SUBJECT: Cash Handling Review Final Update (FCS07093(b)) (City Wide)

RECOMMENDATION:

a) That report FCS07093b respecting the Cash Handling Review Final Update, be received; and

b) That outstanding Item C be removed from the outstanding business list.

Roberto Rossini
General Manager, Finance & Corporate Services

EXECUTIVE SUMMARY:

Upon receipt of the Cash Handling Review (report FCS07093 late 2007), Council directed staff to report back on all areas receiving a “D” rating, or worse, on or before the end of the third quarter of 2008, which was completed in June of 2008 on report number FCS07093a. As well staff were directed to contract the consultant to prepare a follow up report within 18 months.

In March of 2009, Deloitte, (the original consultant) was contracted to complete a follow up investigation. They reviewed all documentation to assure themselves that all the recommendations had been successfully implemented by staff. It is important to note that actions were taken on all observations.
Of the 287 action items, they noted that 231 or 81% were implemented satisfactorily. The remaining 56 were either in the process of being implemented or the auditor identified follow up recommendations. Of the 56 observations that were not satisfactorily completed, half of them were in reference to documentation or the fact that subsequent annual reviews were not done, the other half required additional work to be completed.

The full Report is over 100 pages and contains all the details and follow up recommendations. Because of its size, it was not included with this report but is available upon request.

The following is a table summarizing the results. Although some additional action is required and will be followed up to ensure completion, this exercise is complete:

### Results Summary

<table>
<thead>
<tr>
<th>Department</th>
<th># of “Divisions”</th>
<th>Initial Findings</th>
<th>Follow-up Findings</th>
<th>Satisfactory Completion</th>
<th>Completion (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Health</td>
<td>3</td>
<td>24</td>
<td>5</td>
<td>19</td>
<td>79%</td>
</tr>
<tr>
<td>Community Services</td>
<td>13</td>
<td>115</td>
<td>22</td>
<td>93</td>
<td>81%</td>
</tr>
<tr>
<td>Corporate Services</td>
<td>2</td>
<td>9</td>
<td>1</td>
<td>8</td>
<td>89%</td>
</tr>
<tr>
<td>Planning &amp; Economic Development</td>
<td>7</td>
<td>92</td>
<td>21</td>
<td>71</td>
<td>77%</td>
</tr>
<tr>
<td>Public Works</td>
<td>6</td>
<td>47</td>
<td>7</td>
<td>40</td>
<td>85%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>31</strong></td>
<td><strong>287</strong></td>
<td><strong>56</strong></td>
<td><strong>231</strong></td>
<td><strong>81%</strong></td>
</tr>
</tbody>
</table>

**BACKGROUND:**

In late 2007, Council received report FCS07093 entitled “Cash Handling Review”. This report outlined the results of a Cash Handling Review which was undertaken by an external accounting agency, Deloitte & Touche, at the request of the Corporate Services Department.

The objective of this review was to ensure cash is controlled appropriately in the City Departments where the level of activity and volume of cash was most significant. In addition, we provided recommendations for standardized procedures for:

1. Accounting for cash as it is received;
2. Separating individual cash handling duties;
3. Review and approval of voided cash receipts;
4. Timely deposit of cash; and
5. Procedures to ensure regular daily and monthly cash reconciliations.
Upon receipt of the report, staff were instructed to report back on all recommendations for areas receiving a “D” rating, or worse, by the 3rd quarter of 2008 which was completed in June of 2008 on Report FCS07093a, as well, staff were directed to report back to Committee on all the remaining recommendations within 18 months.

ANALYSIS/RATIONALE:

The following was taken directly from the Deloitte report and is the essence of their Executive Summary.

Introduction

Internal Audit performed a follow-up review of the Cash Handling processes for The City of Hamilton from April 21 to May 08, 2009. The purpose of the review was to assess management’s progress on implementing their action plans for findings documented in the Cash Handling Review Internal Audit Review report, issued in June 2007. An assessment of management’s progress to date was performed through discussions with key management personnel, review of supporting documentation and sample testing where appropriate.

Follow-up Observation Summary

- During the course of the review, Internal Audit performed follow-up review procedures (as defined in the ‘Methodology for Defining Scope’ section of the report) on 287 of the initial follow-up observations. Management provided timely access to all necessary documentation during the course of Internal Audit’s field-work.
- Internal Audit noted that 231 of the 287 initial observations were satisfactorily completed representing a substantial rate of 81% of the initial follow-up findings.
- A significant number of the 56 follow-up review findings relate to a lack of evidence of an annual review of standard operation procedures by management, a lack of evidence of preparer/reviewer sign-off on reconciliations and timeliness of reconciliations/reviews performed. Overall, these observations represent a partial completion of the initial observations (i.e., documentation of operating procedures and performance of reconciliations).
- During the course of testing Internal Audit was unable to verify the status of management’s completion of three (3) initial observations. These observations have been included in the 56 follow-up observations as observations that could not be verified during the course of field-work.
- As outlined in the detailed follow-up observations, management has noted that the remaining action items from the follow-up observations are in the process of being completed. The timelines to completion range from two weeks to March 2010.
By evaluating the "Triple Bottom Line", (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Community Well-Being is enhanced. ☐ Yes ☑ No
N/A

Environmental Well-Being is enhanced. ☐ Yes ☑ No
N/A

Economic Well-Being is enhanced. ☐ Yes ☑ No
N/A

Does the option you are recommending create value across all three bottom lines? ☐ Yes ☑ No
N/A

Do the options you are recommending make Hamilton a City of choice for high performance public servants? ☐ Yes ☑ No