

**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: September 9, 2015

SUBJECT: Final Report: Audit of the Office of Finance and Treasury (OFT)'s Cashiering Operations at Selected District Locations (OIO Code No. 15-02-11 OFT)

This report summarizes the results of the Office of the Chief Financial Officer (OCFO)'s Office of Integrity and Oversight (OIO)'s Audit of 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 one recommendation to address the finding cited in the report. OFT concurred with the recommendation and provided corrective actions taken and planned. We consider OFT's response to be responsive to our recommendation.

We appreciate the assistance and cooperation that you and your staff provided to OIO during the audit. Should you have any questions related to the report, please contact me at (202) 442-6433; or Mohamad Yusuff, Internal Audit Director at (202) 442-8240.

cc: Jeff 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
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

COM	Cashiering Operations Manual
DCFO	Deputy Chief Financial Officer
DMV	Department of Motor Vehicles
GAGAS	Generally Accepted Government Auditing Standards
HRLA	Health Regulation and Licensing Administration
MPD	Metropolitan Police Department
OCFO	Office of the Chief Financial Officer
OFT	Office of Finance and Treasury
OIO	Office of Integrity and Oversight

EXECUTIVE SUMMARY

OVERVIEW

The Office of the Chief Financial Officer (OCFO)'s Office of Integrity and Oversight (OIO) conducted an audit of OFT's Cashiering Operations at selected District locations between May 27 to June 2, 2015. The locations selected for the audit were:

- 1) The Traffic Adjudication/Department of Motor Vehicles (DMV) 301 C Street NW;
- 2) Rhode Island Avenue DMV NE;
- 3) Health Regulation and Licensing Administration (HRLA); and
- 4) Vital Records.

The audit was performed as part of OIO's inherent 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;
- has effective internal controls are in place at OFT's selected cashiering locations to safeguard the District's assets from fraud, waste, and abuse; and
- adequately monitored cashiering operations.

CONCLUSIONS

Based on this audit, we found no discrepancies in the surprise cash count examined at any of the four selected cashiering locations. In addition, we noted from the OFT's monthly internal audits that overages and shortages were satisfactorily resolved. However, we identified the following:

- Two of the four cashiering sites we visited did not comply with the OFT's Cashiering Operations Manual (COM) procedures; specifically, the 30-day waiting period for shredding electronically processed checks was not followed.

SUMMARY OF RECOMMENDATION

We provided one recommendation to the Deputy Chief Financial Officer/Treasurer, OFT:

- Reinforce with Cashiers the significance of adhering to the agency's stringent policies and procedures regarding the shredding and disposition of electronically processed checks.

EXECUTIVE SUMMARY

MANAGEMENT COMMENT AND OIO COMMENT

OIO received a written response from the OFT's Associate Treasurer on August 27, 2015. OFT concurred with the report finding and recommendation, and provided corrective actions taken and planned. We consider OFT's corrective actions to be responsive to our recommendation. The full text of OFT's response is included as an Appendix to this report.

INTRODUCTION

BACKGROUND

OFT is responsible for managing the cash and other liquid assets of the District government, as well as the collections of all its revenues. At the time of our audit, OFT oversees eleven cashiering sites. We visited four of eleven sites for this audit, between May 27 and June 2, 2015.

Table 1 below presents types of transactions for each Cashiering Site.

Table 1: Type of Collection Transactions

No.	Location & Address	Collection Transactions
1	Traffic Adjudication DMV 301 C Street, NW Room 1157	Police Clearances, Fingerprints and Gun Permits. Walk-in Payment Center for Parking Tickets, Boots, Tows, Payment Plans and Hearing Request
2	Rhode Island Avenue DMV 2350 Washington Place, NE	Full Service Center for Department of Motor Vehicles (Foreign Nationals)
3	Health Regulation and Licensing Administration (HRLA) 899 North Capitol Street, NE	Request for Food Safety and Health Professionals Licensing
4	Vital Records 899 North Capitol Street, NE	Request for Death Transcript; Application for Certified Copy of Birth; Declaration of Domestic Partnership; Birth Correction; and Death Correction

Source: OFT: Cashiering Operations Manual

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.

