



## **The Corporation of the City of London**

### **Parks & Recreation Cash Handling Process Review**

### **Internal Audit Report**

Audit performed: June and July 2017  
Final report issued: November 2017

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# Executive summary

## Introduction

As part of the 2017 Internal Audit Plan, Deloitte performed a review of the City's Parks & Recreation cash handling processes at The Corporation of the City of London ("City"). The review commenced in June 2017 and was completed in August 2017. The internal audit review was performed to ensure adequate processes and internal controls are in place to mitigate significant risks over cash within the City. Deloitte reviewed a sample of Parks & Recreation locations across the City. The review assessed controls in place to manage cash and Deloitte performed sample testing as deemed appropriate to evaluate the extent of cash handling compliance with the Corporate Administrative Cash Handling Policy and Directive.

## Parks & Recreation cash handling

The City is home to a multitude of Parks & Recreation facilities including Storybook Gardens, arenas, indoor swimming pools, outdoor pools, soccer fields, ball diamonds, football fields, tennis courts, skate parks, play structures, off-leash dog areas, and specialized facilities (e.g. golf course, etc.). Annually, park and recreational facilities collect approximately \$14 million, in which \$3 million is actual cash. Maintaining an infrastructure with effective cash handling practices has widespread benefits for the City including improved efficiencies, security, and convenience.

The detailed purpose and objective of this review was to:

- Review the control framework in place to manage cash transactions, cash deposits and cash reconciliations;
- Review the City's processes to monitor cash handling within the park and recreational facilities; and
- Validate compliance to the established framework and processes by performing testing of cash handling and monitoring compliance at sample parks and recreational cash handling locations.

The specific agreed upon scope details between management and internal audit are in **Appendix 1**.

## Key strengths

**Preparation of bank deposits:** The City has implemented effective procedures and controls across sampled park and recreational facilities to prepare cash deposits. Prior to deposit pick-up, each location will prepare the daily deposit amounts with supporting documentation. Management reviews the prepared bank deposit and provides signature for approval.

**Use of Class point-of-sale system:** The City effectively utilizes the Class point-of-sale system to automate procedures and controls for receiving cash payments at park and recreational facilities. The system is accessed through a password-protected login with unique identifiers for each individual. Parks & Recreation maintains preapproved levels of access to Class based on role responsibilities and location (i.e. location Supervisor cannot prepare journal entries). The use of the system assisted the City in implementing effective cash controls during the receipt of cash process by restricting access and user capabilities to only what they require while also recording all cash payments. Effective use of

the system provides accountability to ensure cash transactions are authorized, properly accounted for, documented, and identifiable to specific cash handlers.

**Payment received prior to facility access:** City procedures ensure only customers who have paid are capable of enjoying park and recreational location services. Sampled locations utilize various methods to manage customer in and out privileges including the use of a gate that requires a key fob or cashier approval to enter. Other locations use unique stamps that are placed on customer hands to track customers who have already paid upon re-entry. Additionally, the golf courses employ golf service attendants with customer service responsibilities including the responsibility to ensure customers have paid and are teeing off at their scheduled time.

### Key observations

Deloitte’s review of the Parks & Recreation cash handling practices identified the following observations:

Priority	High	Medium	Low
Observations	1	2	0

### High priority observations

#### **Observation 1.0: Governance: Monitoring of cash handling practices**

- **Observation:** Currently, there is an annual process for the Parks & Recreation Division locations to self-report cash handling exceptions to Corporate Finance - Financial Services. However, there is no active monitoring in place for management to ensure cash handling processes and controls are operating effectively throughout the year.
- **Risk & implication:** The lack of procedures within the current framework to adequately monitor cash handling practices increases the risk that the City is unaware of activities that do not adhere to City expectations.
- **Management action plan:** Park & Recreations management will work to establish oversight procedures to more actively monitor cash handling practices by developing a risk-based review framework.
- **Responsible party:** Scott Oldham, Manager, Business Solutions & Customer Service

