

Office of the City Auditor

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# Animal Care Services Revenue Follow-Up Audit

May 2014



## Audit Staff

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## **Executive Summary**

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In March 2011, the Office of the City Auditor (OCA) completed an audit confirming the theft by an employee of more than \$253,000 within an eleven-month period at the Animal Care Services (ACS) Bureau. The employee was later convicted and sentenced for the crime.

Our prior audit found a single ACS employee responsible for almost every step in preparing and verifying daily revenue collections for deposit. With full access to the cash and no management oversight of her work, this employee created false transaction and deposit records that did not agree with actual daily revenue collections, allowing her to steal cash receipts.

In April 2014, the OCA completed a review to follow up on recommendations made in our prior audit. This follow-up review found that ACS has implemented new procedures and safeguards that should prevent the magnitude of fraud discovered in the earlier audit from reoccurring. We commend the department for their immediate response and efforts.

When reviewing the new and revised processes, we noted that new procedures have resulted in some duplication of efforts. As a result, there is still a need for segregation of information so those performing reconciliations do not have access to both actual receipts and transactional balance reports.

In the course of assessing the reconciliation procedures, certain aspects of the revenue collection process surfaced that warranted our assessment. As a result, we noted that Chameleon, ACS' information management system for collecting revenue and managing transactions, provides too much latitude in changing key transaction fields with little to no supervisory review. In addition, payments by mail, which are the bulk of the daily receipts, are not properly safeguarded or processed and deposited in a timely manner.

Additional details of the above issues and our recommendations to strengthen the ACS revenue handling process may be found in the body of this report. Discussed in a separate memo, along with less significant issues, we noted customer privacy concerns that were deemed sensitive in nature and excluded from this publicly available audit report. We commend ACS for having implemented needed internal strategies to correct prior weaknesses, and thank ACS and Parks, Recreation, and Marine Department (PRM) staff for their cooperation and assistance during this audit.

## Background

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ACS is a Bureau within the City of Long Beach PRM Department. In FY 2012, ACS was transferred to the PRM from the Health & Human Services Department. ACS is responsible for State-mandated rabies control and for ensuring public health and safety for residents of Long Beach and its contract cities of Signal Hill, Cerritos, Los Alamitos, and Seal Beach.

### Revenue Collection

ACS revenues are received at different collection points. Walk-in customers can pay for services and fees at the front desk counter. Pet owners can also pay for pet license renewals online. ACS receives and processes thousands of mail payments for license renewals each year. ACS also collects revenue out in the community. License Inspectors conduct door-to-door canvassing to check on delinquent licenses, and also initiate a license for a new pet or ask for proof of rabies certification, if warranted. During the course of their work enforcing animal control ordinances, Animal Control Officers can issue violation citations or license fees. These transactions would also lead to the collection of revenue out in the field. Revenue can also be collected at planned rabies clinics and pet adoption events.

Table 1 shows ACS revenues and expenditures for the past five years. In FY 2013, based on internal records, ACS processed an average of 121 transactions per day, and recorded and deposited on average over \$5,600 per day in revenue.<sup>1</sup>

**Table 1**  
**Animal Care Services Bureau Budget**  
**FY 2010 – FY 2014**

Fiscal Year	2010	2011	2012	2013	2014
Revenues*	\$2,021,822	\$2,154,715	\$2,141,392	\$2,150,218	\$2,194,626
Expenditures*	\$3,804,392	\$4,012,295	\$3,855,444	\$4,451,996	\$4,373,617
FTEs**	35.67	45.68	45.68	49.71	49.71

\* Source: EZ FAMIS. All amounts are Actual amounts, except FY 2014 which is Adopted Budget amount.

\*\* Source: ACS Annual Budget. Due to the transfer of ACS from Health Department to PRM, actual FTEs are not available in City budget documents for FY 2011 and FY 2013; therefore, Adopted and Estimated amounts are used, respectively.