To conduct our audit, we performed the following procedures:

- Reviewed applicable laws, administrative rules and OFT’s Cashiering Procedures Manual.
- Obtained an understanding of the internal control structure for the four locations.
- Performed surprise cash counts at the identified four locations.

INTRODUCTION

- Examined the documentation supporting various cash transactions processed on those dates and interviewed the cashiering personnel.
- Performed physical inventory count of the items secured in the Vault and compared them to the attached Inventory List.
- Reviewed OFT monthly internal audit reports for the period of January 2, 2014, through April 30, 2015.
- Counted the change funds for each teller and compared to supporting documents to identify cash overages and shortages.

We relied on computer-processed data contained in the OFT's Financial and Central Cashiering – iNovah System. We did not perform a formal reliability assessment of the data contained in the iNovah System. The system's reliability tests were performed previously as part of the District's annual financial statement audit of the Comprehensive Annual Financial Report (CAFR).

This performance audit was conducted in accordance with generally accepted government auditing standards (GAGAS) issued by the Comptroller General of the United States. 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.

FINDING AND RECOMENDATION

FINDING: COMPLIANCE WITH OFT'S CASHIERING OPERATIONS MANUAL
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SYNOPSIS

We found that the Traffic Adjudication/Department of Motor Vehicles (DMV) and the Rhode Island Avenue DMV did not comply with the OFT's Cashiering Operations Manual (COM) procedures; specifically, the 30-day waiting period for shredding electronically processed checks.

These conditions existed due to staff shortage at the Traffic Adjudication DMV, and also due to lack of oversight at the Rhode Island Avenue DMV. As a result, there is a risk that the unshredded checks could be stolen, resubmitted, and/or rescanned deliberately or by accident, which could result in potential losses to the District.

DISCUSSION

The Addendum to OFT's *Cashiering Operations Manual* stated: "Checks that have been successfully captured [electronically] must be shredded in-house physically after 30 [calendar] days. This must be done with **dual** control to ensure checks are being properly disposed of."

We performed a walkthrough after the surprise cash counts at the Traffic Adjudication/DMV and the Rhode Island Avenue DMV respectively and came across a parcel of electronically processed checks scheduled for shredding according to the dates on the wrappers, which are sequentially dated. OFT expects its tellers to destroy the digitally processed checks after 30 calendar days when those checks would have cleared the bank. For example, check receipts processed electronically on June 1, 2015, would be scheduled for destruction on July 1, 2015. To determine if OFT is in compliance with its Cashiering Operations Manual, we examined the scheduled dates for shredding written on the wrappers and found that two of the four sites visited are not in compliance.

Tables 2 and 3 below presents the details of our analysis and finding:

FINDING AND RECOMENDATION

Table 2: Electronically Processed Checks Shredding Schedule at the Traffic Adjudication DMV, NW

No.	Number of Checks	* Check Amounts	Date Scheduled for Shredding	Date Checks Examined	Reasons for Untimely Shredding
1	7	\$ 1,985.00	05/27/2015	06/01/2015	Staff shortage +
2	5	35.00	05/28/2015	06/01/2015	Staff shortage
3	13	1,187.00	05/28/2015	06/01/2015	Staff shortage
4	3	217.00	05/28/2015	06/01/2015	Staff shortage
5	15	2,340.00	05/29/2015	06/01/2015	Staff shortage
6	5	131.00	05/29/2015	06/01/2015	Staff shortage
Total:	48	\$ 5,895.00			

* Source: OFT's bound checks for destruction safeguarded in the small vault at the Traffic Adjudication/DMV, NW.
+ Two cashiering personnel are required to shred the electronically processed checks.

