

December 9, 2019

Email [REDACTED]

Dear [REDACTED]

Re: Request for Access to Information under Part II of the Access to Information and Protection Privacy Act (the ATIPP Act, 2015)

On November 8, 2019, the City of St. John's received your request for access to the following information:

The audit report Metrobus - Cash Handling and any associated decision notes and/or action plans.

As required by Section 8(2) of the ATIPP Act, I have severed information that is unable to be disclosed and have provided you with as much information as possible. The enclosed information has been redacted as per Sections 29, 31, and 35:

Policy advice or recommendations

29. (1) The head of a public body may refuse to disclose to an applicant information that would reveal (a) advice, proposals, recommendations, analyses or policy options developed by or for a public body or minister;

Disclosure harmful to law enforcement

31. (1) The head of a public body may refuse to disclose information to an applicant where the disclosure could reasonably be expected to (l) reveal the arrangements for the security of property or a system, including a building, a vehicle, a computer system or a communications system;

Disclosure harmful to the financial or economic interests of a public body

35. (1) The head of a public body may refuse to disclose to an applicant information which could reasonably be expected to disclose (b) financial, commercial, scientific or technical information that belongs to a public body or to the government of the province and that has, or is reasonably likely to have, monetary value;

Disclosure harmful to the financial or economic interests of a public body

35. (1) The head of a public body may refuse to disclose to an applicant information which could reasonably be expected to disclose (c) plans that relate to the management of personnel of or the administration of a public body and that have not yet been implemented or made public;

Please be advised that you may ask the Information and Privacy Commissioner to review the processing of your access request, as set out in Section 42 of the ATIPP Act. A request to the

ST. JOHN'S

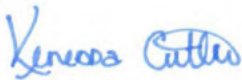
Commissioner must be made in writing within 15 business days of the date of this letter or within a longer period that may be allowed by the Commissioner:

Office of the Information and Privacy Commissioner
2 Canada Drive; P. O. Box 13004, Stn. A, St. John's, NL. A1B 3V8
Telephone: (709) 729-6309; Facsimile: (709) 729-6500

You may also appeal directly to the Supreme Court Trial Division within 15 business days after you receive the decision of the public body, pursuant to Section 52 of the Act.

If you have any further questions, please feel free to contact me by telephone at 576-8429 or by e-mail at kcutler@stjohns.ca.

Yours truly,



Kenessa Cutler
ATIPP Coordinator

ST. JOHN'S

DECISION/DIRECTION NOTE

Title: St. John's Transportation Commission – Review of Cash Handling

Date Prepared: February 4, 2019

Report To: Audit Committee

Councillor and Role: Councillor Debbie Hanlon, Chair

Ward: N/A

Decision/Direction Required: To approve the St. John's Transportation Commission – Review of Cash Handling audit report and the associated action plans put forth by management.

Discussion – Background and Current Status:

In accordance with the City's approved audit plan, the Office of the City Internal Auditor recently completed a review of cash handling at the St. John's Transportation Commission.

The review identified several areas for improvement. Details of these opportunities and related recommendations can be found in the audit report, which is confidential as it relates to the handling of cash. Management have agreed with all recommendations and intend to have all items actioned by the end of December 2019, except for Issue 5.1 (due to fiscal constraints).

The Office of the City Internal Auditor would like to thank the General Manager, the Finance Manager and all staff involved in cash handling at the St. John's Transportation Commission for their help and time during this review.

Key Considerations/Implications:

1. Budget/Financial Implications
 - There may be budget implications depending on how management decides to mitigate the risks highlighted in the report.

ST. JOHN'S

2. Partners or Other Stakeholders
 - N/A
3. Alignment with Strategic Directions/Adopted Plans
 - Fiscally Responsible
 - Responsive and Progressive
 - Effective Organization
4. Legal or Policy Implications
 - Policies and procedures have been recommended throughout this report
5. Engagement and Communications Considerations
 - N/A
6. Human Resource Implications
 - There may be human resource implications depending on how management decides to mitigate the risks highlighted in the report.
7. Procurement Implications
 - There may be procurement implications depending on how management decides to mitigate the risks highlighted in the report.
8. Information Technology Implications
 - There may be information technology implications depending on how management decides to mitigate the risks highlighted in the report.
9. Other Implications
 - N/A

Recommendation:

To approve the St. John's Transportation Commission – Review of Cash Handling report and the associated action plans put forth by management.

