

# **CITY AUDITOR'S OFFICE**



## **Audit of Building and Safety Department Cashiering Function**

**Report No. CAO 0755-1415-04**

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**CITY AUDITOR**

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# **Audit of Building and Safety Department Cashiering Function**

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## **BACKGROUND**

The Building and Safety Department (Building and Safety) is responsible for ensuring that construction that occurs within the boundaries of the City of Las Vegas (city) conforms to established building codes by issuing building permits and monitoring construction activity. The Building and Safety cashiering function is responsible for the collection of fees associated with the issuance of building permits. Building and Safety uses an integrated data management software system referred to as Hansen to process fees and monitor construction activity.

## **OBJECTIVES**

The audit objectives were to ascertain whether:

- Building and Safety personnel complied with the city's policies and procedures.
- Management controls were adequate to provide assurance that cash receipts are properly safeguarded.

## **SCOPE AND METHODOLOGY**

The scope of the audit was limited to management controls relative to the cashiering function during the fiscal year ended June 30, 2014. The last date of fieldwork was October 27, 2014.

Our audit methodology included:

- Research of applicable guidelines,
- Interviews of City employees,
- Observations, and
- Analysis and detail testing of available data.

We conducted this performance audit in accordance with generally accepted government auditing standards except for the requirement for an external peer review every three years. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The exception to full compliance is because the City Auditor's Office has not yet undergone an external peer review. However, this exception has no effect on the audit or the assurances provided.

## **CONCLUSIONS, FINDINGS AND RECOMMENDATIONS**

The following conclusions of the audit objectives were noted:

***Building and Safety personnel complied with the city's policies and procedures:***

We found non-compliance with the city's Cash Handling Policy and Check Acceptance Procedure. (Finding #1)

We found non-compliance with the city's Access Granting and Termination Policy. Former city employees have active Hansen access control rights. (Finding #2)

***Management controls were adequate to provide assurance that cash receipts are properly safeguarded.***

When refunds only cover a portion of a permit and the permit remains active, the potential exists that customers could request inspections on areas they had received refunds. (Finding #3)

Building and Safety cashier access control rights gives cashiers the ability to reduce fee amounts without oversight or detection. (Finding #4)

The cashiering access control rights were not disabled when a Building and Safety cashier was assigned the acting supervisor functions. Therefore, this individual had the ability to void transactions and take funds without detection when accepting payments. (Finding #5)

Further information on these issues is contained in the sections below.

## **1. Non-Compliance with Cash and Check Policies and Procedures**

### **Criteria**

#### ***CLV Cash Handling Policy (FN302) Cash Safeguards***

*Money stored in drawers, desk, and filing cabinets shall be locked when left unattended.*

*Each cash drawer shall be restricted to only one employee. Only the supervisor may have access to multiple drawers and the employee accountable for that drawer shall be present when anyone enters their drawer.*

*A log shall be kept of all people with access to the safe and when the safe combination was last changed. The invoice from the locksmith shall also be kept as backup.*

*Combinations for departmental safes shall be changed yearly or when an employee with safe access separates from employment. The combination shall be restricted to the department director or designee.*

#### ***CLV Check Acceptance Procedure (FN304a) Other Steps to Fight Bad Check Fraud***

*Display a sign near the cashier area showing the City's cooperation with the Clark County District Attorney's Office. This places bad check writers on notice and may make regular, honest customers more patient with the procedures.*

### **Condition**

Audit procedures found non-compliance with the city's Cash Handling Policy and Check Acceptance Procedure, as follows:

- Discussions with Building and Safety cashiers found that although they lock their cash drawers when taking breaks, they store their cash drawer key in an unlocked desk drawer next to the cash drawer.
- An observation of the daily end-of-day cash reconciliation process showed that when cashiers drop their change bank bag into the safe, the keys to the change bank bags are secured in the change bank bag lock. Considering multiple supervisors have access to the safe, the opportunity exists for the change bank funds to go missing without direct evidence of who took the funds.
- The safe combination is not changed yearly. In addition, procedures have not been implemented to change the safe combination when employees no longer have safe access responsibilities.

- A sign is not displayed in the Building and Safety cashiering area that shows cooperation with the Clark County District Attorney's Office for cashing checks as required by the city's Check Acceptance Procedure (FN304a).

