

Internal Audit Report #2017-005

Cash-Free Initiative

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Tara Hazelbaker, CPA

DIRECTOR OF INTERNAL AUDIT | JEFFERSON PARISH

OVERVIEW

BACKGROUND

On November 18, 2016, the Jefferson Parish Deputy Chief Operating Officer, Natalie Newtown, sent an email to all Jefferson Parish Directors concerning cash transactions policies. Communicated in the email was a directive to segregate cash transaction duties appropriately. Additionally, the email conveyed the Administration's initiative to work toward becoming a cash-free entity, that is, to no longer accept cash as a form of payment.

Shortly after the email from Ms. Newton, members of the Finance team gathered information regarding cash collection points throughout the parish and began positioning the parish for a successful transition to a cash-free environment.

On March 21, 2017, the Accounting Director (now Internal Audit Director), Animal Shelter Director, the Internal Audit Director at that time, and the Director of Finance met with Councilwoman Lee-Sheng and staff to discuss weaknesses in the Animal Shelter internal controls (See Internal Audit Report 2017-004 for more information.) The meeting topic migrated to parish-wide cash collections. Shortly thereafter, Councilwoman Lee-Sheng indicated that she and her team would be drafting legislation for the Administration's input. (Available upon request.)

Members of the Finance team continued to work with the various departments to identify the challenges of transitioning to a cash-free environment and to determine the needs of each department in doing so. For example, tools needed such as a Check Guarantee and Credit Card Processing Services were identified for some departments while other departments could simply stop accepting cash as a form of payment via a revision in departmental policies. (See "Check Guarantee and Credit Card Processing Services" section of this report.)

The Administration has been working with Councilwoman Lee-Sheng and staff, with assistance from Internal Audit, to move toward becoming a cash-free entity.

OBJECTIVES

The objectives of this review were to formally document the various Jefferson Parish departments who collect cash as of the writing of this report, and what steps need to be taken in order become cash-free and any challenges anticipated in doing so.

SCOPE / PROCEDURES

Fiscal year 2016 AS/400 Financial Management System payment information by type (cash, check, credit card, other) was analyzed to determine cash collection points. Department directors were polled to confirm identified cash collections points and were asked again about cash collections via the 2018 Internal Audit Risk Assessment Survey sent on October 3, 2017. In person, meetings were conducted with departments who collect cash on a daily basis, while both email and telephone conversations occurred with departments who have infrequent or minimal cash collections. The results are communicated in the pages to follow.

See Attachment E for a summary of departments that do and do not accept cash as a form of payment, as of the timing of this report.

DAILY OR FREQUENT CASH COLLECTIONS

ANIMAL SHELTER

In 2016, the Animal Shelter had approximately two hundred eighty-five thousand dollars (\$285,000) in charges for services. They accepted payment for such charges in the form of cash, money orders, and credit cards. Approximately thirty-seven percent (37%) or one hundred five thousand dollars (\$105,000) was collected in cash.

According to the Animal Shelter Director, Robin Beaulieu, the shelter can move to a cash-free environment by giving appropriate notice to the public and by implementing a check guarantee service whereby available funds are verified and the parish is safeguarded against insufficient funds.

ENVIRONMENTAL AFFAIRS

In 2016, the Department of Environmental Affairs earned just in excess of thirteen thousand dollars (\$13,000) for garbage drop site royalties which was collected in cash; however, the department is not directly involved in the exchange of cash with the public. According to the director, Mike Lockwood, the department does not collect and/or deposit cash, checks or money orders associated with operations or programs.

Pursuant to Section 3.A.7.4 of the garbage collection contract, cash is currently collected (by a third party) from commercial contractors and residents from the cities of Kenner, Harahan, Westwego, and Gretna at all trash drop-off sites. The contract provisions state that Progressive Waste (the third party) is solely responsible for collecting the cash and maintaining detailed user logs of daily operations. That user rate is established as fourteen dollars (\$14) per car and twenty dollars (\$20) per truck/trailer. The fee for commercial users and residential users from the smaller cities is paid as a royalty to the Parish. That royalty is set at twenty-five percent (25%) of the fees collected. Monthly reports on the operation of each drop off site are submitted to Environmental Affairs detailing the number of commercial and residential users along with logs and manifests as back up documentation.