### Medium priority observations

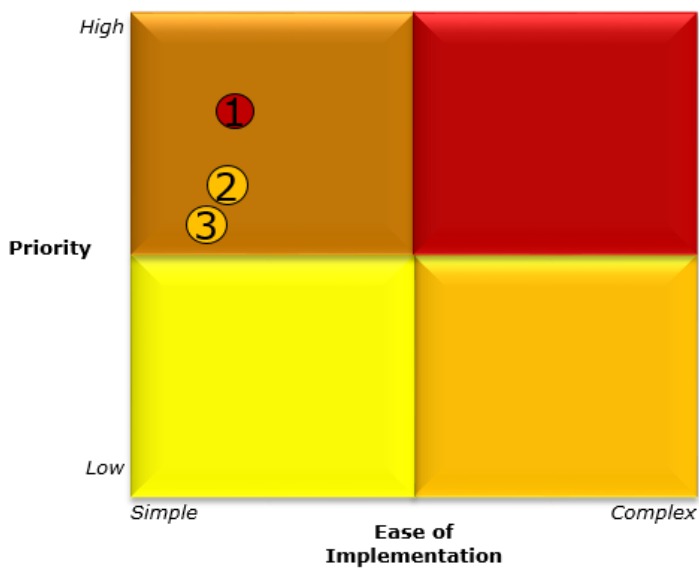
#### **Observation 2.0: Internal control deficiencies**

- **Observation:** Based on test results at select locations, Internal Audit identified areas of non-compliance against the Corporate Administrative Cash Handling Policy and Petty Cash Policy in addition to those included in the 2016 annual self-assessment report to Corporate Finance.
- **Risk & implication:** The lack of adherence to policies and procedures leads to practices that are not aligned with City expectations and requirements.
- **Management action plan:** Parks & Recreation management will collaborate with Corporate Finance to develop and execute a risk-based approach to communicating cash handling requirements to process owners. Communicating requirements will be completed in a phased approach to align with the Corporate Administrative Cash Handling Policy refresh currently underway.
- **Responsible party:** Scott Oldham, Manager, Business Solutions & Customer Service

**Observation 3.0: Cash handling practices**

- **Observation:** Internal Audit noted that the Corporate Administrative Cash Handling Policy and Directive was last revised in 2011. Enhancements to the policy to clarify practices such as reporting exceptions, establishing cash handling guidelines and training programs within the service areas as well as practices and controls surrounding cash floats is required.
- **Risk & implication:** The lack of concise expectations for cash handling practices within service areas increases the risk that each unit creates processes based on their understanding of City policy.
- **Management action plan:** Corporate Finance management will continue to work collaboratively with key stakeholders to refresh the Policy. Enhancements will be made to ensure cash handling service areas have an adequate understanding to effectively achieve Policy objectives.
- **Responsible party:** Darren Hack, Manager, Financial Systems

**Priority heat map**

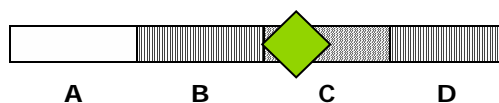


**Conclusion**

Based on our review of Parks & Recreation cash handling practices we noted one high and two medium observation weaknesses with the potential to impair the effectiveness of current processes. The issues noted in the report should be addressed in a timely manner to enhance current controls and mitigate relevant risks.

Management has provided action plans for the observations noted in the ‘Detailed observations and recommendations’ section.

The following scale depicts our overall conclusion for the priority of observations noted for improvement within this review as it relates to the scope of areas audited as outlined above:



Description	Definition
A	No or insignificant process control or efficiency weaknesses identified
B	Minor process control or efficiency weaknesses identified
C	Moderate process control or efficiency weaknesses identified
D	Significant control process or efficiency weaknesses identified Impairing the effectiveness of the process

