

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER**

**AUDIT OF THE OFFICE OF FINANCE AND TREASURY (OFT)'s
CASHIERING OPERATIONS AT SELECTED DISTRICT LOCATIONS**

OFFICE OF INTEGRITY AND OVERSIGHT



GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer



Office of Integrity and Oversight

MEMORANDUM

TO: Jeffrey Barnette, Deputy Chief Financial Officer and Treasurer
Office of Finance and Treasury

FROM: Timothy Barry, Executive Director 
Office of Integrity and Oversight

DATE: August 3, 2016

SUBJECT: Final Report: Audit of Office of Finance and Treasury (OFT)'s Cashiering
Operations at Selected District Locations (OIO Code No. 16-01-11 OFT)

This final report summarizes the results of the Office of the Chief Financial Officer (OCFO)'s Office of Integrity and Oversight (OIO)'s Audit of the Office of Finance and Treasury's (OFT)'s Cashiering Operations at Selected District Locations. The objectives of the audit were to determine whether OFT: 1) complied with the applicable laws, regulations and internal policies and procedures; 2) established internal controls to adequately safeguard assets from fraud, waste, and abuse; and 3) adequately monitored cashiering operations.

We provided four recommendations to address the findings cited in the report. OFT concurred with the recommendations and has proceeded to implement them. We consider OFT's actions as fully responsive to our recommendations.

We appreciate the assistance and cooperation that you and your staff provided to OIO during this audit. Should you have any questions or need additional information, please contact me at (202) 442-6433, or Tisha Edwards, Internal Audit Director, at (202) 442-6446.

Attachment

cc: Jeffrey DeWitt, Chief Financial Officer, Government of the District of Columbia
Angell Jacobs, Deputy Chief Financial Officer and Chief of Staff, OCFO
Marshelle Richardson, Chief Risk Officer, OCFO
Baraka Ondiek, Continuous Improvement Officer, OCFO
Clarice Wood, Associate Treasurer, Banking and Operations, OFT

**AUDIT OF OFFICE OF FINANCE AND TREASURY (OFT)'s CASHIERING
OPERATIONS AT SELECTED DISTRICT LOCATIONS**

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**AUDIT OF OFFICE OF FINANCE AND TREASURY (OFT)'s CASHIERING
OPERATIONS AT SELECTED DISTRICT LOCATIONS**

ACRONYMS

AFO	Agency Fiscal Officer
CAUSES	College of Agriculture, Urban Sustainability and Environmental Sciences
CFO	Chief Financial Officer
DCFO	Deputy Chief Financial Officer
DCRA	Department of Consumer and Regulatory Affairs
FY	Fiscal Year
GAGAS	Generally Accepted Government Auditing Standards
MPD	Metropolitan Police Department
TCP	Tip Card Program
OCFO	Office of the Chief Financial Officer
OFT	Office of Finance and Treasury
OIO	Office of Integrity and Oversight
POC	Payment Operations Center
UDC	University of the District of Columbia

EXECUTIVE SUMMARY

OVERVIEW

This final report summarizes the results of the Office of the Chief Financial Officer (OCFO)'s Office of Integrity and Oversight (OIO)'s audit of the Office of Finance and Treasury (OFT)'s Cashiering Operations at selected District locations between March 16 and March 23, 2016. The locations selected for the audit were:

- 1) The Department of Consumer and Regulatory Affairs (DCRA),
- 2) The OFT's Main Cashiering Office, and,
- 3) The University of the District of Columbia (UDC).

The audit was performed as part of OIO's continuous audit coverage of OFT's Cashiering Operations to ensure that effective internal controls are in place to prevent and detect misappropriation of the District's assets.

The audit objectives were to determine whether OFT:

- complied with the applicable laws, regulations and internal policies and procedures;
- established internal controls to adequately safeguard assets from fraud, waste, and abuse; and
- adequately monitored cashiering operations.