Prepared and Approved by/Signature: Sean Janes, City Internal Auditor

Attachments: N/A

ST. JOHN'S

INTERNAL AUDIT REPORT

St. John's Transportation Commission

Review of Cash Handling

Assignment # 18-01

Private and Confidential

INTERNAL AUDIT REPORT

St. John's Transportation Commission

Review of Cash Handling

Assignment # 18-01

Private and Confidential

David Royle, CPA,
CMA, CFP
Senior Internal Auditor
Date: July 20, 2018

Sean P. Janes, CPA,
CMA, CIA, CFE
City Internal Auditor
Date: July 20, 2018

ST. JOHN'S

TABLE OF CONTENTS

INTRODUCTION	1
OBJECTIVES	1
METHODOLOGY & SCOPE	1
BACKGROUND	3
EXECUTIVE SUMMARY	5
DETAILED ANALYSIS	8
Section 1 – Policies and Procedures	8
Issue 1.1 – m-Card Sales & Cash Handling Policy – Approval of Policies.....	8
Issue 1.2 – m-Card Sales & Cash Handling Policy - Section A. m-Card Sales.....	9
Section 2 – Access to Cash Room	11
Issue 2.1 – Monitoring of Cash Room Access	11
Section 3 – Front Counter Sales	13
Issue 3.1 – Access to the Cash Float Safe	13
Issue 3.2 – Cash Handling and Reconciliation Process	14
Issue 3.3 – BEA Point of Sales System	15
Issue 3.4 – Review of Product Sales By Employee Report.....	17
Issue 3.5 – Other	19
Section 4 – Bus Cash Fare Deposits (Coins)	21
Issue 4.1 – Cash Audit Form and Bank Sheet	21
Issue 4.2 – Use of Yellow Deposit Cards.....	23
Issue 4.3 – Cash Room Comparisons – Sort to Actual	24
Issue 4.4 – Bank Deposits - Books	26
Issue 4.5 – Bank Deposits - Management Approval	28
Issue 5 – Bus Cash (Bills) Handling	30
Issue 5.1 – Bus Fares Paid With Bills	30
Issue 5.2 – The Link	33
Section 6 – Miscellaneous	35
Issue 6.1 – Cheque Handling	35
Issue 6.2 – Vendor Agreements	36

To: Chair & Council Members, City of St. John's Audit Committee
Chair and Commission Members, St. John's Transportation Commission

Area Responsible: Judy Powell – General Manager, St. John's Transportation Commission

Copy to: Kevin Breen, City Manager

INTRODUCTION

OBJECTIVES

In accordance with the City's approved audit plan, the objectives of this review are to assess whether:

1. the service is being managed with due regard to risks and due diligence (risk management),
2. processes and structures are implemented to inform, direct, manage and monitor activities that are intended to move the City toward the achievement of our strategic plan (governance processes), and
3. the process is being managed with due regard to control processes - i.e. policies, procedures, regulations and council directives (control processes).

It is the overall areas of risk management, governance processes and control processes which structured the work carried out during the review.

METHODOLOGY & SCOPE

The cash handling review of the St. John's Transportation Commission has been undertaken in accordance with the approved three-year audit plan. The review considered the procedures in place regarding:

- i) access to the Cash room,

- ii) sales of m-Cards at the front counter,
- iii) coin revenue from the buses and City parking meters,
- iv) bills (\$5, \$10, etc.) revenue from the buses,
- v) miscellaneous deposits,
- vi) management reports, and
- vii) vendor agreements for m-Card sales.

To meet the review objectives:

- i) audit procedures were performed that included interviews with management to determine the existence of policies and procedures for cash handling;
- ii) interviews were held with management and staff to determine the procedures that are actually being performed; and
- iii) audit testing was conducted by observation of the processes and a review of the various supporting documentation such as receipts, sales reports, deposit forms and slips, reports, etc.

The review was conducted on the cash received and processed for City parking meters, Metrobus fares and the sale of m-Cards, and cheques received for charters, advertising, outlets, etc. It did not include an examination of funds related to GoBus. The period of review was mainly March, April and May 2018.

BACKGROUND

The St. John's Transportation Commission sets the bus fares and the last increase was January 1, 2017.

		Jan 1, 2017	Jul 1, 2008	Difference
Cash fares	Adult	\$2.50	\$2.25	\$.25
	Senior	\$2.50	\$2.25	\$.25
	Child	\$2.00	\$1.75	\$.25
10 Ride	Adult	\$22.50	\$20.00	\$2.50
	Senior	\$18.00	\$15.00	\$3.00
	Child	\$18.00	\$15.00	\$3.00
Monthly	Adult	\$78.00	\$70.00	\$8.00
	Senior	\$53.00	\$45.00	\$8.00
	Child	\$53.00	\$45.00	\$8.00
Semester Pass		\$275.00	\$245.00	\$30.00

When riding with Metrobus, customers can pay the fare by cash (coins or bills) or by using an m-Card.