# Detailed observations and recommendations

## Observation 1.0 – Governance: Monitoring of cash handling practices

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
<p><b>1.0 Governance: Monitoring of cash handling practices</b></p> <p>Through discussion with Parks &amp; Recreation management, Internal Audit noted that there is an annual process for the Parks &amp; Recreation Division locations to report cash handling exceptions to Corporate Finance - Financial Services. However, there is no active monitoring or oversight in place for management to ensure processes and controls are operating effectively throughout the year and that the controls established within the Corporate Administrative Cash Handling Policy and Directive are being consistently followed.</p>	<p><b>1.0 Governance: Monitoring of cash handling practices</b></p> <p>The lack of procedures to monitor cash handling practices increases the risk that the City is unaware of activities that do not adhere to City expectations.</p>	<p><b>1.0 Governance: Monitoring of cash handling practices</b></p> <p>Recreation Administration should establish an oversight and monitoring framework to actively ensure design and implementation of cash handling practices and operations across all park and recreational locations align with City control expectations. When establishing the framework, Recreation Administration should consider the following:</p> <ul style="list-style-type: none"> <li>Enhancing the understanding of roles and responsibilities with relevant City departments and locations to ensure there are no gaps in monitoring of cash handling nor duplication of efforts;</li> </ul>	<p><b>Management agrees.</b></p> <p>Recreation Administration management agrees with the observation and is aware of the noted implication. Recreation Administration management understands there is a need to establish and implement active monitoring practices over and above the steps to report annually to Corporate Finance.</p> <p><b>Action:</b> Recreation Administration management will work to enhance the current monitoring framework to actively govern cash handling practices by:</p> <ul style="list-style-type: none"> <li>Collaborating with park and recreational management to solidify an understanding of roles and responsibilities;</li> <li>Developing a schedule to review park and</li> </ul>	<p><b>Responsible Party</b></p> <p><b>Timing</b></p> <p>Scott Oldham, Manager, Business Solutions &amp; Customer Service May 2018</p>

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
		<ul style="list-style-type: none"> <li>• Procedures to identify and share best practices across all Parks &amp; Recreation locations to achieve standardization where appropriate;</li> <li>• Regularly reviewing Parks &amp; Recreation cash handling documentation to ensure designed cash handling processes adhere to City expectations (i.e. policy, by-law, etc.);</li> <li>• Performing periodic checks of cash handling practices at various Parks &amp; Recreation locations to identify opportunities for control improvements; and</li> <li>• Regularly tracking staff training to ensure awareness of expectations including safeguarding those handling cash and managements understanding of oversight responsibilities.</li> </ul>	<p>recreational location cash handling documentation (e.g. training materials, etc.) at an appropriate frequency;</p> <ul style="list-style-type: none"> <li>• Developing a framework to schedule and perform cash handling reviews at select locations on a risk-basis; and</li> <li>• Leveraging Staff Centre, an internally developed tool, to regularly monitor staff training.</li> </ul>	




Observation 2.0 – Internal control deficiencies

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
<p><b>2.0 Internal control deficiencies</b> Based on test results at sampled locations, Internal Audit identified areas of non-compliance with the Corporate Administrative Cash Handling Policy and Directive. The items listed were also self-identified and reported by the park and recreational locations to Corporate Finance.</p> <p>The City has the following requirements:</p> <ul style="list-style-type: none"> <li>• <b>(1) Security of Non-Cash Negotiable Instruments:</b> Monetary inventory items such as wristbands and passes should be serialized and properly inventoried at all times. <b>Internal Audit identified</b> that some locations tested did not adequately inventory monetary instruments.</li> <li>• <b>(2) Security of Cash Balances on Hand:</b> All cash storage units must be kept locked at all times, except when the cash is being accessed by authorized employees. <b>Internal Audit identified</b> cash storage units unlocked outside of normal authorized use.</li> <li>• <b>(3) Confidentiality of Safe Combinations:</b> Each combination must be kept in a secure locked location in a sealed envelope, with a signature across the seal of the person/persons whose duties require knowledge of that combination in order to provide access in the event of an emergency.</li> </ul>	<p><b>2.0 Internal control deficiencies</b> The lack of adherence to policies and procedures leads to practices that are not aligned with City expectations and requirements.</p>	<p><b>2.0 Internal control deficiencies</b> Parks &amp; Recreation management should re-communicate expectations and requirements to be followed in the park and recreation locations in regards to the relevant sections of the Corporate Administrative Cash Handling Policy and Directive and Petty Cash Policy. Consideration should be given to the inherent risks surrounding each area of non-compliance identified.</p>	<p><b>Management agrees.</b> Parks &amp; Recreation management agrees with the observation and is aware of most areas of non-compliance. Parks &amp; Recreation management understands that the Corporate Administrative Cash Handling Policy and Directive is currently under refresh which may result in changes to expectations and requirements. Parks &amp; Recreation management, with support from Corporate Finance, may also continue to accept some areas of non-compliance for select locations due to reasonable limitations or restrictions. For example, management accepts that customers who require a receipt are aware to ask and a receipt will be provided upon request. <b>Action:</b> Parks &amp; Recreation management will collaborate with Corporate Finance to develop a risk-based approach to re-communicating relevant</p>	<p><b>Responsible Party</b> <b>Timing</b> Scott Oldham, Manager, Business Solutions &amp; Customer Service May 2018</p>