### Chameleon System

ACS customer support consists of Clerks and License Inspectors (hereinafter referred

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<sup>1</sup> The ACS facility is closed to the public on Mondays and Tuesdays, but ACS operates seven days per week. These averages are based on a 365-day fiscal year, as internal system records show transactions were recorded on each day of the year.

to as Cashiers).<sup>2</sup> In this role, they are primarily responsible for processing payments, maintaining pet licensing and owner records, and processing adoptions, rescues and animal licenses. All transactions are recorded in an animal care case management and cashiering system, called Chameleon. ACS implemented Chameleon on October 1, 2009 to replace the existing dog licensing mainframe database system, called BARKS, as well as ACS' cashiering system. Chameleon was able to consolidate all transactions and capture all revenues collected throughout ACS.

Reconciliation

As shown in Figure 1 below, at the time of the 2011 audit, the verification and depositing of daily receipts were performed by one ACS employee, without any management oversight. This Clerk Typist III had full access to daily collections and the cashiering system, allowing her to forge transaction reports that contained less revenue than actual amounts, and pocketing the difference. After this theft was uncovered, ACS assigned multiple staff positions to the reconciliation process, creating three levels of reconciliation, as shown in Figure 1. ACS also reassigned the task of transporting daily deposits to the bank to the Administrative Analyst.

**Figure 1  
Reconciliation Process Flowchart Comparison**

Prior Process	Current Process
Cashiers placed drawer revenue, printed calculator tape total, and duplicate customer receipts into envelopes.	Cashiers reconcile and certify revenue with printed Chameleon daily transaction report and duplicate receipts, and place all in envelopes.
Cashiers gave the envelopes to the Supervisor who placed it in the safe, without verifying the amount enclosed.	Cashiers give envelopes to the Supervisor who reconciles and certifies the amount to the system reports, and places the envelopes into the safe.
Clerk Typist III retrieved envelopes from the safe and reconciled the collected revenue to her own manually created transaction reports.	Clerk Typist III retrieves envelopes from the safe and reconciles total amount received to system daily transaction reports.
Clerk Typist III prepared the bank deposit slip and deposited the funds at the bank.	Clerk Typist III prepares the bank deposit slip and the Administrative Analyst deposits the funds at the bank.

**Audit Objective, Scope and Methodology**

The objective of this audit was to follow up on the 2011 audit by assessing the current reconciliation processes and internal controls to ensure their effectiveness in detecting

<sup>2</sup> Supervisors and other ACS staff, as well as Clerks and License Inspectors, have the ability to enter transactions in the Chameleon animal care management system. However, the majority of financial transactions are performed by Clerks and License Inspectors. As such, throughout our report, we will refer to both as Cashiers.

and preventing fraud. The scope of the audit covered the period of October 1, 2012 through September 30, 2013 (Fiscal Year 2013). During our audit, we performed the following procedures:

- Interviewed management and staff from ACS and PRM Business Operations Bureau to gain an understanding of current revenue handling processes;
- Observed ACS staff perform key functions in revenue collection handling processes;
- Reviewed the City's Administrative Regulations and PRM and ACS policies and procedures related to revenue reconciliation and recording;
- Analyzed the cashiering system database for data integrity, including review of users' access capacities, voided transactions, and out-of-order transactions by receipt sequence number and date.
- Traced customers' checks, cash and credit card payments to transaction and bank documents, as well as to FAMIS, on a sample basis; and
- Observed the use of the Chameleon system and interviewed appropriate employees to gain an understanding of computer controls.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards, which 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 the audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## **Results & Recommendations**

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### **1. RECONCILIATION PROCESS**

The 2011 audit found that the Animal Care Services Bureau's reconciliation process of daily receipts was significantly flawed. A single employee had sole responsibility over the process with no oversight, which resulted in her reporting less revenue than was actually collected and depositing only a portion of the daily receipts. This allowed her to misappropriate \$253,000 during an eleven-month period.

Following discovery of the incident, ACS took immediate action and implemented a number of strategies that addressed several operational weaknesses that had allowed a major theft to occur. We commend the department for their efforts. Examples of new revenue handling procedures and safeguards implemented include the following:

- Segregation of the revenue reconciliation functions to multiple employees to increase accountability.
- Review of daily deposit and system documentation by the PRM Central Cashiering staff.
- Deposits are transported by someone other than the Clerk Typist performing the reconciliation.
- PRM's Business Operations Bureau provided Cash Control Training to all ACS staff in 2012, with refresher training required every two years.
- ACS purchased a new safe in 2010 and limited its access to only five ACS employees. The safe will be re-keyed every three years or when an employee with access leaves ACS.
- A locking mailbox was installed outside the facility to protect incoming and outgoing mail.