Bill Cash Fares:

The bus fares increased in January 2017 from \$2.25 to \$2.50. This increase resulted in two things:

- i) it made it more convenient for passengers to pay their fares with bills (2 passengers at \$5, 4 passengers at \$10, etc.); and

■ [REDACTED]

In 2017, [REDACTED] in fares were paid with bills. The amount of bill fares received has been increasing as [REDACTED] was received from January to June 2017 while [REDACTED] was received from January to June 2018 for an increase of 47.5%.

35(1)(b)
31(1)(l)

Use of m-Cards:

As per the Metrobus website “Our m-Card is an interactive smart card that we use to handle all of our fare media, except for cash fares”. “When a customer boards a bus, he or she simply holds the card in front of the on-board reader to pay the fare.

The reader recognizes what type of fare or pass is on the card and approves or denies the ride electronically. Because it's a smart card, customers keep using the same card, week after week, month after month. Value is added to the card by the user at any of the sales outlets. In addition, customers can add value to their card online at metrobus.com “.

m-Card Sales Outlets

Avalon Mall (Customer Service Centre)

College of the North Atlantic (Cashier's Office/Book Store)

Marine Institute (The Campus Store)

Memorial University, University Centre, The Attic

Paradise Double Ice Complex

St. John's City Hall (Cashier's Office)

Shoppers Drug Mart (Torbay Road Mall)

Shoppers Drug Mart (Topsail Road)

Metrobus Transit Centre (25 Messenger Drive)

[Metrobus.com e-Store](http://Metrobus.com)

EXECUTIVE SUMMARY

Internal Audit's review of Cash Handling at St. John's Transportation Commission has been undertaken in accordance with the approved three-year audit plan. The audit centered on policy and procedures, access to the cash room, front counter sales, bus cash fare deposits (coins and bills) and vendor agreements and focused on risk management, governance processes and control processes.

Audit testing and procedures utilized during the review identified several positive outcomes and controls in place in the division such as:

- management has policies and procedures in place.
- access to the revenue (coins) and cash room is restricted and reports are available to identify who accessed and attempted access to the room.
- security cameras are in place.
- reports are generated to compare various coin counts.
- the bank account is reconciled on a monthly basis.
- strong management presence and commitment to improvement and change.

However, the audit also identified areas for improvement. Some of the more significant items are:

- Policies
 - To comply with best practices in governance processes, management should submit all policies to the Commission for review and approval. Also, some policies should be revised as some of the procedures include policies.

- Monitoring Access to Cash Room

- [Redacted]

29(1)(a)
31(1)(l)

- Front Counter Sales

- [Redacted]

29(1)(a)
31(1)(l)

- Bus Cash Fare Deposits (Coins)

- Efficiencies can be made by changing the manual preparation of forms and calculation of deposits by using Excel spreadsheets and discontinuing the use of the yellow cards to document deposit information as it exists elsewhere.

- Bus Cash (Bills) Handling

- [Redacted]

29(1)(a)
31(1)(l)

[Redacted]

- Miscellaneous

[Redacted]

29(1)(a)
31(1)(l)

Additional recommendations of a less significant nature can be found in the body of the report.

[Redacted]

31(1)(l)
35(1)(c)

[Redacted]

DETAILED ANALYSIS

Section 1 – Policies and Procedures

Well-written policies and procedures allow employees to clearly understand their roles and responsibilities within predefined limits. Also, they allow management to guide operations without constant management intervention.

Issue 1.1 – m-Card Sales & Cash Handling Policy – Approval of Policies

Best practice in governance processes require policies to be reviewed and approved at the board level.

Although Metrobus has a policy and procedure for m-Card Sales & Cash Handling, it was not approved by the Commission (board). In addition, management advised that certain other financial policies have been approved by the Commission while others have not.

Recommendation 1.1

To comply with best practices in governance processes management should submit all policies to the Commission (board) for review and approval.

Management Response and Intended Course of Action 1.1

We will have the m-Card Sales and Cash Handling policy approved by the Commission. In the future, all financial policies will be presented to the Commission for review and approval.

Conclusion 1.1

The recommendation will be implemented as stated above.

Action By: Finance Manager**Action Date:** February 2019**Information Only:** General Manager**Issue 1.2 – m-Card Sales & Cash Handling Policy - Section A. m-Card Sales**

Metrobus currently has a “M-Card Sales & Cash Handling Policy” that includes a purpose statement, scope, definitions, policy statement and procedure section. The purpose of the Policy is to provide financial control procedures and ensure consistency for the proper handling of cash received from the sale of m-Cards, to provide appropriate checks and balances and to safeguard employees involved in cash handling. Management should be commended for creating this policy and procedure document.

