

Audit Report

Austin Transportation Department Cash Handling Practices

December 2018



Austin Transportation Department cash handling functions are not appropriately divided among staff and the department does not have written cash handling procedures. In addition, the department processes some cash payments outside the City permitting system, which may lead to incomplete accounting of cash payments. As a result, the department may not be effectively safeguarding City funds.

Contents

Objective and Background	2
What We Found	3
Recommendations and Management Response	5
Scope and Methodology	7

Cover: Dollar Bills Money Wallpaper, <https://unsplash.com/photos/8lnbXtxFGZw>

Objective

We conducted an audit with the objective of determining if the City is effectively coordinating in the right of way to minimize traffic disruptions and maximize traffic flow. The results of that audit can be found on the City Auditor's website. During the course of that audit, we identified risks related to cash management which are detailed in this report.

Background

While the term "cash" commonly refers to physical currency, City policy uses it to refer to all forms of payment, including credit cards and checks.

The Austin Transportation Department (ATD) charges and accepts payment for a variety of fees, including right of way usage fees, excavation fees, valet and sidewalk café fees, and investigation fees. Fees paid, by contractors and other permit applicants, are processed by ATD's cashier. In total ATD reported \$8.6 million in revenue from permit-related fees in fiscal year 2017 and \$10 million in fiscal year 2018.

To set a minimum standard for cash handling and to protect the City from losses, the City has established an organization-wide policy for accepting and handling payments. The policy outlines the responsibilities and requirements for departments and how these responsibilities are to be distributed between management, cash handlers, and the Financial Services Department. City policy also requires that all employees handling cash receive cash handling training and that departments maintain clearly written and approved procedures for all aspects of cash handling.

What We Found

Summary

Austin Transportation Department cash handling functions are not appropriately divided among staff and the department does not have written cash handling procedures. In addition, the department processes some cash payments outside the City permitting system, which may lead to incomplete accounting of cash payments. As a result, the department may not be effectively safeguarding City funds.

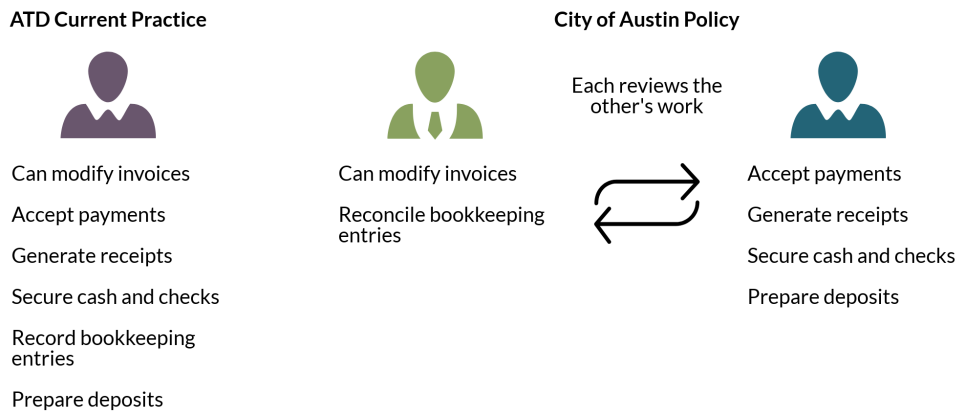
Finding

Critical cash handling functions are not appropriately divided, increasing the risk that City funds are not safeguarded.

The City's Cash Handling policy states that department cashiers are responsible for receiving, processing, and protecting money collected.

The City's cash handling policy requires departments to ensure that no single employee performs all aspects of cash handling. However, a single ATD employee performs key cash handling functions without supervisor review (see Exhibit 1). Specifically, the ATD cashier has authority to change bills, accept payments, generate receipts, secure cash and checks, record bookkeeping entries, and prepare cash deposits at the end of each business day. The cashier reported that another department employee does not watch this process or confirm that all of the money collected was accounted for prior to funds being deposited at the City's bank, although City policy requires another person to watch the cash count and preparation of cash deposits whenever City funds change hands. When one person performs all these functions, there is no way to detect accounting errors or missing funds.

