



OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

Denny L. Nester, City Auditor
MBA CPA CIA CFE CGFM CGAP

18-19 City of Colorado Springs Audit of Cash Receipts—City Sales Tax and Pikes Peak – America's Mountain

June 2018

Purpose

The purpose of this audit was to evaluate whether specific City departments were abiding by the internal cash receipting policies and procedures while adequately safeguarding resources. The audit period covered January through December 2017.

Highlights

We conclude that, for the locations reviewed, policies and procedures were followed. However, controls should be improved to ensure adequate safeguarding of cash receipts. In the course of our review, we identified two observations and one opportunity for improvement to strengthen the internal control environment.

We reviewed controls over the acceptance of cash at the City Administration Building, as well as, cash collection by Pikes Peak - America's Mountain and Sales Tax Investigators. Our audit period covered the twelve months ended December 31, 2017. To offer citizens convenient service, the City's cash receipt activities continued to be decentralized by location and department.

As noted in our previous audit reports, limited staffing in some locations made it difficult to segregate duties appropriately. During 2017, the City Finance Department continued efforts to centralize some cash receipting duties to improve controls.

Pikes Peak - America's Mountain was included in the City's Parks, Recreation and Cultural Services Division. Visitors could pay via cash or credit card.

The City Sales Tax and Accounts Receivable functions were combined and reported to the City's Finance Department. Several payment methods were available for taxpayers to remit sales tax. These included on-line payment, via mail to a bank lockbox, and in person at the City Administration Building.

Management Response

Management was in agreement with our recommendations. Responses may be found on pages two and three of this report.

Recommendations

1. Pikes Peak America's Mountain and City Finance management should implement the following to improve controls:

- The two employees reconciling the daily cash should sign the deposit slip. A copy should be retained in the daily reconciliation package.
- City Finance should review the daily reconciliation package, then enter deposits into the accounting system.
- Reassign Point of Sale system administrator access to someone without cash receipts responsibilities.

2. City Finance should revise policy and procedure to mitigate risk related to Sales Tax Investigators collecting cash payments.

Opportunity for Improvement

1. For the City Sales Tax walk-in location, consider greater segregation of duties for cash receipts.

City Council's Office of the City Auditor

City Hall, 107 North Nevada Ave. Suite 205, Mail Code 1542, Colorado Springs CO 80901-1575

Tel 719-385-5991 Fax 719-385-5699 Reporting Hotline 719-385-2387

www.ColoradoSprings.gov/OCA

18-19 CITY OF COLORADO SPRINGS CASH RECEIPTS AUDIT OF CITY SALES TAX AND PIKES PEAK - AMERICA'S MOUNTAIN

Observation 1

At Pikes Peak-America's Mountain, controls were not in place to ensure all cash received was deposited to the bank and recorded in the City's accounting system.

- Duties were not adequately segregated because two employees individually performed cashier duties, had custody over cash, performed reconciliations, and recorded the deposits in the City's accounting system.
- One employee also had system administrator access to the local system. System administration access could allow an employee to make an adjustment to transactions recorded.

Recommendation

Pikes Peak—America's Mountain management and City Finance should implement the following:

- Require the two employees who prepare the deposit to sign the deposit slip. A copy of the signed deposit slip should be retained in the daily reconciliation package.
- City Finance should review the signed daily sales records to the signed bank deposit slips for agreement, then enter the deposits into the accounting system.
- Reassign system administrator access to someone that does not have cash receipts responsibilities and access to cash. If this is not possible, City Finance should conduct a periodic review of transactions in the local system.

Management Responses

City Finance

City Finance agrees with this observation. We have worked with Pikes Peak- America's Mountain leadership to begin entering their deposits into PeopleSoft. Daily, Pikes Peak-America's Mountain staff reconcile cash to sales records, prepare deposits, and initial the deposit slip with the two employees involved. Information is then sent to City Finance (specifically, City Accounts Receivable). City Accounts Receivable reviews the information and enters a receipt into the General Ledger. The receipt copy is then emailed back to Pikes Peak-America's Mountain for inclusion in their report package. City Finance and Pikes Peak- America's Mountain leadership will work together to determine the best path for conducting periodic reviews of the Point of Sale system. City Finance is also actively working with Pikes Peak—America's Mountain leadership on a Point of Sale replacement system. We expect to have a new system in place and fully operational by third quarter of 2018.

Pikes Peak - America's Mountain

We agree with the observation and have implemented process changes in May, 2018. We will work with City Finance to implement Point of Sale system reviews. Removal of POS system administration would have an adverse effect on the daily operations. Therefore, City finance should conduct a periodic review.

18-19 CITY OF COLORADO SPRINGS CASH RECEIPTS AUDIT OF CITY SALES TAX AND PIKES PEAK - AMERICA'S MOUNTAIN

Observation 2

Sales Tax Investigators could accept cash payments from taxpayers when performing investigation field visits.

A receipt was provided to the customer. However, controls would be improved if a policy was in place to mitigate the risk of acceptance of cash payments. Accepting cash could also be considered a safety concern.

Recommendation

City Finance should revise policy and procedure to mitigate the risk related to Sales Tax Investigators collecting cash payments from taxpayers.

Management Response

City Finance agrees with this observation. The City's Assistant Finance Director will continue to work with the Sales Tax Investigator supervisor to determine the best method to address this observation. Prior to this internal audit, discussions had started regarding the safety of staff with carrying cash. To be discussed will be the business need, business friendliness, and safety and security of City staff. This process will be reviewed and any changes implemented by the fourth quarter of 2018.

Opportunity 1

Accounts Receivable and Sales Tax Technicians worked as a cross-functional team to perform cash receipts duties. Team members accepted cash payments from walk-in customers, performed cash reconciliations, prepared bank deposits, entered transactions into the accounting system, and had custody of cash.

There was a possibility that one technician could perform all the cash receipts functions for the same day. Mitigating controls were in place, but greater segregation of duties in daily assignments could be considered to further strengthen controls.

Recommendation

City Finance should consider having technicians better separate their daily cash receipts duties.

For example, the technician who receives cash and prepares the deposit should not perform cash reconciliation and enter payments into the accounting system.

Management Response

City Finance agrees with this opportunity. At this time, City Accounts Receivable is implementing a daily reconciliation of the cash drawer for sales tax. It is department policy to have two City Accounts Receivable employees count cash received and initial the deposit slip. Additionally, the front desk camera has been relocated to better capture activity by City Accounts Receivable staff with access to the cash drawer. The four City Accounts Receivable technicians are divided into two teams – one team handles central Accounts Receivable duties, while the other team handles sales tax activity. Within each team the duties are segregated as able. We will evaluate further opportunities to strengthen segregation by the end of the third quarter 2018.

This audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing, a part of the Professional Practices Framework promulgated by the Institute of Internal Auditors.