Policies are principles, rules and guidelines designed by an organization to reach long-term goals. Procedures are specific methods for employees to follow in the day to day operations. After review of the document it was noted that the Procedure section includes several policy statements such as “Cheques (unless Government issued) are not accepted”, “Employees are not permitted to cash his/her own cheque”, etc. which would be more appropriate in the Policy Statement section. Also, the procedures do not describe the process for issuing receipts to customers and the retention of copies. In addition, staff advised that replaced m-Cards are retained for one year and then destroyed and discarded. This is not included in the policy and procedures.

Recommendation 1.2

To improve the “M-Card Sales & Cash Handling Policy” management should:

- i) review the Procedure section and move policy statements to the Policy Statement section,
- ii) add procedures for issuing and retaining receipts, and
- iii) add procedures for retaining and destroying replaced m-Cards.

Management Response and Intended Course of Action 1.2

We will have the m-Card Sales & Cash Handling policy updated to address items i, ii, and iii above before having it approved by the Commission.

Conclusion 1.2

The recommendations will be implemented as stated above.

Action By: Finance Manager

Action Date: February 2019

Information Only: General Manager

Section 2 – Access to Cash Room

Issue 2.1 – Monitoring of Cash Room Access

[Redacted text block]

[Redacted text block]

[Redacted text block]

35(1)(b)
31(1)(l)

- [Redacted list item]

- [Redacted list item]

[Redacted text block]

Recommendation 2.1

[REDACTED]

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

29(1)(a)
31(1)(l)

Management Response and Intended Course of Action 2.1

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

31(1)(l)

Conclusion 2.1

Management indicates the recommendations are implemented.

Action By: Finance Manager

Action Date: September 2018

Information Only: General Manager

Section 3 – Front Counter Sales

Issue 3.1 – Access to the Cash Float Safe

[Redacted text block]

35(1)(b)
31(1)(l)

Recommendation 3.1

[Redacted text block]

29(1)(a)
31(1)(l)

Management Response and Intended Course of Action 3.1

[Redacted text block]

31(1)(l)

Conclusion 3.1

Management indicates the recommendation is implemented.

Action By: Finance Manager

Action Date: October 2018

Information Only: General Manager

Issue 3.2 – Cash Handling and Reconciliation Process

[REDACTED]

Within the next day or so, the Accountant and Accounting Clerk obtain the documents and cash/cheques. The Accountant then records the sales information in an Excel spreadsheet. Once this is completed, the Accountant

35(1)(b)
31(1)(l)

[REDACTED]

[REDACTED]

Recommendation 3.2

To improve internal controls over the cash handling and reconciliation process, management should have:

- i) the IS Coordinator review and approve the cash/cheques, sales documentation,
- ii) the IS Coordinator prepare the deposit slip daily;

-
- iii) the IS Coordinator deliver the “Product Sales By Employee” reports and receipts to the [REDACTED] and [REDACTED]
 - iv) the Accountant, subsequent to the deposit being made, agree the deposit slip to the cash/cheques sales documentation.

Management Response and Intended Course of Action 3.2

- i) The IS Coordinator will review and approve the cash/cheque/sales reports instead of having a peer signoff.
- ii) The IS Coordinator will prepare a daily deposit slip for the previous days counter sales.
- iii) The IS Coordinator will deliver a copy of the deposit slip, the sales reports and all supporting documentation to the Accountant and deliver the deposit slip [REDACTED]
- iv) The Accountant will then agree the deposit slip to the documentation received from the IS Coordinator.

31(1)(l)
35(1)(b)

Conclusion 3.2

The recommendations will be implemented as stated above.

Action By: Finance Manager

Action Date: January 2019

Information Only: General Manager

Issue 3.3 – BEA Point of Sales System

Metrobus uses the BEA computer system as its point of sales system for sales of m-Cards, GoBus cards, etc. at their front counter. To be effective and efficient, point of sales systems should be able to provide a procedure to correct keying errors or other mistakes and include an audit trail for management to be able to review correcting transactions. In addition, an effective and efficient POS system

would record sales transactions in accounts with the same or similar names/descriptions as the accounting computer system and/or be directly integrated with the accounting system. Having the same account names and/or descriptions in both systems would help reduce the potential for errors when rekeying information, whereas having the systems integrated would eliminate the potential of rekeying errors as information wouldn't require rekeying.

