



Audit Follow-Up

Cash Counts Audit - StarMetro

Report #AR-2503
February 18, 2025

Original Report #AR-2306, Issued August 4, 2023
Follow-Up Period Ending March 31, 2024

Summary from Original Report

We performed this audit to determine whether petty cash/imprest funds existed as recorded in City records and were properly accounted for at the time of the cash count. Specifically, we determined whether StarMetro properly maintained its petty cash fund, ensured the funds were reasonably safeguarded from loss, and provided recommendations to strengthen and improve internal controls when issues were identified.

Our surprise cash counts at StarMetro determined the imprest funds were utilized for cashiering operations, and while some internal controls were in place, improvements were needed to help ensure the funds were properly maintained and reasonably safeguarded. Specifically, we noted the following issues: access to the imprest fund was not restricted to fund custodians, the reconciliation process used to account for the imprest fund needed improvement, and StarMetro's policies and procedures did not include sufficient detail to instruct and guide staff in the completion of their duties.

This status report is the first follow-up on Audit Report #AR-2306.

Complete - 1

In Progress - 2

Needs Attention - 0

Action Plan Step 1

Objective: The list of individuals with access to the StarMetro cash counting room and the list of imprest fund custodians should be periodically reviewed to ensure they are appropriate. Whenever changes are made to the list of imprest fund custodians, the updated list should be provided to the Revenue Division.

Management's Action Plan: The badge access list and fund custodian list will be reviewed and updated by management. A copy of the fund custodian list will also be provided to the Revenue Division.

Action Plan Status: Complete

StarMetro management implemented the action plan step by reviewing and updating the badge access list for the cash counting room and the list of imprest fund custodians. The updated list of imprest fund custodians was provided to the Revenue Division.

Upon request, StarMetro management provided us the updated badge access list, and an internal document outlining the role and business purpose justifying access for each employee included on the list. We reviewed the updated badge access list and found that it included the three members of StarMetro's Finance Team, five maintenance employees, and the Facility Security Supervisor. Although a business purpose was provided for each of the employees listed on the badge access list, as the number of people with access to the cash counting room increases, the risk of bus fare money being misappropriated also increases.

During our original audit, bus fare money was openly kept in the cash counting room and was secured by limiting access to the cash counting room. While performing our follow-up audit procedures, we identified a new safe that had been installed in the cash counting room since our original audit, providing an additional safeguard for bus fare revenues. Upon inquiry with StarMetro management, we were told that all the bus fare money now resides in the safe, and access is limited to StarMetro Finance Team members. This concurred with our observation of the cash counting room, where we only saw a single dollar outside of the safe.

We also reviewed the updated fund custodian list and found that it was reasonable.

Action Plan Step 2

Objective: The reconciliation process for the StarMetro imprest fund should be reviewed and updated to ensure the imprest fund is properly accounted for. Additionally, the \$211 cash shortage noted in the original audit report should be properly resolved and reported to the Revenue Division.

Management's Action Plan: Both items noted were resolved on July 11, 2022, and the correction has since been reported to the Revenue Division. The reconciliation process was also revamped in April 2023.

Action Plan Status: In Progress

Imprest Fund Procedures and Reconciliation Form

StarMetro management reviewed and updated the *Imprest Fund Procedures* and Microsoft Excel spreadsheet used to reconcile each of the nine sub-imprest funds comprising the entire StarMetro imprest fund. This addressed some of the issues noted in the original audit report. However, while performing our audit follow-up procedures, we identified issues related to the implementation of the updated policies and procedures and the design of the Microsoft Excel spreadsheet used to reconcile the sub-imprest funds.

Reconciliation Frequency

To ensure the entire imprest fund amount is properly accounted for, the updated *Imprest Fund Procedures* require all nine of the sub-imprest funds to be reconciled bi-weekly. To verify those reconciliations were occurring as now required, we requested all Excel spreadsheets used for the

reconciliations performed between April 1, 2023 and September 19, 2024 (the date of our request). In response to our request, we were provided seven Excel spreadsheets. We were expecting to receive 36 Excel spreadsheets (18 months x 2 reconciliations per month) for each of the nine sub-imprest funds. Upon inquiry into the difference between the expected number of reconciliation forms and the number received, it was explained that the requirements in the *Imprest Fund Procedures* were what StarMetro management aspired to when the procedures were revamped; however, they have had to make some adjustments based on operational needs and their current staffing levels.

Reconciliation Form

Upon review of the updated Excel spreadsheet, we noted formulas were not being used to make mathematical calculations. While this resolved the formula errors noted in our original audit report, the reconciliations now require several manual calculations to be performed, thereby increasing the risk of errors in the reconciliation process.

