



Legislation Text

File #: 09-1113, **Version:** 1

Recommendation to receive and file the Towing Operations Cash Handling Procedures Audit; and request City Council to request City Management to review recommendations, develop strategies for implementation and update the City Council and City Auditor in six months and in one year from the date of receipt and filing of this report.

Attached for your consideration is our audit of cash handling procedures of Towing Operations, part of the Public Works Department. Management of Towing Operations requested this audit, and we thank them for the full cooperation they provided during this audit as well as their willingness to quickly adopt many of our recommendations.

The purpose of our audit was to assess the effectiveness of cash handling procedures within Towing Operations. We reviewed the internal controls utilized by Towing to examine the safeguards protecting City revenues and to recommend potential improvements. Such controls are particularly important at Towing, as they collect substantial amounts of money and have a high volume of transactions during their normal course of business. For example, through August 9, 2009 of FY09, Towing Operations collected and deposited more than \$4,800,000 in revenue, averaging \$109,000 per week or \$15,500 per day.

As discussed in the report, serious internal control weaknesses were found, such as deficient software and a lack of separation of duties. Such internal control weaknesses raise many questions regarding the integrity of the cash handling function, such as whether monies received were actually deposited to the City treasury. The lack of adequate controls means that fraud or other loss of funds or inventory, if it were to occur at Towing, would have a good chance of going undetected by management. Management needs the tools in place so that it can confidently answer the fundamental question at Towing on a daily basis: are all the revenues being properly collected to the City and then properly deposited to the Treasury?

Attached to our audit are the management responses from both Public Works and Financial Management. Our audit findings and recommendations were discussed with Management during the course of our audit, and so some corrective procedures have already been implemented. In their responses Management discuss their plans for further implementation.

Cash handling is a high-risk area for every organization, and one that requires careful scrutiny and the strongest possible controls. We appreciate the improvements already made and look forward to further progress towards protecting scarce public funds throughout the City.

Action by the City Council is not time sensitive.

Towing collects significant revenues on behalf of the City, totaling \$4,800,000 through August 9, 2009 of FY09. Management's effort to adopt the recommendations outlined in the report will increase protections over this valuable revenue stream and help detect and deter any potential

misappropriation of funds.

Approve recommendation.

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CITY AUDITOR