



Finance Department Memorandum

Date: August 28, 2009
To: Jim Barksdale, Finance Director
From: Becky Sharp/City Collector and Jim Eagan/Assistant City Accountant
Subject: Cash Control Audit of J.E.T.S.

An audit was conducted on August 27, 2009 by the above members of the Finance Department to review cash control procedures at the Jonesboro Economical Transportation System (JETS) office. The purpose of this audit was to determine what procedures are in effect and whether internal control weaknesses are present. This report will detail the process of the audit, any weaknesses identified, and our recommendations.

OVERVIEW

The City of Jonesboro maintains a public transportation system commonly referred to as JETS. The system operates several buses along five routes. Passengers pay for fares by pre-purchasing a pass or by paying cash upon entering a bus.

Currently, JETS uses a fare accounting system known as GenFare. This system includes a kiosk located on each bus that collects cash and validates passes. The system also allows data regarding ridership and payment to be downloaded from the kiosk.

Each bus is emptied of cash daily. The GenFare system utilizes a strong box in the kiosk to enable cash to be emptied into a money vault without personnel being able to handle the cash. A download is then performed to capture information regarding how much cash was present on the bus.

The accounting clerk collects the cash from the money vault each Monday and carries it to her office. The cash amount is then reconciled to the GenFare report. Cash is then carried to City Hall to the Collections Department where it is recorded.

FINDINGS

Our audit process was designed to review the cash trail and determine if there were any concerns present in the handling of cash. The process included discussion with staff, review of reports, and a cash count to perform a reconciliation.

It was noted during our interview that the accounting clerk is the sole individual who has physical control of obtaining, counting, and depositing of cash. While we do not doubt the trustworthiness of the clerk, this practice does violate internal control standards. Also, it was learned that coinage is not counted; the amount displayed on the daily reports is used verbatim. Further, the key used to lock the depository bag could not be located, meaning safekeeping of the funds could be compromised prior to deposit.

During the course of our audit, we were also told that about a bus that had been involved in a wreck earlier in the week. When we asked about the cash present at the time of the wreck, we were informed it remained in the bus. A physical inspection was conducted of the bus and it was determined that removal of the cash would have required physically dismantling the bus. However, this does represent revenue that remained unavailable to the City.

In discussing the GenFare system, we learned that overages and shortages were a frequent situation. A review of the past reconciliations indicated that these differences ranged from approximately \$ 52 over to \$ 26 short. JETS administration has discussed this issue with GenFare, but no explanation has been provided, other than driver error in processing riders (with incorrect change or discounted fares). Drivers with five days of extraordinary outages are taken from duty and re-trained on use of system.

RECOMMENDATIONS

This audit identified the above weaknesses. To address these matters, and ensure internal controls are not a future concern, we are recommending the following:

- 1) Dual control should be maintained over cash at all times. We recognize this will require additional manpower, but any impact will be minimal since cash is removed from the money vault only weekly.
- 2) Proper care and custody of cash should entail placing cash in a lockable deposit bag. Further, we are recommending that once cash is placed in the deposit bag (under dual oversight), the supervisor is given the key.
- 3) Coinage should be counted and reconciled to the daily report for accuracy and to determine if issues regarding outages are present within the coin count.
- 4) Because of the amount of cash involved and to avoid cash being handled multiple times, we are recommending that monies in the (locked) deposit bag be taken directly to the selected bank. There, bank personnel can verify the amount being deposited, thereby eliminating the need to re-count cash by Collections Department staff. The bank receipt and accompanying reports can be taken to Collections for recording of revenue.
- 5) Procedures should be developed for safeguarding and collection of cash on buses if a vehicle is involved in a wreck or is out of service.
- 6) A further review of the outages is needed. This could involve further discussion with GenFare, and determining if other GenFare clients have experienced similar issues.