While management improved the imprest fund reconciliation procedures, they did not adequately demonstrate that the procedures were implemented to ensure proper accountability of the imprest fund. Additionally, although the Excel spreadsheet used to perform imprest fund reconciliations was updated and no longer includes formula errors, removing rather than correcting the formulas increases the risk of calculation errors.

As part of our next follow-up audit, we will evaluate whether the reconciliation process is being implemented as provided for in the *Imprest Fund Procedures* and whether the Excel spreadsheet has been revised to reduce the risk of calculation errors (i.e., utilizes correct formulas).

Imprest Fund Cash Shortage

In the original audit report, we noted that the imprest fund was short \$211 due to two events, which caused shortages of \$11 and \$200. As part of their corrective action, StarMetro management reported that the \$211 shortage was resolved on July 11, 2022, and the correction reported to the Revenue Division. Upon further inquiry, StarMetro management indicated that they “reprocessed the change order” and used funds from bus fare revenues to correct the shortage.

Based on our audit procedures, we determined the \$211 shortage in the cashier’s sub-imprest fund was resolved by utilizing bus fare revenue to correct the shortage in that sub-imprest fund. Consequently, the loss was never recorded in the City’s financial records, and bus fare revenue was under-recorded by the \$211 that was diverted. At this time, based on the length of time that has elapsed and the relatively small amount in question, we are not recommending any further actions to correct the issue. However, in the event such an issue occurs again, we recommend StarMetro management immediately report the shortage and have the funds replenished through the Treasurer-Clerk’s Revenue Division.

Action Plan Step 3

Objective: The StarMetro standard operating procedures will be reviewed and updated and/or replaced as needed to provide sufficient detail and enhance the accountability of the imprest fund.

Management's Action Plan: Our standard operating procedures are currently under review and will be updated and/or replaced as needed.

Action Plan Status: In Progress

In July 2023, StarMetro updated their standard operating procedures. Based on our review of the updated operating procedures, we noted they now:

- Reference the imprest fund reconciliation form and require its usage,
- Provide for cash overages to be deposited; additional review of cash shortages over \$5; and any cash shortages over \$25 to be documented in a disciplinary action report,
- Provide instruction and guidance on how to prepare and transfer funds between StarMetro's Administrative Offices and the C.K. Steele Bus Plaza, and
- Provide a procedure for the handling of non-negotiable currency (e.g., defaced or damaged currency).

While the updated operating procedures addressed most of the examples cited in Audit Report #AR-2306, we noted an example that was not addressed (process for correcting cash variances), and several areas where the operating procedures could be further enhanced to improve accountability of the imprest fund. Specifically, we noted the operating procedures:

- Require additional review of cash shortages over \$5 but do not adequately instruct and guide staff on what the additional review should entail.
- Require the imprest fund to be reconciled bi-weekly; however, based on our audit procedures, it appeared reconciliations were also being performed when new cashiers were assigned responsibility for a sub-imprest fund (i.e., cashier box). While such a procedure improves accountability of the imprest fund, the procedure should be documented in the operating procedures. Additionally, if reconciliations are required to be performed prior to a cashier's responsibility for a cashier box ending (e.g., employment separation), that requirement should also be documented in the procedures.
- Do not address cash handling or reconciliation procedures for the Ticket Vending Machine (TVM).
- Do not require the Finance Team to verify that the deposits recorded in the City's revenue system (iPay) agree with the cash and check sales the cashier made for the day as reflected on the summary receipt for their point-of-sale terminal. Absent such a reconciliation, there is an increased risk a cashier may misappropriate funds and it is not detected.

Conclusion

To address the recommendations made in Audit Report #AR-2306, management developed three action plan steps. Of the three action plan steps, management successfully completed one and two remain in progress. We will follow up and report on the status of the remaining action plan steps as part of the 2025 follow-up reporting cycle.

Appointed Official's Response

City Manager:

We have reviewed the follow-up report to the StarMetro Cash Counts Audit. As noted, several measures have been taken to strengthen our operating procedures, and we will continue to move forward with additional process improvements. We would like to thank the OIG staff for their thorough review and work performed to advance City operations.

Acknowledgements

We appreciate the cooperation and assistance provided by management and staff during this audit follow-up.

Project Team

Engagement:

Conducted by: Johnny Hawkins, Staff Auditor, CIGA

Reviewed by: Shane Herman, Audit Manager, CPA

Approved by: Dennis R. Sutton, Inspector General, CPA, CIA, CIG

Statement of Accordance

The Office of Inspector General's mission is to advance integrity, accountability, transparency, and efficiency and effectiveness within City government by providing professional, independent, and objective audit and investigative services.

We conducted this audit follow-up in conformance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing, and Generally Accepted Government Auditing Standards. Those standards require we plan and perform the audit follow-up to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives.

Please address inquiries regarding this report to the Office of Inspector General at (850) 891-8397 or inspector.general@talgov.com.

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