Environmental Affairs has been in active discussions with Progressive Waste on converting this fee collection from cash to credit card.

LIBRARY

In 2016, the Library had approximately three hundred forty-five thousand dollars (\$345,000) in revenue from copy machine usage and library fines, all of which was collected in cash.

According to the Library Director, Marylyn Haddican, the library system can move to a cash-free environment by giving appropriate notice to the public and by implementing a check guarantee service whereby available funds are verified and the parish is safeguarded against insufficient funds. Additionally, a credit card processing service and related equipment would need to be implemented and installed, as well as, the copy machines converted to accept only credit or debit cards. The nature of the relationship with a third party vendor who handles the library systems "value-added" service where a library card is loaded with value via cash fed into a machine, would need to be changed.

See Attachment A for notes from a meeting held with library personnel.

PARKS AND RECREATION

In 2016, the Department of Parks and Recreation had approximately eight hundred eighty-seven thousand dollars (\$887,000) in revenue from charges for services such as leisure services, participant insurance, and facility use fees. Approximately fifty-three percent (53%) or four hundred seventy thousand dollars (\$470,000) was collected in cash.

According to the Parks & Recreation Director, CJ Gibson, the department could move toward becoming cash-free by providing education to the booster clubs, coaches, etc. as to the need to become cash-free along with the new procedures in doing so, and by posting notices in the various facilities and playgrounds giving a reasonable timeframe before implementation takes place.

It is anticipated that moving toward a cash-free environment will be a challenge to participants who are entrenched in cash transactions and will most likely cause a disruption among the participants.

See Attachment B for notes from a meeting held with parks and recreation personnel.

TRANSIT

In 2016, the Department of Transit earned transit bus fare revenues of approximately \$3.3 million. The fares are collected primarily in cash and are handled by a third party vendor, Transdev. Jefferson Parish personnel are not involved in the handling or counting of fares. Historical reviews of internal controls surrounding cash collections, accounting, deposit and overall safeguarding of the funds, did not result in any significant deficiencies. Further, there have not been any known cases of fraud or misappropriation of funds regarding the collection of transit fares.

Transitioning to a cash-free environment for the Department of Transit would require a capital infusion to upgrade each bus with technology that accepts forms of payment other than cash, and would likely create a hardship for riders who are entrenched in cash transactions. Given this scenario, Jefferson Parish intends to exclude the Department of Transit from moving to a cash-free environment.

See Attachment C for the most recent Internal Audit reporting regarding the Department of Transit.

WATER

The Department of Water collects funds not only for water service but also for other services and other municipalities as follows: mosquito, garbage, recreation, Lafreniere Park, Fire, City of Kenner, City of Harahan, City of Gretna and the Sherriff's office. In 2016, approximately \$91 million was collected via various payment types. Of the total funds collected, approximately \$7.3 million or eight percent (8%) was in the form of cash.

According to the Director of Water, Sal Maffei, the community need, convenience, and simplicity of accepting cash payments plus the lack of fraud within the department outweigh the initiative to become cash-free. (See Internal Audit Report 2017-003 for more information.)

The Water Department could move toward becoming cash-free by including a notice of the change in invoices sent to customers and posting notices in the collection centers giving a reasonable timeframe before implementation takes place. The Department of Water does not need any additional equipment or services in order to become cash-free; however, the department may want to consider options such as

accepting money orders instead of cash, payment kiosks maintained by a third party vendor, or forming an agreement with a financial services company such as a local bank or Western Union that will accept payments, particularly cash payments, on behalf of the parish. (See Attachment D for notes from a meeting held with water department personnel.)

INFREQUENT OR MINIMAL CASH COLLECTIONS

GENERAL SERVICES

In 2016 the Department of General Services received less than one hundred dollars (\$100) from the sale of feminine products in dispensers in female restrooms at the General Government Building and at the Twenty-Fourth Judicial District Court, both located in Gretna. Given its immaterial nature, consideration should be given to exclude this as an action item in the cash-free initiative.

CASH-FREE DEPARTMENTS

The following departments recently stopped accepting cash as a form of payment. Departments not listed also do not accept cash.