Exhibit 1: ATD Cash Handling Practices Do Not Align with City Policy



SOURCE: OCA analysis of ATD cash handling practices compared to City's Cash Handling policy, September 2018

In addition, many ATD employees, including permit analysts and current, backup, and former cashiers and financial staff, have more access in the City's permitting system than they should for cash handling purposes. This allows them to create, change, and delete bills which could be misused to benefit the employee or a favored permittee. Some of the files evaluated in this audit contained initials indicating a manager reviewed the deposit packets. However this review occurs only after money has been sent to the City's bank and it is unlikely that review of this nature would detect any lost or stolen funds.

ATD does not have written cash handling procedures, which may contribute to the identified issues. The City's cash handling policy states that department directors are required to have clearly written and approved procedures for all areas of their department's cash handling operation, along with procedural compliance with the cash handling policy. Lack of written guidance on how to process payments may contribute to the issues noted above.

Permittees can choose to pay certain permitting fees outside of the typical permitting process, and it is not possible to determine the total number and amount of out of process fees paid. A permit applicant can elect to pay a \$100 fee to have their traffic control plan reviewed "out of process," meaning out of the usual approval process, generally at a later date when more details are known about the right of way work to be done. Staff reported that for the fee to be tracked in the City's permitting system it needs to be associated with an issued permit, which is not possible for "out of process" fees since they are charged before a permit is issued. The ATD Right of Way Division started tracking these requests in January 2018. However, staff has not been provided consistent guidance on how to categorize entries. Permittees are allowed to submit information online and select a category for the out of process permits. We found out of process permits were in three different categories making it difficult to identify exactly which permit applicants chose the "out of process" review.

Based on discussion with ATD staff and review of ATD accounting records, out of process fees are recorded in paper receipt, not entered into the City's permitting system, and are recorded as a general revenue fee in the City's accounting records. Therefore, it was not possible to determine the total number and amount of out of process fees paid. As a result, the City does not have a complete and accurate record of permittees who selected the out of process review, nor the money obtained through this fee.

These limitations are due, in part, to the difficulties City staff encounter when attempting to modify or update the City's permitting system. ATD management stated that they are working on developing a new folder in the City's permitting system that would allow for enhanced tracking and charging of out of process fees. In addition, ATD management has requested the implementation of this folder by the end of the calendar year. The new folder will contain data beginning with the date of implementation.

Recommendations and Management Response

1

The Director of the Austin Transportation Department should:

- Evaluate the continued need for the Austin Transportation Department to collect payments.
- If the Austin Transportation Department must continue to collect payments, immediately evaluate the cash handling and payment processing procedures to ensure functions are appropriately separated to safeguard City funds, working with the Communication & Technology Management department as necessary.
- Develop, approve, and communicate department cash handling procedures that comply with the City's cash handling policy.

Management Response: Agree

Proposed Implementation Plan:

Evaluate the need for ATD to collect payments: Currently ROW permit customers are able to receive one-stop service. This one-stop function for review, approval and payment of ROW permits provides a more effective process for ATD's customers. Currently, ATD ROW staff and Development Services Department (DSD) cashiers work in different locations. As long as there continues to be space limitations for the review and permit staff from both DSD and ATD to co-locate, customers will process ATD permit payments at the ATD ROW location. Future facility plans include this collocation and consolidation of cashier functions.

Proposed Implementation Date: Summer 2020

Evaluate the current cash handling and payment processing procedures to ensure functions are separated and segregated: It is important to note that all transactions in the AMANDA system leave a digital footprint. Weekly, ATD Finance staff reconcile weekly transactions in AMANDA to bank deposits, invoices, copies of checks and credit card receipts. In addition, the Finance Manager reconciles cash receipts to bank deposits for the entire month. There have been no indications that there was any misuse of funds. Any discrepancies between billing and deposits are extensively researched. ATD is identifying staff that can review deposit slips and associated cash and checks daily, prior to placing them in the Dunbar deposit bag and locked.

ATD Finance staff has reached out to the AMANDA group at CTM to change the roles of staff in the application. Effective November 6, 2018, ATD staff with cashier rights will no longer have the ability to change customer profile information and adjust invoices.

