

**BROOME COUNTY
DEPARTMENT OF
AUDIT AND CONTROL**

**DOG SHELTER
CASH HANDLING / REVENUE PROCESSING AUDIT**

JUNE 2017

Alex J. McLaughlin, Comptroller



Broome County Department of Audit and Control

Alex J. McLaughlin, Comptroller . Daniel J. Reynolds, Chairman of the Legislature

June 8, 2017

Jason T. Garnar, County Executive:

The Department of Audit and Control has completed an audit of the Broome County Dog Shelter. The principal objective was to assess the processes and controls employed by the Dog Shelter with respect to cash handling and revenue processing.

The audit was conducted in accordance with generally accepted auditing standards. Such standards require that the Department of Audit and Control plan and perform the audit to adequately assess the accuracy of the financial records and adequacy of the internal controls, and that we examine, on a test basis, sufficient, competent and relevant evidence to afford a reasonable basis for our conclusions.

Based on the results of our examination, except for the instances noted herein, it is our opinion that the Dog Shelter employs proper processes and controls with respect to cash handling and revenue processing.

Sincerely,

Alex J. McLaughlin
Comptroller

cc: Daniel J. Reynolds, Chairman of the Legislature
Members of the Legislature
Aaron M. Martin, Clerk of the Legislature
Kevin M McManus, Deputy County Executive
James Dadamio, Director, Security

BACKGROUND INFORMATION:

We have audited the Broome County Dog Shelter's internal controls related to handling and safeguarding cash and cash equivalents. Responsibility for the Dog Shelter is currently with Security Services. Security Services, in turn, is under the direction of the Commissioner of Public Works.

The purpose of our Audit was to assess the extent to which the Dog Shelter has effective processes and controls for safeguarding funds.

We examined all cash and cash equivalent collections (revenue, donations and gift cards). We reviewed processes beginning with the establishment of rates, collection of revenue, making of deposits and related accounting entries.

In addition, we examined functional responsibilities to ensure adequate segregation of duties related to the collection, deposit, and recording of receipts. We ensured receipts were deposited intact and in a timely manner and traced transactions from initial transaction point to the bank account and general ledger. We also examined physical controls over cash received at the Dog Shelter and internal controls over donated gift cards.

We examined year to date cash receipts recorded for 2016 (thru October) and we traced supporting documentation from the Dog Shelter documentation to the general ledger for the month of April 2016.

Deposits are prepared at the Dog Shelter and picked up by Security Services. The deposit information is subsequently entered in the County financial system (PeopleSoft) by a Senior Account Clerk in the Office of Management and Budget.

Revenue:

Payments received for pet adoptions, impoundment redemptions, boarding, baths, pet sign overs, and vaccination fees are posted to a revenue account (acct. #5000226) within Security's Services budget.

Revenue budgeted for 2016 was \$90,000. Year to date revenue recorded, thru October of 2016, was \$75,885. Revenue recorded for the month of April 2016 was \$9,395.

Donations:

Payments received from donations are recorded in a trust account (acct # 4660001). As a trust account, the receipts and expenditures from this account are outside of the budget process.

Year to date donations recorded, thru October of 2016, were \$33,651. Donations received for the month of April 2016 were \$1,232.50. The donations trust account general ledger balance, as of the end of October 2016, was \$346,894.

We thank the Staff at Security, the Dog Shelter, and the Office of Management and Budget for their time and assistance in completing this audit.

DOG SHELTER CASH HANDLING/ REVENUE PROCESSING CONTROLS AUDIT AUDIT FINDINGS, RECOMMENDATIONS AND RESPONSES

FINDING 1: INCOMPATIBLE DUTIES ARE NOT EFFECTIVELY SEPERATED

During our audit, we examined segregation of duties related to the collection, deposit, and recording of cash receipts. Some separation of incompatible duties does exist because revenue and donation receipts are entered in the County's financial system by a Senior Account Clerk within the Office of Management and Budget. However, at the Dog Shelter itself, incompatible duties are not effectively segregated. Specifically, the same employee that collects cash receipts could also prepare the bank deposit to be picked up by Security Services.

Segregation of duties is one of the most important features of strong internal controls over cash. Ideally, the custody of assets, recording of transactions, authorization to execute transactions, and periodic reviews and reconciliations should be performed by different people.

Effectively segregating duties of the different aspects of the cash handling process increases the likelihood that innocent errors will be found and flagged for correction. Additionally, proper segregation of duties reduces the risk of fraud as it would require collusion by two or more individuals.

If limited staff is an issue, compensating controls would reduce the vulnerabilities caused by the ineffective segregation of duties

RECOMMENDATION:

We recommend that the Dog Shelter improve segregation of duties.