Table 3: Electronically Processed Checks Shredding Schedule at the Rhode Island Avenue DMV, NE

No.	Number of Checks	* Check Amounts	Date Scheduled for Shredding	Date Checks Examined	Reasons for Untimely Shredding
1	3	\$ 453.00	05/01/2015	05/27/2015	Oversight
2	1	715.50	05/01/2015	05/27/2015	Oversight
3	2	180.00	05/08/2015	05/27/2015	Oversight
4	1	20.00	05/10/2015	05/27/2015	Oversight
5	1	7.00	05/18/2015	05/27/2015	Oversight
6	1	7.00	05/24/2015	05/27/2015	Sunday
7	1	13.00	05/25/2015	05/27/2015	Holiday
Total:	10	\$1,395.50			

* Source: OFT's bound checks for destruction safeguarded in the small vault at the Rhode Island Avenue DMV, NE.

RECOMMENDATION

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

1. Reinforce to OFT's Cashiers the significance of adhering to the agency's stringent policies and procedures regarding the shredding and disposition of electronically processed checks.

FINDING AND RECOMENDATION

Management Response (Recommendation 1)

OFT concurred with the recommendation and stated that adherence to its Cashiering stringent policies and procedures would be incorporated in their monthly and quarterly inspections and monitored for compliance.

OIO Comment

OFT's corrective actions are responsive and meet the intent of our recommendation.

FINDING AND RECOMENDATION

OTHER MATTER

OTHER MATTER

During our audit, an issue came to our attention that requires management consideration. We noted the following:

- During the audit, we discovered that OFT has hired a contractor to remove and store the boxes off-site, a project that is expected to be completed by the end of this Fiscal Year (FY) (September 30, 2015). However, at three of the four cashiering sites we visited, we observed that several boxes of old documents were stored in cashier's work space, which appeared to restrict staff movement and could be considered a safety issue.

**EXHIBIT A: SUMMARY OF POTENTIAL BENEFITS RESULTING FROM THE
AUDIT**

No.	Recommendation	Amount and Type of Benefit	Agency Reported Estimated Completion Date	Status¹
1	Reinforce to OFT's Cashiers the significance of adhering to the agency's stringent policies and procedures regarding the shredding and disposition of electronically processed checks.	Internal Control	Ongoing	Closed

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,
Office of Finance and Treasury (OFT) *Clarice Wood*

DATE: August 27, 2015

SUBJECT: Office of Finance and Treasury's (OFT) Response to Memorandum
For Audit of Office of Finance and Treasury (OFT)'s Cashiering Operations at
Selected District Locations **OIO Code No. 15-02-11 OFT**

This memo is in response to the OIO audit performed at the DMV-Traffic Adjudication and Rhode Island Service Center, along with HRLA and Vital Records locations in June of FY15. The audit report request is dated August 13, 2015. Below please find the OFT response.

Recommendation 1: Reinforce to OFT's Cashiers the significance to adhering to the agency's stringent policies and procedures regarding the shredding and disposition of electronically processed checks.

OFT Response:

OFT has reiterated the seriousness and significance of adhering to the OFT check retention policy to its cashiering staff. All cashiering managers have been instructed to review the calendar for the correct shred dates and not to include non-working days (Saturday and Sunday for sites working Monday through Friday and Sunday and Monday for sites working Tuesday thru Saturday, and not to put dates of observed Holidays for all sites). These procedures will be followed according to the OFT policies and procedures for check retention. Adherence will be monitored through the monthly and quarterly audits performed by OFT management.

Recommendation 2: Other Matters – Storage box retention

OFT Response:

The storage boxes of old documents at the various cashiering locations will be shipped to Iron Mountain. The project should be completed no later than Wednesday September 30, 2015. A retention schedule will be established.

cc: Jeffrey Barnette
Donna McKenzie
Ingrid Richards