These changes have significantly reduced the level of fraud risk present at ACS since our audit in 2011. This follow-up audit reviewed the effectiveness and efficiency of ACS' new controls. In an effort to reduce the risk of fraud occurring, ACS implemented several process changes in an attempt to segregate critical-business functions and provide adequate review. In doing so, we found it actually resulted in unnecessary steps that add little value when considering risk reduction. In addition, better controls are still needed over the deposit process.

#### **A. Duplication in the Reconciliation Process Lessens Controls**

The key control in securing daily receipts is to always ensure anyone with access to the transactional information detailing what should have been collected does not also have access to the money. When someone has access to both, he or she can potentially adjust the cash to match transactional totals and misappropriate the difference.

Currently, there are three people that have access to both transactional information and money at the same time. First, at the end of each shift, the Cashier generates the individual daily transaction report<sup>3</sup> from the Chameleon system, and reconciles the cash box to the report. The Cashier also obtains duplicate individual transaction receipts. Second, his/her immediate Supervisor also performs the same reconciliation and then places revenue and required documentation into the safe. Lastly, each

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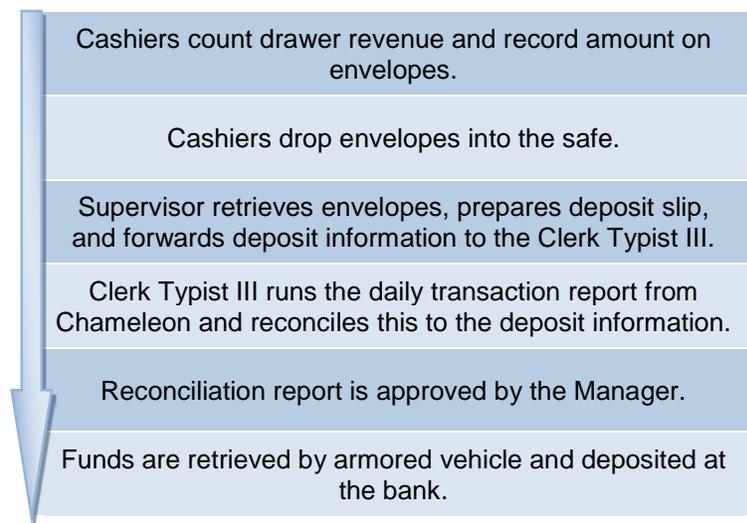
<sup>3</sup> The daily transaction report is called the Cash Box Closing Report. It is generated from the Chameleon system and lists the daily cash, check, and credit card payments received by date and in sequential Customer Receipt number order.

morning, the Clerk Typist III performs a third reconciliation of the prior day's collected revenues and enters the amounts into FAMIS, the City's financial management system. To do so, she retrieves the funds from the safe on a daily basis to complete the third reconciliation and prepare the deposit. The Clerk Typist III is assigned with the key and electronic combination code to the safe.

While a threefold reconciliation approach significantly reduces the risks prevalent in the previous situation of having only one employee responsible for everything, it also creates duplication of work and allows multiple people access to both system information and money. Contrary to our prior audit's recommendation for segregation of duties and proper reconciliation, this type of access allows employees the ability to omit receipts, take any cash overages, or revise transactions accordingly.

An ideal situation would limit system access and have segregation of business-critical functions as shown in Figure 2 below:

**Figure 2**  
**Ideal Reconciliation Process Flowchart**



**Recommendation:**

*No. 1 – Prohibit the Supervisors' and Cashiers' ability to retain duplicate customer receipts and lock their access within the Chameleon system to daily transaction reports. Instead, at the end of shift, have Cashiers count the amount of cash by denomination (less the change fund), place the money in an envelope, record receipt amounts on the envelope, and provide to the Supervisor. The Supervisor, in the presence of the Cashier, places the envelope in the safe (since the existing safe has no drop slots).*

*No. 2 – As noted in the prior audit report, ACS should consider obtaining a drop safe where Cashiers can place their daily receipts without requiring dual custody or combinations to the safe.*

