

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

1. The City of Yakima's Police Department does not have adequate controls over voided receipts or citations.

Description of Condition

Voided Receipts:

The Police Department collects cash for accident reports, gun permits, background record checks, disclosures, verification letters and fingerprinting. The Police Department collected over \$91,000 for these services in 2013 and voided 31 cash receipts between July 2013 and June 2014. Our audit of the Police Department's voided cash receipts revealed the following conditions, which we reported to City management in our previous three audits:

- Cash receipting summary reports are not reviewed to ensure proper documentation is provided for all voided transactions.
- Supervisors are not reviewing voided cash receipts to ensure that transactions are properly posted, supported and have a valid reason for being voided. We examined all 31 voided cash receipts from July 2013 through June 2014 and noted the following concerns:
 - There was no evidence that a supervisor reviewed 29 voided receipts.
 - Three did not include any documentation to explain why the cash receipts were voided.

Citations:

The Police Department also issued 15,595 traffic and criminal manual citations in 2013, generating \$1,380,509 in revenue. Citations are issued to police officers in separate booklets, each containing 25 citations with four copies per citation. State law requires officers to return a printed or electronic copy of every issued citation to the Chief Administrative Officer. The Department is also required to perform a monthly audit to ensure all citations are accounted for. Our audit of the Police Department's citations revealed the following conditions, which we also reported to City management in our previous three audits:

- The City's Police Department has not conducted a monthly audit of citations as required by state law since at least 2010, when we first brought the issue to the City's attention.
- City policy requires that all officers document their name, date, and reason for voiding a citation, and that all copies of voided citations be presented to a supervisor for approval and retained for audit purposes. We reviewed 12 voided citations for

compliance with City policy and state law, and found that original citations were not retained for all 12 voided citations, four lacked supervisor approval, and two did not have valid descriptions.

- The City did not retain any of the 2013 original citations issued or voided, as required by state law.

Cause of Condition

The City's Police Department has not made it a priority to develop and implement an effective policy over cash receipts to ensure voided receipts are properly approved, posted and for a valid reason.

Also, the City has not assign adequate resources to develop internal controls to ensure the Department retains citations, follows City policies and performs the required monthly citation audits.

Effect of Condition

Without retaining documentation over voided receipts and citations, the City cannot monitor activity to ensure all revenue is accounted for. Also, the lack of controls and effective review over these areas increases the risk of loss which may not be detected in a timely manner, if at all. It also deprives the City the means of verifying that all citations issued are accounted for and that all voided citations are appropriate.

In addition, the City has not complied with state records retention laws.

Recommendation

We recommend the City develop and implement written policies and procedures to ensure:

- Voided receipts are reviewed, approved and supported with documentation showing the validity of the transaction.
- Monthly audits are performed of all citations as required by state law.
- Voided citations include all of the necessary information required by City policy and are approved by a supervisor.
- All voided receipt and citations are retained, as required by state law.

City's Response

The City is aware of its responsibility to maintain internal controls over cash receipting and citations. We appreciate that our partners at the State Auditors' Office (SAO) have conducted a thorough review of our procedures in the Police Department.

To put this in perspective, there were 4,875 transactions receipted annually with individual receipts ranging from \$5.00 for a copy of a report to \$52.50 for a gun permit. (Copies for public disclosure requests can range from \$1.50 to \$200.00 plus depending on the size of the request and number of photo copies required). The average transaction was \$18.67. The 31 voided receipts represent less than one percent (0.6%) of the total transactions processed.

The Police Records division has had to use its limited resources to address issues tied to implementation of new systems. From 2010 through 2012, the Department was planning and implementing a new Records system, and then in 2013 and 2014, this division was focused on designing the required federal and state reports, so even though the Auditor's recommendations were communicated, it was difficult for that work-group to focus on anything other than the system implementations. This work group also experienced a high rate of turnover during this time-frame, which made continuity of procedures more difficult.

