

FIRE RESCUE CASH HANDLING AUDIT

INTERNAL AUDIT REPORT 09-02

INTRODUCTION

The City of Sioux Falls City Council authorized this audit in the 2009 Annual Audit Program. Cash Handling Audits determine whether cash resources are handled in a manner consistent with established City requirements and whether there is adequate safeguarding against loss. They also assess the adequacy and effectiveness of internal controls within various cash handling locations. Cash Handling Audits consist of an objective review and evaluation of the cash handling practices and procedures relating to the receiving, transporting, storing, depositing, recording and safeguarding of City money (including cash, checks, money orders, credit cards and debit cards).

BACKGROUND

In 1885 the first hook and ladder company was created in Sioux Falls. The next century saw the Fire Department grow as the fire protection responsibilities increased. In the late 1980s to early 1990s four new fire stations were built to meet the ever expanding need.

The changing role of the Fire Department prompted a name change in 1995. The Sioux Falls Fire Department was renamed Sioux Falls Fire Rescue. The name change reflected the department's additional task of responding to more medical and rescue calls.

In February of 2003, the Commission of Fire Accreditation International (CFAI) approved accreditation for Sioux Falls Fire Rescue. Only through adherence to high standards, strategic planning, and continuous self-assessment and improvement was Sioux Falls Fire Rescue able to achieve this goal. Of the approximate 32,000 fire departments in the United States, Sioux Falls Fire Rescue was 1 of only 72 to be accredited.

Fire Rescue collects fees for various licenses, permits, sales of fire reports and fire alarm code books, Fire and EMS training services, along with inspections, crowd control and fire watch services.

OBJECTIVES

The objectives of this audit were to determine:

1. If controls over all money, cash receipts and bank deposits are appropriate and functioning properly.
2. If cash receipts are deposited in a timely, secure and accurate manner.
3. If an adequate separation of duties exists and if physical security procedures are in place and being followed.
4. If written cash handling policies and procedures are current, properly documented and being followed.

5. If the Fire Rescue fees and charges are consistent with the City of Sioux Falls ordinances and if the appropriate charges are being accurately assessed and recorded in their financial records.

SCOPE AND METHODOLOGY

All revenue collection for Fire Rescue is performed at Fire Rescue Headquarters, 2820 South Minnesota Avenue. For objective one, all the cash related reports, controls and procedures were observed and reviewed. For objective two, cash receipts were tracked from collection to the deposit which is prepared at the Headquarters location and then forwarded to the Finance Department. Twelve deposits from January, 2008 to December, 2008 were verified with the Finance Department files.

For objective three, we interviewed Fire Rescue staff about segregation of duties. Staff duties and physical security procedures were discussed and observed. We reviewed City accounting records for 2008, including the approved budget and the general ledger, to achieve audit objective four. Documentation reviewed at the Headquarters location and at the Finance Department included original and computer records. Objective five was verified by checking the City of Sioux Falls Revised Ordinances to ensure that the current fees and charges are consistent with revised ordinances.

RESULTS

Audit Objective 1

A review of the cash related reports, controls and procedures reveals that the controls over all money, cash receipts and bank deposits are appropriate and functioning properly. Such controls include restrictively endorsing checks, issuing and recording receipts for each transaction and reconciling daily activities to bank deposits. The observed and verified practices and procedures are consistent within the department.

Audit Objective 2

By observation and review of City accounting records, we determined that Fire Rescue staff deposit cash receipts in a timely and accurate manner.

Audit Objective 3

A review of the cash handling, recording and deposit process reveals that a concentration of duties exists with one clerk. That clerk performs all the steps involved in receiving money, along with the recording of all department revenue. She also prepares the deposits, sends the deposits to Finance and then confirms the deposit receipts that Finance returns to Fire Rescue. See Recommendation One for a recommendation concerning an adequate separation of duties.

Physical security procedures are in place and are consistently followed.

Audit Objective 4

The only written, formal Fire Rescue policies are those relating to the petty cash usage. Fire Rescue generally follows the Finance Department's Financial Procedures manual.

Contrary to Finance Department policy, Fire Rescue did return a check to a customer after it was receipted. Finance Department policy states that once cash is receipted, it must be deposited intact. See Recommendation Two for a recommendation concerning this procedure.

Audit Objective 5

The Fire Rescue fees and charges are consistent with the City of Sioux Falls ordinances. Fire Rescue staff accurately assesses and records the appropriate amounts in the financial documents.

RECOMMENDATIONS

In all cash reviews, one of Internal Audit's goals is to provide assistance in helping the Administration to strengthen internal controls.

Recommendation One: Concerning an adequate separation of duties, we recommend that two individuals split the following duties:

- A) Receiving and handling of cash
- B) Preparing the deposit
- C) Reconciling receipts to the deposit
- D) Recording the deposit to various general ledger (cash code) numbers
- E) Verifying the deposit receipt from the Finance Department

Management should also be involved in reviewing and approving the deposits and the subsequent verification of deposits from Finance.

Recommendation Two: Concerning the receipting of cash, it is recommended that Fire Rescue follow the Finance Department's policy to deposit all cash that has been initially receipted. When refunds are found to be necessary, they should then be handled through the voucher claim process, with management review and approval.

CONCLUSIONS

The Fire Rescue administration and staff are very experienced and dedicated to accurately processing and recording its revenue. Overall, the collection of revenue and the handling of the various forms of cash are working very well. The enclosed recommendations are intended to enhance the operations of a very professional staff.

We wish to thank the administration and staff of Sioux Falls Fire Rescue for their cooperation and assistance during this review.