



**Audit of
The Department of Public
Works Self-Help Center Cash
Controls**

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City Comptroller

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Office of the Comptroller

October 16, 2013

To the Honorable
The Common Council
City of Milwaukee

Dear Council Members:

The attached report summarizes the results of our Audit of the Department of Public Works Self-Help Center Cash Controls. The objectives of the audit were to: evaluate the controls over all collections processes, the cashiering system and reconciliation procedures, to evaluate the timeliness and the accuracy of deposits to the Treasurer's office, and to evaluate the timeliness and the accuracy of the recording of revenue to the city's general ledger.

The Self-Help Center has defined procedures for collecting payments, depositing funds, and recording revenue in the city's general ledger. Overall, the audit determined that there are adequate internal controls over cash handling at the Self-Help Center. The audit determined that there are minimal opportunities for improvement in the processes and controls for cash handling. This audit makes four recommendations to strengthen internal policies and procedures in the department.

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

Appreciation is expressed for the cooperation extended to the auditors by the staff and management of the Self-Help Center.

Sincerely,

A handwritten signature in black ink, appearing to read "Aycha Sirvanci".

Aycha Sirvanci, CPA
Audit Manager

AS:pad



I. Audit Scope and Objectives

The audit examined the procedures and controls over the cash received for payment of fees for the disposal of construction debris at the two locations of the Self-Help Center. The Self-Help Center only accepts cash and credit cards as payment for the disposal of construction debris. The audit included all collections received by the Self-Help Centers for the period January 1, 2013 through June 30, 2013. The audit included interviews of the cashiers at both locations and of the Self-Help Supervisor. The audit included a review of the city of Milwaukee and Imperial Parking Corporation policies and procedures manuals, and the deposits created by the cashiers at both Self-Help Centers. The audit also examined the timeliness and accuracy of the recording of revenue in the city's general ledger and of the wire transfers from Imperial Parking Corporation to the Treasurer's Office. The Audit Division believes that the evidence obtained provides a reasonable basis for the audit's findings and conclusions based on the audit objectives.

The Self-Help Center contracts with the Imperial Parking Corporation to manage revenue collection and the cash maintenance processes at the city's two Self-Help Centers. Imperial Parking Corporation employs the cashiers, safeguards the cash, transports daily cash deposits, and wire transfers (weekly) the daily deposits received to the city's bank account. No employee of the city of Milwaukee employed at the Self-Help Centers handles cash and no employee of Imperial Parking Corporation determines the amount charged for a load of construction debris which is a proper application of segregation of duties. The audit did include a review of the cash controls performed by the cashiers at the Self-Help Centers. However, the audit did not include an independent review of the cash controls at the local branch office of Imperial Parking Corporation.

The objectives of the audit were to:

- Evaluate controls over all collections processes, the cashiering system and reconciliation procedures.
- Evaluate timeliness and accuracy of deposits to the Treasurer's office.
- Evaluate timeliness and accuracy of the recording of revenue to the city's general ledger.

II. Organization and Fiscal Impact

City of Milwaukee residents have two convenient locations (6660 North Industrial Road and 3879 West Lincoln Avenue) where they can recycle and safely dispose of a wide variety of residential refuse. To gain access into the Self-Help Center, at least one occupant must provide proof of city of Milwaukee residency. The driver of the vehicle must also have a valid driver's license from within the United States. No contractors or commercial vehicles are allowed on the premises to dump. There is a charge for all city residents bringing construction debris into the Self-Help Center. This includes roofing material, brick, stones, concrete, lumber, drywall, paneling and other construction materials. The charge is \$15 for up to 8 cubic yards and \$30 for 8-16 cubic yards (16 cubic yard maximum). As a result, the Self-Help Centers have generated substantial revenues over the past three years.