Proposed Implementation Date: November 2018

Develop, approve and communicate department cash handling procedures that comply with the City's cash handling policy: ATD Finance staff have developed a draft department cash handling procedure. An approved procedure is expected to be completed and available by December 2018. All staff with cash handling responsibilities will be trained on this procedure by early 2019.

Proposed Implementation Date: March 2019

2

The Director of the Austin Transportation Department should collaborate with the Development Services Department and Communication & Technology Management to ensure that out of process fees can be tracked in the City's permitting system going forward.

Management Response: Agree

Proposed Implementation Plan:

There is only one type of ATD fee paid outside of the typical permitting process. That fee is for traffic control plan review, which is not a permit fee. A traffic control plan is filed and reviewed but not processed until the customer has a specific start date. ATD staff responsible for reviewing these plans currently utilize a data tracker that indicates whether or not the plan review fee would apply. ATD ROW leadership and technology staff have developed a scope to add a folder to the AMANDA permitting system to capture the traffic control plan review fee. Any further modifications to AMANDA will require approval by the IT Case Management Governing Board and funding. Timing for this enhancement is dependent on the other AMANDA enhancements already approved and the availability of the technology staff to implement.

Proposed Implementation Date: December 2020

Management Response



MEMORANDUM

TO: Corrie Stokes, City Auditor, Office of the City Auditor

FROM: Robert Spillar, P.E., Director, Austin Transportation Department

DATE: November 30, 2018

SUBJECT: Action Plan – Austin Transportation Department (ATD) Cash Handling Practices

The following is the management response and related action plan for the Austin Transportation Department (ATD) Cash Handling Practices Audit. The audit identified three areas of weakness in the cash handling functions related to the processing of Right of Way (ROW) permitting and fee activities. 1) Cash handling functions are not appropriately divided among staff and that there are not department-specific cash handling procedures. 2) City staff have the ability to post payments and modify invoices in the AMANDA permitting system. 3) Permittees can choose to pay certain fees outside of the typical permitting process which makes it difficult to determine the number and amount of out-of-process fees collected.

Background

ATD processes revenue for ROW permits, traffic control plan review, street banners, parking, special events and ROW licenses for local transportation providers. The processing of payments for ROW permits is housed with the analysts who review plans and issue those permits. This provides a better customer experience and allows the customer to receive and pay for the permit during one stop. The City of Austin and ATD's ROW permitting and licensing division continue to experience a large volume of activity related to development. In fiscal year 2018 (October 1, 2017 to September 30, 2018), ATD processed over 15,000 permits. On any given day, more than 3,000 permits are active throughout the City of Austin. The permitting and inspection processes primarily exist to protect and promote safety and mobility while protecting infrastructure.

The system of record for the permitting process is AMANDA. The system is primarily used by the Development Services Department (DSD), ATD and Watershed Protection to review plans. The specific roles in AMANDA have been established by the primary user department, DSD.

There is only one type of ATD fee paid outside of the typical permitting process. That fee is for traffic control plan review, which is not a permit fee. A traffic control plan is filed and reviewed but not processed until the customer has a specific start date. Since there are additional delays that could

Management Response

occur, the review and approval is completed as the start date is near, in order to account for other changes in the area.

The following management response and action plan provide additional details in response to this report.

Should there be any questions, please feel free to contact me at (512) 974-2488.

Thank you.

Scope

The audit scope included right of way cash management activities from October 1, 2015 to September 30, 2018.

Methodology

To accomplish our audit objectives, we performed the following steps:

- interviewed staff and management with ATD and DSD;
- reviewed department policies and guidelines;
- evaluated internal controls related to the right of way permitting process;
- attended the downtown contractor meeting and interviewed contractors working in downtown Austin;
- reviewed permit fee schedules and investigation fines to determine if fees and fines were properly billed;
- evaluated IT controls and access rights to City's permitting system;
- observed the right of way permit application intake and cashier processes in ATD and DSD; and
- evaluated the risk of fraud, waste, and abuse related to the department cashier practices to determine if appropriate separation of duties existed and compliance with the City's cash handling policies.

Audit Standards

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.

The Office of the City Auditor was created by the Austin City Charter as an independent office reporting to City Council to help establish accountability and improve City services. We conduct performance audits to review aspects of a City service or program and provide recommendations for improvement.

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