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Audit of Cashiering Activities  
in the City of Milwaukee  
Treasurer's Office

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W. MARTIN MORICS  
City Comptroller  
City of Milwaukee, Wisconsin

June, 2002

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Office of the Comptroller

June 10, 2002

W. Martin Morics, C.P.A.  
Comptroller

John M. Egan, C.P.A.  
Deputy Comptroller

Michael J. Daun  
Special Deputy Comptroller

Anita W. Paretti, C.P.A.  
Special Deputy Comptroller

To the Honorable  
the Common Council  
City of Milwaukee

Dear Council Members:

Re: Treasurer Office Audit

The attached report summarizes the results of our audit of cashiering activities in the Treasurer's Office. The objectives of the audit were to determine whether cash controls in the Treasurer's Office are adequate to ensure that: individual cash transactions are recorded accurately on the treasurer's Cashiering System; daily cash transactions are accurately transferred to City's FMIS timely; and that cash receipts are properly and timely secured and deposited.

The audit disclosed that the Cashiering System utilized by the Treasurer's Office accurately uploads information to the Financial Management Information System (FMIS). Within the Cashiering System, there are adequate controls in place to reduce the rate of error for cashiering transactions and to determine which cashier performed a specific transaction. During the audit, improvement opportunities were noted regarding over/short review procedures, safeguarding of vault cash, both head cashier and vault deposits, cashier drawer key storage, and tax payments payable instructions.

Audit findings and recommendations are discussed in the Audit Results and Recommendation section of this report, which is followed by the Treasurer's response.

Appreciation is expressed for the cooperation extended to the auditors by the staff of the Treasurer Office.

Very truly yours,

W. MARTIN MORICS  
Comptroller

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**AUDIT SCOPE AND OBJECTIVES**

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## **AUDIT SCOPE AND OBJECTIVES**

The scope of this audit was limited to the controls and procedures regarding cashiering transactions conducted in the Treasurer's Office. The audit did not review non-cashier transactions made through the Treasurer's Cashiering System, such as wire transfers. Also, the audit did not review the bank reconciliation process. The City's independent auditors KPMG Peat Marwick, LLP reviewed this process and a report is forthcoming. The audit included interviews of the Treasurer's Office staff and observation of cashiering transactions. Also during this audit, unannounced cash counts were performed.

The objectives of this audit were to:

1. Determine that individual cash transactions are recorded accurately on the Treasurer's Cashiering System.
2. Determine whether daily cash transactions are accurately transferred to the City's FMIS in a timely manner.
3. Determine if cash receipts are properly and in a timely manner secured and deposited.

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**ORGANIZATIONAL  
AND  
FISCAL IMPACT**

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## Organizational and Fiscal Impact

In accordance with Wisconsin State Statutes 74.07 and 34.105, the City of Milwaukee Charter and Code of Ordinances, and Common Council Resolution, the City Treasurer is primarily responsible for the following:

- Receiving and accounting for all monies paid to the City of Milwaukee (City).
- Making disbursements that have been vouchered for payment by the City Comptroller.
- Investment of City funds not needed to meet current expenditures.
- Collecting all six property tax levies within the City (i.e. City of Milwaukee, Milwaukee County, MATC, Metropolitan Sewerage District, Milwaukee Public Schools, State of Wisconsin).
- Collecting delinquent property taxes of all six tax levies within the City.
- Settling property tax levy collection on a pro-rata basis with the other taxing jurisdictions within the City and remitting to each their share of the monies collected.

The Office of the City Treasurer collects property taxes for all government units and remits to each unit its share of the property tax collections in accordance with its levy certification. The total 2001 tax levy stands at \$551.8 million, of this amount \$187.8 million represents the City's portion. In addition to tax collections, the Treasurer's Office cashiers conduct transactions such as; water bill payments, bus ticket sales, inter-departmental deposits, various licensing payments, etc.

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**AUDIT RESULTS  
AND  
RECOMMENDATIONS**

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## **Audit Results and Recommendations**

### **1. Are individual cash transactions recorded accurately on the Treasurer's Cashiering System?**

#### **Conclusion**

The Audit determined that individual cash transactions are recorded on the Treasurer's Cashiering System both accurately and timely. Auditors observed the handling of cash transactions for a random number days to verify that the amounts recorded as received on the Cashiering System were consistent with the actual amounts received. Each cashier follows prescribed procedures in opening his/her workstation for the day's cash transactions, recording each cash receipt or deposit, and comparing end-of-day totals from the Cashiering System to the actual cash received. The procedures observed within the Treasurer's Office complied with the documented procedures in the Treasurer's Office Manual. The manual, which is located centrally in the office, is updated as prescribed changes to the cashiering procedures are made. Per discussion with Treasurer's Office personnel, the procedures manual most recent update occurred in October 2001. The above mentioned procedures are analyzed below in addressing the Audit question.

