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HIGHLIGHTS

Highlights of City Auditor Report #1208, a report to the City Commission and City management

WHY THIS AUDIT WAS CONDUCTED

The Treasurer-Clerk's Revenue Office collected approximately \$690 million on behalf of the City in fiscal year 2011. Collections were received by mail, electronic means, and in-person payments. In recent years a greater percentage of collections have been by various electronic methods made available through technology and efforts of Revenue Office management.

This audit addressed the adequacy of the methods, procedures, and internal controls established to ensure those revenues, regardless of payment method, were properly and efficiently processed, accounted for, safeguarded, and deposited. We also determined whether adequate and appropriate actions were taken to collect funds for deposited negotiable instruments (e.g., checks) and electronic deposits rejected by the City's bank because of insufficient funds in the payer's account or other reasons.

This audit focused primarily on activities administered and performed by the City Treasurer-Clerk's Revenue Office. Because various other City departments and offices administered and performed related functions, this audit also addressed certain operations and activities within those other City departments and offices.

WHAT WE RECOMMENDED

Several enhancements were recommended to improve the existing control structure. Some of the more significant recommendations involved adding independent checks on Revenue Office activity through performance of reconciliations and verifications by applicable City departments and offices to which the collected revenues pertain. Other recommendations were made to better control and restrict access to collected revenues. A recommendation was also made to increase collection efforts for certain deposited items returned by the City's bank because of various reasons (e.g., insufficient funds in the payer's bank account). Recommendations were made for other areas as well.

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March 20, 2012

AUDIT OF THE TREASURER-CLERK'S REVENUE OFFICE

Overall, the Revenue Office and other applicable City departments and offices have implemented controls and processes that assure revenue and receipts collected by the Revenue Office are properly processed, recorded, and deposited. A few risks were identified for which improvements and enhancements are needed to provide additional assurances.

WHAT WE CONCLUDED

The Revenue Office, with assistance from other City departments and offices, has implemented controls that for the most part provide assurances that revenues and receipts collected through the Revenue Office are properly and efficiently processed, accounted for, safeguarded, and deposited into the City's bank account. Adequate and appropriate actions were generally taken to collect funds for deposited negotiable instruments and electronic deposits rejected and returned by the City's bank because of insufficient funds in the payer's account or other reasons. Risks were identified that should be addressed to further reduce the risk that revenues due the City are not properly received, accounted for, and deposited. Those risks included:

- Electronic access permissions for a few employees were not appropriate.
- Requests for changes to electronic access permissions were not always documented as approved by management.
- Keys to certain locations where cash or collections were received and maintained could be better secured.
- Compensating controls were not always in place when employee duties could not be efficiently segregated.
- Checks were sometimes received in/accepted by Accounting Services, contrary to good internal control practices regarding segregation of the accounting and revenue functions.
- An additional surveillance camera is warranted to monitor one of the City's drop boxes.
- Enhancements are needed to some of the restrictive endorsements placed on negotiable instruments.
- Non-utility deposited items returned by the bank that are not collected through City efforts should be turned over to the contracted collection agent for further collection efforts.
- Signed transfer receipts should be used to document the daily transfer of collections by the Growth Management department.
- External reconciliations by several City departments are needed to provide additional assurance the Revenue Office properly processes, records, and deposits applicable revenues.

Recommendations were made and an action plan developed to address each of the identified risks.

We would like to thank staff in the Revenue Office and the various City departments and offices for their assistance during this audit.

Office of the City Auditor

**Audit of
The Treasurer-Clerk's
Revenue Office**

AUDIT REPORT #1208

March 20, 2012



Copies of this audit report #1208 may be obtained from the City Auditor's web site (<http://talgov.com/auditing/index.cfm>), by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail or in person (City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail (auditors@talgov.com).

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City Treasurer-Clerk's Revenue Office



Sam M. McCall, Ph.D., CPA, CGFM, CIA, CGAP
City Auditor

Report #1208

March 20, 2012

Executive Summary

This audit addressed the adequacy of methods, procedures, and controls established to ensure revenues collected by the City's Revenue Office were properly processed, accounted for, safeguarded, and deposited.

Overall, we found adequate and efficient methods, procedures, and controls were implemented.

A few risks were identified for which improvements and enhancements were recommended.