*No. 3 – Prohibit the Supervisors' and Clerk Typist III's ability to enter or modify transactions within the Chameleon system. Having this ability allows them to perform functions that can alter the daily transaction reports.*

*No. 4 – The Supervisor should retrieve the Cashier envelopes from the safe, agree the total to the amounts on the envelopes, note any discrepancies, and prepare the deposit. The empty envelopes should then be forwarded to the Clerk Typist III.*

*No. 5 – A single reconciliation of revenues to the daily transaction reports should be conducted by the Clerk Typist III. The report should be reviewed and approved by management.*

*No. 6 – Prohibit the Clerk Typist III's access to the safe.*

## **B. Department Should Consider use of an Armored Car**

After the 2011 audit, ACS assigned the Administrative Analyst with the task of transporting the daily revenues to the bank for depositing. However, having one staff person depositing revenues on a daily basis to the bank does not safeguard the funds or provide for the safety of the employee. ACS internal policy<sup>4</sup> indicates that deposits must be made daily by an armed courier. In fact, the PRM Department utilizes armored transport to retrieve daily revenues from its headquarter office, which is one-half mile from the ACS facility.

### **Recommendation:**

*No. 7 – Have the armored transport company that PRM uses add ACS as an additional pick-up location to retrieve ACS daily deposits.*

## **2. REVENUE COLLECTION PROCESS**

While assessing the current revenue reconciliation procedures, certain aspects of the revenue collection process necessitated our further review. Based on our analysis, we identified improvements that could be made to these areas, which would increase controls over modification of system transactions, improve supervisory review of

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<sup>4</sup> After the major fraud case was uncovered in 2010, ACS implemented internal protocols surrounding revenue handling: 1) 102.0 *Daily Reconciliation & Deposits Approval*; 2) 102.1 *Internal Controls of Cash Receipt and Revenue*; and 3) 102.2 *License Inspector Daily Deposits*.

critical or unique data fields, and enhance the security of payments received in the mail.

#### **A. System Allows Modification of Key Transaction Fields**

Before a Cashier finalizes a transaction in the Chameleon system, they have the ability to alter fee amounts and dates of transactions. Modifying transaction fees and dates will alter totals in the individual daily transaction report and allow receipts to be misappropriated and possibly go undetected.

The fee amount field for a service line item in an invoice is not locked, allowing Cashiers to alter or zero-out the assigned amount. These changes cannot be easily detected. Chameleon captures transaction details as they are entered, and does not recognize changes to fee amounts and line items as errors or exceptions; therefore, it would be difficult to detect fee amount changes and line item deletions through the review of system reports. Furthermore, ACS does not regularly review the details in transaction records to identify instances when this function is being misused.

A Cashier also has the ability to change the transaction date, before finalizing a transaction. A backdated transaction record would not be included as part of the current day's daily transaction report, but rather as part of the daily transaction report for the revised date that was entered. Such a change to a transaction date could be identified during the review of receipt number sequence. However, this ability to backdate a current transaction provides an opportunity, especially if sequence gaps are not identified, for employees to hide transactions from the current day's revenue reconciliation.

#### ***Example:***

*As part of our audit work, we reviewed the sequential numbering of transaction receipts to determine the number of times the dates of transactions were altered. Of the 44,105 total transaction receipts generated in FY 2013, we identified 15 transactions that had receipt dates that were out of order. Since the receipts were out of sequence, we can be certain that all 15 of the transactions had date alterations within the system.*

Chameleon currently has the system capabilities to lock the fee and date fields. If ACS were to lock Cashiers' from unilaterally changing fee amounts, deleting fee line items and altering dates in Chameleon, the risk of inappropriate fee alterations or deletions would be reduced.

**Recommendation:**

*No. 8 – Prohibit Cashiers’ and Supervisors’ ability within Chameleon from editing fee amounts, deleting invoice line items, and altering system dates.*

*No. 9 – Management should be creating and reviewing system reports that capture unusual transactions in order to identify possible error or fraud. If generation of these reports is not possible, then management should establish other mitigating controls to ensure this type of activity would be detected.*

**B. Management is Not Approving or Reviewing Medical Fee Waivers**

ACS allows Cashiers the ability within Chameleon to waive the medical fees set by the Veterinarian when the transaction is associated with a pet adoption or rescue. Prior to August 2013, Cashiers had been deleting medical fee line items from the invoice prior to finalization within Chameleon. This practice did not allow ACS to track medical fee waivers.