### **Cause**

Building and Safety employees were not aware of the city's Cash Handling and Check Acceptance Policies and Procedures.

### **Effect**

Non-compliance with the city's Cash Handling and Check Acceptance Policies and Procedures that are designed to prevent mishandling of funds and to safeguard against loss.

### **Recommendation**

- 1.1 Building and Safety management should instruct cashiers on how to adequately secure their cash drawer keys when they take breaks.
- 1.2 Building and Safety management should instruct cashiers on how to secure their change bank bag keys at the end of the day instead of dropping the key in the safe with the change bank bag.
- 1.3 Building and Safety management should have the safe combination changed.
- 1.4 Building and Safety management should implement a process to ensure that the safe combination is changed annually and whenever employees no longer have safe access responsibilities.
- 1.5 Building and Safety management should display a sign near the cashier area showing the city's cooperation with the Clark County District Attorney's Office.

## **2. Non-Compliance with the Access Granting and Termination Policy**

### **Criteria**

#### ***CLV Access Granting and Termination Policy (IR134n)***

*The Department of Information Technologies is responsible for the security of the City's technology infrastructure and assets such as, desktop hardware and software, single-use networked software, landline telephones, cellular telephones, PDA's radios, long-*

*distance access codes, and **any multi-user applications** (e... Oracle, Outlook, Microsoft Product Suite, GIS, etc.). As such, authorized representatives should use the attached IT Request Form to obtain access and should notify staff in Human Resources and Information Technologies immediately upon notification that use is no longer needed by an employee or user of the City's system.*

*The success of the procedure depends on each Department working closely with staff from Information Technologies (IT) and Human Resources (HR) by informing them, as soon as possible, whenever personnel changes are occurring. The procedure pertains to all new hires, inter- and intra-department transfers, and terminations.*

### **Condition**

On July 24, 2014, Information Technology staff provided the City Auditor's Office with copies of the 20 Access Control Group Details that show employee Hansen access control rights for Building and Safety functions. Audit procedures found that former city employees still had access to seven Hansen Access Control Groups, as follows

<b>Access Control Group Detail</b>	<b>Total Active Users</b>	<b>Former Employees Included as Active Users</b>
B-SR PERM TECH	15	4
B-INSPECTION SUP	13	2
B-PERMIT TECH	12	1
B-REV LD PL	47	2
B-INSPECTOR	17	1
B-PLANS EXAM	23	2
B-INQUIRY	280	11

The former employees represented above resigned from the city between October 4, 2013 and July 10, 2014.

In addition, the review of the Access Control Group Details found two generic user names associated with two Access Control Group Details.

### **Cause**

- Building and Safety management no longer have administration rights to remove employee access to Hansen when personnel changes occur.
- The Information Technology employees who worked with Building and Safety personnel on Hansen related issues retired.

### **Effect**

Non-compliance with the city's Access Granting and Termination Policy which prohibits former city employees from having active Hansen access.

### **Recommendation**

- 2.1 Building and Safety management in coordination with Information Technology staff should terminate Hansen access of the identified users.
- 2.2 Building and Safety management in coordination with Information Technology management should develop a process to ensure that Hansen access is modified or terminated whenever personnel changes occur.

## **3. Improvements Needed in the Hansen Refund Recording Process**

### **Criteria**

Effective refund policies ensure customers who receive refunds do not have the ability to request services once the associated fees have been refunded.

### **Condition**

Audit procedures included selecting 12 customer refund requests processed during the fiscal year ending June 30, 2014. For 8 permits, the customer requested a refund for the entire permit and the "Stop Work Order" was applied in Hansen. For 4 permits, the refund only covered a portion of the permit, therefore the permit remained active. To ensure that properly permitted activity continued, the "Stop Work Order" was not applied in Hansen.

Discussions with Building and Safety staff found that when the "Stop Work Order" is not applied to permits in Hansen, the potential exists that customers could request inspections on areas they had received refunds. Our testing showed that inspections were not requested or completed on the four active permits tested above.

### **Cause**

Refunds are only documented, not processed in Hansen.

### **Effect**

Potential exists that customers could schedule inspections on areas they received refunds.



### **Recommendation**

- 3.1 Building and Safety management should evaluate the feasibility of modifying the process used to document refunds in Hansen.