ALARIO CENTER

The Alario Center accepted cash in the past only on rare occasions for rental of the facility. The current policy is that cash is not accepted as a form of payment.

EMERGENCY MANAGEMENT

The Department of Emergency Management historically accepted cash payments for training conducted at the Emergency Operations Center in Gretna. The department now only accepts checks and money orders.

HUMAN RESOURCE MANAGEMENT

The Department of Human Resource Management historically accepted cash payments for CPR training classes. The department now only accepts checks and money orders.

INSPECTION AND CODE

Effective October 16, 2016, the Department of Inspection and Code no longer accepted cash as a form of payment for any service provided.

PERSONNEL

The Department of Personnel historically accepted cash payments when employees requested copies of their personnel file. The department now only accepts checks and money orders and would consider accepting credit card payments.

PURCHASING

The Department of Purchasing historically accepted cash payments for public records requests and sales of plans and specifications (specs). The department now only accepts checks and money orders and would consider accepting credit card payments.

SECURITY

Effective November 1, 2017, the Department of Security no longer accepted cash as a form of payment for replacement access identification cards.

CHECK GUARANTEE AND CREDIT CARD PROCESSING

The following services are needed as part of a successful transition to a cash-free environment.

CHECK GUARANTEE

A “check guarantee” service verifies that the customer has funds available in his or her bank account and then places a hold on the funds. The service helps to safeguard the parish from receiving “bad” or fraudulent checks. Having this service available will aid in the parish moving to a cash-free environment in that checks could be accepted in lieu of cash payments.

Based on research and counsel from the parish attorney’s office, the check guarantee services are included in the scope of the current contract with the parish’s fiscal agent, Capital One. Therefore, the parish can move forward with securing these services from Capital One. The term of the contract with Capital One, as of the writing of this report, is May 1, 2014, through April 30, 2018, with a two (2) year renewal option.

CREDIT CARD PROCESSING SERVICE

The ability for various departments to accept credit card payments will also aid in the parish moving to a cash-free environment. A Request for Proposal (RFP) was routed and eleven (11) proposals were received. The RFP Evaluation Committee met on October 18, 2017, to discuss and score the proposals. As a result of the meeting, there was dispute by vendors about the format of the cost proposal component of the RFP. Shortly thereafter, a resolution was routed to reject all submittals and re-advertise for the service. The resolution to re-advertise was approved at the December 6, 2017, Council meeting. The effort to secure this service is on-going as of the timing of this report.

SUMMARY

In summary, over the past year, the parish has made progress in moving toward becoming a cash-free entity. Seven (7) of fourteen (14) departments have transitioned to a cash-free environment. Of the remaining seven (7) departments that still accept cash, two (2) departments accept cash payments via a 3rd party vendor, Environmental Affairs, and Transit. One (1) department, General Services, accepts cash through vending machines which total less than one hundred dollars (\$100) in per year.

The remaining departments who currently collect cash are the Animal Shelter, Library, Parks & Recreation, and the Water Department. While there are challenges to each department, converting to a cash-free environment appears to be achievable if the Administration and Parish Council continues to pursue this initiative.

Departments that accept cash as of the timing of this report:

#	Department	Description
1	Animal Shelter	Accepts Cash as a Form of Payment
2	Environmental Affairs	Accepts Cash via a 3 rd Party Vendor
3	General Services	Accepts Minimal Cash
4	Library	Accepts Cash as a Form of Payment
5	Parks & Recreation	Accepts Cash as a Form of Payment
6	Transit	Accepts Cash via a 3 rd Party Vendor
7	Water	Accepts Cash as a Form of Payment

Departments that transitioned to cash-free as part of the cash-free initiative:

#	Department
1	Alario Center
2	Emergency Management
3	Human Resource Management
4	Inspection & Code Enforcement
5	Personnel
6	Purchasing
7	Security

See Attachment E for a summary of departments that do and do not accept cash as a form of payment, as of the timing of this report.

REPORT WRAP UP

Internal Audit collected information and data from the various departments in producing this report. Since this report is informational in nature, there are no recommendations for which departmental responses are necessary. However, the Parish Administration was given an opportunity to provide comments. Such comments can be found in Attachment 1, immediately following this report.