Unfortunately, the destruction of the 2013 citations was done in error, without the knowledge of the City's records management officer in the City Clerk's office. The originals are sent to Municipal Court for processing; however, the Court does not log citations received by number. We have trained the staff on appropriate records retention schedules.

The City recognized we had ongoing issues, and restructured the Police Records division in the middle of 2014, including the addition of a manager with an accounting/business administration education and background, and these deficiencies are being addressed.

Auditor's Remarks

We thank the City for its cooperation and assistance during the audit and look forward to reviewing the City's corrective action during our next audit.

Applicable Laws and Regulations

RCW 43.09.200 states:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.

The system shall exhibit true accounts and detailed statements of funds collected, received, and expended for account of the public for any purpose whatever, and by all public officers, employees, or other persons.

The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived therefore; all sources of public income, and the amounts due and received from each source; all receipts,

vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction; all statements and reports made or required to be made, for the internal administration of the office to which they pertain; and all reports published or required to be published, for the information of the people regarding any and all details of the financial administration of public affairs.

Budget Accounting and Reporting System (BARS) Manual – Accounting, Accounting Principles and General Procedures, Internal Control, states in part:

Internal control is a management process for keeping an entity on course in achieving its business objectives, as adopted by the governing body. This management control system should ensure that resources are guarded against waste, loss and misuse; that reliable data is obtained, maintained, and fairly disclosed in financial statement and other reports; and resource use is consistent with laws, regulations and policies. Each entity is responsible for establishing and maintaining an effective system of internal control throughout their government.

RCW 46.64.010, Traffic citations - Record of - Cancellation prohibited - Penalty - Citation audit, states:

(1) Every traffic enforcement agency in this state shall provide in appropriate form traffic citations containing notices to appear which shall be issued in books with citations in quadruplicate and meeting the requirements of this section, or issued by an electronic device capable of producing a printed copy and electronic copies of the citations. The chief administrative officer of every such traffic enforcement agency shall be responsible for the issuance of such books or electronic devices and shall maintain a record of every such book and each citation contained therein and every such electronic device issued to individual members of the traffic enforcement agency and shall require and retain a receipt for every book and electronic device so issued.

(2) Every traffic enforcement officer upon issuing a traffic citation to an alleged violator of any provision of the motor vehicle laws of this state or of any traffic ordinance of any city or town shall deposit the original or a printed or electronic copy of such traffic citation with a court having competent jurisdiction over the alleged offense or with its traffic violations bureau. Upon the deposit of the original or a copy of such traffic citation with a court having competent jurisdiction over the alleged offense or with its traffic violations bureau as aforesaid, the original or copy of such traffic citation may be disposed of only by trial in the court or other official action by a judge of the

court, including forfeiture of the bail or by the deposit of sufficient bail with or payment of a fine to the traffic violations bureau by the person to whom such traffic citation has been issued by the traffic enforcement officer.

(3) It shall be unlawful and official misconduct for any traffic enforcement officer or other officer or public employee to dispose of a traffic citation or copies thereof or of the record of the issuance of the same in a manner other than as required in this section.

(4) The chief administrative officer of every traffic enforcement agency shall require the return to him or her of a printed or electronic copy of every traffic citation issued by an officer under his or her supervision to an alleged violator of any traffic law or ordinance and of all copies of every traffic citation which has been spoiled or upon which any entry has been made and not issued to an alleged violator. Such chief administrative officer shall also maintain or cause to be maintained in connection with every traffic citation issued by an officer under his or her supervision a record of the disposition of the charge by the court or its traffic violations bureau in which the original or copy of the traffic citation was deposited.

(5) Any person who cancels or solicits the cancellation of any traffic citation, in any manner other than as provided in this section, is guilty of a misdemeanor.

(6) Every record of traffic citations required in this section shall be audited monthly by the appropriate fiscal officer of the government agency to which the traffic enforcement agency is responsible.