CONCLUSIONS

We found no discrepancies in the cash audits performed at the three selected OFT cashiering locations. We noted during our audit, that issues on overages and shortages were satisfactorily resolved by OFT through its monthly internal audits. However, we found that the Cashiering Unit is not complying with the existing OFT policies and procedures requirements as it relates to administering the Metropolitan Police Department (MPD) Tip card program and University of the District of Columbia (UDC) gift card program.

SUMMARY OF RECOMMENDATIONS

We provided four recommendations to the Deputy Chief Financial Officer/Treasurer, OFT, that focused on:

- Updating the MPD Tip card policies and procedures to reflect current operation processes and controls. Communicating the updated policies and procedures to all affected parties at OFT and MPD.
- Developing and implementing an audit and reconciliation checklist for the OFT Cashiering audit group to comply with the Tip card audit and reconciliation requirement.

EXECUTIVE SUMMARY

- Reinforcing with Cashiers the significance of adhering to the agency's policies and procedures to ensure that valuable gift cards are accounted for and adequately documented.
- Developing and implementing an audit checklist for the OFT's Cashiering audit group to perform the monthly audit of the gift cards inventory.

MANAGEMENT RESPONSE AND OIO COMMENTS

OIO received a written response from the OFT's Associate Treasurer on July 20, 2016, concurring with our findings and recommendations. OFT has taken, or is in the process of taking, certain corrective actions to address the noted deficiencies. We consider OFT's planned corrective actions to be responsive to our recommendations. The full text of OFT's response is included as an Appendix to this report.

INTRODUCTION

BACKGROUND

The Office of Finance and Treasury (OFT) is responsible for managing the cash and other liquid assets of the District government, as well as its borrowings and debt repayment. The office coordinates payments to vendors and service providers, accepts payments for services and taxes, invests cash not needed for immediate disbursement, and maintains relationships with the investment community. At the time of our audit, OFT oversees eleven cashiering sites for revenue collections. We visited three of the eleven sites for this audit, between March 16 and March 23, 2016. The three sites visited were: Department of Consumer and Regulatory Affairs (DCRA); the OFT Main Cashiering Office (Main Office); and the University of the District of Columbia (UDC).

Table 1 below summarizes the type of collection transactions for each Cashiering Site.

Table 1: Type of Collection Transactions

No.	Location & Address	Collection Transactions
1	The Department of Consumer and Regulatory Affairs (DCRA) 1100 4 th Street, SW 2 nd Floor Washington, DC 20024	License (Professional) Applications, Special Permits and Bulk Deposits.
2	Main Cashiering Office 1101 4 th Street, SW W150 – Suite 1665 Washington DC 20024	Cigarette Tax Stamps, Imprest Funds, Check Cashing, Agency Bulk Deposits, and One Fund Contributions.
3	University of the District of Columbia (UDC) 4200 Connecticut Avenue, NW. Room 201 Washington DC 20008	Student Payments, Tuition & Mandatory Fees, Library Fines, Transcripts, Graduation/Commencement Fees, Graduate Admission Deposit, Application Fee, Law School Seat, Deposits, Lost ID card, Student Semester Parking, Agency Third Party Payments, Housing Deposit/Payments, Immunizations, Child Care Payment – Lab School, Returned Check Fees.

Source: OFT: Cashiering Operations Manual

In addition to the duties noted above, the Main Cashiering Office administers the MPD Tip Card Program (MPD/TCP). The MPD/TCP administers prepaid debit cards to compensate citizens that

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come forward anonymously with meaningful crime tips that assist District police in crime reduction or case resolution. The OFT administers the MPD/TCP in collaboration with MPD and the Citibank Transaction Services who provides the card stock and an electronic processing system for managing tip cards operations. The OFT Payment Operations Center is responsible for loading the cards with the value provided by MPD and the Main Cashiering office is responsible for securing and distributing the tip cards to the recipients.