****END****

ATTACHMENT #1

COMMENTS* FROM PARISH ADMINISTRATION

** Comments received via email on December 18, 2017, from Natalie Newton, Jefferson Parish Deputy Chief Operating Officer. Approved via email on December 27, 2017, by Keith Conley, Jefferson Parish Chief Operating Officer.*

The Parish Administration has reviewed the Cash-Free Initiative report and has the following comments:

- There is no reason the Animal Shelter cannot be a completely cash-free environment. They should work to do so as soon as possible once proper notice can be given and the Pet Point system is fully implemented.
- Those departments that work with third parties to collect cash can remain free to do so:
 - The transit buses utilize machines for cash transactions buses which reduces theft risk and human errors significantly.
 - There is a concern with Environmental and how the cash is collected at the landfill/drop-off sites; the Administration would prefer to move to a cash-free environment at these locations.

In the interim, both of these third parties should be audited twice a year to spot check controls and reconciliations for their cash transactions.

- There are three departments that have not yet gone completely cash-free where we have concerns:
 - The Recreation and Library Departments offer a variety of programs for all ages and income levels. Sometimes, due to very low fees, participants may prefer to pay with cash. From the Parish's operating perspective, a fee charge for using a debit/credit card may not be in the best interest of the department because income will be lost in those fees. Similar to the Library, although not used for all transactions, we would like to examine kiosk payment centers and/or ID cards that can have cash transferred to them via a machine. An example of such system is ReadyCARD (<https://www.myreadycard.com/index.aspx>). These systems could also work with a "perks" program. Of course, any such system would need to be procured through proper procedures and could not offer benefits allowing prohibited donations. We would also not to burden participants and users by passing through transaction fees.
 - The Water Department provides a service that is an absolute necessity for daily living. It is understood that some constituents may not have checking accounts, credit/debit cards or other non-cash forms of payment. However, there are several concerns that have been noted via a separate audit of cash transactions where change in this department is essential. In addition to the card station solution mentioned above, the administration would like to explore utilizing third parties, such as our fiscal agent, for bill payment. While it may not work in all cases, banks are already staffed to perform transactions during hours convenient to the public. Payments made at our fiscal agent

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branch locations would also offer more convenient locations for all customers utilizing Jefferson Parish water and allow the funds to be directly deposited into our account.

We would like to thank Internal Audit for their diligence in research and follow-up on this initiative. It is our intention to move forward cautiously as not to disrupt services to the public but also work toward policy and procedures that will reduce fraud and theft in Parish operations.

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ATTACHMENT A

LIBRARY MEETING NOTES

Library Policy Regarding Cash Transactions Meeting Notes

Date: April 4, 2017

Time: 11:00 am

Location: Yenni Bldg. – 10th floor conference room

Organizer: Tara Hazelbaker, Director of Accounting

Attendees: Diane Roussel, CAA
Marylyn Haddican, Director of JP Library
Antoinette Scott, Library Business Manager

Purpose: Discuss the policy sent by Natalie Newton in November of 2016 regarding cash transactions. The policy goal is to work “toward being a cash free entity by mid-2017.” The meeting goal is to determine the implementation plan for the Libraries.

Discussion: The library currently accepts cash as a form of payment but indicated that they can move towards becoming cash free. The library can accept credit and debit cards in all branches if a credit card processing service is in place along with the appropriate equipment needed to accept credit card payments. Additionally, they can accept checks for services once a check guarantee service is in place.

In order to accommodate the youth who utilize library services, the “value added” machine can be kept in place. This will allow youth to load a card with money for use in lieu of cash. Currently a 3rd party vendor collects the cash from the “value added” machine and remits to the library at the time of collection. This process will need to be reevaluated and changed so that the library receives a direct deposit or check from the vendor instead of cash. Other controls need to be tailored as per a memo issued by Tommy Fikes, Director of Internal Audit, on September 29, 2016 (attached).

Lastly, the library would like to explore and start accepting online credit and debit card payments. This would be necessary in order for patrons to pay for downloading books and other materials.