MANAGEMENT RESPONSE:

Given the limited amount of staff, segregation of duties is challenging however these findings reiterate the importance of those practices. To improve and strengthen these internal processes, the Shelter manager and other full time staff have been tasked with specific duties on a daily or as needed basis to include the receipt and opening of mail, recording donations, and preparing deposits of funds for OMB.

**DOG SHELTER CASH HANDLING/ REVENUE PROCESSING CONTROLS AUDIT
AUDIT FINDINGS, RECOMMENDATIONS AND RESPONSES**

FINDING 2: CASH RECEIPTS NEED TO BE BALANCED AND RECONCILED

During our examination, we assessed how transactions involving cash are collected. The Dog Shelter does not use a cash register. Currently, any available employee collects cash receipts at the counter. The monies are then placed in a drawer. At the end of the day, the cash revenue is counted and the amount is written on a piece of paper, initialed and kept in the cash drawer. Sometimes excess money will be pulled from the drawer and stored in the file cabinet until a deposit is made. We noted that this process does not properly balance and reconcile cash receipts.

Internal controls related to cash handling require balancing and reconciliation procedures to be in place and performed daily.

Balancing and reconciliation procedures help ensure that all monies received are handled and recorded properly. Also, balancing and reconciling receipts allows the origins of overages and shortages to be identified, investigated and correctly recorded.

RECOMMENDATION:

We recommend that the Dog Shelter purchase a cash register. The manager should confirm daily that receipts balance to the register tape.

MANAGEMENT RESPONSE:

We agree and have purchased a cash register for all financial transactions. Staff have received training on the proper usage of the register and were assigned unique employee designations when logged on and utilizing the system. The Shelter Manager has been tasked with the responsibility to ensure the daily cash receipts balance to the register tape.

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FINDING 3: EMPLOYEES SHOULD BE RESPONSIBLE FOR OWN CASH DRAWER

During our examination, we noted that employees collecting cash are not assigned and held responsible for their own cash drawer.

Maintaining a separate cash drawer for each employee that is charged with collecting fees increases accountability.

Separate cash drawers would reduce the risk of theft or loss of cash.

RECOMMENDATION:

We recommend that the Dog Shelter assign a separate cash drawer to each employee.

MANAGEMENT RESPONSE:

Given the limited amount of staff as well as the daily operational tasks to be completed it would be difficult to require that each employee maintain a separate cash drawer. While we agree that transactions conducted by various employees should be separate and identifiable, the recent acquisition of the cash register allows for a separate and unique code to be assigned to each employee as they are logged on. We are confident that this compensating control will achieve the accountability for each employee as this audit suggests.

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FINDING 4: RECEIPTS FOR DONATIONS ARE ISSUED ONLY WHEN REQUESTED

During our audit, we examined the internal controls related to the collection and recording of cash donations received at the Dog Shelter. Donations are generally received either through the mail or at the counter. The Dog Shelter recorded a total of \$1,235.50 from donations during April of 2016. Of the 16 donations recorded, 14 were paid by check. The 2 remaining donations were paid in cash. Of the 2 cash donations, one was made over the counter and the remaining cash donation was an accumulation from a cash box/jar on the counter. Receipts for donations are issued only when requested.

All donations received should be recorded on a prenumbered receipt. Issuing receipts provides supporting documentation for the donations received.

Receipts allow management to periodically verify that donations received have been properly recorded.

In addition, it provides necessary documentation for donors that may claim an income tax deduction.

RECOMMENDATION:

We recommend that the Dog Shelter implement a policy to issue receipts for all donations received through the mail and at the Dog Shelter.

As it relates to the donation box/jar at the counter, we recommend that management post a sign asking donors to please request a receipt for record keeping purposes.

MANAGEMENT RESPONSE:

The shelter routinely receives donations from the public consisting of money, pet food, or other needed supplies. Currently all donations of money are logged in and receipts are generated upon request, however we agree that documenting all donations in a ledger book and issuing receipts is a good practice to institute. This recommended practice has been implemented and all records generated will be maintained as required with the established records retention schedule.

Additionally, signage has been placed at the reception counter donation box asking donors to request a receipt for record keeping purposes.

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FINDING 5: GIFT CARDS SHOULD BE MONITORED

During our audit, we examined the internal controls related to gift cards that are donated to the Dog Shelter. A record is maintained that notes the beginning gift card balance and cash register tape support the deductions from the balance. The cash register tapes for purchases are maintained at the Dog Shelter. We noted that the process would be improved if the gift cards were monitored by the Senior Account Clerk (OMB) that is responsible for recording receipts in the County's financial system (PeopleSoft).

Monitoring internal controls helps ensure that the internal controls continue to operate effectively.

Assigning the monitoring of gift cards to an employee not involved with the process of receiving and spending gift cards strengthens the internal control. Any issues can be identified and communicated to management.

