


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

**FINAL REPORT ON THE AUDIT  
OF THE OFFICE OF  
FINANCE AND TREASURY'S  
CASHIERING OPERATIONS**



**OFFICE OF INTEGRITY AND OVERSIGHT**



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**OIO No. 12-01-08 OFT**

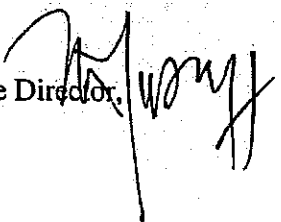
**December 5, 2012**

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




**MEMORANDUM**


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

**FROM:** Mohamad Yusuff, Interim Executive Director,   
Office of Integrity and Oversight

**DATE:** December 5, 2012

**SUBJECT:** Final Report on the Audit of the Office of Finance and Treasury's Cashiering  
Operations -  (Report No. 12-01-08 OFT)

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This report summarizes the results of the Office of Integrity and Oversight's (OIO) Audit of the Office of Finance and Treasury's Cashiering Operations - . The overall objectives of the audit were to assess whether OFT complied with the applicable laws, regulations and internal policies and procedures; to determine whether OFT established internal controls to adequately safeguard assets from fraud, waste, and abuse; and to verify whether OFT adequately monitored cashiering operations.

OIO provided one recommendation to address the finding cited in the report. OFT concurred with the recommendation and has proceeded to implement it. We consider OFT's actions of changing the Safe Combinations (District-wide) through a third party named Downtown Lock Company on October 4, 2012, as fully responsive to our recommendation.

The full text of the Office of Finance and Treasury's response is included as Exhibit B.

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 call Tony The, Audit Manager, at 202-442-8294 or me at 202-442-6433.

**Attachments**

cc: Natwar M. Gandhi, Chief Financial Officer  
Angell Jacobs, Chief of Staff, OCFO  
Kathy Crader, Chief Risk Officer, OCFO  
Clarice Wood, Associate Treasurer, Banking and Operations, OFT

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## AUDIT OF THE OFT'S CASHIERING OPERATIONS

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## AUDIT OF THE OFT'S CASHIERING OPERATIONS

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### ACRONYMS

(CAFR)	Comprehensive Annual Financial Report
(CS)	Cashier Supervisor
(DCFO)	Deputy Chief Financial Officer
(FY)	Fiscal Year
(LC)	Lead Cashier
(MPD)	Metropolitan Police Department
(OCFO)	Office of the Chief Financial Officer
(OFOS)	Office of Financial Operations and Systems
(OFT)	Office of Finance and Treasury
(OIO)	Office of Integrity and Oversight
(PO)	Purchase Order
(SOP)	Standard Operating Procedures

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## EXECUTIVE DIGEST

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### OVERVIEW

The Office of Integrity and Oversight (OIO) has completed the audit of the Office of Finance and Treasury's Cashiering Operations at the [REDACTED]. Our overall objectives of the audit were to assess whether OFT complied with the applicable laws, regulations and internal policies and procedures; to determine whether OFT established internal controls to adequately safeguard assets from fraud, waste, and abuse; and to verify whether OFT adequately monitored cashiering operations.

We examined the process used by the OFT for its daily cashiering operations at their [REDACTED] Office site. These processes include cash/revenue collections on behalf of the District from all sources, the sale of Cigarette Stamps and the deposits of the daily collections. We reviewed and tested these transactions to ensure completeness of receipts and deposits by the OFT's cashiers.

### CONCLUSION

Our audit disclosed no discrepancy in the cash count at the [REDACTED] Office. However, we noted that access combinations to the Safes/Vault were not routinely changed, in accordance with the OFT's Policies and Procedures manual.

### SUMMARY OF RECOMMENDATION AND MANAGEMENT ACTION

This report contains one recommendation to address the deficiency identified during the audit. The recommendation is directed to the Associate Treasurer for Banking and Operations, Office of Finance and Treasury, to adhere to OFT's policy of ensuring safes/vaults combinations are changed periodically, so as to avoid the risks for not complying with this standard business operating practice.

A summary of the potential benefits resulting from this audit is shown as Exhibit A.