[Redacted]

- [Redacted]
- [Redacted]

31(1)(l)
35(1)(b)

Recommendation 3.3

Management should determine if improvements can be made by:

- i) [Redacted]
- [Redacted]

29(1)(a)
31(1)(l)

[REDACTED]

[REDACTED]

These recommended improvements would make the recording of sales transactions more efficient and effective; however, making changes to computer systems could be costly which would have to be weighed against the potential benefits.

Management Response and Intended Course of Action 3.3

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

35(1)(c)

Conclusion 3.3

Management have committed to exploring the possibilities of implementing the recommendations. Updates will be provided during audit follow-up work.

Action By: Finance Manager

Action Date: December 2019

Information Only: General Manager

Issue 3.4 – Review of Product Sales By Employee Report

Once the Information Service Representatives (ISR's) reconcile their sales to the "Product Sales by Employee" report from the BEA system at the end of each shift it is reviewed by another ISR for completeness and accuracy. The IS Coordinator, who supervises the ISR's, is not involved in the review process and does not see the sales documentation.

Review and approval of employee's work by supervisors/management assists in identifying training issues for staff, ensures adjustments are properly recorded and approved and helps identify areas for system improvements that can be brought forward to senior management.

Internal Audit selected three "Product Sales by Employee" reports and the corresponding sales documentation (sales packages) for testing and found errors in all three. Testing revealed that for two of the sales packages the cash sales on the "Product Sales by Employee" report did not agree with the cash listed on the Excel spreadsheet maintained by the Accountant for recording in the accounting system. In these instances, although the total sales amounts agreed between the sales reports and the Excel spreadsheet, they were classified differently between cash, debit and credit sales. It should be noted that, although the sales documentation included in the sales packages did not agree to the "Product Sales By Employee" report, they did agree to the total amounts listed on the Excel spreadsheet indicating that the correct amounts were entered in the accounting system.

The third sales package included a sale of an m-Card (\$5) that was later determined to be a replacement card at no cost. Although there was no charge, the adjustment had to be written on the report and does not appear to have been reviewed by the IS Coordinator. By not having the IS Coordinator perform a review of the sales packages, they may not become aware of training issues, adjustments and shortfalls of the system.

Recommendation 3.4

The IS Coordinator should:

- i) review the daily "Product Sales By Employee" reports and corresponding documentation for completeness and accuracy. If certain employees consistently have errors, then training should be provided.

- ii) sign/initial and date any manual adjustment to indicate management approval.

Performing these tasks will also help the IS Coordinator identify any potential shortfalls in the system that should be brought forward to senior management for suggested revisions.

Management Response and Intended Course of Action 3.4

Please see Action 3.2 which will satisfy this recommendation.

Conclusion 3.4

The recommendations will be implemented as stated above.

Action By: Finance Manager

Action Date: January 2019

Information Only: General Manager

Issue 3.5 – Other

In reviewing the cash handling processes for front counter sales, the following control weaknesses or inefficiencies were identified:

- i) Receipts for cash payments are not retained after they are reconciled to the “Cash Management Report”. Without this documentation the audit trail is incomplete making it more difficult for management to review or investigate specific transactions.
- ii) After the Information Service Representatives (ISR’s) balance their sales to the “Product Sales By Employee” report they record their name, date, amount to be deposited and initials in the “Record of Deposits” log. This log does not appear to serve any purpose as this information is already contained in the “Product Sales By Employee” report and one ISR

indicated she has never referred to the “Record of Deposits” log after recording deposits.

Recommendation 3.5

To improve internal control and eliminate inefficiencies in cash handling processes at the front counter management should:

- i) ensure that cash receipts are retained; and
- ii) review the practice of recording deposits in the “Record of Deposits” log to determine if it should be discontinued as the same information is available on the “Product Sales By Employee” report.

Management Response and Intended Course of Action 3.5

Moving forward, copies of the cash sales slips printed by the PIM system will be retained for continuity. Record of Deposits will be discontinued as IS Coordinator will now be reviewing daily sales and preparing the deposit slip.

Conclusion 3.5

The recommendations will be implemented as stated above.

Action By: Finance Manager

Action Date: January 2019

Information Only: General Manager

Section 4 – Bus Cash Fare Deposits (Coins)**Issue 4.1 – Cash Audit Form and Bank Sheet**

[REDACTED]
[REDACTED]
[REDACTED]

31(1)(l)
35(1)(b)

[REDACTED] All coins collected are processed by a sorting machine that counts the coins and sorts them by denomination. Once the coins are sorted they are fed into another machine where they are rolled.