Yearly revenue for the past three years:

Year	Approximate Revenue
2010	\$487,000
2011	\$694,000
2012	\$709,000

The city has entered into a contract with Imperial Parking Corporation for this operation. Terms of the contract include the following:

- The total contract price is \$113,354.96 per year which is payable monthly;
- The duration of the contract is for a period of two years commencing July 1, 2012;
- The contract may be extended for up to three (3) one-year extensions, by mutual agreement between the city and the contractor;
- A cash shortage provision that requires the city to be reimbursed the amount of any cash shortage by Imperial Parking Corporation. This includes fees not collected because a cashier was late reporting to work;
- And, the Imperial Parking Corporation will furnish all necessary equipment, operators, and incidentals required to successfully manage the revenue collection processes and controls at the two Self-Help Centers.

III. Audit Conclusions and Recommendations

An internal control system provides reasonable assurance regarding the achievement of the following objectives: effectiveness and efficiency of operations, reliability of financial reporting, compliance with applicable laws and regulations, and the safeguarding of assets. Control activities are used to attain these objectives. Control activities are the measures used to help ensure that management directives are carried out and that risks are addressed. The control activities relevant to the Self-Help Center include having defined policies and procedures, proper approvals verifications, reconciliations, security measures, and proper segregation of duties.

The Self-Help Center has designed an internal control system for the safeguarding and maintenance of cash and revenues collected. The internal control system for cash handling is crucial to prevent the mishandling of funds and is designed to safeguard and protect employees. All employee roles, responsibilities and processes have been specifically defined regarding the cash handling processes.

The audit concluded that there are minimal opportunities for improvement over the processes and controls of the Self-Help Center. This audit makes four recommendations for improvement.

1. Management should strive to expedite the preparation of the revenue allocation journal entry.
2. Management should review the reconciliation of the weekly wire received from Imperial Parking Corporation periodically.
3. Changes or comments added to reports should be initialed and dated by the Imperial Parking Corporation employee who wrote them.
4. Cashiers should be required to sign the report that they prepare.

Details for each recommendation are provided in the following sections.

A. Self Help Center

A city employee is assigned to the gatehouse at each Self-Help Center in order to: examine vehicles for acceptable/unacceptable materials; load sizes; load types and vehicle types; verify the residency of the vehicle occupants; and verify that the driver has a valid driver's license. The gatehouse attendant initiates the transaction by giving the resident the appropriate ticket for the load size. The resident then drives up to the cashier's booth and the cashier accepts payment from the resident based on the ticket that was given to the resident by the gatehouse attendant. Payment is made by cash or credit card. The gatehouse attendant and the cashier independently record the starting and ending ticket numbers utilized each day. At the end of the day, the projected amount of revenue is calculated based on the number of tickets received as compared to the actual payments received. All ticket numbers must be accounted for. If a ticket is missing, the missing ticket number is documented on the cashier's paperwork which must be reviewed and approved by the Self-Help Supervisor. The cashier's forms/documentation, credit card receipts, tickets, cash register reports, and cash are placed in a deposit bag and put in the safe. An Imperial Parking Corporation manager picks up the deposit from the Self-Help Center and takes it to the local Imperial Parking Corporation branch office.

Imperial Parking Corporation wires the transfer of the total amount of cash received each week to the city of Milwaukee's bank account. The Self- Help Supervisor reconciles the wire transfer amount to the cashier's paperwork. The Self-Help Supervisor prepares a journal entry for the Treasurer's Office to allocate the wire transfer amount to the appropriate general ledger accounts.

The audit determined that, on average, the journal entry to allocate the wire transfer from Imperial Parking Corporation into the city's general ledger, the Financial Management Information System (FMIS) is made one to two months after the wire transfer has been received by the Treasurer's Office. The Self Help Supervisor does not have access to the city's computer system from either of the Self-Help Centers.

Recommendation 1: Management should strive to expedite the preparation of the revenue allocation journal entry.

If the Self Help Supervisor had access to the city's computer system, from either Self-Help Center, the journal entry to allocate the amount of the wire transfer from Imperial Parking Corporation, into the city's general ledger (FMIS), would be completed in a timelier manner.

Currently, the Self-Help Supervisor performs the reconciliation of the wire transfer amounts received from Imperial Parking Corporation to the ticket numbers. This reconciliation is not reviewed by a manager.

Recommendation 2: Management should review the reconciliation of the weekly wire received from Imperial Parking Corporation periodically.