Next Steps: The library needs the following in order to become cash free:

- Credit card processing service and related equipment (Finance/Accounting)
- Check guarantee service and related equipment (Finance/Accounting)
- Nature of relationship changed with 3rd Party vendor who handles “value added” service (Library)
- Copy machines need to be converted to accept only credit/debit cards. (Library)
- Determination of needs and subsequent implementation of online credit/debit card processing services (Library)

ATTACHMENT B

PARKS & REC MEETING NOTES

Parks & Recreation Department Policy Regarding Cash Transactions Meeting Notes

Date: April 6, 2017

Time: 11:00 am

Location: Yenni Bldg. – 10th floor conference room

Organizer: Tara Hazelbaker, Director of Accounting

Attendees: Tim Palmatier, Director of Finance
Royce Blanchard, CAA
CJ Gibson, Director of Parks & Recreation
Chris Villarrubia, Administrative Management Specialist III

Purpose: Discuss the policy sent by Natalie Newton in November of 2016 regarding cash transactions. The policy goal is to work “toward being a cash free entity by mid-2017.” The meeting goal is to determine the implementation plan for the Parks & Recreation Department.

Discussion: The Parks & Recreation Department currently accepts cash as a form of payment. It was speculated that the cash payments are being made mainly in Districts 1, 2 and 3. Payments are being made for the following:

- \$4 registration fee to cover insurance costs for baseball, softball, basketball, etc. There are approximately 22,000 participants in these sporting activities.
- \$1 - \$5 fee range at Lafreniere Park for the carousel ride and splash park.
- \$20-100 fee range for classes held at the various facilities throughout the parish.
- \$200-\$400 fee range for room rentals.
- \$300 Day Camp Registration fees.

It is anticipated that moving toward a cash free environment will be a challenge to participants who are entrenched in cash transactions.

The Booster Clubs, who provide some support to the recreational activities, currently assist with collections of the \$4 registration fee. In doing so, they also solicit club membership which helps to fund the support to the activities. A change in this process will likely cause reduced support to Parks & Recreation.

Moving to a cash free environment will most likely cause a disruption among the participants. Many will likely not want to write a check for a small fee amount and will adamantly express their disapproval. It is anticipated that the Parks & Recreation Department, Administration and Parish Council will receive many phone calls, emails, etc. from disapproving participants.

Aside from the concerns itemized, the Parks & Recreation Department could move toward becoming cash free by providing education to the booster clubs, coaches, etc. as to the need to become cash free along with the new procedures in doing so, and by posting notices in the various facilities and playgrounds giving a reasonable timeframe before implementation takes place.

Next Steps: Parks & Recreation needs the following in order to become cash free:

- Evaluation and determination by Director, Parish Administration and Parish Council that this course of action is feasible and achievable for the Parks & Recreation. If this course of action is chosen then it is anticipated that any exceptions to the "cash free" policy will cause discord among participants as it would likely be viewed as favoritism. (Parks & Rec)
- Credit card processing service and related equipment at all facilities and playgrounds. (Finance/Accounting)
- Access to computers at all facilities and playgrounds. (Parks & Rec)
- Enhanced internet access at all facilities and playgrounds. (Parks & Rec)

ATTACHMENT C

TRANSIT – INTERNAL AUDIT REPORT



Tommy Fikes
Director

JEFFERSON PARISH Department of Internal Audit

Phone: (504)364-2659
tfikes@jeffparish.net

September 29, 2016

To: Sharon Leader, Director of Transit
Darryl Ward, Chief Administrative Assistant, Programs
Tara Hazelbaker, Accounting Director

RE Transit Cash/Funds Handling

We have reviewed the processes and procedures for the handling of cash and other funds by the Transit Department. This review was performed to ensure that the Transit Department has good controls over the cash and other funds collected. All of the funds are actually collected by the transit vendor, Transdev.

Our procedures for this review included discussions with the Transit Department as well as discussions and walk-throughs of the Transdev operations on David Drive.

Findings:

1) Written Cash Management Policies and Procedures – The Transit Department provided a copy of Transdev's Counting of Farebox Revenue process. The process report provided included a limited narrative of the process and controls utilized by Transdev,

We recommend that the Transit Department have Transdev update the written policies and procedures regarding the handling of cash and other receipts. These policies and procedures should include the collection, storage, and transmittal of funds to the Transit Department, including the compliance review process.

