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**Audit of  
City Treasurer  
Cash Controls**

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**W. MARTIN MORICS**  
City Comptroller  
City of Milwaukee, Wisconsin

March 2010

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Office of the Comptroller

March 24, 2010

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

Michael J. Daun  
Deputy Comptroller

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

Craig D. Kammholz  
Special Deputy Comptroller

To the Honorable  
the Common Council  
City of Milwaukee

Dear Council Members:

The attached report summarizes the results of our Audit of City Treasurer Cash Controls. The objectives of the audit were to determine whether cash controls in the Office of the Treasurer are adequate; whether cash receipts are properly and timely secured and deposited to the bank; and whether daily cash transactions are accurately and timely recorded in the City's Financial Management Information System (FMIS).

The audit determined that cash controls in the Treasurer's Office are generally adequate. The audit disclosed that cash is properly and timely secured, transferred and deposited and that the computerized cashiering system utilized by the Treasurer's Office accurately posts the correct dollar amounts to FMIS. The audit makes two recommendations to strengthen controls further.

Audit findings are discussed in the Audit Conclusions and Recommendations 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 Office of the Treasurer.

Sincerely,

W. MARTIN MORICS  
Comptroller

## **I Audit Scope and Objectives**

The audit examined procedures and controls for cash handling in the Office of the Treasurer, including vault and cash drawer access and security, cash counting and reconciling, and cash transaction processing and posting. The audit also examined wire transfers, Automated Clearing House (ACH) transactions, and bank account reconciliations.

This audit was conducted in accordance with generally accepted government auditing standards. Those standards require that the audit obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. The Office of the Comptroller believes that the evidence obtained provides a reasonable basis for the audit's findings and conclusions based on the audit objectives.

Audit procedures for this report were conducted periodically throughout 2009. The auditors conducted unannounced sample cash counts and observations. The auditors observed and reviewed the year-end 2009 teller closing, balancing and reconciling process. Treasurer's Office reports, bank statements, automated cashier system reports and reports from the City's accounting system, the Financial Management Information System (FMIS), were reviewed for audit testing purposes.

The objectives of the audit were to:

- Determine the adequacy of cashiering controls.
- Determine the adequacy of controls over wire transfers, ACH transactions, and bank account reconciliations.
- Determine whether cash transactions are recorded accurately and timely in the Treasurer's automated cashiering system and the FMIS.

## **II Organizational and Fiscal Impact**

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

- Receiving and accounting for all monies paid to the City of Milwaukee
- Making disbursements vouchered for payment by the City Comptroller
- Investing City funds not needed to meet current expenditures

- Collecting property taxes for the City, Milwaukee Public Schools, Milwaukee County, Milwaukee Area Technical College
- Collecting miscellaneous fees for the Milwaukee Metropolitan Sewerage District, and the State of Wisconsin
- Collecting delinquent property taxes for all taxing jurisdictions within the City
- Settling property tax levy collections on a pro-rata basis with the other taxing jurisdictions and remitting to each jurisdiction their share of the taxes collected.

In fulfilling its property tax collection functions, the Treasurer collects property taxes for all government units and remits to each unit its share of the tax collections. Considerable funds are also received from the State and Federal governments by wire transfer. The Treasurer's Office processes water bill payments, bus ticket sales, inter-departmental deposits and various licensing payments. About \$2.6 billion in cash transactions were processed by the Treasurer in 2009, including \$474 million by the Treasurer's tellers.

The Office of the Comptroller conducts periodic cash audits of the Treasurer and other City departments to ensure that cash is adequately handled and controlled. Cash audits are also performed by the City's outside auditors during their annual independent audit of the City's Comprehensive Annual Financial Report (CAFR).

### **III Audit Conclusions and Recommendations**

Cash controls are designed to provide management with assurance that cash is received and disbursed accurately; that cash transactions are processed and recorded properly; and that cash on hand is adequately safeguarded and deposited.

The audit determined that the cash controls in the Treasurer's Office are generally adequate. Year-end teller closing procedures are adequate, with a proper segregation of duties for the cashiering staff. Random surprise cash counts by the Treasurer's staff on a weekly basis provide further control over cash on hand. The Treasurer's automated cashiering system provides an audit trail for all cashiering transactions and identifies any transaction errors or exceptions. Accounting controls are adequate to assure that cash transactions are recorded accurately and timely, and that any exceptions are reported for managerial review. The audit also found controls over banking and investment activities to be adequate. The Treasurer has implemented all previous audit recommendations. This audit makes two recommendations.

## **A. Cashiering Controls**

Internal controls over cash are designed to: assure that cash is received and disbursed accurately; that cash transactions are recorded properly; and that remaining cash, or inventory, is safeguarded from loss, including theft.

The audit disclosed that internal controls over cash are, in general, adequate. Strong accounting controls are in place to assure that cash transactions are recorded accurately and that any exceptions are reported for managerial review and sign-off. The audit also disclosed that year-end closing procedures are followed with proper segregation of duties for the cashiering staff.