The Treasurer-Clerk's Revenue Office collected approximately \$690 million on behalf of the City in fiscal year 2011. Collections were received by mail, electronic means, and in-person payments. In recent years a greater percentage of collections have been by various electronic methods made available through technology and efforts of Revenue Office management. This audit addressed the adequacy of the methods, procedures, and internal controls established to ensure those revenues, regardless of payment method, were properly and efficiently processed, accounted for, safeguarded, and deposited.

Overall, we found the Revenue Office, and other applicable City departments and offices, have implemented controls and processes that provide assurance revenue and receipts collected by the Revenue Office are properly and efficiently processed, recorded, and deposited. A few risks were identified for which improvements and enhancements are needed to provide additional assurances.

For purposes of this audit, we categorized and presented controls and processes into eight different groups, including:

- Access to and Accountability for Resources
- Direct Activity Management
- Segregation of Duties
- Physical Controls
- Execution of Transactions and Events
- Recording of Transactions and Events
- Information processing
- Documentation

Controls and related risks were grouped into eight categories for purposes of this audit.

A separate appendix providing details on existing controls and risks is included in this report for City management's benefit.

Within each category (group), existing controls that provide desired assurances are identified and presented, as well as identified risks that indicate the need for improvements and enhancements. To facilitate usefulness of this report to Revenue Office management and other City staff, a separate appendix was prepared and included. That appendix (*Appendix 1*) identifies in detail the individual existing controls and areas where we recommend further enhancements to the overall controls.

Recommendations were made to address each of the risks identified by this audit. Management was receptive to implementation of those recommendations.

We would like to acknowledge the full and complete cooperation by Revenue Office management and staff, as well as staff in other City departments and offices, during this audit

City Treasurer-Clerk's Revenue Office



Report #1208

March 20, 2012

Objectives

This audit addressed revenue activities within the City Treasurer-Clerk's Revenue Office.

This audit addressed the revenue collection function administered by the City Treasurer-Clerk's Revenue Office. The objectives of the audit were to determine whether (1) methods, procedures and internal controls were adequate to ensure revenues and receipts collected by the City's Revenue Office on behalf of the City were properly processed, accounted for, safeguarded, and deposited and (2) adequate and appropriate actions were taken to collect funds for deposited negotiable instruments (e.g., checks) and electronic deposits rejected and returned by the City's bank because of insufficient funds in the payer's account or other reasons. Inherent in those objectives was the identification of risks and recommendations to eliminate or mitigate those risks.

Scope

This audit covered activities and processes in place during the period September through December 2011.

The scope of this audit included a review of the various activities administered and performed by the City Treasurer-Clerk's Revenue Office (Revenue Office). Accordingly, we reviewed the applicable processes, procedures, systems, and records used by the Revenue Office in the performance of those activities. Certain other areas within the City directly relating to Revenue Office operations and activities were also addressed by this audit. Our audit covered processes and controls in place as of the time of our review during the period September through December 2011.

We conducted this audit in accordance with the International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**Background –
Revenue Office**

The Revenue Office operates out of the City’s Renaissance Building.

Approximately 96% of all City revenues are processed and deposited by the Revenue Office.

General Information. Section 52 of the City’s charter provides that the City Treasurer-Clerk shall receive and collect all moneys belonging to the City, including taxes, license moneys, fines and income from all other sources. In accordance with that charter provision, the City Treasurer-Clerk established the Revenue Office. The Revenue Office operates out of the City Renaissance Building located on North Macomb Street. The Revenue Office also maintains a small satellite office in City Hall. Additionally the Revenue Office operates the mail room located in City Hall, at which mail containing certain City revenues (e.g., payments on billed accounts receivable) is received and subsequently delivered by City courier to the Renaissance Building.

Collecting/Depositing City Departments. In addition to the Revenue Office, numerous other City departments/offices are involved in activities that require the collection, processing, and deposit of revenues. Pursuant to City Administrative Policy and Procedure (Policy) 616 “City of Tallahassee Policy on Revenue Collections,” those other departments/offices are required to coordinate with the Revenue Office and implement appropriate processes and controls to ensure proper receipt, processing, and deposit of applicable revenues. For the most part, revenue processes and activities of those other departments/offices were not included in the scope of this audit. As shown below in **Table 1**, the vast majority of City receipts and revenues are collected and/or deposited directly by the Revenue Office.

| Table 1 | | |
|---|---------------|-------------------|
| City Collections Fiscal Year 2011 | | |
| <u>Collecting/depositing department</u> | <u>Amount</u> | <u>Percentage</u> |
| Revenue Office (<i>Note 1</i>) | \$690,176,097 | 96% |
| Other City departments/offices (<i>Note 2</i>) | \$29,644,835 | 4% |
| Total | \$719,820,932 | 100% |
| <i>NOTE (1): Includes collections received in other City department/offices but transferred to the Revenue Office for processing, recording, and deposit.</i> | | |
| <i>NOTE (2): Includes, for example, fees collected and deposited directly by Parks and Recreation, StarMetro, and the Animal Services Center.</i> | | |

Utility payments represent the largest category of collections processed by the Revenue Office.