In August 2013, ACS added a “Medical Fee Reversal” line item, which allows Cashiers to offset the medical fees. Between August 23, 2013 and September 30, 2013, there were a total of 96 transactions that contained the Medical Fee Reversal line item, waiving a total of \$5,377.34 of medical fees. Of the 96 transactions during this approximately one-month period, we identified five that did not involve a pet adoption or rescue, contrary to the ACS practice of waiving medical fees for only these transaction types.

***Example:***

*In one particular transaction, medical fees were waived for an ACS employee, but the transaction did not involve a pet adoption. There was no explanation or management approval.*

Either requiring prior approval of the medical fee reversals or Management’s review of system reports listing all medical fee reversals would decrease the risk of inappropriate reversals occurring.

**Recommendation:**

*No. 10 – Management should implement controls to ensure medical fee waivers are appropriate. This can be done by either requiring prior supervisory approval in Chameleon before the transaction is finalized or develop a system report that monitors this type of activity.*

### C. Insufficient Controls Over Payments Received by Mail

The majority of license renewal payments processed at ACS is received through postal mail. We counted 474 pieces of mail containing payments received in only the first three days of March 2014 in which mail was delivered, as shown in Table 2.

**Table 2**  
**Mail Received and Not Deposited**  
**(as of March 4, 2014)**

Post Mark Date	# of Pieces of Mail
3/1/2014	123
3/3/2014	226
3/4/2014	125
Total	<b>474</b>

*Note: March 2 was a Sunday and no mail was delivered or processed that day*

Mail is delivered into a new locked mailbox located outside of the facility with the key secured in the Dispatch Office. This mailbox should be considered similar to a drop safe as it stores revenues until they are processed for deposit. Typically at ACS, only one employee is directed to retrieve mail from the locked mailbox. By not requiring two employees to take possession of the receipts, it is possible for someone to take receipts from the mailbox without detection.

Receipts from the mailbox are not logged. Instead, payments are separated and kept stored in an unlocked file drawer for processing into Chameleon by staff. Payments can be kept in the unlocked file drawer for up to one month. Mail payments should be treated like any other form of revenue and, as such, they should be logged as received and stored in the safe until processed. In addition, mail payments should be processed and recorded as soon as possible; in fact, the City's Administrative Regulation (AR) 21.1<sup>5</sup> requires revenue greater than \$100 to be processed within 24 hours, and revenue less than \$100 to be processed within 48 hours. The longer the mail sits in an unlocked drawer, the higher the risk of loss or misappropriation.

#### **Recommendation:**

*No. 11 – Implement new policies and procedures for handling mail payments that adequately safeguard revenue. The policies and procedures should include, but are not limited to:*

- *Require those who use the mailbox key to log or record when the key is taken and subsequently returned.*

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<sup>5</sup> The City's AR 21.1, *Procedure for Deposition Monies with the Financial Services Division, Central Cashiering Section*, provides procedures for the timely deposit of monies with Central Cashiering by all City departments and to provide instructions for completing a Deposit Receipt (DR).

- *Require dual custody at the time of mail retrieval from the mailbox.*
- *If payments cannot be processed immediately upon receipt, then log all mail when retrieved from the mailbox, including date received, customer name and amount, and purpose of payment.*
- *Once logged, forward a copy of the log to the Clerk Typist III and have two employees securely store payments in the safe until they can be processed.*
- *Payments should be processed within the guidelines of AR 21.1.*
- *The Clerk Typist III should monitor system transaction reports to ensure all logged mail payments are subsequently processed.*

## **Appendix A**

### **Management's Response**

#### **Parks, Recreation, and Marine Department**



**Date:** May 30, 2014  
**To:** Patrick H. West, City Manager   
**From:** George Chapjian, Director of Parks, Recreation and Marine   
**For:** Laura L. Doud, City Auditor  
**Subject:** Management Response to the Animal Care Services Revenue Follow-Up Audit

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The purpose of this memorandum is to transmit the Department of Parks, Recreation and Marine (PRM), Animal Care Services Bureau's (ACS) management response to the Animal Care Services Revenue, Follow-up Audit 2014 (attached). PRM would like to thank the City Auditor's Office for their assistance with helping the Animal Care Services Bureau improve revenue-handling procedures and protect the City's assets. The Department would also like to thank the Auditor's office for acknowledging all of the hard work and efforts made by the ACS staff to improve the process since the 2011 audit.