Additionally, the UDC Cashiering Office maintains gift cards on behalf of UDC's College of Agriculture, Urban Sustainability and Environmental Sciences (CAUSES) for its benefits program. The gift cards are used for research, academic programs, and community outreach initiatives and seek to improve the quality of life and economic opportunity for the residents of the District of Columbia.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the audit were to determine whether OFT:

1. Complied with the applicable laws, regulations and internal policies and procedures;
2. Established internal controls to adequately safeguard assets from fraud, waste, and abuse; and
3. Adequately monitored cashiering operations.

In order to achieve our objectives, we performed the following procedures:

- Obtained an understanding of the internal control structure for the selected locations.
- Performed surprise cash counts at the identified three locations in the presence of the OFT's Audit Coordinator and Teller Supervisor.
- Reviewed applicable legislation, administrative rules and OFT's Cashiering Procedures Manual.
- Examined documentation supporting various cash transactions processed on the dates of the surprise cash count, or the previous day, and interviewed the cashiering personnel for additional information.
- Counted and reconciled to inventory list, cigarette tax stamps, MPD tip cards and gift cards, held for sale and distributions respectively.
- Performed physical inventory count of the items secured in the Vault and compared them to the attached Inventory List.
- Reviewed OFT's monthly internal audit reports for the period covering September 1, 2015, through January 31, 2016.
- Reviewed the OFT's daily cash overages and shortages Excel spreadsheets and its supporting documentation.

INTRODUCTION

This performance audit was conducted in accordance with generally accepted government auditing standards (GAGAS) issued by the United States Government Accountability Office. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

FINDINGS AND RECOMMENDATIONS

FINDING 1: INTERNAL CONTROLS OVER MPD TIP CARD PROGRAM

SYNOPSIS:

During our cash count at the Main Office vault, we reviewed the Metropolitan Police Department (MPD) Tip Card Program (MPD/TCP) and found:

- Two loaded cards were improperly batched;
- An audit of the tip card inventory was not properly performed

Although there are procedures in place for the MPD/TCP, the OFT Cashiering Unit was not familiar with the detailed procedures and some processes have changed since the implementation of the procedures. As a result, the procedures do not reflect the current controls and processes in place.

DISCUSSION:

The Main Cashiering Office is responsible for safeguarding and distributing the tip cards. The tip cards are kept in the Main Cashiering vault and are separated between loaded and blank (unloaded cards) with a hard copy inventory report. The inventory report lists the pertinent information such as the instant card number (blank cards), tip number, the amount on the card, the cashier and cashier supervisor who released the card and the pick-up date (loaded cards).

As part of our cash count at the Main Cashiering Office, we examined and counted the tip cards. During our count, we matched the loaded cards against the hard copy inventory report and noted that two cards listed on the inventory report as loaded and awaiting pick-up, were not included in the loaded bundle of cards. We searched for the cards and found the two loaded tip cards totaling \$275 (\$125 and \$150 respectively) bundled with the blank cards. While the cards were maintained securely in the vault, they should be maintained in the proper bundle to ensure that they are easily located for pick-up.

Quarterly Audits and Reconciliations

In addition to counting the tip cards, we requested and reviewed the applicable policies and procedures for the MPD/TCP. At the time of our audit, the OFT Cashiering Unit did not have the procedures readily available and were not aware of the requirements set forth in the procedures.

FINDINGS AND RECOMMENDATIONS

A pertinent excerpt from the existing MPD/OFT Policies and Procedures on OFT's Instant Card Program Section 20010203, Paragraph 20010203.60.5, titled: Recordation and Settlement on page 6, states:

- On a quarterly basis, the Cashiering Unit will be audited by the Treasury Operations Manager [Revenue Operations Officer] and a count of the card stock compared to the active spreadsheet card log will be performed as reconciliation.

In our review of the Cashiering Unit audit report dated December 31, 2015, we noted that an MPD tip card inventory report was included that indicated that the tip card inventory was audited by two cashiers who are also responsible for distributing the cards. We could not determine what their audit entailed. In addition to the quarterly audit, the procedures state that the Cashiering Unit is to perform a reconciliation; however, the Cashiering Unit sends the MPD tip card inventory schedule to the OFT POC unit manager who performs the reconciliation.