Collection Categories. Revenues and receipts collected and deposited by the Revenue Office are from various City activities and functions. The largest category of collections is utility payments and deposits. While the vast majority of collections processed and deposited by the Revenue Office result from activities administered by other City departments, there are two revenue categories that are administered directly by the Revenue Office. Those two categories are (1) business licenses and (2) loading zone permits. **Table 2** that follows shows the categories of revenues and receipts processed and deposited by the Revenue Office.

| Table 2 | | | |
|--|---------------------------------|----------------------|-------------------|
| Revenue Office Fiscal Year 2011 Collections by Category | | | |
| | <u>Category</u> | <u>Amount</u> | <u>Percentage</u> |
| 1 | Utility Payments & Deposits | \$502,808,491 | 72.85% |
| 2 | Payments on Accounts Receivable | \$30,985,779 | 4.49% |
| 3 | Growth Management Fees | \$8,021,973 | 1.16% |
| 4 | Business Licenses (Note 1) | \$1,793,762 | 0.26% |
| 5 | Parking Meters | \$338,775 | 0.05% |
| 6 | Parking Fines | \$285,591 | 0.04% |
| 7 | Loading Zone permits (Note 1) | \$10,905 | 0.01% |
| 8 | Miscellaneous (Note 2) | \$145,930,821 | 21.14% |
| | TOTAL | \$690,176,097 | 100% |
| <p>Note 1: These activities are administered directly by the Revenue Office and not by other City departments/offices.</p> | | | |
| <p>Note 2: This category includes various taxes, grants, fines, etc. to which the City was entitled.</p> | | | |

While cash and checks are still collected, an increasing number of collections are now through electronic methods.

Collection Methods. Traditionally, payments to the City were generally made either in person or by mail. Tendered payments were primarily either cash or checks, or other negotiable instruments such as money orders. Some revenues were made by wire/electronic transfer. However, with technology advancements, an increasing number and amount of payments are now received and deposited electronically (*See Table 5 on page 10*). This increase in electronic collections is due to significant efforts by Revenue Office management.

Table 3 below shows collections by method (tender type) for FY 2011. As shown, 36.5% of all FY 2011 collections were received and deposited by electronic methods.

| Table 3 | | |
|---|---------------|----------------|
| FY 2011 Collections by Tender Type | | |
| <u>Payment Method (Tender Type)</u> | <u>Amount</u> | <u>Percent</u> |
| Cash | \$25,184,849 | 3.6% |
| Check (negotiable instruments) (<i>NOTE 1</i>) | \$413,376,980 | 59.9% |
| Electronic | \$251,614,268 | 36.5% |
| TOTAL | \$690,176,097 | 100% |
| <p><i>NOTE 1: As explained subsequently in this background section, negotiable instruments received in the Revenue Office are now being electronically deposited.</i></p> | | |

The following report section describes the various electronic collection methods currently used by the City.

Electronic Collections. The Revenue Office currently uses several methods for electronic receipt/deposit of City revenues. The following provides a brief description of those methods and related categories of collections.

E-Box – Under this method, City utility customers make payments on their utility bills through a private entity (e.g., on-line or other private bill payment service), whereby the bill payment service electronically

transfers the customer's funds to the City's bank account. The City's bank will accept those payments as long as the customer/payment service provides the complete and correct utility account information (e.g., name and utility account number).

The City implemented several electronic collection methods.

Speed Pay (Western Union) – This method allows a City utility customer or parking ticket (citation) recipient to access a contracted vendor's (Western Union) website and pay their utility bill, utility turn-on fee, or parking tickets by authorizing a charge on their debit/credit card or a draft on their bank account. Western Union electronically transfers the applicable funds to the City's bank account each working day. (Note: Rather than accessing Western Union's website, City utility customers or parking ticket (citation) recipients also have the option of calling a designated Western Union phone number and authorizing the charges or drafts.)

