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**Water Department Cash
Handling Audit**

December 12, 2014



**City of Fort Worth
Department of Internal Audit**

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The Water Department Cash Handling Audit was included in the Department of Internal Audit's Fiscal Year 2014 Annual Audit Plan, as a carryover from the prior year.

Audit Objectives

The objectives of this audit were to:

- evaluate financial controls over collections in the City's Water Department;
- ensure that City funds are accounted for and an adequate separation of duties exists;
- ensure that funds are adequately safeguarded, promptly recorded and deposited in a timely manner; and,
- ensure compliance with Payment Card Industry Data Security Standards.

Audit Scope

Our audit covered the period October 1, 2012 through June 30, 2013.

Opportunities for Improvement

Enhanced controls over the registers and tills

Executive Summary

As a part of our FY2014 Annual Audit Plan, the Department of Internal Audit conducted a Water Department Cash Handling Audit. We concluded that financial controls over collections in the City of Fort Worth's Water Department are adequate and that accountability for funds existed. Monies were adequately safeguarded, promptly recorded and deposited in a timely manner. The Water Department was also in compliance with Payment Card Industry (PCI) Data Security Standards. The City of Fort Worth's Water Department, therefore, adequately manages its cash collection activity.

While the Water Department properly accounted for cash collections related to water utility billing and complied with PCI standards, we identified a need to enhance segregation of duties when cashiers are away from their tills at one of the satellite locations.

This control weakness was corrected upon being informed by the Department of Internal Audit. We feel that management's timely decision to properly segregate cash handling duties allows management to ensure proper accountability among staff.



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Background

The City of Fort Worth's (CFW) Water Department is responsible for providing water and wastewater services to residential, commercial, industrial and wholesale customers. The FY2013 Annual Budget indicated that the Water Utilities Department serves approximately 1,090,000 people in Fort Worth and 30 surrounding communities by providing more than 180 million gallons of water for use every day. Operations are financed through a rate structure based on the amount of water resources used. Water customers are then billed on a monthly basis, based on manual meter readings.

The Department's Business Services Division performs metering and billing functions for water, sewer, storm water and solid waste collection services; processes orders for new services; collects delinquent payments; and investigates complaints.