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
<p><b>Internal Audit identified</b> that some locations tested did not record safe combinations. One location recorded safe combinations but combinations were not kept in a sealed envelope with a signature across the seal. Additionally, some envelopes were not inspected monthly to ensure no tampering had occurred.</p> <ul style="list-style-type: none"> <li>• <b>(4) Safes without Locked Compartments:</b> More than one person should not have the ability to access a safe without locked compartments, separately by themselves.</li> </ul> <p><b>Internal Audit identified</b> that some locations have more than one individual with the ability to access a safe without locked compartments by themselves.</p> <ul style="list-style-type: none"> <li>• <b>(5) Cash Reconciliation &amp; Daily Balancing:</b> Cash, cheque, debit and credit payments per CMS tapes must be reviewed daily by a person who does not have access to cash and reconciled by that person to actual cash receipts as indicated on the daily cash reconciliation.</li> </ul> <p><b>Internal Audit identified</b> that review of daily payments per CMS tapes are not consistently evidenced by a person who does not have access to cash at some locations.</p> <ul style="list-style-type: none"> <li>• <b>(6) Cash Receipts or Invoice Payments:</b> Signs should be placed that are visible to the customer notifying them of their right to a receipt for all cash payments.</li> </ul> <p><b>Internal Audit identified</b> that no sample locations tested maintained</p>			<p>cash handling expectations and requirements in phases across park and recreational locations.</p>	

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Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
 signs to notify customers of their right to a receipt for all cash payments.				

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Observation 3.0 – Cash handling practices

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
<p><b>3.0 Cash handling practices</b></p> <p>Internal Audit noted that the Corporate Administrative Cash Handling Policy and Directive was last revised in 2011.</p> <p>Internal Audit identified areas where further clarity is required within the Corporate Administrative Cash Handling Policy and Directive including the following:</p> <p><b>Cash handling guidelines and training:</b> There are no standard expectations established to adequately implement cash handling guidelines and training within the service areas. Through sample site visits, Internal Audit determined that park and recreational facilities lack consistent cash handling process guidelines and training documentation. One location currently does not house any documentation for cash handling practices and training. Additionally, there are no requirements surrounding a periodic yearly review schedule to ensure existing cash handling documentation remains accurate and continues to adhere to expectations.</p> <p><b>Non-compliance report requirements:</b> Although all cash handling policy exceptions are stored centrally within Financial Services, it is not required that all City Divisions handling cash report areas of non-compliance to Finance – Financial Services. As per <i>Observation 1.0: Governance: Monitoring of cash handling practices</i>, Parks &amp; Recreation locations are not effectively self-identifying and</p>	<p><b>3.0 Cash handling practices</b></p> <p>The lack of concise expectations for cash handling practices within service areas increases the risk that each unit creates processes based on their understanding of City policy.</p>	<p><b>3.0 Cash handling practices</b></p> <p>Corporate Finance – Financial Services Management should review and enhance expectations within the existing Corporate Administrative Cash Handling Policy and Directive.</p> <p>Specifically, Corporate Finance Management should consider enhancing the Corporate Administrative Cash Handling Policy and Directive by:</p> <ul style="list-style-type: none"> <li>• Requiring standard cash handling process guidelines and training programs. Additionally, policy should require business areas/units to periodically review cash handling documentation to ensure it remains current and adheres to policy.</li> </ul> <p>When revising the Corporate Administrative Cash Handling Policy and Directive, Corporate Finance Management should also consider:</p> <ul style="list-style-type: none"> <li>• Reviewing roles and responsibilities of Corporate Finance and City Division Management to ensure alignment with enhanced expectations, no gaps in oversight, and avoid duplication of efforts;</li> <li>• Establishing standard forms and templates for implementation at cash handling locations (e.g. cash</li> </ul>	<p><b>Management agrees.</b></p> <p>Corporate Finance management agrees with the observation and has recently struck a working group to review and enhance the Corporate Administrative Cash Handling Policy and Directive.</p> <p>A collaborative approach with relevant stakeholders will be a key point to ensuring the refreshed Policy reflects the current cash handling environment for the City.</p> <p><b>Action:</b> Corporate Finance will continue to work collaboratively with key stakeholders to enhance the Policy.</p> <p>Enhancements will be designed to provide further clarity to ensure cash handling service areas have an adequate understanding to effectively achieve Policy objectives. When enhancing the Policy, consideration will be given to:</p> <ul style="list-style-type: none"> <li>• Further clarifying roles and responsibilities and establishing review mechanisms to ensure</li> </ul>	<p><b>Responsible Party</b></p> <p><b>Timing</b></p> <p>Darren Hack, Manager, Financial Systems</p> <p>May 2018</p>