## **4. Changes Needed to Hansen Cashier Access Control Rights**

### **Criteria**

Effective segregation of duties reduces the risk that fraud and errors will remain undetected by providing for separate processing by different individuals at various stages of a transaction and for independent reviews of the work performed.

### **Condition**

A review of one of the cashier access control group details (B-Admin WSC Access Control Group Detail: Building Application) and discussions with Building and Safety personnel found that cashiers have the ability to update fee amounts without appropriate oversight. This access right gives cashiers the ability to reduce fee amounts without detection.

### **Cause**

The initial purpose of this access control group detail was for work performed at the West Service Center relating to scheduling inspections. It was not intended to provide access rights to cashiers.

### **Effect**

Potential exists for cashiers to reduce fee amounts without appropriate oversight or detection.

### **Recommendation**

- 4.1 Building and Safety management should modify cashier Hansen access control rights to ensure that appropriate access is required to adjust fee amounts.

## **5. Improvements Needed in the Void Transaction Process**

### **Criteria**

Effective segregation of duties reduces the risk that fraud and errors will remain undetected by providing for separate processing by different individuals at various stages of a transaction and for independent reviews of the work performed.

### **Condition**

A review of the Hansen void transactions processed during the fiscal year ended June 30, 2014 found that improvements are needed in the void transaction process. Between August and October 2013, a Building and Safety cashier was assigned the acting supervisory functions. When she performed these functions, her responsibilities included reviewing and voiding transactions. Her cashiering access right functions were not disabled; instead, she was instructed not to perform the cashiering functions. Since she had Hansen access control rights for both the supervisory and cashier functions, nothing would have prevented her from accepting payments, voiding transactions, and taking the funds without detection. During our testing, we found no evidence that this occurred.

### **Cause**

Information Technology staff are responsible for changing Hansen access control rights. Building and Safety staff elected to have the flexibility to assign this employee to the cashiering functions instead of the supervisory functions when a cashier called in sick

### **Effect**

The potential exists for an employee with both cashiering and supervisory access control rights to void transactions and take funds without detection when accepting payments.

### **Recommendation**

- 5.1 Building and Safety management should evaluate the feasibility of implementing additional controls when a cashier is assigned acting supervisory functions. These controls should include verifying that this individual did not accept payments and process void transactions during the same shift.

## **MANAGEMENT RESPONSE**

### **1.1 Non-Compliance with Cash and Check Policies and Procedures**

#### **Recommendation**

Building and Safety management should instruct cashiers on how to adequately secure their cash drawer keys when they take breaks.

#### **Management Plan of Action**

Effective January 13<sup>th</sup>, 2015, B&S Cashiers have been instructed to secure their cash drawer keys by locking them during breaks and maintaining the keys with them at all times. B&S will also be updating the written Cashiering Procedures for the department to reflect this change in the policy.

#### **Estimated Date of Completion**

May 4, 2015

### **1.2 Non-Compliance with Cash and Check Policies and Procedures**

#### **Recommendation**

Building and Safety management should instruct cashiers on how to secure their change bank bag keys at the end of the day instead of dropping the key in the safe with the change bank bag.

#### **Management Plan of Action**

Effective January 13<sup>th</sup>, 2015, B&S Cashiers have been instructed to keep their bank bag keys with them when they leave for the day.

As a precaution for emergencies such as lost keys, the secondary keys for the bank bags will be kept in the Inspections safe on the second floor of the DSC. The Supervisors with access to that safe do not have access to the 1<sup>st</sup> floor Cashiering safe and the Cashiering Supervisors do not have access to the second floor safe. Access to the secondary keys for the bank bags will require two Supervisors and the Cashier whose bag is affected. The B&S Cashiering Procedures will be updated to reflect this new process.

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**Estimated Date of Completion**

May 4, 2015

**1.3 Non-Compliance with Cash and Check Policies and Procedures**

**Recommendation**

Building and Safety management should have the safe combination changed.

**Management Plan of Action**

The safe combination was changed on September 25, 2014 by the D&E Staff and a log is now posted in the safe.

**Estimated Date of Completion**

Complete

**1.4 Non-Compliance with Cash and Check Policies and Procedures**

**Recommendation**

Building and Safety management should implement a process to ensure that the safe combination is changed annually and whenever employees no longer have safe access responsibilities.