Yakima Police Department Policy 516, states in part:

516.4 Voiding Traffic Citations

Voiding a traffic citation may occur when a traffic citation has not been completed or where it is completed, but not issued. All copies of the citation shall be presented to a supervisor to approve the voiding of the citation. The citation and copies shall then be forwarded to the Services Division. The officer shall record the reason, date, officer's name and personnel number on the face of the citation.

RCW 40.14.070 Destruction, disposition, donation of local government records - Preservation for historical interest - Local records committee, duties - Records retention schedules - Sealed records, states in part,

(2)(a) Except as otherwise provided by law, no public records shall be destroyed until approved for destruction by the local records committee. Official public records shall not be destroyed unless

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2. The City does not have adequate internal controls over bus pass revenues.

Background

The City received \$297,000 from the sale of bus passes from January 2014 through August 2014. City passes are sold at different rates for youth, adult, school districts and senior citizens at four city departments and 12 organizations outside the City.

Description of Condition

To ensure all receipts have been accounted for, the City performs reconciliations comparing actual receipts against expected revenue based on bus pass sales activity at only nine of the 16 locations. The remaining seven locations, which consist of three City departments and four outside organizations, do not have processes to verify all the revenue from bus passes sold are receipted and deposited. According to the City, the receipts at these locations do not record enough information to identify the receipting location or time period the pass was valid to compare to the expected revenue based on actual passes give out to the locations to sell. We were unable to perform audit tests to determine if the recorded bus pass revenue was reasonable because of these weaknesses. Without these controls, the City cannot confirm that all receipts collected at these locations are accounted for.

Cause of Condition

The City has not made it a priority to set up proper internal controls to monitor and reconcile bus pass revenues by type.

Effect of Condition

Weaknesses in the internal controls over bus pass receipting increase the likelihood errors or misappropriation could occur and not be detected in a timely manner, if at all.

Recommendation

We recommend the City perform periodic reconciliations at the remaining seven locations to compare expected bus pass revenue to actual receipts in order to ensure they are accounted for.

City Response

The City is aware of its responsibility to maintain internal controls over bus pass inventory, and has strived to correct the situation. When this was brought to our attention during the prior audit, Finance worked with the Transit Division and designed a spreadsheet that tracks tickets sold and estimates revenue by location. We feel that one compensating control is that all locations know that Transit is accounting for every bus pass by number.

The City's financial statements only has a separate account for each type of pass sold; i.e. Adult, Youth, Yakima School District, and Honored Citizen. Each pass is identified with a number and the effective month and year.

For the first 8 months of 2014, the spreadsheet detailing ticket usage by location showed that we should have collected \$267,128, and the General Ledger total for the four accounts in that same time period was \$273,215, actually \$6,087 greater than indicated. The City uses a voucher system for institutional "bulk" purchases which are invoiced and paid after distribution, so we would expect some timing differences tied to this process. It is evident from our review that no loss of public funds has occurred.

It is our understanding that an outstanding issue identified by SAO is easily reconciling the revenue back to the location where the passes were sold, so that a loss can be assigned to a particular location, should one occur. Should a shortage in the bus pass accounts occur in the future, we would be able to reconstruct the revenues by location looking into the detail of the cash receipting system to determine the location that came up short. The fact that there is not an automated report to show such detail does not preclude the ability to obtain the data should a loss occur. In our opinion, expanding the chart of accounts for the numerous locations could be done, but is not a cost effective control.

The other outstanding issue is discovering a loss in a timely manner. Transit management will review the expected revenue results as calculated on the pass distribution spreadsheet compared to total revenues recorded monthly. Should a discrepancy occur, we will investigate, determine the cause and respond appropriately.

We recognize the importance of maintaining adequate internal controls, and appreciate the input from the SAO to assist us in better safeguarding public assets. While we do not believe we have had, or are having a loss of bus pass revenue, we recognize that the remedial measure we identified will more quickly identify a potential loss.

Auditor's Remarks

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The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived there from; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction; all statements and reports made or required to be made, for the internal administration of the office to which they pertain; and all reports published or required to be published, for the information of the people regarding any and all details of the financial administration of public affairs.

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