



City of Cape Coral City Auditor's Office

TO: Gary King, City Manager
THRU: Margaret Krym, Interim City Auditor *MK*
FROM: Kathy Magaw, Assistant City Auditor *CM*
DATE: March 18, 2011
SUBJECT: Theft in Parks and Recreation Department

The City Auditor's Office was notified regarding an alleged theft by the Parks and Recreation Director. We were informed that beginning on January 10, 2011 a Parks and Recreation Department (P&R) employee was assigned the responsibility of preparing the deposits from Pops Café. Subsequently, the monthly bank reconciliation prepared by the Financial Services Department with assistance from the P&R Department discovered that \$860.26 in deposits was missing. The P&R Director and staff interviewed the P&R employee who prepared the deposits to obtain the detail paperwork, supporting documentation and her recollection of what had occurred. The employee's recollection was not consistent and the investigation was turned over to the Cape Coral Police Department.

Administrative Regulation (AR) #38, Theft/Loss Reporting states that City asset thefts, losses, other misappropriations must be reported within 24 hours of discovery to the respective Department Director, City Auditor, and Risk Manager. The purpose of the City Auditor's Office involvement is:

- to determine what Internal Control was involved that may have been compromised;
- in what way it may have been compromised;
- the extensiveness of the problem;
- and finally to make recommendations to mitigate future similar risks.

During this engagement we ascertained that internal controls were present and effective. Specifically, the bank reconciliation process performed monthly by the Financial Services Department alerted staff in a timely manner that deposits were missing. This is a strong detective control and it functioned appropriately. It also provides assurance that the extent of this theft was limited to the 2 deposits in question.

Additionally, once the theft was discovered the required documentation (actual daily deposits with supporting evidence signed by two people) which is required and retained (another form of internal control) was adequate and effective and allowed department staff to reconstruct the incident.

Based on our review it is reasonable to conclude that this incident of theft was limited to this one individual and is not pervasive in the Department.

Recommendations to Strengthen the Preventive Controls

Deposit tickets are pre-numbered and are used in sequential order. This is a strong control to ensure the completeness of the deposit population but it is only effective if the number sequence is regularly monitored for completeness and missing numbers are promptly accounted for. This control is especially important for those cash receipt areas that are not utilizing the RecTrac Software System.

In 2007, at the recommendation of the City Auditor's Office, the P&R Department began to attach the yellow copy of the pre-numbered deposit slip to the daily deposit batch paperwork. This recommendation advised that best practice suggest that the numbering sequence is more appropriately monitored at the reconciliation phase of the process rather than at the origination of the deposit.

During their review of this theft, P&R staff felt that separating these deposit tickets from the deposit book made it more difficult to account for the numerical sequence of the deposit slips. We agree. However, monitoring the numerical sequence is a control that should be regularly performed either during the reconciliation process or by the P&R Department staff. Management must determine when and how this monitoring of the numerical sequence will be achieved.

We recommend that Management document a procedure to communicate to staff how the numerical sequence of deposit slips will be monitored and who will be responsible for that process. We will include this recommendation in our up-coming audit report for Cash Handling – Transactions which addresses similar issues.

When the P&R Cashier delivers the sealed deposit bag to the Cashier's Office, the normal practice for the Cashier's Office has been to log each deposit bag into the Loomis Log Book for the daily pick up of deposits by the armor car service and to have the P&R Cashier initial the log book to evidence the transition of responsibility. After our initial review of the Loomis Log Book it was not evident that this had occurred every time. However, effective February 17, 2011 this process was strengthened by enforcing the control consistently at the City Hall Cashier's Office. We have since verified that the transition of the deposit bag is being evidence with the proper initials consistently.

The P&R Department at City Hall has a safe where they store cash for various purposes. While surveying staff for the Cash Handling – Transaction Audit we asked the following. *"Is the safe limited to a few staff members?"* In the case of P&R at City Hall we were told that *"everybody knows where the key is"*. During our review of this

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theft we recommended to Department Management that they limit access to the safe and this was immediately acted upon by the P&R Director.

While surveying staff for the Cash Handling – Transaction Audit we also asked “*Are the assigned cash handling duties and responsibilities listed as essential job functions on the City of Cape Coral job descriptions?*” Persons identified as having cash handling responsibilities are required to have the Cashier Training provided by the Financial Services Department Cashier's Office prior to the handling of cash. The P&R employee accused of the theft did complete this training in 2007; however, after our review of the employee's job description we found that the required language was not included in the job description.

With the shifting of job responsibilities related to reorganizations, downsizing, and/or process improvements it is important to ensure that employees who are assigned the new responsibility of handling cash have their job description updated and to ensure that these employees receive the proper Cash Handling Training.

We recommend that job descriptions be reviewed and updated to include the required language when new cash handling responsibilities are assigned. We will include this recommendation in our up-coming audit report for Cash Handling – Transactions which addresses similar issues.

The P&R Department employee that was accused of the theft has confessed to the Cape Coral Police Department and her employment was terminated.

The City Auditor's Office would like to thank the staff in Parks and Recreation and Financial Services Departments for their assistance in performing this follow up review. If there are further questions or concerns regarding this report, please contact the City Auditor's Office.

xc: Mayor and Council Members
Carl Schwing, Assistant City Manager
Dolores Menendez, City Attorney
Rebecca van Deutekom, City Clerk
Steve Pohlman, P&R Director
Vicky Bateman, Financial Services Director
Audit Committee