Smart Bill (Western Union) – Under this payment method, utility customers sign up to receive their utility bills by e-mail and are provided an option (on the received bills) to pay those bills using a cost-free Automated Clearing House (ACH) wire transfer. If selected, the utility customer in essence authorizes Western Union to execute an electronic transfer of funds from the customer's bank account into the City's bank account.

E PLUS (Western Union) – This payment method, also known as "E+", works the same as the "Smart Bill" option, except the City utility customer accesses and selects the cost-free Automated Clearing House (ACH) wire transfer option through the City's website (talgov.com).

City utility customers have several electronic payment options.

Automated Bank Draft – City utility customers and customers of certain other City services/programs (e.g., parks and recreation memberships, COBRA participants, retiree health insurance participants) may sign up to have their bank accounts automatically drafted each month for the amount of the fee and/or bill. City staff initiates the monthly drafts whereby the applicable funds are transferred from the customer accounts into the City's bank account.

Authorized Remote Pay (Global Express) – This payment option is available to City utility customers through a contracted vendor (Global Express). The vendor has provided 18 locations (stores,

banks, etc.) at which a City utility customer can pay his/her utility bill by cash or check. Periodically (currently three times a day) the vendor transfers funds in the amounts collected to the City's bank account.

Individuals and businesses may pay various permits and fines electronically.

Red Light Camera Fines Wire Transfers – Under the City's Red Light Camera Program, traffic violations are issued to drivers running red lights at certain intersections where cameras have been installed. Violators pay the related fines to the City's contractor administering the program. The City's contractor wire transfers funds collected from violators to the City's bank account on a daily basis.

Online Growth Management Permits (Accela, Inc.) – Through a contracted vendor (Accela, Inc.), the Growth Management Department provides building contractors and others seeking a growth management permit the option to access an established website and pay the applicable permit fee by credit or debit card. Accela transfers funds in the amount of the card charges to the City's bank account.

Bank Draft for Land Use and Environmental Permits – The City's Growth Management Department provides contractors and others required to obtain land use and environmental permits the option of paying the applicable fees through a bank draft. Specifically, when the Growth Management Department sends a contractor an e-mail notification that a permit is required based on the project's status, the contractor can select and authorize a bank draft payment option that is include with the e-mail notification.

Certain City services may be acquired online and paid through electronic means.

IMARCS Website - Through a contracted vendor (IMARCS), individuals can use their debit/credit cards to pay registration fees for certain parks and recreation activities, purchase StarMetro bus passes, and acquire and pay for lien searches by the Treasurer-Clerk's Records Division. The contracted vendor transfers the applicable collections from the card charges to the City's bank account.

Collections on Delinquent Accounts/Debt (MAF) – The City's agent contracted to collect delinquent utility accounts and debt (Merchants Association of Florida, or MAF) wire transfers its collections on those accounts/debt to the City monthly. Those wire transfers are

done through the banking system’s Automated Clearing House (ACH).

Credit/Debit Card Automated Charges for Hilaman Memberships – Individuals with golf memberships at the City’s Hilaman golf course are allowed to have their monthly fees charged to their debit/credit cards. The funds from the monthly charges are transferred by the City’s vendor into the City’s bank account. (Bank of America “CyberSource” Program.)

Funds due the City from other governmental agencies and institutions are generally sent by wire transfers.

Miscellaneous Wire Transfers. Various governmental agencies and institutions send funds due the City (grants, tax proceeds, etc.) through electronic wire transfers.

Table 4 that follows shows collection amounts in FY 2011 for the electronic categories described above.

| | Table 4 Electronic Collection Category | FY 2011 Amount | Percent |
|----|---|---------------------------|----------------|
| 1 | E-Box | \$73,850,124 | 29.35% |
| 2 | Speed-Pay (Western Union) | \$34,070,882 | 13.54% |
| 3 | Smart Bill (Western Union) | \$29,205,128 | 11.60% |
| 4 | E+ online (Western Union) | \$1,814,015 | .72% |
| 5 | Automated Bank Draft | \$25,826,650 | 10.27% |
| 6 | Authorized Remote Pay (Global Express) | \$17,978,708 | 7.15% |
| 7 | Red Light Camera Wire Transfers | \$2,358,849 | .94% |
| 8 | Online Growth Mgt. Permits (Accela) | \$442,567 | .18% |
| 9 | Bank Draft Land Use & Environ. Permits | \$99,678 | .04% |
| 10 | IMARC (Parks & Rec, StarMetro, Liens) | \$225,637 | .09% |
| 11 | MAF ACH transfers | \$183,013 | .07% |
| 12 | Hilaman membership (CyberSource) | \$26,465 | .01% |
| 13 | Miscellaneous wires transfers (NOTE 1) | \$65,532,552 | 26.04% |
| | TOTAL | \$251,614,268 | 100% |

NOTE 1: Wire transfers of tax proceeds, grants, etc. from other governmental agencies and institutions.