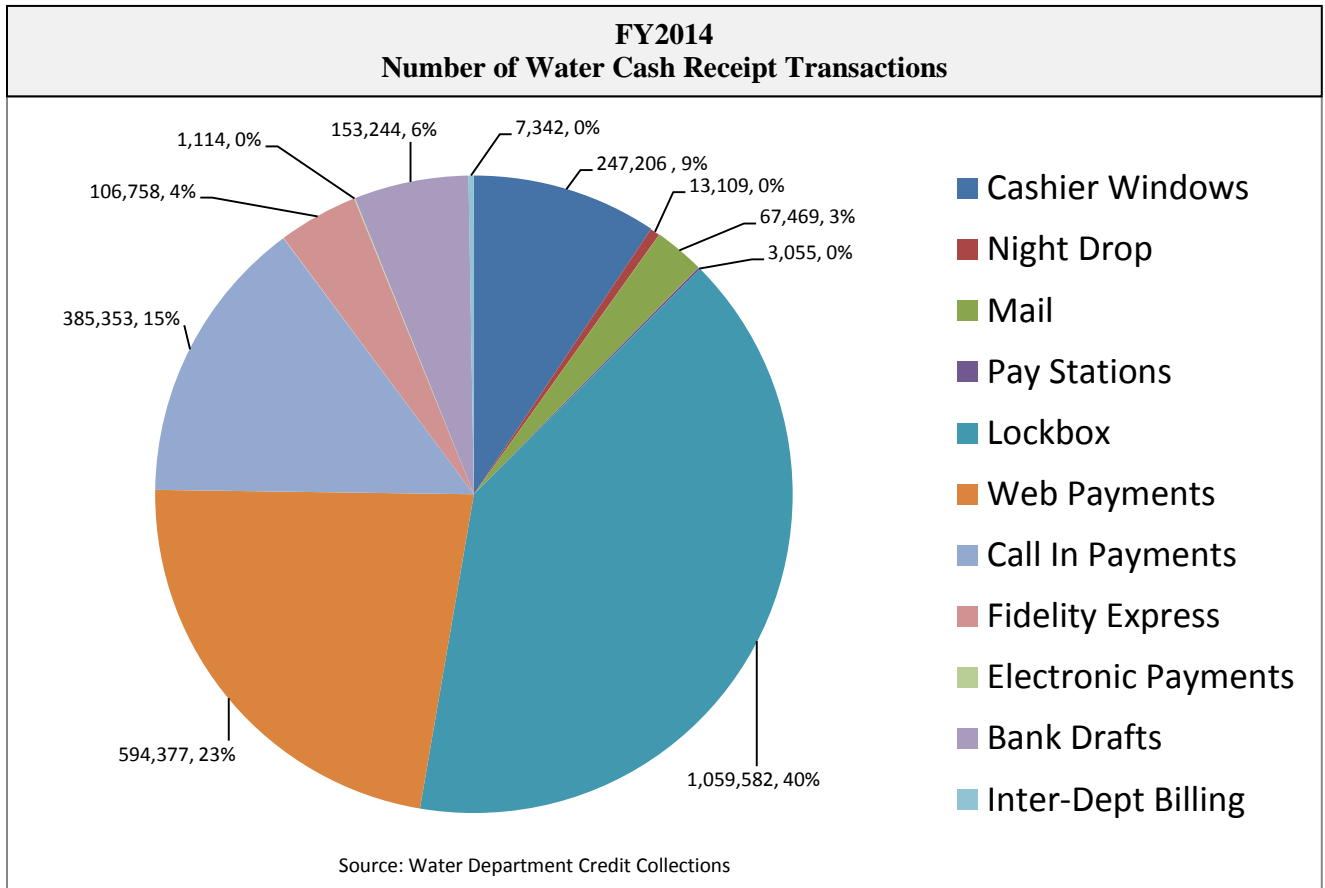
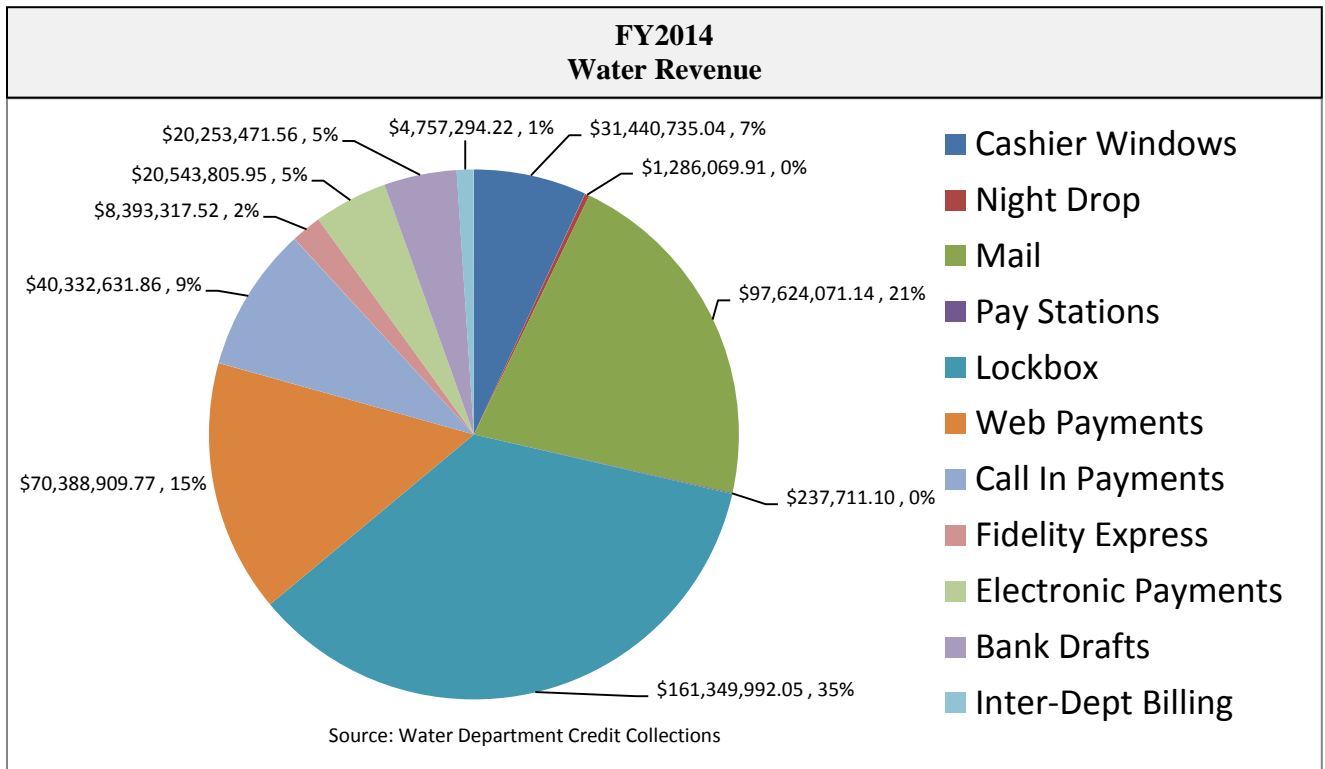
Customers have the following options to pay their water utility bill:

- mail in payments;
- on-line payments via the internet;
- payments via telephone;
- automatic bank drafts;
- payment in person at the City Hall annex building on Monroe Street;
- payment drop boxes at select City facilities; and,
- payment at select local grocery and convenience stores, through Fidelity Express.

Due to budgetary constraints, the Northside satellite office (located on North Main and 28th Street) was closed on September 30, 2014. The Eastside satellite office, located on Berry and Miller, is scheduled to close September 30, 2015.

SunGard Public Sector system is the water utility billing system used to capture actual water consumption, bill customers for water usage, record customer payments, record water deposits for new customers and issue refund deposits to customers. The SunGard Public Sector system has interface file capabilities to export customer data to handheld devices. After meters are read, meter reading information is uploaded into SunGard, and then applied during the billing update process.

As noted in the following charts, Water Department data indicates that in FY2014, a majority of water utility billing payments are received via lockbox, followed by mail-in payments, then on-line payments. Other payment options range from payments-by-phone to the drop box and pay stations at select grocery and convenience stores.





Objectives

The objectives of this audit were to:

- evaluate financial controls over collections in the City's Water Department;
- ensure that City funds are accounted for and an adequate separation of duties exists;
- ensure that funds are adequately safeguarded, promptly recorded and deposited in a timely manner; and,
- ensure compliance with Payment Card Industry (PCI) Data Security Standards.

Scope

Our audit covered the period of October 1, 2012 through June 30, 2013.

Methodology

To achieve the audit objectives, the Department of Internal Audit performed the following:

- interviewed Water Department staff to gain an understanding of the water utility billing system;
- reviewed processes related to daily cash handling (including reconciliation, timeliness of deposits and physical security) and recording of payments within the water utility billing system and the general ledger;
- verified daily reconciliation and deposit of cash receipts; and,
- reviewed files to determine whether signed acknowledgement forms existed to comply with PCI and the City of Fort Worth's Cash Handling Policy requirements.



Audit Results

Our audit results indicated that controls over cash handling within the City of Fort Worth's Water Department are effective and that water utility revenue is accounted for, properly recorded and deposited in a timely manner. The Water Department is also in compliance with PCI standards in that payment card information is protected as required by applicable legislation. We did, however, identify opportunities for improvements regarding cashier tills at the Monroe location.

Supervisors at the Monroe location had access to cash drawers that were assigned to and being used by department cashiers. Although an adequate separation of duties is required to ensure that assets are properly safeguarded, the Department of Internal Audit noted that as cashiers were required to be away from their assigned cash drawers/tills to take breaks, lunch, etc., the cashiers' supervisor(s) accessed and operated the cashiers' cash drawers/tills since there were no back-up cash drawers/tills at this location.

Cash drawers/tills are assigned to cashiers for the purpose of accepting payments from customers and providing change as deemed necessary. The Department of Internal Audit, therefore, concluded that accountability is lost when a cash till/drawer can be accessed by someone other than the assigned cashier. By assigning cash drawers/tills, any transaction conducted by that particular cashier can be traced to the assigned till.

The Department of Internal Audit recommended that access to cash register drawers/tills being used by department cashiers be restricted to those cashiers. The Water Department concurred with the audit recommendation and noted that upon Internal Audit's identification of this control weakness, procedures were immediately changed to disallow the Customer Service Supervisor access to cash drawers assigned to Water Department cashiers.



Acknowledgements

The Department of Internal Audit would like to thank Water Department and Financial Management Services staff for their cooperation and assistance during this audit.