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
reporting areas of non-compliance to Corporate Finance.	float record template, etc.); and • Establishing standard onboarding program requirements to ensure staff receive consistent cash handling training. Furthermore, Corporate Finance should consider other Service Areas handling cash to ensure the City's cash environment is captured and reflected in the Policy.		expectations are followed, • Incorporating requirements to standardize Service Area guidelines and training programs, and • Adapting standard forms and templates to meet the specific needs of the various service areas with the objective of improving policy compliance. Policy enhancements will be supported by an implementation plan to promote awareness and provide training.	

# Appendix 1: Internal Audit Detailed Scope

## Reviewed the City's framework in place to manage expectations with respect to handling cash within Parks & Recreation:

- Reviewed the City's existing cash handling process, policies, and guidelines to collect, control, and secure cash including the safeguarding of individuals handling cash and segregation of duties controls;
- Reviewed procedures in place to process transactions in cases where Cash Management System (CMS) is unavailable to assure segregation, proper issuance of receipts, and recording of payments once the system is restored;
- Assessed the adequacy of the City's existing cash handling control framework against leading practices of other municipalities;
- Reviewed and assessed the current procedures to maintain adequately skilled staff through communication updates, training, and development coaching including cross-training; and
- Reviewed role responsibilities and assessed awareness with those assigned to execute the cash handling processes.

## Reviewed the City's procedures in place at each selected location within Parks & Recreation to monitor cash handling:

- Assessed procedures to identify and report cash handling process exceptions (e.g. non-compliance with Corporate Cash Handling Directives, etc.);
- Reviewed procedures to monitor cash balances including the location float levels;
- Reviewed and assessed procedures to review cash reconciliations to assure daily reconciliations are performed accurately and evidenced by a preparer and review to assure segregation of duties (where possible);
- Reviewed and assessed procedures to reconcile non-cash instruments such as physical tickets, passes, and gift certificates as well as procedures to secure non-cash instruments (e.g. cheques, signature stamps, etc.);
- Reviewed and assessed procedures to periodically review cash over/under to identify and investigate unusual cash activity;
- Reviewed and assessed procedures to review cash transactions to identify anomalies that may be indicative of tampering;
- Reviewed and assessed procedures to report actual or suspected theft including theft by employees; and
- Reviewed and assessed procedures to maintain confidentiality and securitization with respect to safe combinations and physical keys.