Overall the Department agrees with the assessment that the changes made after the 2011 audit did significantly reduce the chance of theft of City revenue while also creating some duplication of efforts. We appreciate all of the hard work by the City Auditor's Office in helping us to identify ways to increase efficiency and improve safeguards of revenue processing. Some items have already been addressed while others are being implemented during a transition period. In the body of the attached response each item will be addressed individually, however, it is the intent of the ACS Bureau to implement all of the new changes by July 1, 2014.

Should you have any questions regarding the Management Response, please feel free to contact George Chapjian at 570-3170.

Attachment

cc: Suzanne Frick, Assistant City Manager  
Reginald I. Harrison, Deputy City Manager  
Tom Modica, Deputy City Manager  
Jyl Marden, City Council Liaison  
Ted Stevens, ACS Bureau Manager  
Stephen P. Scott, Business Operations Bureau Manager

**Department of Parks, Recreation and Marine**  
**Animal Care Services Bureau**  
**Management Response**

**Recommendations & Responses**

**1. RECONCILIATION PROCESS**

**A. Duplication in the Reconciliation Process Lessens Controls**

Since this most recent follow up audit, ACS has already begun to implement new reconciliation processes. These new processes are detailed below and referenced in the responses as appropriate.

Prior Process	Proposed New Process
Cashiers reconcile and certify revenue with printed Chameleon daily transaction report and duplicate receipts, and place all in envelopes.	Cashiers count their revenue, receive individual bank deposit slip from Supervisor, prepare bank deposit slip, and place all in sealed armored car bag.
Cashiers give envelopes to the Supervisor who reconciles and certifies the amount to the system reports, and places the envelopes into the safe.	Cashiers give sealed armored car bag to the Supervisor at the end of the shift. Supervisor prints daily transaction log and verifies amount matches deposit slip in the presence of the cashier (dual custody). Supervisor places deposit into safe, and leaves a copy of the bank deposit slip and transaction log on the Clerk Typist III's desk.
Clerk Typist III retrieves envelopes from the safe and reconciles total amount received to system daily transaction reports.	Clerk Typist III retrieves deposit slips and reconciles total amount received to system daily transaction reports. Bureau Manager reviews and signs the report.
Clerk Typist III prepares the bank deposit slip and the Administrative Analyst deposits the funds at the bank.	Supervisor delivers armored vehicle bags to Park Ranger Station for armored vehicle retrieval until direct armored car retrieval service is arranged.

**Recommendation No. 1:** Prohibit the Supervisors' and Cashiers' ability to retain duplicate customer receipts and lock their access within the Chameleon system to daily transaction reports. Instead, at the end of shift, have Cashiers count the amount of cash by denomination (less the change fund), place the money in an envelope, record receipt amounts on the envelope, and provide to the Supervisor. The Supervisor, in the presence of the Cashier, places the envelope in the safe (since the existing safe has no drop slots).

**Response No. 1:** *Cashier's will be prohibited from keeping duplicate receipts and having access to daily transaction logs. Supervisors will only have access to daily transaction logs to verify amounts in sealed armored car envelopes in the presence of the cashier's (dual custody).*

**Recommendation No. 2:** As noted in the prior audit report, ACS should consider obtaining a drop safe where Cashiers can place their daily receipts without requiring dual custody or

combinations to the safe.

**Response: No. 2** - *At the end of each shift, Cashiers will hand their sealed armored car deposits with their counted revenue and deposit slip to a Supervisor. Supervisors will verify revenue amounts match the daily transaction report and verify the deposit slip is filled out correctly then place sealed armored vehicle bags into the safe. A drop safe will not be necessary.*

**Recommendation No. 3:** Prohibit the Supervisors' and Clerk Typist III's ability to enter or modify transactions within the Chameleon system. Having this ability allows them to perform functions that can alter the daily transaction reports.