Over the last six years, the percentage of total utility payments received through electronic methods has increased from 19% to 36%.

As noted previously in this report, Revenue Office management has taken advantage of technology advancements to steadily increase the amount of revenue received and deposited electronically. This is reflected below by **Table 5** in regard to utility collections over the last six years. (NOTE: As shown above in Table 2, utility collections represent the single largest collection category of City receipts and revenues; almost 73% of all collections received and processed by the Revenue Office. Table 5 shows that over the last 6 years, the percentage of total utility collections by electronic methods has increased from 19.2% to 36.3% of total annual utility collections.

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Non-Electronic (NOTE 1) | \$363.9 million | \$386.6 million | \$395.5 million | \$397.2 million | \$342.5 million | \$320.4 million |
| Electronic | \$86.5 million | \$101.7 million | \$114.8 million | \$134.8 million | \$165.8 million | \$182.4 million |
| TOTAL | \$450.4 million | \$488.3 million | \$510.3 million | \$532.0 million | \$508.3 million | \$502.8 million |
| Percent of total that is electronic | 19.2 % | 20.83% | 22.50% | 25.34% | 32.63% | 36.29% |

NOTE 1: Non-Electronic includes cash and checks and other negotiable physical instruments.

A new process was implemented in June 2011 whereby negotiable instruments received by the Revenue Office are now deposited electronically.

Electronic (Remote) Deposits of Negotiable Instruments.

“Electronic collection” of revenues and receipts as described in the preceding report section inherently means the applicable funds were received and deposited into the City’s bank account without Revenue Office staff physically accessing or handling the funds. In addition to those electronic collections, Revenue Office management implemented a new technology in June 2011 whereby checks and other negotiable instruments physically received at the Revenue Office are now “electronically deposited” (also known as “remote deposit”). Specifically, prior to June 10, 2011, Revenue Office staff processed those items and prepared the instruments (checks, money orders, etc.) to be picked up by the City’s courier service for transport

to the City's bank for deposit into the City's bank account. However, with implementation of the new software application and related equipment, those physical instruments are now processed (sorted, endorsed, recorded, and reconciled) and scanned into an application that electronically transmits the scanned documents to the City's bank for deposit. The deposit is based on the scanned images. This process reduces the period between receipt and deposit and reduces the risk of loss or unauthorized diversion of the physical instruments prior to their deposit. For the period June 10 through September 30, 2011, checks and negotiable instruments totaling \$82,635,427 were electronically deposited using this technology.

Source of Checks and Other Negotiable Instruments. Checks and other negotiable instruments are received from several sources, including:

Checks and other negotiable instruments come from several sources.

- **Mail** – The United States Postal Service places mail containing checks and other negotiable instruments payable to the City in secured City collection boxes located at the Renaissance Building and City Hall.
- **Secured Drop Boxes** – Customers may place checks and other negotiable instruments representing payment of their utility bills or parking tickets in secured drop boxes located in convenient locations at the Renaissance Building and City Hall.
- **In-Person** – Individuals may tender checks and other negotiable instruments as payment for City services, fees, or fines to individual Revenue Office cashiers working at the Renaissance Building. Payments may also be made to staff operating the satellite office located in City Hall.
- **Transfer from Other City Departments/Offices** – Checks and other negotiable instruments are routinely collected in certain City departments/offices for services rendered by those departments/offices. If not processed and deposited directly by those departments/offices (such as Parks and Recreation, Airport, and the Animal Services Center), those instruments are physically transferred to the Revenue Office for processing and deposit. Applicable departments/offices collecting negotiable instruments and transferring them to the Revenue Office include, for example:

- Growth Management for fees collected for issuance of permits.
- Real Estate for rental revenues and proceeds from sale of City properties.
- Procurement Services for proceeds from sale of surplus City property.

Additionally, all negotiable instruments received at the satellite office in City Hall are transferred daily to the main Revenue Office at the Renaissance Building for further processing and deposit.

Source of Cash Collections. Cash (currency and coins) received at the Revenue Office comes primarily from the following sources:

Cash collected by the Revenue Office comes from four primary sources.

