



# City of Covington, Kentucky

## Office of the Internal Auditor

### Reason for Review

This review was conducted at the request of the Covington Police Department and approved by the City Manager.

The review focused on the cash drawer, documentation of payments made to Records Section personnel, and departmental compliance with policies and procedures specific to the Records Section.

### About the Records Section

The Covington Police Department Records Section receives cash and check payments for the purchase of accident reports and other documents.

## Police Department Records Section

### Summary

The Internal Auditor conducted a special review of the Covington Police Department Records Section in March 2016. The Internal Auditor performed an onsite visit to the Police Department, interviewed relevant staff in the Police and Finance Departments, and assessed compliance with policies and procedures. During the review, the Internal Auditor found that Police Department personnel have not followed established policies and procedures to log incoming revenue or review cash activities. Additionally, the Records Section operates both a cash drawer and a petty cash fund out of the same cash box. Neither fund has been reported to the Finance Department.

### Department Response

**Covington Police Department:** *The Covington Police Department agreed with the recommendations in this report and plans to implement all seven recommendations.*

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## Cash Drawer

The Records Section maintains a \$40.00 cash drawer for the purpose of making change for the purchase of accident reports and other documents. The same cash drawer is also used for petty cash purchases, such as postage. The Internal Auditor could not determine the origin of the \$40.00 used by the Records Section, and while the petty cash appears to be accounted for separately from revenue, it is kept in the same cash box. As of March 2016, no Records Section cash drawer or petty cash fund is on file with the City's Finance Department. Additionally, multiple employees use the same drawer to accept payments and/or distribute change during the course of daily business. This practice decreases each individual's accountability for funds in the drawer.

On March 10, 2016, the Internal Auditor performed an unannounced cash count of the Records Section's cash box. An unannounced cash count was also done by the previous Internal Auditor in February 2015. The Police Department's Fiscal Management Policy, General Order Number 17.1, requires a quarterly review of the Records Section's cash activities by Professional Compliance staff; however, this review is not currently completed.

During the February 2015 cash count, the cash box balance was \$30.20. In March 2016, staff reported a balance of \$11.84; however, the actual balance was \$11.94. Since February 2015, three purchases for postage were made using petty cash:

- March 5, 2015 – \$5.75 for postage
- May 6, 2015 – \$1.61 for postage
- January 27, 2016 – \$5.95 for postage

The Internal Auditor verified each purchase through approval forms and receipts maintained by Records Section personnel. The approval process followed existing internal policies; however, it should be noted that the postage purchase on January 27, 2016 totaled \$6.45, and \$.50 is due to a current employee. Additionally, a \$5.00 shortage was documented on September 2, 2015. The cause of this shortage could not be determined.

## Recommendations

- 1) *The Records Section should not operate a petty cash fund and a cash drawer out of the same box, as they serve different purposes. Records Section personnel should use the City's postage meter or FedEx account to send accident reports or other documents to recipients. For small office purchases, Records Section personnel should use the petty cash fund maintained by the Police Chief's Executive Assistant. This would eliminate the need for a separate petty cash fund in the Records Section. The petty cash fund*

*maintained by the Police Chief's Executive Assistant is recognized by the Finance Department.*

- 2) The Police Department should work with the Finance Department to establish a cash drawer for the Records Section. If multiple employees accept cash payments, the Police Department should work with the Finance Department to establish a cash drawer for each employee. Each cash drawer should consist of funds advanced by the Finance Department for Records Section personnel to make change for accident reports and other documents. An appropriate log of all cash and check revenue, by employee, should be maintained. Each cash drawer should be balanced daily. A custodian for each cash drawer should be assigned.*
- 3) Multiple employees should not accept payment or provide change out of the same cash drawer, as this practice does not separate individual employee transactions.*
- 4) Professional Compliance staff should conduct quarterly reviews of the Records Section's cash activities, as required by the Police Department's Fiscal Management Policy, General Order Number 17.1. This review would provide additional oversight of cash activities.*
- 5) The Police Department should update its internal policies and procedures, as appropriate.*

## **Documentation of Payments**

Records of cash payments are maintained through hardcopy receipts and handwritten daily reconciliation logs. Both the Police Department's Fiscal Management Policy, General Order Number 17.1, and Records Section procedures require that all receipts be logged in the Section's Check Log Excel Spreadsheet. Three sections of the Police Department use one of these spreadsheets to log revenue – the Crime Lab, the Chief's Office, and the Records Section. The purpose of the spreadsheet is to document all revenue received; however, no cash payments have been entered into the Records Section's spreadsheet since at least March 2014.

Currently, cash payments received by the Records Section are not recorded in a way that can be aggregated and analyzed. Based on a sample review of 68 cash receipts, the Records Section appears to be sending the receipts and revenue to the Finance Department for deposit, as required by its policies; however, logging these payments electronically would create a central log that could be aggregated and used by Police and Finance Department staff. Staff in both departments use the spreadsheet to assess incoming revenue.

It should be noted that the Records Section also maintains a cash transfer log to record daily revenue; however, the log does not indicate payment type (cash or check), nor does it include descriptive information, such as payee or receipt number. Since transaction-level details are not

logged electronically by the Records Section for cash payments, the Internal Auditor could not determine the amount of cash revenue received between March 2014 and March 2016.

All checks received by the Records Section are logged in its Check Log Excel Spreadsheet by multiple employees. For each check, the receipt number, payee, check amount, and reason for receipt are documented. Between March 2014 and March 2016, check payments totaled \$8,534. As with cash transactions, the Internal Auditor selected a sample of check payments deposited by the Finance Department for review. Based on the selected sample, the Records Section appears to be providing check revenue to the Finance Department. For an example of the data included in the Records Section’s Check Log Excel Spreadsheet, see **Exhibit 1**.

**Exhibit 1\***

**Records Section Check Log Excel Spreadsheet Data**

**December 2015**

Receipt		Received From	Reason for Receipt	Revenue		Mailed to		Comments
Receipt #	Date			Code	Amount	Endorsed	Finance Date	
698XXX	12/15/2015	Ky. Farm Bureau	accident rpt 15-05XXXX	MISC POL	\$5.00	YES	12/18/2015	via Cadet; signed by [Finance Staff]
698XXX	12/15/2015	Lexis Nexis	accident rpt 15-05XXXX	MISC POL	\$5.00	YES	12/18/2015	via Cadet; signed by [Finance Staff]
698XXX	12/15/2015	Lexis Nexis	accident rpt 15-05XXXX	MISC POL	\$5.00	YES	12/18/2015	via Cadet; signed by [Finance Staff]
Source: Covington Police Department								
*Identifying information, including receipt and report numbers and employee names were removed by the Internal Auditor.								

It should be noted pre-numbered receipts for both cash and check payments are not continuously used in sequence. The Internal Auditor determined that two pre-numbered receipt books are both used by Records Section employees to record revenue. Continuously using pre-numbered receipts in sequence, and assigning a receipt book to each cash drawer, would establish an audit trail by employee, enable staff and auditors to group daily receipts, and identify missing payments.

**Recommendations**

- 6) *Records Section personnel should follow existing policies and procedures and enter all cash and check receipts into the Check Log Excel Spreadsheet. If multiple employees accept payments during the course of daily business, a Check Log Excel Spreadsheet should be maintained for each employee. Maintaining separate logs for each employee holds the employee accountable for payments they receive.*
- 7) *Records Section personnel should continuously use pre-numbered receipts in sequence and assign a receipt book to each cash drawer.*