**Response No. 3:** *No ACS staff will have the ability to modify transactions or perform journal entry corrections other than the system administrator who does not have access to the deposits.*

**Recommendation No. 4:** The Supervisor should retrieve the Cashier envelopes from the safe, agree the total to the amounts on the envelopes, note any discrepancies, and prepare the deposit. The empty envelopes should then be forwarded to the Clerk Typist III.

**Response No. 4:** *This is already being done at the end of the day, however, without getting the envelopes out of the safe.*

**Recommendation No. 5:** A single reconciliation of revenues to the daily transaction reports should be conducted by the Clerk Typist III. The report should be reviewed and approved by management.

**Response No.5:** *The Clerk Typist III will now retrieve the deposit slips and reconcile them to the Daily Transaction Reports and provide the report to the Bureau Manager who will review and sign the report.*

**Recommendation No. 6:** Prohibit the Clerk Typist III's access to the safe.

**Response No. 6:** *This is no longer an issue now that the Clerk Typist III does not have the ability to modify transactions.*

#### **B. Department Should Consider Use of an Armored Car**

**Recommendation No. 7:** Have the armored transport company that PRM uses add ACS as an additional pick-up location to retrieve ACS daily deposits.

**Response No. 7:** *Currently ACS revenue is being delivered to the Ranger Station (across the street) for armored car service pickup, until such time as the armored car service can be arranged for onsite pick-up at ACS. It is expected that this will occur within the next 30 days.*

## **2. REVENUE COLLECTION PROCESS**

### **A. System Allows Modification of Key Transaction Fields**

**Recommendation No. 8:** Prohibit Cashiers' and Supervisors' ability within Chameleon from editing fee amounts, deleting invoice line items, and altering system dates.

**Recommendation No. 9:** Management should be creating and reviewing system reports that capture unusual transactions in order to identify possible error or fraud. If generation of these reports is not possible, then management should establish other mitigating controls to ensure this type of activity would be detected.

**Response No. 8 & No. 9:** *Ability to alter transaction dates will be restricted and no staff will have*

*this ability other than the Chameleon System Administrator, who does not have access to revenue. Editing of fee amounts will require Supervisor approval and a weekly report will be created, for review by the Bureau Manager, who will list all transactions with fee modifications.*

**B. Management is Not Approving or Reviewing Medical Fee Waivers**

**Recommendation No. 10:** Management should implement controls to ensure medical fee waivers are appropriate. This can be done by either requiring prior supervisory approval in Chameleon before the transaction is finalized or develop a system report that monitors this type of activity.

**Response No. 10:** *A weekly report will be created, for review by the Bureau Manager, who will list all transactions with medical fee reversals.*

**C. Insufficient Controls Over Payments Received by Mail**

**Recommendation No. 11:** Implement new policies and procedures for handling mail payments that adequately safeguard revenue. The policies and procedures should include, but are not limited to:

- Require those who use the mailbox key to log or record when the key is taken and subsequently returned.
  
- Require dual custody at the time of mail retrieval from the mailbox.
  
- If payments cannot be processed immediately upon receipt, then log all mail when retrieved from the mailbox, including date received, customer name and amount, and purpose of payment.
  
- Once logged, forward a copy of the log to the Clerk Typist III and have two employees securely store payments in the safe until they can be processed.
  
- Payments should be processed within the guidelines of AR 21.1.
  
- The Clerk Typist III should monitor system transaction reports to ensure all logged mail payments are subsequently processed.

**Response No. 11:** A log for the mailbox key has been created and staff assigned to getting the mail are now required to sign-in and sign-out the key on the log. Additionally, two staff are now required to get the mail from the mailbox. The majority of ACS transactions are processed through the mail. It is the goal of ACS to process all revenue within 24 hours in accordance with AR 21.1. Currently, mail payments may be stored for up to one week in a locked file cabinet (Only Supervisors have a key to the locked mail file cabinet). We do not feel that logging the mail is feasible. The time it would take to open each payment and log all of the required information is the same or greater than the time it would take to process the payment. We are currently in the process of filling some vacancies. Once the positions are filled we are confident that ACS can meet the goal of processing all mail payments in accordance with AR 21.1 in a majority of instances.