregated. The person who is responsible for collecting revenue should be separate from the person that enters the transaction(s) into the City's accounting system. The person performing the data entry function should also be separate from the person that deposits or turns the payments over to the City Treasurer/Collector. A system should be in place where one employee provides a verification of the work of another employee so that any one individual is not performing a process from beginning to end.

In particular, we recommend the following, where applicable:

- An employee independent of the accounting function be designated to open mail, make a control list of all check receipts, and restrictively endorse all items as "for deposit only." The check receipts should then be forwarded to other designated employees for data entry. Spot checks should then be performed by supervisory personnel by comparing the listing of check receipts to the payments that were recorded into the City's accounting system.
- All employees' work should be monitored for reasonableness and accuracy.
- Any adjustments to bills should be approved by a Supervisor/Manager and/or Department Head.
- Customer payments should be sent to central location, or alternatively explore the use of a lock box processing services.
- CMED send the affected customer a revised bill for the amount due.

### **Management Response**

#### Building Code

The Department has a staff independent of the billing function that gets the mail & distributes the checks to the proper clerical staff.

We plan on having Weights & Measures being set up with Munis in FY 2017.

#### City Clerk

We have implemented this change. We have assigned one employee to process the mail and another employee to enter the payments into Munis. The employee processing the mail will turn over a sheet detailing the number of checks received to the receiving employee.



### DPW

Management agrees with the auditor's assessment. We are drafting and implementing policies that will address the segregation of duties providing another level of oversight. We will make sure that employees are informed of said policies. This process will be completed by June 1, 2016.

Management agrees with the auditor's assessment. We are drafting and implementing policies that will address the payments received by mail issue and will make sure that employees are informed of said policies. This process will be completed by June 1, 2016.

### Fire

We agree with the auditor's recommendation.

We will be working with Treasurer's to move Fire Watch Detail billing into Munis effective August 11, 2016. We will also segregate duties and have one person open and log the payments (they are all received in the mail) while a separate person will process the payments going forward.

Reasonableness and accuracy will be monitored by the Director of Finance and Administration.

Adjustments, if any, will be approved and signed off by the Fire Commissioner.

### Fire (CMED)

The affected customer was contacted and has started making payments. Corrections to the account were made.

As the account manager for the Central Medical Emergency Direction (CMED) I will agree to use of the MUNIS billing model under a trial basis for the FY 2017 fiscal year to determine whether MUNIS has the flexibility and agility to operate the Springfield CMED account. As discussed with the Springfield Audit Team, MUNIS was considered in the past and did not have the flexibility to provide optimal service. It is my anticipated hope that use of MUNIS will allow the Springfield EMS Commission to have access and visibility of the account at all times and that the account is not partitioned into categories which will constrain or limit the use of funds when emergency repairs or equipment replacement due to a catastrophic incident is required. Springfield CMED is a lifesaving communications system for communities in the Pioneer Valley. It is also hoped that MUNIS will be sensitive to the impacts on small community municipalities that must pay their bills over time.

I am asking that a MUNIS technician work with the Office of Emergency Preparedness as soon as possible to be able to implement the MUNIS system at 00:00 on July 1st 2016.

Record keeping/billing from the receipt of deposit function will be segregated by having accounting at the Fire Department receive and process all payments. Adjustments to bills will be approved by the Commission.

### Parks

The Department will implement the recommendation made by internal audit. We will work with Finance and the Treasurer's Office to implement the new procedures and to purchase the cash registers to coincide with the Munis module and will work with Finance to add additional personnel to meet this goal.

SPD

We agree with the auditor's recommendation. Duties including invoicing and collections have been segregated to the best of the department's ability. In the event of a long absence, collections will take place in the Clerk's office and checks will be signed out by those entering into the system.

**Finding 8: The customer transaction receipt process in some departments needs improvement.**

Some customers make payments to the Fire Department directly at the window at the front desk of the Fire Department. Fire has a pre-numbered multi-part receipt book. A receipt is only written to document the payment received if the customer specifically requests a receipt. The carbon copies remaining in the receipt book are not utilized for any reconciliation purposes. We also noted that there was no signage at the Fire Department indicating that all customers should receive a receipt. When receipts are not issued for payments received, it creates an opportunity for the payment to be misappropriated.

The Treasurer/Collector's employees routinely provide receipts to anyone making a payment to the City Treasurer/Collector. However we noted that there is no signage by departmental cash registers that indicate receipts for over the counter payments are required to be received. Customers should be aware that they are required to be given a receipt. If receipts are not issued for payments received, it creates an opportunity for the payment to be misappropriated.

**Recommendation**

We recommend the following:

- Fire issue pre-numbered receipts to all customers who pay in person.
- Fire monitor the receipts including any gaps in sequence numbers and ensure that all receipts are accounted for in the City's accounting system.
- Fire work collaboratively with the City Treasurer/Collector in obtaining a MUNIS cash register with a validator machine. This equipment could automatically generate receipts, endorse checks received, and record transactions into the City's accounting system in real time.
- Place a sign at payment window indicating that a customer should always receive a receipt. The sign could also advise customers to notify management if a receipt is not received.

**Management Response**Fire

We agree with the auditor's recommendation. We do have receipts and will begin to issue them for all payments immediately.

We are beginning to work with the Treasurer to implement a Munis cash box. The date of implementation is contingent on receiving the hardware and setting up the cash box. We are looking for it to be implemented by January 1st, yet are hopeful that it'll be sooner.



Additionally, we are ordering a sign to place at the payment window regarding receipts. That sign will be at the window immediately upon delivery. In the meantime, we have put up a computer printed sign outside the window.

City Treasurer/Collector

While staff members of the Collector/Treasurer departments issues receipts to taxpayers for all transactions, management will post signs at the Collector windows stating that a receipt should be obtained for all transactions.