BACKGROUND
The Olathe City Council and City management team provided input on areas of focus for the City Auditor in 2019. Cash handling was an audit project identified by both groups.

PROJECT SCOPE AND OBJECTIVES
This project focused on the following scope:

- Review and observation of handling processes and controls at significant City cash transaction locations
- Assessment of physical security for cash processing, custody and transport
- Assessment of internal controls in place to limit or detect theft or fraudulent activity, including cash recording and reconciliation controls

This project provides assurance about the following objectives of cash handling and related internal controls:

- Cash receipts are processed, recorded and deposited completely and accurately on a timely basis
- City cash funds are physically secure
- Internal controls are established and operating to limit or detect unauthorized cash activity

For informational purposes, an overview of payments received, and the cash handling process follows at pages 2-3. Details of potential control enhancements are at pages 4-5. Audit methodology used for the project is detailed at Appendix 1, on page 6.

CONCLUSION
Cash receipts tested were processed, recorded and deposited accurately and timely. Physical security over cash was observed to be functioning effectively. Controls to detect unauthorized cash activity were tested and determined to be effective.

Management may wish to consider some enhancements to Park and Recreation cash handling controls. An update of Resource Management’s Guide for Cash Handling may also be considered to reflect current cash handling procedures, roles and controls in place.

The Auditor appreciates the support provided to this project by cash receiving departments across the entire City. In addition, Accounting management and team members provided valuable and appreciated assistance and time for the project. If you have questions or would like any further information on this project, please contact City Auditor Mary Ann Vassar at (913) 971-8932 or mavassar@olatheks.org.
CITY CASH PAYMENTS - OVERVIEW

The City of Olathe’s published 2019-2020 Comprehensive Listing of Fees and Charges (Listing) details the numerous functions and programs provided to citizens for which payment is received. The broad categories of the Listing’s services and programs are summarized at Exhibit 1, below:

<table>
<thead>
<tr>
<th>EXHIBIT 1: OLATHE CITY PROGRAMS/SERVICES FEES AND CHARGES</th>
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</thead>
<tbody>
<tr>
<td>Animal Control Fees</td>
</tr>
<tr>
<td>Building/Land Use Fees (Permits &amp; Inspections)</td>
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<tr>
<td>Cemetery Space and Service Fees</td>
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<tr>
<td>Community Center Program Fees</td>
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<tr>
<td>Park Facility Rental Fees</td>
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<tr>
<td>Lake Olathe Beach and Marina Fees</td>
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<tr>
<td>Police Service Fees (fingerprinting, criminal history checks, monitor permits)</td>
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<tr>
<td>Sign and Special Event Permit Fees</td>
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<tr>
<td>Swimming Pool Fees</td>
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<td>Utility Fees</td>
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In addition to the above programs and services, cash is received by the Olathe Municipal Court for bonds/bail, fines and penalties.

Fees, charges and fines are paid with multiple forms of payment, including cash. When cash is paid, a summary overview of the general process is shown in the following Exhibit 2.
Cash payment made by customer; Cash is entered in department business subsystem applications & counted and balanced at closing; documentation of receipts is furnished to Accounting.

Cash receipts are entered into the E1 financial system by:
- automatic interface OR entry at site OR entry by multi-department cash coordinator

Deposits are prepared and secured at various sites; armored courier vendor picks up on a regular basis to transport receipts for bank deposit.

Accounting personnel verify City-wide receipts:
- DAILY between submitted subsystem documentation, deposit slips and E1 financial system entries
- MONTHLY to bank statement
POTENTIAL CONTROL ENHANCEMENTS

In addition to the process steps and areas noted to be functioning effectively, the following potential control enhancements are presented for management’s consideration.

POTENTIAL CONTROL ENHANCEMENTS

1. **ActiveNet Subsystem Controls and Configuration – Parks and Recreation**

Observation of cash handling at selected Parks and Recreation sites noted potential control enhancements for management to consider:

- Parks’ automated ActiveNet subsystem uses location sites in its input and processing structure. These locations are not ‘dedicated’ – system users can access multiple location ids. Errors occasionally occur when receipts are input to the wrong location.

- Several pools process concession payments using manual cash registers not connected to the automated ActiveNet subsystem. These manual transaction trails are less efficient for research and resolution of cash errors.

- One pool concession area had a laptop and keyboard which were not in use. Pool management indicated the laptop had not been configured to allow it to process payments.

**Potential Control Enhancement**

Parks and Recreation management may consider reviewing the location/user id structure currently in place. Automated processing of concession receipts could also be considered for locations with computers available.

**Management Response**

Park and Recreation management acknowledge enhancement opportunities to its pool and beach/marina revenue collection operations. Towards that goal, they have directed the appropriate staff to:

- Work with the software vendor, Active Net to explore adding user profiles to modify user permissions to allow default settings for each host site to prevent access to multiple locations. Staff will work on testing new settings and report back prior to 2020 pool and beach openings as to success of implementation.

- Due to the late timing of delivery of hardware required to setup POS at the three smaller outdoor pools, installation of Active Net software for the Summer of 2019 was not completed. Everything is now available and will be installed for Summer of 2020.

- The laptop that was not configured was part of the system waiting for the Active Net hardware (see above) and will be installed for **Summer 2020**.

Thank you for your assistance and suggested enhancements to our operations.

The City’s *Guide to Cash Handling* reference manual, (“Guide”), has not been updated to reflect changes in roles, responsibilities and procedures.

The role of Cash Concentration Coordinators has changed, and a key verification control is now performed by Accounting personnel rather than Coordinators at specific locations. The change has not been reflected in the Guide.

**Potential Control Enhancement**

To ensure cash handling guidelines communicate and document current roles, responsibilities and management intent, an update of the Guide to Cash Handling may be considered.

**Management Response**

Resource Management will update the City’s Guide to Cash Handling reference manual to reflect current processes and controls by **December 31, 2019**.
APPENDIX 1: AUDIT METHODOLOGY

This audit project was performed by conducting the following procedures:

- Observation of personnel performing cash balancing at twelve locations – including the following departments:
  - All Pools/Lake Olathe
  - Customer Service
  - City Clerk
  - Planning
  - Community Center
  - Animal Control
  - Municipal Court
  - Library

- Discussion of cash receipt and processing procedures at the above twelve locations

- Verification of a 5-day sample of all City-wide:
  - Customer cash receipt field location activity
  - Cash balancing documentation and
  - Cash receipt reconciliations

- Review of six months of cash over and short E1 accounting system activity. Accounting system entry of over/short outages for the 5 sampled receipt verification days was also tested.

- Armored car cash transport service agreements were reviewed to confirm their existence and current effective dates

- Review of recent Ethics Hotline report activity for any reports about payments or payment activity

- Verification of a sample of locations’ deposit logs to bank deposit activity

- Review of separation of duties or appropriate compensating verification controls between/among:
  - Cash receipt and cash balancing
  - Cash balancing and cash entry into the accounting system
  - Cash accounting system entry and cash receipt reconciliation