



DEPARTMENT OF FINANCE
CITY OF CHICAGO

TO: Joseph Ferguson
Inspector General

FROM: Amer Ahmad
Amer Ahmad
City Comptroller

RE: **REPORT OF THE INSPECTOR GENERAL'S OFFICE
RECOMMENDATIONS TO IMPROVE CASH HANDLING
PROCEDURES IN THE DEPARTMENT OF REVENUE**

DATE: January 30, 2012

The Department of Finance appreciates the work performed by the Inspector General's Office and welcomes its findings and recommendations for our department's operations.

Finance is in full agreement that it is the City's responsibility to establish and maintain a thorough set of prudent cash handling and asset safeguarding internal controls. In addition to developing and implementing the appropriate controls, the department must be diligent in confirming the controls are being properly followed and performed. I am taking this opportunity to respond to the above identified report and communicate the actions that are being taken.

Finding: Lack of Separation of Cash Collection and Reconciliation Duties

Recommendation: Prohibit Access to Collection Reports during Drawer Reconciliation

Department Response:

Separation of duties in cash handling is a fundamental control. At the end of their shift all cashiers are responsible to count their various payment types, cash, checks and credit, enter those amounts into the cashiering application and prepare deposits to the bank.

End-of-day balancing procedures and controls are being updated. Finance is in the process of having the cashiering application changed to remove any difference information available to the cashier, during the end-of-day process, prior to batch closing. This control enhancement will prevent the cashier from knowing an out of

balance situation exists after entering all of their payment types, prior to closing their batch. Once the batch is closed, the cashier will be informed of any differences, but will not be able to adjust any balances or transactions without involving the supervisor.

When payment type amounts entered by the cashier do not equal cashiering system amounts, they have the responsibility and ability to verify their payment type amounts by recounting, and to identify any transactions that the system reflects as incomplete. Previously, these steps were both performed prior to closing. With these cashiering system and procedure changes, the cashier will continue to identify and address incomplete transactions prior to batch close, and will only verify their payment type balances if there is a difference indicated by the cashiering system after the batch is closed. Again, the cashier will not be able to take any action to address payment type differences without supervisor involvement.

Section III A of the IGO Report makes reference to a reconciliation performed at the cashier level. It should be noted that the term "reconciliation" is used in this context to describe the process by which cashiers perform two steps as part of their end-of-day process. These steps essentially are meant to verify that there are no incomplete transactions and that payment type amounts inputted and deposited are correct.

All differences are reported by the supervisor to two separate units who are responsible for performing the reconciliation tasks: the Cashiering Application team and the Reconciliation unit. Both of these units have existing procedures that both resolve reported differences and discover unreported differences.

Finding: Lack of Computer Restrictions on Providing Change for Checks

Recommendation: Create Computer Restrictions for Provision of Change on Checks

Department Response:

This system change was requested and implemented last year in May 2011.

Finding: Insufficient Bank Verification

Recommendation: Require Supervisor Verification of Bank

Department Response:

The procedure requiring random verification of banks by a supervisor has been replaced with a procedure requiring daily supervisor verification of all banks used that day, even the ones used by a supervisor.

Finding: Lack of Randomization

Recommendation: Randomize Bank Assignment

Department Response:

The previous control was strengthened to reveal any bank balance errors on a daily basis. This control would not add any value and would provide the opportunity for a cashier to disassociate themselves from a problem bank.

Finding: Non-Functional Point of Sale Video Surveillance Camera

Recommendation: Ensure Operation of Point of Sale Video Surveillance Cameras

Department Response:

A work order has been placed with DGS to review the working order of all surveillance cameras. Replacements are not being processed at City Hall due to a planned complete system replacement.

Finance is serious about proper cash handling internal controls and embraces recommendations offered by your office. This report has provided the opportunity to strengthen existing controls as well as to implement new procedures to safeguard the City's cash. Finance appreciates the work performed by the Inspector General's Office and now has a sounder cashiering environment as a result of your recommendations. Please contact me at (312) 744-9792 if you would like to discuss this matter or actions taken.