### **Recommendation 1: Count all cash drawers at least bi-weekly**

It is recommended that the all teller's drawers be surprise counted on a bi-weekly basis at minimum. Review of surprise count logs showed that teller's drawers are counted on a weekly basis, however, on occasion throughout the year there were three weeks or more between the Revenue Collection Manager's surprise counts.

## **B. Cash Security**

The audit determined that cash is properly and timely secured and deposited to the bank. Also, controls for securing cash are currently adequate.

All vault cash is kept in safes, lock boxes, deposit bags or delivery boxes within the secured section of the vault. The main vault door is open during business hours, but the cash is kept in a separate area of the vault that is locked at all times. Only the Revenue Collection Manager and Lead Teller have keys to this secure vault area. The audit observed that when cash is needed from vault, the Revenue Collection Manager enters the secured area and obtains the necessary funds.

The cash drawers used by the tellers are locked and stored in the vault when not being used. Cash drawer keys are in the possession of the tellers at all times; spare keys are stored in a locked box, and the keys to the safes and locked box are in the possession of the Revenue Collection Manager and Lead Teller.

## **C. Transaction Processing**

The audit determined that cash transactions are recorded accurately in the Treasurer's automated cashiering system and the Citywide Financial Management Information System (FMIS).

The Treasurer's automated cashiering system includes an Optical Character Scanning (OCR) capability that tellers use to scan property tax remittances directly into the system for quicker and more accurate transaction processing. The system records payment amount, payment type (i.e. check, currency or credit card) and calculates the amount of change or refunds due. The Treasurer's cashiering system is designed to identify any transaction errors or exceptions. Reports generated by this system are reviewed by management on an on-going basis. This system also provides a paper trail for all cashiering transactions. The Treasurer's automated cashiering system was last upgraded in 2009.

The audit traced a sample of transactions from the automated cashiering system to the City FMIS ledger system and found that cashiering transactions were accurately posted to the FMIS.

Cashiering variances are recorded and monitored. A teller variance report is used to record the amount of a variance, reason for the variance, name of the teller, date of variance, reviewing supervisor as well as findings, conclusions, and recommendations. The audit determined that the reports were complete and accurate.

### **Recommendation 2: Document the reason for all voided transactions**

It is recommended that when voiding a transaction in the automated cashiering system a reason for the void always be documented. Review of voids for the year of 2009 showed that during a three month period, the majority of voids did not have a documented reason. Standard procedures for voiding transactions should also be added to the Operating Procedures Manual.

## **D. Banking and Investment Controls**

The audit reviewed and observed the procedures for wire transfers, ACH transactions, bank reconciliations and investment activities. The audit found that there are proper controls and segregation of duties for these transactions. The Comptroller's Office will continue to monitor the operation of the Treasurer's cash controls and procedures in subsequent audits.

**WAYNE F. WHITTOW**  
City Treasurer



**James L. Hanna**  
Deputy City Treasurer

**James F. Klajbor**  
Special Deputy City Treasurer

**OFFICE OF THE CITY TREASURER**  
**Milwaukee, Wisconsin**

March 23, 2010

W. Martin Morics  
Comptroller  
City Hall, Room 404

**RE: 2009 Cash Controls Audit Recommendations - Draft**

Dear Mr. Morics:

This is in response to the Audit of the City Treasurer's Cash Controls dated March 2010. Here are the responses to the two recommendations cited in the audit.

**Recommendation 1 – Count all cash drawers at least bi-weekly**

**We agree with the recommendation but on occasion, there will be time periods of more than two weeks.**

The audit indicated that on occasion, there was a gap of three weeks or more between unannounced money counts in 2009 for the Revenue Collection Manager. The Revenue Collection Manager's drawer is "surprise" counted once per pay period as required by our procedures. Since the "surprise" count is unannounced and done randomly, some money counts could be done at the beginning of a pay period, while others could be done at the end of the next pay period. It is possible that a three week period could result under those conditions.

Another scenario where there might be a gap of three weeks is during the Revenues Collection Manager's vacation time. The Revenue Collection Manager's cash drawer is counted prior to time off and "surprise" counted within two weeks of her return. The Lead Teller, who is in charge during the Revenue Collection Manager's absence, is "surprise" counted weekly during those periods.

**Recommendation 2 – Document the reason for all voided transactions**

**We agree with the recommendation and have updated our Cashiering System Software to resolve the issue.**

There was an error in the cashiering system software for part of 2009 (from 7/23/09 to 10/28/09). The software error prevented comments from being entered for a "certain" category of voids. An upgrade from the manufacturer in 2009 fixed the error and all voids have been documented since.

Please direct any questions on the above responses to Jim Hanna, Deputy City Treasurer, at extension 3761.

Sincerely,

  
**WAYNE F. WHITTOW**  
City Treasurer

WFW/JLH

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