RECOMMENDATION:

We recommend that the Dog Shelter submit gift card balances and purchase receipts to the Office of Management and Budget

MANAGEMENT RESPONSE:

This recommended practice has been implemented and upon the receipt of a merchandise card, the Shelter manager will forward it to the Senior Account Clerk in OMB to be logged in and stored for safe keeping until needed. As needed the Shelter Manager will request the merchandise card from OMB and return the unused portion of the card (if applicable) and the corresponding receipt reflecting the purchases made.

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FINDING 6: MAIL RECEIPTS ARE NOT LOGGED

During our audit, we noted that the Dog Shelter does not have an employee assigned the responsibility of opening the mail and recording receipts on a list or in a journal.

Checks, cash, and gift cards received in the mail can be safeguarded by assigning an employee the responsibility of opening the mail and recording the date, name of remitter, amount and type of receipt (cash, check or money order). The employee assigned responsibility for opening the mail and recording the receipts should not be responsible for preparing deposits.

Creating an initial record of cash receipts allows management to periodically compare the record to deposit records. In turn, management has greater assurance that all receipts received in the mail are accurately deposited.

RECOMMENDATION:

We recommend that the Dog Shelter assign an employee responsibility for opening the mail and recording the receipts on a list or in a journal.

MANAGEMENT RESPONSE:

This recommended practice has been implemented. The Shelter Manager is responsible to open and distribute the daily mail as appropriate and record the receipts in a journal. In the event of a prolonged absence of the Manager, these duties will be assigned to the Senior Kennel worker on a temporary basis.

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**FINDING 7: DONATIONS INCORRECTLY CLASSIFIED AS DOG SHELTER
REVENUE**

During our audit, we examined all April 2016 detail transactions. We noted that a donation deposit was erroneously posted to the revenue account.

As previously noted, the Dog Shelter's monies are classified as fees for services and donations. The donations trust account funds are restricted to expenditures for the Dog Shelter and the revenue account receipts are not restricted. Therefore, the correct classification of the Dog Shelter's receipts is important.

Donations erroneously posted to the revenue account could potentially be spent on expenditures not related to the Dog Shelter, which is not the intended purpose of the donations.

RECOMMENDATION:

We recommend an adjustment to correct the error. We also recommend that OMB periodically compare the deposit information provided by the Dog Shelter to the transactions posted to the general ledger.

MANAGEMENT RESPONSE:

The referenced error has been corrected and we are requesting OMB conduct the periodic comparisons as recommended.

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FINDING 8: DOG SHELTER WRITTEN POLICIES AND PROCEDURES

During our examination, we noted that the Dog Shelter does not have any written policies and procedures describing the cash handling process.

We also noted that the Dog Shelter does not have written emergency policies, procedures that cover workplace violence, robbery, and the potential need for evacuation, etc....

Written policies and procedures help provide reasonable assurance that an organization will achieve its objectives, that assets and resources will be adequately safeguarded and that various functions are being performed by the appropriate personnel and in the proper manner.

Maintaining written policies and procedures inform employees of their duties and responsibilities. Written policies and procedures can also serve as a training resource when employees change jobs or retire.

Written workplace emergency policies and procedures help protect employees.

RECOMMENDATION:

We recommend that the Dog Shelter develop and maintain written cash handling policies and procedures.

We also recommend that the Dog Shelter, in consultation with Security Services, develop and maintain written workplace emergency procedures.

MANAGEMENT RESPONSE:

The Dog Shelter currently has numerous written policies and procedures that encompass operations, staff and volunteer responsibilities. Over the past several months, the Director of Security and the Shelter Manager have been updating many of these procedures in addition to creating other needed written policies. Written procedures for cash handling, operational, staff responsibilities, volunteer procedures, and emergency plans continue to be created with a target completion date of December 31, 2017.

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FINDING 9: IMPROVEMENT IN PHYSICAL SAFEGAURDS TO PROTECT CASH

During our examination, we evaluated physical safeguards in place to prevent the loss of cash. We noted that the cash drawer used is not adequately secured after hours. Stored cash should be locked in a safe.

Physical safeguards over cash is an important aspect of internal controls. All forms of currency should be appropriately safeguarded to reduce the risk of theft or loss.

Effectively employing physical safeguards over cash reduces the opportunity for theft or loss of cash to occur.

RECOMMENDATION:

We recommend that the Dog Shelter improve their physical safeguards over cash by locking the cash drawer in a safe every night. Additionally, the Dog Shelter should adopt a policy that makes sure safe combinations are changed, keys are collected and or/locks are changed periodically or at least with turnover of staff that had access.

MANAGEMENT RESPONSE:

We agree and have purchased a safe that is adequate for the needs of the shelter for safeguarding the deposits. Recombining of the safe will be completed as appropriate and to further enhance the access ability to the shelter, the evaluation of electronic access control is being evaluated.