



City of Covington, Kentucky

Office of the Internal Auditor

Reason for Review

This follow-up review was performed to determine the implementation status of each recommendation in the March 2016 Police Department Records Section Special Review. That review was conducted at the request of the Covington Police Department and approved by the City Manager.

The 2016 review focused on the cash drawer, documentation of payments, and compliance with policies and procedures.

About the Records Section

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

Police Department Records Section – Follow-up Review

Some issues in the March 2016 report have been addressed.

Summary

Following the March 2016 report, the Police Department updated its fiscal management policies (General Order Number 17.1), and created two cash drawers for two Records Section employees to accept payments. The policy changes also eliminated the Records Section's petty cash fund, which the Finance Department did not advance or reconcile. The updated fiscal management policies require each employee accepting payments to record revenue in a separate daily log. While these changes address some recommendations in the initial report, the Internal Auditor found that, as of March 2017, four employees share two cash drawers, three pre-numbered receipt books, and two revenue logs. As noted in the initial report, such practices reduce individual accountability over funds in the drawer.

Prior to the 2016 report, Records Section staff operated a cash drawer that was not advanced or reconciled by the Finance Department. The two current cash drawers in the Records Section were established by the Finance Department in April 2016, and the drawers were included on the June 30, 2016 list of City-wide cash drawers and petty cash funds. The Internal Auditor continues to recommend that each employee accepting payments have a separate cash drawer, pre-numbered receipt book, and revenue log to track receipts.

In regard to the quarterly cash reviews required by the Police Department's fiscal management policies (General Order Number 17.1), the Department has consistently performed these reviews since July 2016. A Supervisor in the Administration Bureau conducts the review, which provides additional oversight of the Department's cash activities.

A draft copy of this report was provided to the Police Department and the Finance Department. The Police Department's comments have been incorporated in this report. The Finance Department did not provide comments.

The March 2016 Police Department Records Section Special Review can be found on the City' website: http://www.covingtonky.gov/Portals/covingtonky/Documents/2016_03_audit_policerecordsfunds.pdf.

Follow-up Review, March 2017

Police Department Records Section

Cash Drawer

Report Recommendations	Current Implementation Status
<p>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.</p> <p>The March 2016 report found that multiple Records Section employees used one cash drawer to receive revenue and as a petty cash fund.</p>	<p>Addressed: If a Records Section employee makes a small office purchase (\$25 or less, per City and Department policies), the employee now uses the Administrative Section’s petty cash fund. Since the initial report, Records Section staff made one petty cash purchase.</p>
<p>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.</p> <p>The 2016 report found multiple employees used one cash drawer to receive payments for accident reports and other documents. A revenue log used to track payments by Police Department management and Finance Department staff did not include cash payments since at least 2014. Therefore, transactions could not be aggregated and analyzed.</p>	<p>Partially Addressed: Since the initial report, the Finance Department advanced \$80 to individual Records Section employees to establish two \$40 cash drawers; however, as of March 2017, four Records Section employees access the cash drawers and record revenue in two revenue logs.</p> <p>The revenue logs were created for and assigned to two individual drawer custodians by the Finance Department; however, the logs are currently used by four employees, along with three pre-numbered receipt books. The Finance Department was not aware that multiple Records Section employees document daily receipts in each log.</p> <p>Police Department Response: <i>“Four cash drawers have been requested for each of the records clerks [from the Finance Department] as well as four revenue logs and four receipt books.”</i></p>

<p>Multiple employees should not accept payment or provide change out of the same cash drawer, as this practice does not separate individual employee transactions.</p> <p>The March 2016 report found that multiple Records Section employees accepted revenue, including cash. All employees used one cash drawer, decreasing individual accountability and responsibility for cash in the drawer.</p>	<p>Not Addressed: In 2016, the Finance Department advanced \$80 to two Records Section employees to establish two, \$40 cash drawers. The Police Department’s updated fiscal management policies (General Order Number 17.1) require the drawers be assigned to specific individuals.</p> <p>In March 2017, the Internal Auditor determined two Records Section employees each share a cash drawer, pre-numbered receipt book, and a revenue log. A sample of September 2016 receipts showed all four employees recorded revenue in one employee’s revenue log during the sample period.</p> <p>Police Department Response: <i>“Four cash drawers have been requested for each of the records clerks [from the Finance Department] as well as four revenue logs and four receipt books.”</i></p>
<p>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.</p> <p>The March 2016 report found the Department’s fiscal management policies, General Order Number 17.1 required a quarterly review of the Records Section’s cash activities; however, the Police Department was unable to provide documentation of these reviews. Noncompliance with the fiscal management policies reduced oversight of the Records Section’s activities.</p>	<p>Addressed: The Police Department updated its fiscal management policies (General Order Number 17.1) to require that a Supervisor from the Administration Bureau conduct a quarterly review of the Department’s cash activities. The Department provided quarterly cash reviews, completed by a Supervisor in the Administration Bureau in July and October 2016 and January 2017, to the Internal Auditor.</p> <p>The October 2016 review noted a \$5 shortage in one of the two cash drawers; however, this shortage was not reported to the Finance Department. The Finance Department should expense the shortage amount to restore the \$40 beginning balance.</p>
<p>The Police Department should update its internal policies and procedures, as appropriate.</p> <p>The 2016 report noted that addressing some of the recommendations would require updates to the Department’s policies and procedures.</p>	<p>Partially Addressed: The Police Department updated its fiscal management policies (General Order Number 17.1) to create two cash drawers for the Records Section and eliminate its petty cash fund; however, current practices do not follow these policies, since two employees who are not drawer custodians can access a cash drawer and the revenue logs.</p> <p>Police Department Response: <i>“Policies have been updated to reflect the four different accounts and employees advised of the new policy.”</i></p>

Follow-up Review, March 2017

Police Department Records Section Documentation of Payments

Report Recommendations	Current Implementation Status
<p>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.</p> <p>The March 2016 report found one Check Log Excel Spreadsheet (also referred to as a revenue log) was used by all Records Section employees to log checks. Since cash receipts were not documented on the revenue log, as required by policies and procedures, transactions could not be aggregated and analyzed by the Police or Finance Departments without hardcopy receipts.</p>	<p>Partially Addressed: As of March 2017, two drawer custodians are each assigned a revenue log (also referred to as a Check Log Excel Spreadsheet) to document receipts; however, the two logs are actually used by four employees.</p> <p>The Finance Department was unaware four Records Section employees access the revenue logs. The two revenue logs created by the Finance Department in 2016 were assigned to specific employees (the two drawer custodians), and the transactions in the logs do not indicate other individuals accept payments.</p> <p>Police Department Response: <i>“Four cash drawers have been requested for each of the records clerks [from the Finance Department] as well as four revenue logs and four receipt books.”</i></p>
<p>Records Section personnel should continuously use pre-numbered receipts in sequence and assign a receipt book to each cash drawer.</p> <p>The March 2016 review found pre-numbered receipt books were used out-of-sequence by multiple employees for the same cash drawer. This method of use reduced the effectiveness of an audit trail and the likelihood of identifying missing transactions.</p>	<p>Not Addressed: Four Records Section employees share three pre-numbered receipt books.</p> <p>Police Department Response: <i>“Four cash drawers have been requested for each of the records clerks [from the Finance Department] as well as four revenue logs and four receipt books.”</i></p>