**Reviewed the City's procedures at each selected location within Parks & Recreation to handle cash:**

- Assessed adherence of fees charged to City by-law (i.e. A-51 Fees and Charges by-law);
- Reviewed procedures to collect cash and assess compliance with Corporate Cash Handling Directives;
- Assessed procedures to independently approve refunds, no sales, voids, and cancellations;
- Assessed procedures to reconcile cash with physical evidence (i.e. refunds, voids, cancellations, etc.) including evidence of preparer and reviewer sign-off;
- Assessed procedures to record and report cash shortages/overages to assure compliance with Corporate Cash Handling Directives;
- Assessed the safeguarding of cash to assure compliance with Corporate Cash Handling Directives including the storing of funds (i.e. petty cash, etc.);
- Assessed procedures to transport and deposit cash to assure compliance with Corporate Cash Handling Directives; and
- Assessed the operational procedures among sampled locations and identify opportunities to standardize cash handling procedures.

**Reviewed and assessed the City's operation and technology tools used for service delivery:**

- Reviewed and assessed on a sample basis the internal controls in place to restrict user access across cash handling business process systems used at sample locations; and
- Reviewed the use of existing City information, systems and technology to ensure information and tools are adequate and effectively leveraged at sample locations.





The following element(s) were out of scope for the Parks & Recreation cash handling process review:

- Assessment of systems used across City cash handling processes;
- Procedures to detect fraud or fraudulent behaviours; and
- Assessment of cash handling procedures outside of Parks & Recreation.

# Appendix 2: Internal Audit rating scale

## Individual observation prioritization

Internal audit observations and recommendations are prioritized on the following basis.

Description	Definition
 High	Observation is high priority and should be given immediate attention (e.g. 0-3 months) due to the existence of either significant internal control risk or a potential significant operational improvement opportunity.
 Medium	Observation is a moderate priority risk or operational improvement opportunity and should be addressed in the near term (e.g. 3-6 months).
 Low	Observation does not present a significant or medium control risk but should be addressed (e.g. within a 6-12 month timeframe) to either improve internal controls or process efficiency.
 Leading Practice	Consideration should be given to implementing recommendations in order to improve the maturity of the process and align with leading practices.



# Appendix 3: Stakeholder involvement

In conducting the review the following management and staff were interviewed to gain an understanding of the Parks & Recreational cash handling processes and practices.

Stakeholder	Position
Scott Oldham	Manager, Business Solutions and Customer Service
Various – Deloitte met with various management and staff at select park and recreational facilities to gather an in-depth understanding of cash handling practices and perform audit procedures.	

# Appendix 4: Audit procedures performed

As part of the Parks & Recreation cash handling review the following procedures were performed:

- Conducted a planning meeting with Manager of Business Solutions and Customer Service within Parks & Recreation;
- Updated and issued a finalized Project Charter and request for information; and
- Conducted meetings and interviews with sample Parks & Recreation location stakeholders and process owners to:
  - Gain an understanding of the current cash handling expectations and practices;
  - Identify and gain an understanding of the various cash handling procedures including procedures to manage cash drawers, process transactions, manage floats and petty cash, prepare daily reconciliations, and prepare bank deposits; and
  - Gain an understanding of management's oversight of cash handling practices;
- Obtained documentation regarding relevant procedures and controls to perform an inspection of:
  - Revenue by park and recreational facility;
  - Corporate Cash Handling Directives;
  - Corporate Cash Handling Manual Business Specific Review Memo;
  - Sample location Cash Handling Training;
  - Sample location Cash Manual;
  - Sample Staff Centre training progress tracking;
  - User Group access levels for the Class Point-of-Sale system;
  - Class Point-of-Sale Manual;
  - By-law A-51;
  - Sample location daily monitoring tracker (Excel);
  - Sample location float logs; and
  - Overage/Shortage report;
- Conducted industry benchmarking to compare and contrast City cash handling practices and associated governance framework (e.g. managing cash floats, segregation of duties, etc.);
- Conducted strategic sample testing activities related to cash handling procedures at sample Parks & Recreation locations to identify areas of noncompliance against Corporate Cash Handling Directives;
- Drafted observations and validated observations with management;
- Conducted a closing meeting with key management stakeholders to validate and communicate our findings; and
- Issuance of this internal audit report with our detailed observations.

# Deloitte.

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