



**Audit of Treasurer Cash
Controls**

AYCHA SAWA
City Comptroller

ADRIANA MOLINA
Audit Manager

November 2023

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October 24, 2023

Honorable Cavalier Johnson, Mayor
The Members of the Common Council

Dear Mayor and Council Members:

The attached report summarizes the results of the Audit of Treasurer Cash Controls. The scope of the audit was:

- The cash controls within the Revenue Collection Division of the Office of the City Treasurer and the access controls over the iNovah application cashiering system from June 01, 2022, through May 31, 2023.

The primary focus of the audit was to evaluate whether the internal controls in place over the Revenue Collection Division of the Treasurer's Department are designed adequately and operating effectively.

The audit objectives were to determine the following:

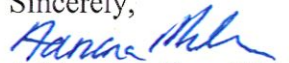
- Assess the adequacy and effectiveness of controls in place surrounding cashiering activities.
- Evaluate the adequacy and effectiveness of access controls surrounding the iNovah application.

The audit concluded that cash controls in place over the Revenue Collection Division are adequately designed and are operating effectively. The audit procedures confirmed that the internal control structure over cashiering activities ensures transactions are recorded timely and accurately and processing meets the appropriate best practices criteria. This report identified three recommendations to further enhance the control environment.

Audit findings are discussed in the Audit Conclusions and Recommendations section of this report, and are followed by management's response.

Appreciation is expressed for the cooperation extended to the auditors by personnel of the Treasurer's Department.

Sincerely,


Adriana Molina, CPA
Audit Manager



Why We Did This Audit

High risk nature of cash handling and the high volume of transactions.

Objectives

The objectives of the audit were to:

- Assess the adequacy and effectiveness of controls in place surrounding cashiering activities
- Evaluate the adequacy and effectiveness of access controls surrounding the iNovah application

Background

The Treasurer's Office fulfills the duties and responsibilities of the City Treasurer. The Divisions within the Office of the City Treasurer includes Revenue Collection, Administration and Tax Enforcement, Customer Service, and Financial Services.

The Revenue Collection Division is responsible for cashiering control and revenue collection.

The iNovah Cashier System is a browser based software package that manages the payment collection and processing activities from the City's collection sources to its accounting and information systems. The iNovah application was implemented at the City in October 2005, and is administered by the Office of the City Treasurer.

Audit Report Highlights

Audit of Treasurer Cash Controls

Overview

The audit concluded that cash controls in place over the Revenue Collection Division are adequately designed and are operating effectively. The audit procedures confirmed that the internal control structure over cashiering activities ensure transactions are recorded timely and accurately and processing meets the appropriate best practices criteria. This report identified three recommendations to further enhance the control environment.

Findings

Policies and Procedures: Approval process of changes and amendments to Revenue Collection Unit Standard Operation Procedures (SOP) Manual is not included in the manual.

Currency Limits: During January and February 2023 tellers exceeded the SOP established limit of cash in their registers.

Vault (opening/closing, maintenance and security): Hold-up alarms have never been tested.

(Recommendations can be found in the Audit Conclusions and Recommendations section of this report.)

I. Audit Scope, Objectives, and Methodology

Scope

The scope of the audit included the cash controls within the Revenue Collection Division of the Office of the City Treasurer and the access controls over the iNovah application cashiering system from June 01, 2022, through May 31, 2023.

Objectives

The objectives of the audit were to:

- Assess the adequacy and effectiveness of controls in place surrounding cashiering activities.
- Evaluate the adequacy and effectiveness of access controls surrounding the iNovah application.

Methodology

Audit methodology included developing an understanding of the processes and controls over the Office of the City Treasurer Revenue Collection Division cashiering activities. The audit program was developed using Standard Operating Procedures outlined by the City of Milwaukee Treasurer's Department and best practice controls. The following actions were taken:

- Assessed cross-training and process contingencies;
- Assessed cash variance source documentation and data retention processes;
- Assessed controls and processes in place surrounding cashiering activities;
- Reviewed internal policies, procedures, and guidelines;
- Verified managerial approval of teller voids and adjustments;
- Verified that surprise cash counts are performed consistently and timely;
- Verified successful daily general ledger upload via verification of the iNovah Allocation Detail report to the applicable FMIS journal entry detail; and
- Verified department management, or designated representative, periodically reviews user accounts to ensure only current employees have access to the application.

Compliance Statement

The audit was conducted 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 the findings and conclusions based on the audit objectives. Internal Audit believes that the evidence obtained provides a reasonable basis for the audit's findings and conclusions based on the audit objectives.

II. Organization and Fiscal Impact

In fulfilling the property tax collection function, the Office of the City Treasurer collects property tax for all government units, remits to each unit its share of the tax collections, and receives funds from the State and Federal Government via wire transfer. The office also processes Municipal Services Bill payments, inter-departmental deposits, and various licensing payments. Each year the Revenue Collection Division processes billions of dollars in transactions including millions of dollars for Milwaukee Public Schools (MPS) transactions and millions of dollars in cash and checks transactions.

III. Audit Conclusions and Recommendations

The audit assessed the adequacy and effectiveness of internal controls surrounding cashiering activities within the Revenue Collection Division of the Office of the City Treasurer. The Revenue Collection Division has established adequate preventive and detective controls over the cashiering processes. These controls were designed to provide management with assurance that cash is received and disbursed accurately, cash transactions are processed and recorded properly, and cash on hand is adequately safeguarded and deposited. The audit also evaluated the adequacy and effectiveness of access controls surrounding the iNovah application.

The audit concluded that cash controls in place over the Revenue Collection Division are adequately designed and are operating effectively. The audit procedures confirmed that the internal controls structure over cashiering activities ensures transactions are recorded accurately and timely, and processing meets the appropriate best practices criteria. However, there are certain

areas that need improvement, and those areas identified by auditors are addressed in the below recommendations.