OIO received a written response from the OFT on October 4, 2012. OFT concurred with the recommendation and proceeded with the implementation as evidenced in Exhibit B. We therefore, consider OFT's action to be responsive and fully satisfy the intent of our recommendation. A copy of OFT's complete response is included herein as Exhibit B.

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## INTRODUCTION

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### BACKGROUND

The Office of Finance and Treasury (OFT) provides over-the-counter payment collection services to District taxpayers, fee payers and agencies. It also operates several of these service centers throughout the District where funds are collected daily. These daily collection of receipts consist of all taxes, license, permit and fees, fines, forfeitures, refunds and other fees, charges, and miscellaneous revenue collected by the District Government from the public, the Federal government, the courts, or any agency within the District Government.

On April 2, 2012, we conducted an audit of the Office of Finance and Treasury's cashing operations at the [REDACTED] Office site located at [REDACTED]. The [REDACTED] Office cashing site has three full time cashiers and one reserve according to the OFT's Cashier Supervisor. These cashiers perform the daily collection of receipts, which consist of collection for Recording Fees, Recordation Taxes, Cigarettes Stamps, Imprest fund checks cashing, Employee Advances, Agency Bulk Deposits, and One Fund Contributions.

There are four change funds and two reserves at this site for a total official float of \$12,495. The official change fund is [REDACTED] and four individual cashiers are given [REDACTED] each. Also, OFT's [REDACTED] Office maintains two Reserves, which are made up of a Reserve to the Lead Cashier (LC) for [REDACTED] and another one for [REDACTED] for the Cashier Supervisor (CS). The change funds of [REDACTED] and the Reserves of [REDACTED] make up the [REDACTED] Office Float total of [REDACTED]. The LC is the custodial of the Metropolitan Police Department's (MPD's) [REDACTED] cash. The Supervisor and the LC are both responsible for all cash at the end of the day except for the Imprest Fund and the MPD's cash which are controlled solely by the LC. The cash receipts/collections for the day are safeguarded in the [REDACTED] Office Vault and are the first item processed the following morning for the Dunbar Armored Truck pickup to be deposited in the bank. Dunbar comes in daily for pick-up according to the Lead Cashier and supported by the Dunbar Log Book which was reviewed by OIO.

In addition to cash, Cigarette Stamps are also maintained in the [REDACTED] Vault. In the District, Merchants must purchase Cigarette Tax Stamps before selling cigarette to the public. All cigarettes sold in the District must bear a tax stamp on the package to verify that the applicable cigarette taxes have been paid. These stamps are decals affixed to sheets or rolls and can only be purchased from the Main Office (OFT), by licensed Merchants. OFT Cashiers issue Cigarette Tax Stamps to Merchants with a valid purchase order (PO) from the Office of Tax and Revenue. The District carry two types of cigarette tax stamps, which are Hand Stamps for a pack of 20 and come in 150 per sheet. The second type is called Fusion Stamps also for a pack of 20 and come in 30,000 per roll. They are both the same except one is affixed by a dispensing gun and the other by hand. We noted that since the issuance of our prior report on unannounced cash counts (OIO No. 10-1-08-OFT(a), dated May 20, 2011), the accounting for Cigarette Tax stamps has been improved from manual to Excel spreadsheet. The daily Cigarette Tax stamps inventory is now on-line and accessible to assigned staff only – Cashier Operations Manager and Lead Cashier.

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## INTRODUCTION

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### OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the audit are to: (1) Assess whether OFT complied with the applicable laws, regulations and internal policies and procedures; (2) Determine whether OFT established internal controls to adequately safeguard assets from fraud, waste, and abuse; and (3) Verify whether OFT adequately monitored cashiering operations.

We examined the OFT cash operations activities for April 2, 2012. This report and its conclusions are based on the information gathered from our examination of the activities through the completion date of fieldwork, April 2, 2012, and does not reflect events after that date.

To achieve the audit's objectives, 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 because the System's reliability tests were performed previously as part of the audit of the District's Comprehensive Annual Financial Report (CAFR).

We conducted this performance audit in accordance with generally accepted government auditing standards. 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.