Response: Transit Administration, along with Transdev, have reviewed and updated the policies and procedures regarding the cash handling for the department (see attached)

2) Signage on Buses - The transit drivers are not allowed to collect funds. All fares are to be deposited in fareboxes when customers board the bus. There is no signage on the buses that states that drivers are not allowed to collect fares.

We recommend that the Transit Department require that Transdev post signage on all buses that state that drivers are not allowed to collect fares. The signage should include a telephone number to report violations. Transdev should develop a video surveillance review process to investigate claims reported to the telephone number.

Response: Transdev created signage that states that drivers are not allowed to collect cash. The signage includes a phone number to report violations. The signs are placed on all the fixed route buses. There are cameras on every bus, so investigating any claims will be handled by looking through the video.

Response Request:

Internal Audit would like to set up a meeting, at the Transit Department's convenience, to review the findings and discuss remediation of the deficiencies. Written responses are requested by October 20, 2016.

ATTACHMENT D

WATER DEPARTMENT MEETING NOTES

Water Department Policy Regarding Cash Transactions Meeting Notes

Date: April 6, 2017

Time: 9:00 am

Location: Yenni Bldg. – 10th floor conference room

Organizer: Tara Hazelbaker, Director of Accounting

Attendees: Tim Palmatier, Director of Finance
Sal Maffei, Director of Water Department

Purpose: Discuss the policy sent by Natalie Newton in November of 2016 regarding cash transactions. The policy goal is to work “toward being a cash free entity by mid-2017.” The meeting goal is to determine the implementation plan for the Water Department.

Discussion: The Water Department currently accepts cash as a form of payment. Of approximately \$25 million in revenue, 10% is collected in cash from approximately 15,000 of the 148,000 accounts. It was speculated that the cash payments are being made mainly in Districts 1, 2 and 3.

Mr. Maffei expressed a very strong preference to not work toward becoming cash free for the following reasons:

- Currently the annual uncollected debt from the Water Department billing is estimated to be \$500,000 with 25% of this as Water Department revenues. It is anticipated that this amount will increase if cash is no longer accepted.
- It is anticipated that moving toward a cash free environment will be a challenge to the aged customers, as well as, other customers who are entrenched in cash transactions.
- Moving to a cash free environment will mostly likely cause a disruption among the customers. Additionally, the Terry Parkway payment center collects payments on behalf of Atmos, Entergy and Cox. The water and other utility customers will adamantly express their disapproval. It is anticipated that the water department, administration and council will receive many phone calls, emails, etc. from disapproving customers.

Aside from the concerns itemized above, the Water Department could move toward becoming cash free by including a notice of the change in invoices sent to customers, and posting notices in the collection centers giving a reasonable timeframe before implementation takes place.

Next Steps: The Water Department does not need any additional equipment or services in order to become cash free. The Director, Parish Administration and Parish Council need to determine if this course of action is feasible and achievable for the Water Department.

ATTACHMENT E

SUMMARY OF DEPARTMENTS – CASH COLLECTIONS

DEPARTMENT	CASH COLLECTED BY:		CASH ACCEPTED?	
	DEPT	3RD PARTY	YES * RECENT	NO
Accounting				X
Alario Center			X	
Animal Shelter	X			
Budget				X
Capital Projects				X
Citizens' Affairs				X
Community Development				X
Community Justice Agency				X
Compliance & Ethics Office				X
Drainage				X
Electronic Information System				X
Emergency Management			X	
Engineering				X
Environmental Affairs		X		
Finance				X
Fire Services				X
Fleet Management				X
Floodplain Management				X
General Services	X			
Human Resources			X	
Inspection & Code Enforce.			X	
Internal Audit				X
Jefferson Community Action				X
Juvenile Services				X
Library	X			
Parish Attorney				X
Parks and Recreation	X			
Parkways				X
Personnel			X	
Planning				X
Planning Advisory Board				X
Property Maintenance Zoning				X
Public Information Office				X
Public Safety Grants & Admin.				X
Public Works				X
Public Wks Investiga & Rehab				X
Purchasing			X	
Research and Budget /Council				X
Risk Management				X
Security			X	
Sewerage				X
Streets				X
Streets Lighting Department				X
Telecommunications				X
Transit		X		
Water Department	X			X
Workforce Connection				X
Workforce Development Board				X

* Departments that transitioned to cash-free as part of this initiative