August 9, 2013

Special Report on Building Services Department's Cash Handling Policy Compliance

Mayor and Council,

I am pleased to present this special report on Building Services Department's Cash Handling Policy Compliance resulted from a recent investigation conducted by the City Auditor's Integrity Unit (CAIU).

OBJECTIVE

Our objective was to determine if the Building Services Department had violated the City of Austin's Cash Handling Policy, and to determine if all funds were deposited and whether any waste occurred.

RESULTS

The CAIU determined that Building Services Department (BSD) employees have violated the City of Austin's Cash Handling Policy at least three times since 2011, involving a total of $255,626. However, all funds were eventually deposited and no waste occurred.

During the course of our investigation, the CAIU determined that all funds were deposited by BSD and no waste occurred. However, in addition to the originally alleged cash handling violation, the CAIU substantiated two additional cash handling violations by BSD staff. All three violations are outlined below.

In June 2011, shortly after the arrival of the BSD Financial Manager, it was discovered that 10 checks, totaling $24,216, with date stamps showing receipt as early as April 13, 2011, had not been deposited by the BSD. The checks were ultimately deposited on June 6, 2011. According to the BSD Financial Manager, an informal attempt was made to tighten collection controls.

In March 2012, during negotiations between the Office of Real Estate Services and a BSD tenant, it was discovered that the tenant's rent checks had not been deposited by the BSD. The 19 checks, totaling $58,251, which were date stamped showing receipt as early as November 9, 2011, were ultimately deposited on March 27, 2012. According to the BSD Financial Manager and the BSD Finance and Operations Manager, a further attempt was made to tighten collection controls.

In January 2013, the City of Austin Controller identified 213 BSD transactions, totaling $173,159, deposited between October 1, 2012 and November 30, 2012, that had not been properly allocated in the accounting system by the BSD. At the point of discovery, the BSD Officer conducted an inquiry into BSD collections processing. In February 2013, the BSD Finance and Operations Manager put a more formalized collections system in place, including separation of duties and integrated Standard Operating Procedures for collections, and included these requirements on employees' performance appraisals.

Kenneth J. Mory, City Auditor

Why We Did This Report

In January 2013, our office received information alleging that employees at the Building Services Department had failed to properly deposit funds in accordance with the City's Cash Handling Policy. As a result, we conducted an investigation as part of our responsibility under the Austin City Charter.

Results

$24,216 not deposited for up to 2 months

$58,251 not deposited for up to 4 months

$173,159 identified by the Controller as not properly allocated

For more information on this or any of our reports, email oca_auditor@austintexas.gov