

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR CASH COLLECTIONS OF THE
POLICE DEPARTMENT AND THE FIRE DEPARTMENT'S
FIRE & ENVIRONMENTAL PROTECTION DIVISION
FOR THE PERIOD FROM
JULY 1, 2013 THROUGH FEBRUARY 28, 2014**

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Ms. Patty Kong
City Auditor
City of Mountain View
500 Castro Street
P.O. Box 7540
Mountain View, California 94039-7540

Dear Patty:

We have performed the procedures described below, which were agreed to by management of the City of Mountain View, California, solely to assist you in assessing whether there were cash collection control or procedural weaknesses at the front counters located in the Police Department (Police) and the Fire Department's Fire & Environmental Protection Division (Fire) of the City for the period July 1, 2013 through February 28, 2014. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the City's management. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose of which this report has been requested or for any other purpose.

PROCEDURES AND FINDINGS

General Cashier processing and observations: On March 14, 2014, we inquired and observed the cash collection procedures used to process cash receipts at the front counters at the Police and Fire to gain an understanding of the overall control environment. We spoke to a Police Assistant and a Program Assistant at each site respectively.

We judgmentally selected twenty-five cash receipts processed through the front counters at the Police and Fire based on amount and date for the period of July 1, 2013 through February 28, 2014 to test for reasonableness and effectiveness of controls.

For each cash receipt selected we traced the individual transaction to supporting documents, recalculated the amounts invoiced and agreed all rates to the City's Master Fee Schedule, where applicable. We also traced each receipt to the general ledger.

We found the following:

1. Controls over Cash Receipts

Criteria: To strengthen internal control, the following procedures should be in place:

1. Employees handling cash receipts collection should not have the capability to void transactions without secondary approval.
2. Receivables should be recorded at the time of billing or at least on a monthly basis to keep track of the outstanding balances.
3. Receipts given to customers should be pre-numbered.
4. Overpayments should be refunded back to customers in a timely fashion.
5. Checks received should be promptly endorsed.

Condition and Effect: As part of our evaluation of the internal controls surrounding the City's revenue cycle, we conducted an internal control inquiry at both the front counters of the Police and Fire. We noted the following:

1. For Police, we noted voided transactions are not reviewed or approved by someone other than the cashiers.
2. For Police, the City contracts with AOT Public Safety (AOT) (a 3rd party administrator) to bill for all false alarm fees. Each week, AOT uploads information about false alarm incidents directly from the Police's Computer Aided Dispatch system, and then bills individuals for false alarm fees. However, Police does not monitor specific billings AOT creates and subsequently collects, even though Police has access to the AOT database to monitor all billings for false alarm fees. In addition, due to the implementation of a new Computer Aided Dispatch system in Police, AOT was unable to upload false alarm fees from the system from March 2014 to October 2014, and therefore, did not bill for false alarm fees during such period. The approximate amount of false alarm fees collected annually is \$93,000.

For Fire, a "file maker" program is used to create invoices, which is not directly interfaced with the City's general ledger. Annual Hazmat Materials Permit billings are tracked through Fire's "file maker" program. In addition, Fire only reconciles billings per "file maker" to revenue received per the City's general ledger on an annual basis, and discrepancies are not immediately followed up. The approximate amount of Hazmat Materials Permit fees collected annually is \$226,000.

3. Receipts for Fire are not pre-numbered as no receipt is given to the customer. The permit issued serves as the customer receipt.
4. For Police, it appears the credit balances for false alarm billings are not followed up in a timely manner by AOT. Amounts received in excess of what is billed are placed into an escrow account until the appropriate customer can be refunded. As of March 3, 2014, we noted there was approximately \$15,000 in the escrow account which had not been refunded to customers since 2010.

5. For Police, it appeared checks received via mail are not endorsed immediately until entered into the cash register. Checks are placed in a mail bin until they are processed by the cashier on duty. Once processed, the checks are kept in a locked bag. However, all employees in Police have access to the bag.

Cause: The City has been following the same internal control procedures at Police and Fire for years without any particular issues occurring. Thus, their cash handling procedures have not been updated for best practices. It is noted Police is currently working with the third party vendor to ensure that all credit balances are properly followed up and refunded, though this should be accomplished in a timelier manner.

Recommendations: The City should review the overall cash collection procedures at Police and Fire. For Police, voided receipts should be approved by a second employee.

For Police, checks received should either be endorsed immediately upon receipt or secured in a place to restrict access until they are entered into the cash register and endorsed. Police should also take immediate action in following up credit balances of customer accounts.

For Fire, amounts billed should be reconciled with revenues received in a timely manner. Any discrepancies should be followed up immediately. Also, receipts provided to customers should be pre-numbered to allow for the tracking of the cash receipts.

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We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on financial statements, specified elements, accounts, or other items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management of the City of Mountain View. It is not intended to be and should not be used by anyone other than those specified parties. This report is a matter of public record and this does not limit the distribution of this report.

Maze & Associates

October 15, 2014