



DATE: January 15, 2015

To: Board Of Estimate & Taxation Audit Committee Members

From: The Internal Audit Department

Subject: Internal Audit Report: Review of the Commission on Aging's Share the Fare Taxi Program

Enclosed for your review is the Internal Audit's report entitled "Review of the Commission on Aging's Share the Fare Taxi Program." The report contains observations and recommendations addressing internal controls for cash collections by the Commission on Aging.

We would like to express our appreciation for the excellent cooperation extended to us by the personnel of the Commission on Aging during the course of this review.

Enclosure

cc: P. Mynarski, Comptroller
L. Contadino, Director of Commission on Aging
J. Crary, Town Administrator

**TOWN OF GREENWICH
INTERNAL AUDIT**

**Review of the Commission on Aging's
Share the Fare Taxi Program**

Audit Scope, Objective and Background

The Internal Audit Department recently completed a review of the Commission on Aging's Share the Fare Taxi Program's cash handling process on January 15, 2015. Share the Fare is a program that offers reduced taxi fares to Greenwich residents ages 62 and older. The program's benefit is that the customer pays 50% of the fare. The Town subsidizes 40% of the fare and the Taxi Company reduces the retail value of the fare by 10%. The Town budget for the program is contained within the Commission on the Aging's Organization Code A 195. The Fiscal 2015 budget is \$13,000

The primary objective of this review was to determine if policies and procedures for cash handling and receipting are established and operating effectively. Our review focused on specific audit objectives to determine if cash and checks received during the business day are deposited daily, proper cash receipting practices are in place and cash and checks received are properly safeguarded. The Commission on Aging's Share the Fare Taxi Program generated approximately \$25,000 in customer receipts during Fiscal Year 2014.

Summary Opinion

It is Internal Audit's findings that the internal controls over cash collections and disbursement of collected funds are not adequate. Additionally, simple fraud prevention techniques are not employed. Due to the type of program being administered, it is our opinion that proper internal controls can be readily obtained by instituting a few simple protocols. The Recommendations Section of this report addresses our findings.

Findings and Observations

The process starts when a Greenwich resident buys a reduced fare taxi coupon book at the Commission on Aging. The value of one entire coupon book is ten dollars but the resident pays five dollars. We observed that the individual coupon vouchers issued to customers are not pre-numbered. The coupons are issued in twenty five cent and one dollar denominations. The front cover of each coupon book is numbered but numbering sequence does not function as a control mechanism. Cash and checks are accepted. Internal Audit observed that checks are not immediately endorsed upon receipt. The cash and checks collected are stored in a petty cash type box. We noted that the Administrative Staff Assistant locks the petty cash box in a locked drawer when she walks away from the desk. We received testimonial that the taxi revenue is not reconciled on a daily basis but on a monthly basis. The Share the Fare Taxi Program does not utilize a depository account. The funds are stored in a file cabinet in a locked office at night. The funds are disbursed at the end of the month. One of the board members hand delivers the money to the Greenwich Taxi Company. The Taxi Company provides the board member with a receipt for the funds delivered.

Recommendation I:

A pre numbered receipt should be given to all customers.

Customers that pay by cash or check do not receive a receipt. For all point of sale transactions a pre numbered receipt should be issued for each sales transaction. Issuance of receipts is basic internal control mechanism.

Response from Commission on Aging:

The Commission on Aging (COA) agrees with the recommendation and will implement immediately.

Recommendation II:

The Commission on Aging should produce taxi coupon books that are all pre-numbered and difficult to duplicate.

Internal Audit observed that the taxi coupon book cover is the only item that is numbered. The dollar and quarter value vouchers are not numbered. Used vouchers are sent to the Commission on Aging by the Taxi Company for the purpose of obtaining reimbursement. The vouchers are not controlled by a numbering system. While vouchers will seldom be received in the same sequence as issuance, pre numbering will have the benefit of allowing for checking for duplicate voucher numbers and numbers that have never been issued. In any system that requires payment based on a receipt of a voucher, it is imperative that the voucher be difficult to duplicate. Instead, the printed voucher should not be easy to reproduce through a copy machine but rather some type of security should be utilized such as: special paper, watermarks, anti-copying marks, etc. Pre-numbering and special anti-copying techniques are best practices toward eliminating even the temptation of fraud.

Response from Commission on Aging:

The COA agrees with the recommendation. The COA will research in-house or outsource printing resources to produce coupon books that comply with the recommendation and are cost efficient. We will implement the recommendation by July 2015.

Recommendation III:

The Department should consider using the available safe at the Senior Center to store cash and checks.

Internal Audit recommends that a safe be used to store the currency. We noted that funds received are stored in a file cabinet in a locked office until disbursement of cash is made to the Taxi Company. File cabinet storage of currency, physical security, access and even location are a concern. The current practice of using a cabinet file for this type of storage is not optimal. The available safe is a far superior alternative.

Response from the Commission on Aging:

Agree. This recommendation will be implemented by February 2015.

Recommendation IV:

The Commission on the Aging should consider making deposits for the Share the Fare Program to the Town's bank account or to a separate depository bank account with the objective of decreasing cash handling transactions.

Currently, the Department does not have a business bank account to deposit the monies collected from the Share the Fare Taxi Program. The cash funds are stored in a file cabinet until disbursement is made to the Taxi Company in cash. By utilizing a business bank account or by making deposits directly to the Town's account, the Commission on Aging could eliminate the need to deliver cash to the vendor. If a Town account is used, the funds would be deposited to a liability account and not recognized as revenue. In this manner, the Commission on the Aging can expand the purchase order that they already process to make payments to the taxi company for the 40% reimbursement portion of the fare to include the coupons that are being redeemed by the taxi company on a monthly basis. Either using a separate bank account or a well-defined liability account in the general ledger is acceptable to Internal Audit. Besides other benefits, the elimination of cash whenever possible is a basic internal control preference to improve safety both in storage, transporting and documentation of receipts and disbursements.

Response from the Commission on Aging:

Agree. The Commission on Aging will schedule a meeting with the Treasury Department to discuss the best depository bank account for the Share the Fare Program.

Recommendation V:

Deposits should be done daily in accordance with Town policy.

If Recommendation IV is implemented, the Town policy requiring daily deposits of funds could be implemented. The current practice for the Commission on Aging is cash and checks are held for a month before the monies are disbursed to the Taxi Company. All funds received during the day should be deposited once the collection is \$500 or above or on Fridays, whichever comes first.

Response from the Commission on Aging:

Agree.

Recommendation VI:

In accordance to the Finance Accounting Manual, all checks should be immediately endorsed as soon as practicable upon receipt with a restrictive endorsement.

We observed that checks received during the day are not endorsed early in the receipt process. This protocol is dictated by the fact that the checks are delivered to the Taxi Company on a monthly basis. The checks are not deposited by the Commission on Aging. If Recommendation IV is implemented, checks should be endorsed as soon as practicable upon receipt. The Finance Accounting Manual requires that the checks should be immediately endorsed upon receipt.

Response from the Commission on Aging:

Agree. We will implement once our bank account has been established.