As part of the reconciliation and bank deposit preparation procedures the two cash room employees prepare a Cash Audit Form and a Bank Sheet. The Cash Audit Form includes areas to document: the “Machine Totals”, which is the count of the coins by denomination (e.g. nickels, dimes, quarters, etc.) as per the sorting machine; the “Physical Cash Totals”, which is the cash room employees count of coins after they have been rolled; and “Miscellaneous” amounts, which is the cash room employees count of bills and coin remaining that did not make a full roll. The Bank Sheet includes areas to document: “Brinks”, which is the count of full boxes of rolled coins; and “Bank”, which includes bills, cheques and rolled and loose coin that do not make up a full box. The “Brinks” and “Bank” amounts, added together, equal the amount of the total bank deposit.

As a part of the audit the reconciliation and bank deposit preparation procedures, including the Cash Audit Form and Bank Sheet, were reviewed. This review identified the following opportunities for improvement:

- i) the Cash Audit Form and Bank Sheet are both manually completed and require calculations that are performed using adding machines, which is inefficient and presents opportunities for errors.
- ii) the Cash Audit Form does not include an area to identify the variance, if any, between the “Machine Totals” amount and the physical count of the coins. Persistent variances between these two amounts could indicate a

- number of possible problems including the need to recalibrate the sorting machine.
- iii) it is difficult to reconcile the “Actual Total” count of cash, as per the Cash Audit Form, to the “Total Deposit” on the Bank Sheet. This poor audit trail makes it difficult to review the forms for completeness and accuracy.
 - iv) the title “Cash Audit Form” is misleading as the term “audit” relates to a review or inspection, whereas the form simply documents a count of cash.

Recommendation 4.1

In an effort to increase efficiencies and improve the audit trail in the reconciliation and bank deposit preparation procedures, management should:

- i) design the Cash Audit Form and Bank Sheet in Excel so that the coin counts can be keyed directly into the forms. This will eliminate the need for the employees to manually perform the calculations making it more efficient and should lower the potential for errors;
- ii) include an area on the Cash Audit Form to identify any variance between the “Machine Totals” amount and the physical count of the coins to ensure variances can be readily identified upon review of the form;
- iii) re-design the Bank Sheet to provide a proper audit trail between the Cash Audit Form and the Bank Sheet; and
- iv) re-name the Cash Audit Form to more accurately reflect the purpose of the form (e.g. Cash Count Form).

Management Response and Intended Course of Action 4.1

- i) A laptop and printer are being assigned to the cash room and the forms have been put into excel and linked. This will eliminate manual calculations.
- ii) Variance between machine totals and physical count has been added to the new electronic forms.
- iii) This has been completed.
- iv) This has been completed.

Conclusion 4.1

The recommendations will be implemented as stated above.

Action By: Finance Manager

Action Date: November 2018

Information Only: General Manager

Issue 4.2 – Use of Yellow Deposit Cards

As part of the deposit preparation procedures the Accounting Clerk stamps a yellow card that provides areas on the card to document deposit information, such as the total amount per denomination of coins and bills in each deposit bag. The Accounting Clerk then completes the information on the card and places the card in the deposit bag(s). As the total amount for each deposit bag to be delivered to the bank is recorded on the outside of the bags, Internal Audit believes the completion of the yellow card is an extra procedure that does not add any value to the process. Also, the total amount of the deposit to be delivered to the bank is recorded on the prenumbered shipping records.

This process of purchasing, stamping, and completing the yellow cards appears inefficient in that similar information is documented in other areas/forms. In addition, Internal Audit has never encountered a similar process during observations of numerous other deposit preparation procedures at other City operations.

Recommendation 4.2

To improve efficiency, management should discontinue the purchase and preparation of the yellow card as similar information is documented in other areas/forms, including on the deposit bag itself.

Management Response and Intended Course of Action 4.2

This has been completed.

Conclusion 4.2

Management indicates the recommendation is implemented.

Action By: Finance Manager

Action Date: October 2018

Information Only: General Manager

Issue 4.3 – Cash Room Comparisons – Sort to Actual

It is important that management be provided with all pertinent information to make decisions, and that management reports are signed and dated to indicate accountability.

As part of the deposit process the [REDACTED] prepare the Cash Audit Form and record the denominations counted by the Sorter or “Machine Totals” and those counted after the coins are rolled “Physical Cash Totals”. The forms are given to the Accountant who prepares an Excel spreadsheet entitled “Cash Room Comparisons – Sort to Actual”. This spreadsheet compares the cash counted by denomination from the “Machine Totals” and the “Physical Cash Totals” on the Cash Audit Form; and the cash counted by the fare boxes on the buses, as per the GFI Daily Report (probe). The latter report is generated by the Information Services Division from the buses’ fare boxes which electronically capture and provide totals by denomination of the coins deposited by customers. Any bills (\$5, \$10, etc.) used to pay fares must be added to the spreadsheet as the fare boxes cannot read bills.