Strengths of the cash handling procedures in promoting accurate recording of cash transactions include:

- A transaction log for each workstation is generated, which provides an audit trail to identify or track errors and other transaction types.
- A personal access ID and password are utilized to enter and exit the Cashiering System. Each cashier is also assigned a specific workstation.
- There is only one cashier operating from a single cash drawer. A key, assigned to each cashier, is utilized to secure the cash drawer at the close of the business day.
- Cashiers bind cash (using denomination straps) into convenient bundles and initial denomination straps to (1) transfer money to Head Cashiers easily and

(2) allow the Head Cashier to identify from whom the bundled cash transfers were received.

- Closing procedures identify any variance between the Cashiering System total and total cash in the cashier's drawer.
- Cashier workstation procedures are well documented and maintained in a procedures manual.

While becoming aware of the various strengths within the area of cash receipts, there was an opportunity for improvement noted regarding the review of "over/short" occurrences. The audit identified a weakness in which system-wide reports regarding over/short transactions are not generated nor reviewed. An over/short condition occurs for a cashier when the end-of-the-day procedures show a difference between actual cash collected and the cash accounted for in the Cashiering System. When this occurs, procedures require the cashier to complete an "Over/Short Form". The variance is also recorded on the daily reports generated for each cashier workstation. The Over/Short form is submitted to the Head Cashier who is required to sign off on the form, storing it in a box within the Investment and Financial Services area located in the Treasurer's Office.

As part of the audit, a Cashiering Over/Short report, listing all variances from January 1, 2001 through April 24, 2001 was produced. Based on this report, total cashier shortages for this period were \$2,311 and total overages were \$289. This resulted in a net shortage of \$2,022 for the period reviewed. The total shortage for 2001 was \$4,179, of which \$2,688 resulted from human error, \$1,400 resulted from errors in bank deposits and \$91 resulted from posting errors. Currently, the Treasurer's Office is not generating or reviewing any Cashiering System Over/Short report.

**Recommendation 1:**

The Treasurer's Office should implement a procedure to generate and review the Cashiering System Over/Short report on a monthly basis. The individual reviewing this Cashiering System Over/Short report should be someone other than a cashier. Currently the Head Cashier reviews and signs off on both her own and each cashier's Over/Short forms. These reports should be maintained to ensure the Treasurer's Office management staff is aware of the aggregate variance amount for any given year or any patterned variances. Significant variances could identify the need for individual cashier training, performance evaluation or a review of existing cashiering procedures.

**2. Are daily cash transactions accurately transferred to the City's FMIS in a timely manner?**

**Conclusion**

Based on audit tests of daily transactions generated by the Cashiering System compared to daily posting totals to the FMIS, the audit concludes that transactions completed via the Cashiering System were accurately transferred to FMIS in a timely manner.

The audit examined a Consolidated Payment Class report generated from the Cashiering System to the Journal Entry Detail report generated from FMIS. The Consolidated Payment Class report is a comprehensive listing of all transactions processed by the cashiers for a particular date. The Journal Entry Detail report contains detailed information regarding transactions that posted to FMIS from the Cashiering System. A sample of six days were selected, the Audit compared reports from both systems without any variances.

All information entered into the Cashiering System is automatically transferred to the FMIS daily, which eliminates the risk of human error in the data transfer

process. The automated data transfer is a significant strength in promoting the accurate transfer of information between FMIS and the Cashiering System.

**3. Are cash receipts properly and in a timely manner secured and deposited?**

**Conclusion**

The Treasurer's Office has implemented various internal controls to mitigate the loss or misappropriation of funds. The controls present are adequate to reduce the risk of cash misappropriation.

Strengths identified during the audit regarding safeguarding cash receipts are:

- Key to the vault is maintained by the Head Cashier
- Bundled cash is initialed by the cashier making a deposit.
- Daily balancing of actual cash on hand to Cashiering System is performed.

Risk of loss can be further reduced or minimized by implementing the prescribed recommendations.

- **Cash deposits by each cashier to the Head Cashier are not verified for accuracy prior to being accepted.**

When a cashier transfers cash from his/her drawer, it is deposited into the Head Cashier's drawer. The cashiers give the Head Cashier bundles of cash which are not recounted prior to being combined in a single drawer (i.e. the Head Cashier's drawer). During the closing process, the Head Cashier will then prepare a bank deposit of all excess cash on hand.

## **Recommendation 2:**

The audit recommends that the Head Cashier verify deposit amounts received by each cashier prior to adding the cash to his/her drawer. This recommendation was discussed with the Head Cashier to determine its practicality and has since been partially implemented. The Head Cashier now verifies all strapped fifty and one hundred dollar denominations from each cashier to ensure accuracy.

