



CITY OF WINSTON-SALEM
REPORT OF UTILITIES
DEPARTMENT CASH RECEIPTS
COMPLIANCE AUDIT FOLLOW-UP

For the Month Ended August 31, 2021

Submitted by:
Budget and Performance Management Department
Internal Audit Division
December 2021

Background of the Utilities Department Cash Receipts Compliance Audit

In Fiscal Year 2019, Internal Audit performed a compliance audit which concentrated on Utilities Department (Utilities) transactions and internal controls related to the collection and reporting of cash for the period of January 1, 2019 through March 31, 2019. Two Utilities Divisions, Solid Waste Disposal (Landfill) and Utilities Administration (Admin), were evaluated as part of the Cash Receipts Compliance Audit. Testing focused on verifying adherence to the City Administrative Policy (Cash Deposit and Reporting Procedures - dated 10-1-2009); this policy guides deposit and financial reporting for the City. Collections for 53 days totaling 68 reports of cash collection (ROCC) were examined. Per the Internal Audit Division's Follow-up Program Policy, a follow-up audit is performed for any Audit with findings considered to be significant. The following findings and recommendations were included in the Utilities Department Cash Receipts Compliance Audit in Fiscal Year 2019:

Finding 1 – Numerous instances of noncompliance with the *City Administrative Policy - Cash Deposit and Reporting Procedures* were found for Landfill. Areas of noted non-compliance are as follows:

- Forty (100%) ROCCs tested indicated no physical evidence (e.g. supervisor's initials or signature) that a supervisory review was made. Per city policy, the ROCCs should be reviewed and signed by the preparer and their supervisor.
- Thirty-nine (100%) deposit slips tested indicated no physical evidence (e.g. supervisor's initials or signature) that a review was made verifying the dollar amount documented on the slips. Per city policy, after the deposit slip is prepared, the document should be reviewed and signed by the preparer's supervisor.
- Sixteen (40%) ROCCs tested showed evidence of late reporting. Instances were noted of collected revenue being reported four and two days late (after taking into account both holidays and weekends). Per city policy, ROCCs must be reported in FMS within one business day following the related deposit.

Finding 2 – Instances of noncompliance with the *City Administrative Policy - Cash Deposit and Reporting Procedures* were found for Admin. The areas of noted non-compliance are as follows:

- Twenty-eight (100%) ROCCs tested indicated no physical evidence (e.g. supervisor's initials or signature) that a supervisory review was made. Per city policy, the ROCCs should be reviewed and signed by the preparer and their supervisor.
- Ten (77%) instances of cash collections being deposited after one full business day were found. Occurrences were noted of collected monies being deposited eight, seven, and five days late (after taking into account both holidays and weekends). Per city policy, deposits must be made within one business day of cash collection.

Finding 3 – Unable to verify revenue collection timing for compliance with the *City Administrative Policy - Cash Deposit and Reporting Procedures* for Admin.

- Admin does not have policies and procedures in place relating to the immediacy of depositing monies received from other Utilities' locations. Monies received at other Utilities locations are either interoffice mailed or dropped off in person (at most twice weekly). Moreover, Utilities does not document when monies are received either at the majority of these other locations or at

Admin; consequently, Internal Audit was unable to test the timeliness of fifteen (54%) deposit slips selected.

Finding 4 – Weaknesses in the internal control environment were noted for Landfill.

- All deposit slips tested indicated no physical evidence (e.g. preparer's initials or signature) that a reconciliation was performed verifying the dollar amount documented on the slips. Per proper internal controls, the deposit slip should be prepared, reconciled, and signed by the preparer.
- Landfill does not have policies and procedures in place relating to segregation of duties. Often times, one Utilities employee collects the monies at the Landfill, prepares the deposit slip, and deposits the monies; however, there is a separate supervisor who reports the revenue.

Finding 5 – Weakness in the internal control environment was noted for Admin.

- Admin does not have policies and procedures in place relating to segregation of duties. Often times, one Utilities employee collects the monies for Admin, prepares the ROCC, deposits the monies, and reports the revenue – there is no separate approver of monies collected.

Overview of Solid Waste Disposal and Utilities Administration Operations

Landfill operates both a state-permitted, active municipal solid waste landfill at Hanes Mill Road and a state-permitted, active landfill on Old Salisbury Road for construction and demolition materials. Landfill also operates two yard waste facilities which collect waste tipping fees at Overdale and Forum 52.

Admin provides cash management supervision to Landfill, Wastewater Operations, and Water Operations. Regarding reporting of monies collected, Admin offers clerical, accounting, and administrative support to Landfill, Wastewater Operations, and Water Operations as well. Regarding cash deposits, Utilities personnel are to follow the Treasury Division's cash deposit and reporting procedures process.

Landfill deposits their revenue after hours to a nearby banking location to meet the deposit monies daily requirement. Landfill emails the ROCC to the Revenue Division (Revenue), but only emails copies of deposit slips on a monthly basis. Admin provides a written ROCC when depositing collected monies to Revenue in person.