31(1)(l)

Internal Audit's review of the "Cash Room Comparisons – Sort to Actual" spreadsheet identified the following opportunities for improvement:

- i) although the spreadsheet contains a lot of very good information for management to review, variances between the cash room employees count (Physical Actual column on the spreadsheet) and the count received electronically from the fare boxes (Daily Report column on the spreadsheet) are not shown; and
- ii) the spreadsheet is not signed and dated by the Accountant, as preparer, and the Finance Manager, as reviewer and approver.

[Redacted text block]

[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]

35(1)(b)

[Redacted text block]

Recommendation 4.3

To ensure that management is provided with all pertinent information for making decisions and that adequate audit trails exist to indicate accountability for work performed, management should ensure:

- i) the “Cash Room Comparisons – Sort to Actual” spreadsheet is revised to include the variance between the cash room employees count (Physical Actual column on the spreadsheet) and the count received electronically from the fare boxes (Daily Report column on the spreadsheet);
- ii) the Accountant signs and dates the spreadsheet as preparer and the Finance Manager signs and dates it as reviewer/approver; and
- iii) the Commission (i.e. board) receives periodic (monthly, quarterly, etc.) reports regarding the variances.

Management Response and Intended Course of Action 4.3

- i) This has been completed.
- ii) Agree with this action. This will be completed.
- iii) Cash variance for the month will be added to monthly report.

Conclusion 4.3

The recommendations will be implemented as stated above.

Action By: Finance Manager

Action Date: December 2018

Information Only: General Manager

Issue 4.4 – Bank Deposits - Books

It is important for organizations/businesses to retain copies of original source documents such as bank deposit slips as proof of a deposit being sent to the bank and to provide an audit trail of the deposits.

Instead of using one deposit book until it is completely used, Metrobus uses approximately 10-12 bank deposit books over a 2 week period. When making a bank deposit the original deposit slip with 2 copies are retained in the deposit book which is forwarded to the bank with all other unused deposit slips. It may take 2 weeks for the deposit book to be returned from the bank so that the next deposit slip in the book can be used. In the meantime, another deposit book is used for the next day's deposit, and so on. Therefore, Metrobus does not retain an appropriate document as evidence that a deposit was sent to the bank and

[REDACTED]

35(1)(b)
31(1)(l)

Recommendation 4.4

To keep sufficient, appropriate evidence that a deposit has been sent to the bank management should:

- i) only send the original deposit slip and one copy to the bank with the deposit;
- ii) retain the deposit book with the second copy of the deposit slip and all unused deposit slips for the next day's deposit; and
- iii) compare the stamped copy of the deposit slip returned from the bank to the copy retained in the deposit book to determine if any differences were noted by the bank.

Management Response and Intended Course of Action 4.4

- i) This has been completed.
- ii) This has been completed.
- iii) This has been completed.

Conclusion 4.4

Management indicates the recommendations have been implemented.

Action By: Finance Manager

Action Date: September 2018

Information Only: General Manager

Issue 4.5 – Bank Deposits - Management Approval

Best practice in internal controls over the bank deposit process would employ preventive controls which are designed to be proactive and attempt to deter a problem from occurring. Detective controls, on the other hand, are designed to find problems after the fact.

Although management have instituted internal controls over the bank deposit process, such as monthly bank reconciliations, these are detective controls. Internal Audit testing of forms used in the bank deposit process (e.g. Cash Audit Form, Bank Sheet, deposit slips, etc.) [REDACTED]

[REDACTED]

35(1)(b)
31(1)(l)

Recommendation 4.5

In order to improve controls over bank deposits, the Finance Manager (or appropriate management designate – that is someone with no reconciliation, journal entry or cash receipt duties) should review deposits for completeness and accuracy and sign the Cash Audit Forms and Bank Sheets prior to the deposit being delivered to the bank.

Management Response and Intended Course of Action 4.5

This will be implemented on November 1, 2018

Conclusion 4.5

The recommendation will be implemented as stated above.

Action By: Finance Manager

Action Date: November 2018

Information Only: General Manager

DRAFT

Issue 5 – Bus Cash (Bills) Handling

Issue 5.1 – Bus Fares Paid With Bills

When a customer pays their bus fare with a bill (e.g. \$5, \$10, etc.), the bus operator has been instructed to radio the dispatcher so that the bills can be recorded in the Cash Fare Registry. The Cash Fare Registry is a manual log of all bills [REDACTED]

[REDACTED]

[REDACTED] At the end of the day, once the Registry is completed and verified by a supervisor, a copy is forwarded to the Finance Manager. [REDACTED]

[REDACTED]

[REDACTED] The Finance Manager then agrees this amount to the copy of the Registry received earlier.