RECOMMENDATIONS:

We recommend that the Deputy Chief Financial Officer and Treasurer, OFT:

1. Update the MPD/TCP policies and procedures to reflect current operation processes and controls so that tip cards are safeguarded, audited and reconciled on a routine basis to maintain the financial integrity, funding, and card security of the program. The updated policy should be communicated to the relevant personnel at OFT and MPD to ensure proper implementation of internal controls.

Management Response (Recommendation 1)

OFT concurred with the recommendation and stated that the Cashiering Unit and the Payment Operations Center (POC) will work in conjunction with the MPD to update and revise the MPD/TCP policies and procedures to reflect current practices.

OIO Comment

OFT planned corrective action is responsive and meets the intent of the recommendation.

2. Develop and implement an audit checklist for the OFT's Cashiering group to comply with the tip card audit and reconciliation requirement.

FINDINGS AND RECOMMENDATIONS

Management Response (Recommendation 2)

OFT concurred with the recommendation and noted that the Revenue Collections/ Cashiering Unit along with the Payment Operations (POC), will develop and implement procedures to include, but not limited to, a checklist for cashiers and management to be used with both audits and reconciliation of the MPD/TCP cards.

OIO Comment

The planned corrective action is responsive and meets the intent of the recommendation.

FINDINGS AND RECOMMENDATIONS

FINDING 2: INTERNAL CONTROLS OVER GIFT CARDS

SYNOPSIS:

During our walkthrough at the UDC Cashiering site we found the following exceptions:

- a. One (1) \$20.00 Gift Card documented as issued on the inventory sheet was found during our inventory count.
- b. Two (2) Gift Cards security codes were incorrectly listed on the inventory sheets.

Although there is a monthly internal audit performed by OFT personnel, the approach used to perform the audit did not detect these exceptions. As a result of these errors, inventory was undervalued by \$20 and incorrect inventory information was noted.

DISCUSSION:

The UDC Cashiering site distributes gift cards as part of the benefits disbursement through the College of Agriculture, Urban Sustainability and Environmental Sciences (CAUSES) benefit programs. The Cashiering Office is responsible for providing a secure environment for the distribution of gift cards and ensures that they are distributed to authorized recipients.

In our review of gift cards at the UDC Cashiering Site, a \$20 Gift Card purportedly issued was still among the cards OIO counted; therefore, the inventory is understated by \$20. Moreover, at the same cashiering location, we also found that two gift cards Security Codes were incorrectly listed on the inventory sheets as noted in Table 2 below:

Table 3: UDC NW, Washington DC – Gift Cards

Card Number	Wrong Security Code	Correct Security Code	Amount on Card
6099-9986-0374	9068	2341	\$5.00
6099-9986-0376	2341	9068	\$5.00

OFT's Banking and Operation Division Policies and Procedures Manual, Cashiering Operations University of the District of Columbia, Section 20010607-7A.30, effective 10/01/2011 and last updated 07/30/2012, Gift Cards states:

- The Cashier Operations Manager must perform a monthly audit of the gift cards.

FINDINGS AND RECOMMENDATIONS

Although the OFT Cashiering Personnel performed monthly audits as required, they did not perform a 100% inventory count and instead used a judgmental approach to handpick cards to be examined. As a result, these exceptions were undetected.

RECOMMENDATIONS:

We recommend that the Deputy Chief Financial Officer and Treasurer, OFT:

3. Reinforce with Cashiers the significance of adhering to the agency's policies and procedures to ensure that valuable gift cards are accounted for and adequately documented.

Management Response (Recommendation 3)

OFT concurred with the recommendation and stated that the Cashier Operations Manager has reinforced to the cashiers the significance of adhering to the Gift Cards policies and procedures.

OIO Comment

OIO confirmed the corrective action was completed as of June 22, 2016; therefore, no further action is required.

4. Develop and implement an audit checklist for the OFT's Cashiering audit group to perform the monthly audit of the gift cards inventory.