During the audit exit conference, the Treasurer's Office staff indicated that counting all money deposited to the Head Cashier would place unrealistic time constraints on the Head Cashier. However, they have agreed to continue to verify all fifty and one hundred dollar denominations deposited. Treasurer's staff have indicated that prior to excess vault cash being sent to the bank for deposit, all cash strapped by individual cashiers is counted to ensure accuracy. In the event a bundle of cash is short, the bank vendor per a contractual agreement, will submit to the City available information that may assist in reconciling any variance. A letter generated by the vice president of the vendor bank confirming variance notifications states that if a strap (i.e. bundle) of cash has a variance, the strap will be returned to assist the City in determining the cause.

- **Storage cabinets where surplus cash is kept remain unlocked during the business day.**

The vault cash is kept behind a locked gate in cabinets/drawers that are also capable of being locked. During several cash count audits, it was noted that the cabinets/drawers where surplus vault coins (maximum \$3,000) are stored was left unlocked and opened. Also, the cabinets/drawers where surplus paper currency is stored, although closed, is left unlocked. Throughout the day cashiers have access to the vault. When storing their cash drawer, cashiers occupy the vault alone. To gain access to the vault, cashiers obtain the key to the vault gate from the Head Cashier. Periodically the Head Cashier determines that there is too much vault cash on hand and a bank

deposit is necessary. The amount deposited is calculated based on the total of all cash straps. This cash is accessible to all who enter the vault.

**Recommendation 3:**

As a continuous safeguard over surplus vault cash, the Head Cashier should lock all cabinets/drawers, limiting access to the Head Cashier only. The Head Cashier should be responsible for maintaining the keys to the excess cash in a secure location. Treasurer's staff has agreed to install and utilize locks on all appropriate cabinets/drawers.

- **Storage location of the keys utilized to gain access to cash drawers allow the potential of unauthorized access.**

All keys necessary to access a cashier's drawer are kept inside the vault, which are accessible by all who enter the vault. When not in use, the cash drawers of each cashier are stored in a safe deposit compartment within the vault. To open the compartment, two keys are required, a flat control key and the cashier's assigned key. These keys, which are unmarked (i.e. not labeled with cashier name/number), hang on a board behind the vault gate. Although the keys are not marked, this key storage location still poses a risk for unauthorized access to a cashier's cash drawer.

When surveying three cashiers from outside establishments (TCF Bank, M&I Bank, and Associated Bank), all responded that they were always in possession of their cashier drawer key.

**Recommendation 4:**

To mitigate the risk of access to cash drawers by someone other than the assigned cashier, the storage location of the flat control keys should be separated from the cashier's key. The safe deposit control keys should be stored in a secure location separate from the cashier's keys.

- **The audit noted that lag time between the depository bank's notification of errors and correction within the Cashiering System have at least on one occurrence been excessive.**

The Treasurer's Office has procedures in place to ensure that items are recorded within the FMIS and Cashiering System. However, there appears to be an issue with the timeliness of recording. An Over/Short report covering the period of January 1, 2001 through April 24, 2001 was generated for review. During the review, the audit noted a \$1,000 shortage from a June 7, 1999 deposit to the bank. The Head Cashier was not notified in a timely manner to investigate and the correction was not made until 20 months (February 9, 2001) after the date of the erroneous deposit.

**Recommendation 5:**

Upon notification from the bank of an erroneous deposit, necessary analysis and adjustment should be made within the Cashiering System as soon as possible.

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**APPENDIX**

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## Appendix

**Consolidated Payment Class Report-** This report includes the combined daily transactions completed by all cashiers.

**Closing Process-** Cashiers log out of their workstation and complete a physical count of the day's receipts and balance the amounts to the Cashiering System totals. Each cashier prints out a copy of a Payment Class Report by Location, which includes all transactions processed for a particular workstation.

**Denomination Strap-** Paper strip used to bind money together based on the denomination (i.e. \$1, \$5, \$10, etc).

**Opening Process-** Cashiers sign into their workstation to allow for transaction processing.

**Over/Short Form-** A cashier completes this form when there is a variance between the cash receipts counted and the totals per the Cashiering System.

**Over Short Report-** This report is generated from the Cashiering System, it gives details on all over/short occurrences for a specified time frame.

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**DEPARTMENT RESPONSE**

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WAYNE F. WHITTOW  
CITY TREASURER



OFFICE OF THE CITY TREASURER  
MILWAUKEE, WISCONSIN

June 5, 2002

W. Martin Morics  
City Comptroller  
City Hall, Room 404

**RE: City of Milwaukee Treasurer's Office Audit**

Dear Mr. Morics:

This department concurs with the five recommendations made in the audit report and has, or will implement in the short term, all of the recommendations made.

Sincerely,

A handwritten signature in cursive script that reads "Wayne F. Whittow".

WAYNE F. WHITTOW  
City Treasurer

WFW/JFK/me

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