The Manager performing the review should sign and date the reconciliation as evidence that the review was performed.

B. Imperial Parking Corporation

The following recommendations relate to the cashiers who are employed by the Imperial Parking Corporation, which is the vendor that has been contracted to perform cash handling and maintenance functions at the Self-Help Centers.

The audit found that comments and adjustments were made to standard forms prepared during the daily cash processing and maintenance. There was no indication of who the author of these changes was on the reviewed forms.

Recommendation 3: Changes or comments added to reports should be initialed and dated by the Imperial Parking Corporation employee who wrote them.

The initialing and dating of changes and comments made to reports allows for the expedited identification and contact of the individual that made the changes or comments should any follow-up questions ever arise.

During the testing phase of the audit, it was noted that several reports that were to be completed and signed by the cashier were not signed by the cashier.

Recommendation 4: Cashiers should be required to sign the report that they prepare.

Requiring the signature of the cashier on the form allows for expedited identification of the cashier that performed and documented the work when there are follow-up questions regarding a cashier's daily work (as opposed to referencing daily schedules in order to identify which cashier was on duty on a given day).



Department of Public Works
Sanitation & Forestry Services

Ghassan Korban
Commissioner of Public Works

Preston D. Cole
Director of Operations

Wanda Booker
Sanitation Services Manager

David Sivy
Forestry Services Manager

October 14, 2013

Martin Matson
City Comptroller
Office of the City Comptroller
City Hall, Room 400

Re: Response to Audit of Self-Help Center Cash Controls

Dear Mr. Matson,

Thank you for the opportunity to respond to the draft audit report on self help center cash controls. We found the audit process to be thorough and objective, and we appreciate the work your staff has done. I want to offer my personal appreciation to you and your audit staff for the thoughtfulness and professionalism with which the audit was conducted. Please see my response to each recommendation below.

Recommendation #1 – Management should strive to expedite the preparation of the revenue allocation journal entry.

The Department of Public Works agrees with this recommendation. This was a concern we noted in March, 2013, before the audit was conducted. We authorized a laptop for the Self-help Supervisor so that the reconciliations could be done in a timely manner from the Self-help centers rather than waiting for the supervisor to come downtown to do them. The laptop was purchased, configured and delivered to the self help supervisor on July 29, 2013.

Recommendation #2 – Management should review the reconciliation of the weekly wire received from Imperial Parking Corporation periodically.

The Department of Public Works agrees with this recommendation. Currently, the Administrative Services Manager reviews reconciliations periodically. However, the review is not a documented process. Going forward, the Administrative Services Manager will review the reconciliations at least monthly and document the process.

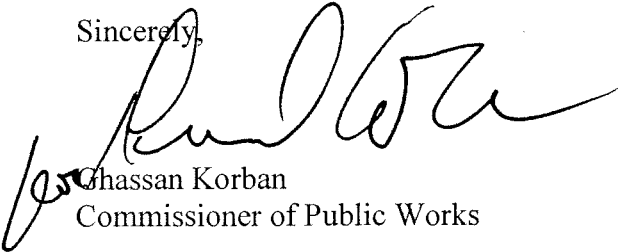
Recommendation #3 – Changes or comments added to the reports should be initialed and dated by the Imperial Parking Corporation employee who wrote them.

The Department of Public Works agrees with this recommendation. Currently, the contracted IMPARK employee in the self help pay booth initials and dates any changes they make. However, office employees for the contractor do not. We have reiterated this requirement to the contractor and ALL of their staff will now initial and date any changes made to the reports.

Recommendation #4 – Cashiers should be required to sign the report that they prepare.

The Department of Public Works agrees with this recommendation. The contracted cashiers are instructed to sign their daily reports. However, this does not always occur. The on-duty cashier can be identified by looking at the work schedule, but we agree the reports should be signed. We have communicated to the contractor the necessity of cashiers signing the reports daily. We will routinely monitor this going forward.

Sincerely,



Ghassan Korban
Commissioner of Public Works

Cc: P. Cole
W. Booker
P. Klajbor
J. Garrison