Scope of Audit Procedures Performed

The purpose of the follow-up audit is to assess corrective action taken toward issues identified in the Utilities Department Cash Receipts Compliance Audit. The follow-up audit concentrated on transactions and internal controls related to the collection and reporting of cash for the month-ended August 31, 2021. The audit scope was restricted to those areas relating to issues found during the prior audit. Transactions were examined using representative sampling methods (based on percentages of the overall population and number of items with exceptions found during the prior audit). The following were selected for testing: 38 ROCCs and 29 deposit slips. Testing focused on verifying adherence to the City Administrative

Policy (Cash Deposit and Reporting Procedures - dated 10-1-2009); this policy guides deposit and financial reporting for the City. Further procedures included interviewing management.

Specifically, the audit procedures focused on validating the following objectives:

- Have appropriate steps been taken to ensure ROCCs are reviewed and signed by the preparer and their supervisor for both Admin and Landfill?
- Have appropriate steps been taken to ensure that after the deposit slip is prepared, the document has been reviewed and signed by the preparer's supervisor for Landfill?
- Have appropriate steps been taken to ensure ROCCs were reported to Revenue within one business day following related deposit for Landfill?
- Have appropriate steps been taken to ensure monies are deposited within one business day of collection for Admin?
- Have appropriate steps been taken to ensure policies and procedures are in place relating to the immediacy of depositing monies received from other Utilities' locations for Admin?
- Have appropriate steps been taken to ensure all deposit slips indicate physical evidence (e.g. preparer's initials or signature) that a reconciliation is performed verifying the dollar amount documented on the slips for Landfill?
- Have appropriate steps been taken to ensure policies and procedures are in place relating to segregation of duties for Admin and Landfill?

Corrective Actions Implemented

The following findings from the Fiscal Year 2019 Utilities Department Cash Receipts Compliance Audit have been corrected and removed:

- ROCCs were not reviewed and signed by the preparer and their supervisor for Landfill.
- ROCCs were not reported to Revenue within one business day following related deposit for Landfill.
- Policies and procedures were not in place relating to the immediacy of depositing monies received from other Utilities' locations for Admin.
- Policies and procedures were not in place relating to segregation of duties for Admin and Landfill.

Follow-up Findings and Recommendations

Internal Audit noted instances of continued non-compliance with City Administrative Policy (Cash Deposit and Reporting Procedures - dated 10-1-2009). A significant improvement has been noted with transactions and internal controls related to the collection and reporting of cash. The following findings have been reinstated from the Fiscal Year 2019 audit:

1. Instances of noncompliance with the *City Administrative Policy - Cash Deposit and Reporting Procedures* were found for Landfill. Areas of noted non-compliance are as follows:

- Twenty-six (90%) deposit slips tested indicated no physical evidence (e.g. supervisor's initials or signature) that a supervisory review was made verifying the dollar amount documented on the slips; the prior audit found thirty-nine instances (100%). Per city policy, after the deposit slip is prepared, the document should be reviewed and signed by the preparer's supervisor.
- Five (17%) deposit slips tested indicated no physical evidence (e.g. preparer's initials or signature) that a preparer review was made verifying the dollar amount documented on the slips; the prior audit found thirty-nine instances (100%). Per city policy, after the deposit slip is completed, the document should be reviewed and signed by the preparer.

Landfill's Management Response: In response to the compliance audit conducted by the Budget and Performance Management Department, the Utilities Department Solid Waste Division has updated its Solid Waste Financial Transactions and Internal Controls plan to reflect changes that have naturally progressed since the initial draft of the plan. We have added in an additional control where the weighmaster supervisor will have the Solid Waste Operations Manager verify that the weighmaster supervisor has signed the deposit slips prior to them being filed.

2. Instances of noncompliance with the *City Administrative Policy - Cash Deposit and Reporting Procedures* were found for Admin. The areas of noted non-compliance are as follows:

- Three (33%) instances of cash collections being deposited after one full business day were found; the prior audit found ten instances (77%). As recommended in the Fiscal Year 2019 Utilities Department Cash Receipts Compliance Audit, Admin has implemented policies and procedures relating to the immediacy of depositing monies received from other Utilities' locations; however, exceptions to city policy were noted. Occurrences were noted of collected monies being deposited twenty-one, three, and two days late (after taking into account both holidays and weekends). Per city policy, deposits must be made within one business day of cash collection.
- One (11%) ROCC tested indicated no physical evidence (e.g. supervisor's initials or signature) that a supervisory review was made; the prior audit found twenty-eight instances (100%). Per city policy, the ROCCs should be reviewed and signed by the preparer and their supervisor.

Admin's Management Response: The Utilities Administration Division is pleased with the findings of the compliance audit report. The noted significant improvements with transactions and fiscal controls associated with cash collections were the result of hard work and intentionality of staff to adhere to the City Administrative Policy. Areas of continued improvement and compliance are as follows:

- Instances of cash collections being deposited after one full business day;

- Utilities staff will continue to strive for 100% compliance in depositing checks with expedience to comply with the one full business day policy. Significant improvements have been made over the past year despite personnel/staffing issues exacerbated by the COVID-19 pandemic.
- Report of Cash Collections (ROCC) indicating no physical evidence of supervisory review;
 - Utilities staff will continue to strive for 100% compliance in all instances of supervisory review of physical checks prior to depositing monies. Contingency plans are in place to ensure a supervisor can authorize checks to accommodate the one full business day policy.

Respectfully submitted,



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