**Management Plan of Action**

B&S has requested to be placed on the list for changing the safe combination on an annual basis. In addition, this process is going to be added to the general cashiering supervisory processes, so the combination is changed when employees leave the department.

**Estimated Date of Completion**

May 4, 2015 for the written process

## **1.5 Non-Compliance with Cash and Check Policies and Procedures**

### **Recommendation**

Building and Safety management should display a sign near the cashier area showing the city's cooperation with the Clark County District Attorney's Office.

### **Management Plan of Action**

Signs in English and Spanish are now displayed at each of the cashiering windows on the 1<sup>st</sup> floor.

### **Estimated Date of Completion**

Complete

## **2.1 Non-Compliance with the Access Granting and Termination Policy**

### **Recommendation**

Building and Safety management in coordination with Information Technology staff should terminate Hansen access of the identified users.

### **Management Plan of Action**

#### **Background**

The Department of Information Technologies has reviewed the finding and conducted an investigation to determine facts, figures and causal factors. The Hansen account security procedure had been that the IT Security Officer would deactivate accounts as an employee left City service. However, in December 2013 the IT Security Officer Position was vacated and then reclassified into a new position that has not yet been filled. The responsibilities of the previous position were transitioned to other roles within IT; however the management of accounts within Hansen was inadvertently neglected.

#### **Action**

Since the time of meeting with the City Auditor's Office and findings revealed, IT has produced and generated a report and review of all accounts in Hansen as compared to Oracle. The results showed that there were 546 employees who left City service during the period specified and of those, 45 still had Hansen access. An immediate plan was put into place and with the approval of the auditor, the errant accounts were deactivated.

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Further to this, IT developed a script to be run each night during normal batch processing to process any future terminations from Oracle into the Hansen system. That change was put into production on December 15, 2014. At this time, there are no remaining active accounts in Hansen belonging to terminated employees and the process for ongoing deactivation occurs nightly.

One additional aspect of this process that cannot be automated is for employees who move from one department to another within the City and in doing so require an access change. In discussion with DSC management and the Deputy City Auditor, IT has determined and agreed that granular control of specific access is best left to the management of each department, to be effected through their Senior Technical Systems Analyst (STSA). IT has now granted access to STSAs in each department to be able to manage roles and privileges of employees working within those departments.

#### **Estimated Date of Completion**

Complete

## **2.2 Non-Compliance with the Access Granting and Termination Policy**

#### **Recommendation**

Building and Safety management in coordination with Information Technology management should develop a process to ensure that Hansen access is modified or terminated whenever personnel changes occur.

#### **Management Plan of Action**

B&S STSAs have been given access to modify Hansen groups. IT will automatically remove any terminated people and B&S will modify access as needed. When temporary changes are needed for B&S staff, the supervisor will email the STSA's with the change request and it will be the responsibility of the supervisor to inform the STSA when it's time to change the access. This will be added to Supervisory Cashiering process.

#### **Estimated Date of Completion**

May 4, 2015

### **3 Improvements Needed in the Hansen Refund Recording Process**

#### **Recommendation**

Building and Safety management should evaluate the feasibility of modifying the process used to document refunds in Hansen.

#### **Management Plan of Action**

The new process with partial refunds will involve putting I-holds on the inspections that are linked to the refund. This change in the process will be included in the written Refund Procedures.

#### **Estimated Date of Completion**

May 4, 2015

### **4 Changes Needed to Hansen Cashier Access Control Rights**

#### **Recommendation**

Building and Safety management should modify cashier Hansen access control rights to ensure that appropriate access is required to adjust fee amounts.

#### **Management Plan of Action**

The group called B-Admin WSC has been removed from Hansen. None of the cashiers have access to modify fees now, so a Supervisor is needed for any fee modification.

#### **Estimated Date of Completion**

Complete

### **5 Improvements Needed in the Void Transaction Process**

#### **Recommendation**

Building and Safety management should evaluate the feasibility of implementing additional controls when a cashier is assigned acting supervisory functions. These controls should include verifying that this individual did not accept payments and process void transactions during the same shift.

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**Management Plan of Action**

We have developed a report called “Cashiering Audit” that will be used to monitor the voids when any cashier is in an Acting Supervisory position. Now that the STSAs have access to modify Hansen groups, we can also be proactive about removing Supervisory access when Cashiers return to cashiering.

**Estimated Date of Completion**

Complete