LEGISLATIVE, FINANCE, AND ADMINISTRATION COMMITTEE AGENDA

MARCH 9, 2015 - 6:00 P.M.

CITY HALL COUNCIL CHAMBERS
15 LOOCKERMAN PLAZA
DOVER, DELAWARE

PUBLIC COMMENTS ARE WELCOMED ON ANY ITEM AND WILL BE PERMITTED AT APPROPRIATE TIMES. WHEN POSSIBLE, PLEASE NOTIFY THE CITY CLERK (736-7008 OR E-MAIL AT CITYCLERK@DOVER.DE.US) SHOULD YOU WISH TO BE RECOGNIZED.

AGENDA ADDITIONS/DELETIONS

1. **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON APPLYING AGREED-UPON PROCEDURES TO THE CITY OF DOVER, DELAWARE**

2. **ADJOURNMENT BY 7:00 P.M.**

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THE AGENDA ITEMS AS LISTED MAY NOT BE CONSIDERED IN SEQUENCE. THIS AGENDA IS SUBJECT TO CHANGE TO INCLUDE THE ADDITION OR THE DELETION OF ITEMS, INCLUDING EXECUTIVE SESSIONS.

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MEMORANDUM

To: Legislative, Finance & Administrative Committee

From: Donna Mitchell, Controller/Treasurer
Paul Benat, Police Chief

Copy: Mayor Christiansen, City Council, City Manager, and City Clerk

Date: February 26, 2015

Subject: Agreed Upon Procedures Engagement – Cash review

The Report of the Independent Public Accountants ("Report") highlighted several deficiencies in the cash handling procedures for the Dover Police Department. A major weakness in the City operation is having the Police Department operate as though it's a separate entity from the City. In doing so, there is no outside input by other City Executives in formulating policies and procedures for financial management practices. The City Executives have a shared responsibility in the management of City finances; more so with Departments that have little training or education in these areas.

In response to the Report the Police Department and Finance Department have taken the following steps to address any deficiencies in the cash handling procedures.

1. Segregation of duties for employee's that receive cash, adjust billing information within the system before or after the receipt of cash, void parking tickets, prepare deposits, and prepare the reconciliation between the system and the deposit.

   The Police Department management has completed cross-training other staff and segregated the duties and ability to perform all functions with the Supervisor and another employee.

2. Segregation of duties for search and seizure/lost and found property.

   The Department did have segregation of duties; however they were not always being followed. The current procedures/policies are being evaluated by the new Evidence Technician and City Management with recommendations implemented upon the completion of this process.

3. Written Cash Handling Policies and Procedures

   The Department did not have written cash handling policies and procedures.

   The Department has developed written policies and procedures and they have been reviewed by the Controller/Treasurer.

4. Compare the selected department's cash receipts and disbursement polices to the City's general cash receipts and disbursement polices.

   The Police Department was provided a copy of the Customer Service cash receipts procedures with explanations for segregation of duties. These procedures were used to formulate the Police Departments procedures.

5. Reviewed selected transactions for the evidence room.

   As highlighted in the findings on Page 6 of the Report, there were several discrepancies in the transactions reviewed. As stated earlier, the procedures were not always followed and the Department Management is in the process of reviewing the current procedures with the recently hired Evidence Technician.

In addition to the above steps taken, the Police Department has been set up with remote deposit where the check payments are processed with a check scanning machine and the deposit is electronically sent to the bank every day. The checks are held for 30 days and then destroyed. The electronic copy of the check is maintained per the records retention policy. This process was planned, but put on hold with the absence of the Assistant Controller/Treasurer. This provides for more timely and efficient deposit of checks. Ms. Sherry Dixon from Customer Service was instrumental in assisting with the implementation and training Police personnel on this process.

CITY OF DOVER, DELAWARE

Report of Independent Public Accountants on Applying Agreed-Upon Procedures to the City of Dover, Delaware

For the Year Ended September 30, 2014

SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON APPLYING AGREED-UPON PROCEDURES

The Honorable Mayor and Members of the
City Council of Dover, Delaware
Dover, Delaware

We have performed the procedures enumerated below, which were agreed to by management of the City of Dover, Delaware (the City) solely to assist you in evaluating the internal controls over revenue and cash of selected departments of the City as of and for the year ended September 30, 2014. The City and the selected departments are responsible for the completeness and accuracy of the financial records of the accounts. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

PROCEDURES

1) Selected applicable departments based on reading the City's council minutes related to budget items and discussion with management areas of the City with stand-alone systems that were not integrated with the City's main financial systems.

   Findings:

   Based on reading the City's council minutes related to budget items and discussions with management areas of the City with stand-alone systems that were not integrated with the City's main financial systems. The Police and Park and Recreation departments were selected.

2) Met with the selected individual departments of the City to gain an understanding of the cash receipts process in place at the selected departments and inquire of all sources of cash.

   Findings:

   Police Department

   Based on discussions with administrative personnel in the Police department, we noted that the Police department has the following sources of cash: parking tickets/report fees, search and seizure, lost and found, reimbursable grants from the Federal and State governments, public donations, and extra and special duty reimbursements. We obtained understanding of the processes in place for each of the cash sources and noted the following items.

Parking tickets/Reports Fees: Within the record division, the same clerk has the ability to receive cash, adjust billing information within the billing system before or after the receipt of cash, void parking tickets, prepare deposits to the City, and prepare the reconciliation between the system and the deposit. In addition, the clerk is the only individual that prepares the reconciliation between the system and the deposit. We were informed that there are no exceptions or other monitoring type reports currently in use that would quantify or track the modifications made by personnel.