Policies and Procedures

Organizations use policies and procedures to set the standards for acceptable behavior and business practices. Policies and procedures are living documents that should grow and adapt within an organization. While the core elements of policy may stay the same, the details should change with the organization. Policy review and revision is a crucial part of an effective policy and procedure management plan. Outdated policies can leave an organization at risk, and old policies may fail to comply with new laws and regulations. Regularly reviewing policies and procedures keeps an organization up-to-date with regulations and best practices, and ensures that its policies are consistent and effective. The Revenue Collection Division policies and procedures are up-to-date and in alignment with current cashing activities.

Finding: The approval process of changes and amendments to the Revenue Collection Unit SOP Manual is not included in the manual.

Risk: Procedures may not be updated in a timely manner. *Risk Rating: Medium*

Recommendation 1: The approval process of changes and amendments to the Revenue Collection Unit SOP Manual should be included in the manual. In addition, the Revenue Collection Unit Manager and/or approved unit member should perform an annual review of SOPs and document amendments with an appending history of changes table for each SOP.

Currency Limits

A teller will maintain their beginning cash drawer below an established limit. The exception to this rule is during the peak of property tax collection season (mid-December to December 31st) when a cashier is allowed to maintain a higher balance.

Finding: During January and February 2023 tellers exceeded the established limit in 16 out of 223

examined instances.

Risk: Unnecessarily high impact in the event of misappropriation of assets. *Risk Rating: Medium*

Recommendation 2: Tellers must maintain their beginning cash drawer below the established limit.

Main Vault (opening/closing, maintenance and security)

There are hold-up alarms located under each teller window station. Based on the revenue Collection Unit procedures the hold-up alarms should be tested once a year and additional tests are done on an as-needed basis.

Finding: Hold-up alarms have never been tested.

Risk: Unknown hold-up alarm malfunctions can lead to potential monetary loss and safety concerns in the event of a robbery attack. *Risk Rating: Medium*

Recommendation 3: Hold-up alarms should be tested as per SOP No.: RCU-403.



Aycha Sawa, CPA, CIA
Comptroller

Bill Christianson
Deputy Comptroller

Toni Biscobing
Special Deputy Comptroller

Richard Bare, CPA
Special Deputy Comptroller

October 25, 2023

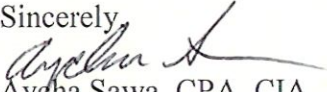
Honorable Cavalier Johnson, Mayor
The Members of the Common Council

Dear Mayor and Council Members:

With this letter, the Office of the City Comptroller acknowledges receipt of the preceding report, which communicates the results of the Audit of Treasurer Cash Controls. I have read the report and support its conclusions. Implementation of the stated recommendations will help improve City processes.

As the City Comptroller, I was not involved in any portion of the work conducted in connection with the audit. At all times, the internal Audit Division worked autonomously in order to maintain the integrity, objectivity, and independence of the audit, both in fact and in appearance.

Sincerely,


Aycha Sawa, CPA, CIA
Comptroller



Spencer Coggs
City Treasurer

James F. Klajbor
Deputy City Treasurer

Margarita M. Gutierrez
Special Deputy City Treasurer

Robyn L. Malone
Special Deputy City Treasurer

OFFICE OF THE CITY TREASURER Milwaukee, Wisconsin

October 25, 2023

Aycha Sawa, City Comptroller
Adriana Molina, Audit Manager
City Hall, Room 404

RE: Department Response to the Audit of Treasurer Cash Controls

The Office of the City Treasurer provides the following response to the Audit of Treasurer Cash Controls:

Finding #1: The approval process of changes and amendments to the Revenue Collection Unit SOP Manual is not included in the manual.

Risk: Procedures may not be updated in a timely manner. *Risk Rating: Medium*

Recommendation #1: The approval process of changes and amendments to the Revenue Collection Unit SOP Manual should be included in the manual. In addition, the Revenue Collection Unit Manager and/or approved unit member should perform an annual review of SOPs and document amendments with an appending history of changes table for each SOP.

Department Response: Rest assured that the department's standard operating procedures (SOP's) are updated on a timely basis. The SOP's are not drafted nor updated in a vacuum. A participatory process is used where management collaborates with staff to assure that each SOP is written so that every user understands the procedure being detailed. The department has no objection to codifying the SOP approval process, whereby the Investments and Financial Services Director will review and approve any changes to the Revenue Collection Division's SOP's in addition to the Revenue Collection Manager.

Finding #2: During January and February 2023 tellers exceeded the established limit in 16 out of 223 examined instances.

Risk: Unnecessarily high impact in the event of misappropriation of assets. *Risk Rating: Medium*

Recommendation #2: Tellers must maintain their beginning cash drawer below the established limit.

Department Response: Since the dollar amount of tax bills continues to rise, as has the number and dollar amount of property tax refunds, the cash draw limit has been raised during the entire term of the current tax collection period, December 15 through and including February 7 and the SOP has been updated accordingly.

Finding #3: Hold-up alarms have never been tested.

Risk: Unknown hold-up alarm malfunctions can lead to potential monetary loss and safety concerns in the event of a robbery attack.
Risk Rating: Medium

Recommendation #3: Hold-up alarms should be tested as per SOP No.: RCU-403.

Department Response: Please note that the department has police officers on-site during normal business hours. The alarm system is under the purview of the Department of Public Works (DPW). This department has no objection to collaborating with DPW and its contractors, as well as the Milwaukee Police Department, to assure the alarm system is tested on an annual basis.

Respectfully Submitted,

SPENCER COGGS
City Treasurer



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