35(1)(b)
31(1)(l)

Internal Audit's review of the process followed to account for bill paid fares (\$5, \$10, etc.) indicated that approximately [REDACTED]

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]

[REDACTED]

[REDACTED]

Recommendation 5.1

[REDACTED]

29(1)(a)
31(1)(l)

[REDACTED]

Management Response and Intended Course of Action 5.1

[Redacted]

[Redacted]

Conclusion 5.1

35(1)(b)
31(1)(l)

[Redacted]

[Redacted]

Action By: Finance Manager

Action Date: January 2019

Information Only: General Manager

Issue 5.2 – The Link

The Link is a seasonal hop-on, hop-off transit route that is scheduled to be in operation from June 27, 2018 to September 30, 2018 and connects downtown, Signal Hill and Quidi Vidi Village with stops at numerous attractions and hotels within the service area. [REDACTED]

[REDACTED]

35(1)(b)
31(1)(l)

Two buses are in use on The Link route [REDACTED]

[REDACTED] Each rider is given a prenumbered ride ticket with a copy retained by the operator for reconciliation purposes. These are strong internal controls.

[REDACTED]

35(1)(b)
31(1)(l)

Although this process appears to be effective, internal controls could be improved by limiting the number of employees who are involved in the handling of cash and by ensuring duties are adequately segregated.

Recommendation 5.2

To provide stronger controls over the handling of bill paid fares on The Link, [REDACTED]

[REDACTED]
[REDACTED] [REDACTED]
[REDACTED]
[REDACTED] This would

29(1)(a)

31(1)(l)

decrease the number of individuals handling the cash and appropriately segregate duties.

Management Response and Intended Course of Action 5.2

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

31(1)(l)

Conclusion 5.2

The recommendation will be implemented as stated above.

Action By: Finance Manager **Action Date:** June 2019

Information Only: General Manager

Section 6 – Miscellaneous

Issue 6.1 – Cheque Handling

Best practices in internal control over cheque handling requires:

- i) the duties of receiving cheques and recording receipts in the accounting system to be segregated; and
- ii) supervisory review of the bank deposit to ensure all cheques received have been deposited.

[Redacted text block]

- [Redacted text block]
- [Redacted text block]
- [Redacted text block]
- [Redacted text block]
- [Redacted text block]
- [Redacted text block]

[Redacted text block]

Recommendation 6.1

- [Redacted text block]
- [Redacted text block]
- [Redacted text block]

31(1)(l)
35(1)(b)

29(1)(a)
31(1)(l)

█ [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Management Response and Intended Course of Action 6.1

- i) Will be completed.
- ii) Will be completed.
- iii) Will be completed.
- iv) Will be completed.

Conclusion 6.1

The recommendations will be implemented as stated above.

Action By: Finance Manager

Action Date: January 2019

Information Only: General Manager

Issue 6.2 – Vendor Agreements

Metrobus has vendor agreements with various organizations who sell m-Cards on their behalf. As a part of the audit procedures copies of the vendor agreements with Crombie Real Estate Investment Trust (dated May 20, 2016), Shopper’s Drug Mart (dated September 21, 2009) and Memorial University of Newfoundland Students Union (MUNSU) (copy not dated) were reviewed.

The review disclosed that clause 2. Invoicing for Sales and clause 3. Payment for Sales in the most recent agreement with Crombie Real Estate Investment Trust are different than those contained in the older agreements for Shopper's Drug Mart and MUNSU. Differences in the invoicing and payment schedules for m-Card vendors could cause confusion and lead to errors and/or omissions.

In addition, the review disclosed other less significant items such as a misnumbering of clauses in the Shopper's Drug Mart Agreement, the old Freshwater Road address for the St. John's Transportation Commission indicated in the Shopper's Drug Mart and MUNSU agreements, and the copy of the MUNSU agreement retained by management is not signed and dated.

Recommendation 6.2

Management should review and, if necessary, update all vendor agreements and ensure they maintain a signed and dated copy at the St. John's Transportation Commission office.

Management Response and Intended Course of Action 6.2

Review of current agreements will be conducted. Updated and new signatures will be received for:

- Shoppers Drug Mart (Torbay Road)
- Shoppers Drug Mart (Topsail Road)
- Avalon Mall
- Memorial University Students Union
- Marine Institute
- College of the North Atlantic
- Town of Paradise

Conclusion 6.2

The recommendation will be implemented as stated above.

Action By: Finance Manager

Action Date: October 2019

Information Only: General Manager