Management Response (Recommendation 4)

OFT concurred with the recommendation and noted that the Cashiering Management has changed the monthly audit process of sampling the gift cards inventory to a full count of all inventories. Revenue Operations/Cashiering management will develop and incorporate a checklist for UDC's monthly audit.

OIO Comment

OFT planned corrective action is responsive and meets the intent of the recommendation.

Exhibit A: Summary of Potential Benefits Resulting from Audit

No.	Recommendations	Amount and Type of Benefit	Agency Reported Estimated Completion Date	Status ¹
1	Update the MPD/TCP policies and procedures to reflect current operation processes and controls. Communicate the updated policies and procedures to all affected parties at OFT and MPD.	Internal Control	9/30/2016	Open
2	Develop and implement an audit checklist for the OFT's Cashiering group to comply with the tip card audit and reconciliation requirement.	Internal Control	9/30/2016	Open
3	Reinforce with Cashiers the significance of adhering to the agency's policies and procedures to ensure that valuable gift cards are accounted for and adequately documented.	Internal Control	6/22/2016	Closed
4	Develop and implement an audit checklist for the OFT's Cashiering audit group to perform the monthly audit of the gift cards inventory.	Internal Control	9/30/2016	Open

¹ This column provides the status of the recommendation as of the report date. For final reports "Open" means management and the OIO are in agreement on the action to be taken, but the action is not complete. "Closed" means that management advised that the action taken needed to correct the condition is complete. If a completion date was not provided the date of management's response was used. "Unresolved" means that management has neither agreed to take the recommended action nor proposed satisfactory alternative actions to correct the condition.

Appendix: OFT Management's Response

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER



Office of Finance and Treasury

MEMORANDUM

TO: Timothy Barry, Executive Director,
Office of Integrity and Oversight (OIO)

FROM: Clarice Wood, Associate Treasurer-Banking and Ops,
Office of Finance and Treasury (OFT) 

DATE: July 15, 2016

SUBJECT: Office of Finance and Treasury's (OFT) Audit Response to Draft Report
For Cashier Operations at DCRA, UDC, and Main Cashiering Office –
OIO Code No. 16-01-11 OFT

This memo is in response to the OIO Draft Report of Audit Findings and Recommendations for the OCFO cashiering sites completed between March 16 and 23, 2016. The audit draft report is dated July 6, 2016. Below please find the OFT response.

Recommendation 1: Main Cashiering Office: Updated MPD/TCP policies and procedures to reflect current operation processes and controls. Communicate the updated policies and procedures to all affected parties at OFT and MPD.

Recommendation 2: Developing and implementing an audit and reconciliation checklist for the OFT cashiering audit group to comply with the TIP card audit and reconciliation requirement.

OFT Response:

The Revenue Collections/Cashiering Unit along with the Payment Operations Center (POC) will update and revise the MPD/TCP policies and procedures to reflect current processes and agency officers responsible. The revised policies and procedures will be reviewed with all staff of POC, Cashiering, and MPD. OFT cashiering will also develop an inventory log that separates the active vs. inactive MPD/TCP cards. Lastly, Revenue Collections/Cashiering Unit along with the Payment Operations Center (POC) will develop and implement procedures to include, but not limited to, a checklist for cashiers and management to be used with both audits and reconciliations of the MPD/TCP cards.

Appendix: OFT Management's Response

Recommendation 3: UDC Cashier Location: Reinforce OFT's policies and procedures to ensure that valuable gift cards are accounted for and adequately documented.

Recommendation 4: UDC: Develop and implement an audit checklist for Cashiers' audit group to use when performing monthly audits of the gift cards inventory.

OFT Response:

The Cashier Operations Manager has reinforced to the UDC cashiers the significance of adhering to the policies and procedures. OFT will review the policies and procedures to assure they are current. Cashiering management has changed the monthly audit process of sampling the gift card inventory to a full count of all inventories. Revenue Operations/Cashiering management will develop and incorporate a checklist for UDC's monthly audit.

cc: Jeffrey Barnette
Donna McKenzie
Ingrid Richards
Janelle Edgar
Joseph Cobb