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## FINDING AND RECOMMENDATION

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<b>FINDING: MANAGEMENT OF CASHIERING OPERATIONS - MAIN OFFICE</b>
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### SYNOPSIS

Our audit disclosed no discrepancies in the Cash Count, Cigarette Stamps Inventory and the Previous Day's Deposits at the [REDACTED] Office.

We counted the cash at the [REDACTED] Office which included five change funds totaling [REDACTED], a reserve of [REDACTED], imprest fund of [REDACTED] and the MPD cash of [REDACTED] totaling [REDACTED], and found no shortages. In addition, we counted the cigarette stamps inventory of 4,311,300 units totaling [REDACTED] and noted no discrepancy. Furthermore, we examined the previous day's receipts by randomly selecting samples and traced the deposits to the bank statements for completeness. Our examination revealed no discrepancy.

However, we learned that the access combination to the Vault/Safes was last changed in FY 2010 through our inquiry. This condition occurred because the OFT management did not adhere to the four month routine change as stated in its Policies and Procedures manual.

### DISCUSSION

#### Cash Count

We counted the cash floats in the presence of the owners (cashiers) and returned to them intact after concurring with the results of the count. The total cash balance maintained at this location is [REDACTED] as shown in Table 1 below:

**Table 1**  
Cash Counted at [REDACTED] (Vault)



**FINDING AND RECOMMENDATION**

Description	Position	Amount Per OFT	Amount Per OIO's Count	Short/Over (-/+)
Reserve	Lead Cashier	[REDACTED]	[REDACTED]	
Change Fund	Lead Cashier	[REDACTED]	[REDACTED]	
Change Fund	Teller	[REDACTED]	[REDACTED]	
Change Fund	Teller	[REDACTED]	[REDACTED]	
Change Fund	Cashier Supervisor	[REDACTED]	[REDACTED]	
Reserve	Cashier Supervisor	[REDACTED]	[REDACTED]	
	<b>Sub-Total</b>	[REDACTED]	[REDACTED]	\$0.45
Imprest Fund		[REDACTED]	[REDACTED]	\$(0.06)
MPD Cash		[REDACTED]	[REDACTED]	*\$(0.35)
<b>Cash Float at Site</b>		[REDACTED]	[REDACTED]	

It is our understanding from the LC that the \$0.35 is not really a shortage because there was an uncashed reimbursement check of \$7,890.65 which will be rounded to \$7,891.00 when cashed.

**Cigarette Stamps Inventory**

In addition to the cash count, we counted the cigarette tax stamps, as shown in Table 2 below, and found no discrepancies:

**Table 2  
Cigarette Tax Stamps Count**

Description	Units Per Book	Units Counted Column "c"	Column "c" * [REDACTED]	Difference
Hand Stamps 20s/150 Per Sheet	T0159 – T0300	142*150 = 21,300	[REDACTED]	0.00
Fusion Stamps 20s/30,000 Per Roll	15999 – 16016	18*30,000 = 540,000	[REDACTED]	0.00
	16017 – 16041	25*30,000 = 750,000	[REDACTED]	0.00
	16042 – 16066	25*30,000 = 750,000	[REDACTED]	0.00
	16067 – 16091	25*30,000 = 750,000	[REDACTED]	0.00
	16092 – 16116	25*30,000 = 750,000	[REDACTED]	0.00
	16117 – 16141	25*30,000 = 750,000	[REDACTED]	0.00
	<b>Total</b>	<b>4,311,300</b>	[REDACTED]	<b>\$0.00</b>

## FINDING AND RECOMMENDATION

### Previous Day's Deposit

We observed the Cashier Supervisor processing the previous day's collections for pick-up by Dunbar Armored Truck for deposit. We also made copies of the Dunbar Pickup Log Book and traced the deposits to the bank through the statements provided by the Wells Fargo Bank and made available to OIO by the Revenue Accounting Manager, OFT. Based on our review and analysis, we found no discrepancies for the days tested. The following are the dates randomly selected for confirmation:

**Table 3**  
**Previous Collections for Deposits from Dunbar Pickup Log Book**

Date	Barcode	Description	Amount
01/13/2012	V0295179	Checks	[REDACTED]
	V0295180	Checks	[REDACTED]
	V0295181	Cash	[REDACTED]
	V0295182	Cash	[REDACTED]
	V0295183	Cash	[REDACTED]
	V0295184	VOID	VOID
	V0295185	Cash	[REDACTED]
	V0295186	Cash	[REDACTED]
	V0295187	Cash	[REDACTED]
03/23/2012	V0295188	Checks	[REDACTED]
	V0281295	Cash	[REDACTED]
	V0281296	Cash	[REDACTED]
	V0281297	Cash	[REDACTED]
	V0281298	Checks	[REDACTED]
	V0281299	Cash	[REDACTED]
	V0281300	Cash	[REDACTED]
	V0281301	Cash	[REDACTED]
	V0281302	Cash	[REDACTED]
03/28/2012	V0281310	Cash	[REDACTED]
	V0281311	Cash	[REDACTED]
	V0281312	Cash	[REDACTED]
	V0281313	Cash	[REDACTED]
	V0281314	Cash	[REDACTED]
	V0281315	Checks	[REDACTED]
	V0281316	Paperwork	0
V0281317	Cash	[REDACTED]	

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## FINDING AND RECOMMENDATION

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### Access Combinations to the Safes/Vaults

During our cash count, the Cashier Supervisor informed us that OFT are in the process of hiring contractors for changing the combinations to the safes, which have not been changed since FY 2010, even after the separation and/or transfer of key employees or head cashiers to another location.

In a prior report dated August 6, 2008 (IA: OFT: 2806-C6-02), we recommended: "OFT senior management take immediate action to change the combinations on all safes/vaults under its purview to ensure the safety of cash and other assets. In addition, OFT should develop a policy that will require that safe/vault combinations be changed periodically, and that only authorized personnel should have access to the combinations. Whenever the combinations are changed, the change should be documented and maintained by OFT senior officials".

During our FY 2010 visits to OFT's Cashiering Sites, we found that the recommendation above was partly implemented by OFT based on our inquiries and review. We were informed that the combinations have been changed and supported by the contractor's receipts provided for review. However, the policy was not updated based on our review to incorporate the frequency of combinations change as recommended.

Our FY 2012 review also noted that OFT does not have a clear policies and procedures on combinations change and its frequency. We requested for OFT's updated policy and procedures manual on May 3, 2012, and below is a new paragraph added to the manual in their response on May 8, 2012.

The OFT Standard Operations- Policies and Procedures Manual, [REDACTED] Office Operations, Section 20010601-1A dated June 15, 2010:

"...Location combinations are changed every four months for protection of internal controls. Management and the cashier supervisor of the particular location are the only members which hold the main vault combinations. The individual teller receives their combination upon arrival at the location from management...."

However, this deficiency was cured by OFT prior to the completion of our final report by hiring a contractor to change the combinations on October 4, 2012.

### Other Matters:

Since our last audit, (OIO No. 10-01-08-OFT (a), issued May 20, 2011), OFT management has increased oversight responsibility over their cashiering operations at the [REDACTED] Office, including putting in place certain internal controls necessary to address OIO's prior findings and recommendations; for example, by automating the cigarette tax stamps inventory and updating their Standard Operating and Procedures (SOP) manual. OFT's SOP is currently undergoing the Office of Financial Operations and Systems (OFOS) quality control review before it is finalized

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## FINDING AND RECOMMENDATION

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and distributed to the end users, according to the Operations Manager, OFT.

### RECOMMENDATION

We reiterate our recommendation for OFT to adhere to its policy of ensuring safes/vaults combinations are changed periodically, in accordance with its procedures manual and to recognize the risks involved for not complying with this standard business practice.

### MANAGEMENT RESPONSE AND OIO COMMENT

#### Management Response

OFT concurred with the recommendation and proceeded to implement the change in safes/vault combination on October 4, 2012.

#### OIO Comment

We consider OFT's implementation of the corrective action as responsive and satisfies the intent of the recommendation.

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**Exhibit A: Summary of Potential Benefits Resulting from Audit**

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Recommendation Number	Description of Benefit	Amount and Type of Benefit	Agency Reported Estimated Completion Date	Status <sup>1</sup>
1	Implement policies and procedures for changing vault/safe combinations	Internal Control	October 4, 2012	Closed

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<sup>1</sup> 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.