We were informed that the Police department implemented a new ticket system. The records for approximately 1,800 accounts were stored in the old ticket tracking system. This account information was not recorded in the new system. We were informed that the data was lost as a result of a system crash after the implementation of a new ticket tracking system. We were also informed that management does not have access to the old information based on system limitation; as such, there is no current record of these accounts in the new system. Payments are recorded for these tickets when received by the clerk noted above. We were informed because of the system crash no reconciliation of outstanding tickets in the old system to payments is currently made.

Per discussion with management, the department is currently working on improving the policy and procedure related to the parking tickets and reports fees.

Search and Seizure/ Lost and Found: Some employees are responsible for both the custody of assets and the related record keeping function of those assets. We were told that the process should have a separate officer who brought in the evidence (assets) is to approve its entry and release and a separate person records the activity.

Parks and Recreation Department

We noted that the Parks and Recreation department has the following sources of cash: grants, vending machine sales, program registration for activities, rental of the multipurpose room, field rental, trips sponsored, and summer camps. We obtained understanding of the processes in place for each of the cash sources.

3) Obtained and read the selected department's cash receipt policies.

Findings:

Police Department

Based on discussions held and walkthroughs, we noted the Police department had no documentation that the cash policy at the Police department was distributed or otherwise used.

Parks and Recreation Department

Based on discussions held and walkthrough, we noted that the parks and recreation department uses the City's general cash receipt policies.

4) Compared the selected department's cash receipts policies to the City's general cash receipts policies.

Findings:

Police Department

Based on the results of above, we noted that the cash receipt policy was not distributed; therefore, this step is not applicable.

Parks and Recreation Department

The department uses the City's cash receipts policies.

5) Obtained a listing of bank accounts, cash on hand, and petty cash from the individual departments.

Findings:

Police Department

Based on discussions with the Police department management, the Police department has bank accounts maintained at the City (and transfers all cash to the City). We were informed that there are no additional operating bank accounts held separate by the Police department. However, we were told that there is cash related to search and seizure and lost and found, which is stored in the evidence room. The Police department also kept about $300 to $500 of petty cash. We were told the Police department has an internal account that is made up of collections from internal personnel for special event purposes, and we were told the amounts were not related to City's cash.

Parks and Recreation Department

Based on discussions with Parks and Recreation department management, the department only has bank accounts with the City. There is $150 of petty cash in the department. The department also has one vending machine which collects approximately $80 to $100 on a quarterly basis. We were informed that there are no additional outside cash accounts.

6) Obtained reconciliations from the selected department for each of the cash accounts that were listed above, as of September 30, 2013, December 31, 2013, February 28, 2014, April 30, 2014 and June 30, 2014.

Findings:

Police Department

We were informed that the Police department management does not complete separate reconciliations for cash accounts maintained separately from the City. Additionally, the Police department does not complete separate reconciliations of activity recorded by the City.

Parks and Recreation Department

The Parks and Recreation department compared the transactions from its records (invoices, and receipt) to the City on an activities basis. There is no set monthly reconciliation. SBC walked through the reconciliation process, and noted that the department is able to identify differences from the City's records to their own records and is able to notify the City for corrections.

7) Obtained a listing of transactions from each of the items listed in step four for the period July 1, 2013 through June 30, 2014

Findings:

We obtained the listing of transaction from each selected department.

8) Selected a sample of cash receipt transactions.

Findings:

Police Department

We selected 25 disposals of items within the evidence room from July 1, 2013 through June 30, 2014.

Parks and Recreation Department

We selected 10 cash receipt items from July 1, 2013 through June 30, 2014.

9) Obtained support for each of the transactions selected in step eight.

Findings:

Police Department

For the 25 selected transactions, we compared the disposal method within the evidence tracking system to the disposal method noted in the evidence tracking system to what was recorded on the evidence ticket.

We noted two instances where the cash amounts on the tags and what was recounted did not agree, and there was no reconciliation for the difference. The difference in amount between the tags and recount were $990 and $308. We noted six cases where either the officer who brought in the evidence did not sign to approve the evidence to be disposed of, or the individual who picked up, or disposed of the evidence did not sign the evidence ticket. We noted one instance in which management was unable to locate the evidence ticket. We noted one instance where the evidence system's documentation noted an item was donated; however, the trade ticket indicated that it was returned to owner. We noted two instances where the evidence system's documentation noted the items were disposed by auction; however, the items were still in the evidence room. We noted one instance, in which the counterfeit bill was returned to Secret Service, and the remainders of the bills were given to the finance department; however, the system indicated as return to owner. For five of the selections, the items were recorded as disposed using an annual form that required to be completed by the officer; however, the form did not require any signature or date.

Per discussion with management, the department is currently working on improving the policies and procedures related to the evidence tracking.

Parks and Recreation Department

We obtained the support for the selected transaction.

We were not engaged to and did not conduct and audit, the objective of which would be the expression of an opinion on the financial records of the accounts. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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This report is intended solely for the information and use of the City of Dover, Delaware, the Police department, the Parks and Recreation department, and The Honorable Mayor and Members of the City Council of Dover, Delaware and is not intended to be and should not be used by anyone other than these specified parties.

Hunt Valley, Maryland
March 4, 2015

SB & Company, LLC