- Individuals paying in person for fees, fines, or City services (e.g., utilities) to cashiers at the Renaissance Building or to staff at the satellite office in City Hall.
- City employees reimbursing the City for travel, telephone calls, etc.
- Daily transfers from the Growth Management Department for fees collected for issuance of permits.
- Coins removed from parking meters by designated Revenue Office staff.

Internally Generated Revenues. The vast majority of revenues and receipts collected by the Revenue Office relate to City services and activities initiated through and administered by other City departments and offices (i.e., externally generated revenues). For example, utility payments collected by the Revenue Office result from services provided by the City utility departments. Similarly, collections for issuance of building and environmental permits result from activities of the Growth Management Department. Also, the Revenue Office collects payments from external entities on accounts receivable that are billed by the Accounting Services (part of the City's Department of Management and Budget).

In addition to those externally generated revenues, the Revenue Office directly administers two City revenue generating activities. The direct administration of those two revenue activities by the Revenue Office is pursuant to City ordinances. Specifically;

- Occupational Business Tax – Pursuant to City Ordinance 22-51, any person or business having a location within the City limits of Tallahassee that engages in any business activity must pay an occupational business tax and obtain a Business Tax Certificate. The ordinance provides for the program to be administered by the City Treasurer-Clerk’s Office. The Revenue Office as part of the City Treasurer-Clerk’s Office administers the program.

Pursuant to City ordinance, the Revenue Office directly administers two revenue generating activities.

In connection with administration of this program, the Revenue Office sends out annual renewal notices to existing businesses and actively pursues identification of new businesses that should be assessed the tax. Upon receipt of applicable information from their identification efforts and the response to the renewal notices, the Revenue Office prepares and sends invoices for the amount of tax due. Payments on the invoices are received, processed, and deposited by the Revenue Office. A separate ACCESS database is used by the Revenue Office to track all occupational business tax activity.

Currently, there are approximately 12,800 businesses subject to this tax. Collections in FY 2011 totaled approximately \$1.79 million.

- Loading Zone Permits. Pursuant to City ordinance 20-79, the Revenue Office, as a division of the Treasurer-Clerk’s Office, issues and collects fees for loading zone permits. The permits are for commercial vehicles that use designated commercial loading zones. Such permits must be renewed annually. Annual collections approximate \$10,000 to \$15,000. During FY 2011 the Revenue Office issued 318 permits.

The collections from those two activities are considered “internally generated revenues”.

The Revenue Office removes and deposits coins from City parking meters.

Parking Meter Collections. In addition to electronic collection/deposit of funds and collection of cash and negotiable instruments through the mail, in-person, and by transfer from other City departments/offices, designated Revenue Office staff remove coins from the City's parking meters. The removed coins are transported to the Revenue Office for counting, recording, reconciling, and deposit. Other than coin removal and deposit, operation of the parking meter program is administered by the Parking Meter Shop, which is organizationally part of the Public Works Department Technical Operations Section. Currently the City has approximately 1,060 meters. As shown previously in Table 2 within this report, FY 2011 collections totaled \$338,775.

Key Systems and Software Applications. The Revenue Office uses various systems and software applications in the internal administration of the revenue collection/processing/deposit function. The more significant of those systems and applications include:

Several systems and software applications are used by the Revenue Office to track and record revenue collections.

- **CORE Business Technologies Cashiering System.** This system allows cashiers and other staff within the Revenue Office to record collections immediately upon receipt. It also includes a separate application ("I-PAY") whereby designated external City department/offices can record their initial receipt of payments. All electronic collections are also recorded in the CORE application.
- **PeopleSoft Financials System.** This is the City's primary accounting system, or general ledger. All revenues and receipts are recorded in this accounting system. The majority of the recordings made in this system are through an automated interface with the CORE cashiering system.
- **PeopleSoft Customer Information System.** This is the system used by the City to track utility consumption, generate utility bills, and reflect payments of those bills for each customer utility account.
- **RP Solutions, Inc. remote deposit application.** This application is used to process and electronically deposit negotiable instruments (checks, money orders, etc.) received at the Revenue Office. As

noted previously in this report, this application was implemented in June 2011.

- Various ACCESS databases used by the Revenue Office to track and account for different revenues, including for example:
 - Occupational business taxes.
 - Loading zone permits.
 - Parking meter collections.
 - Returned checks (i.e., negotiable instruments submitted for deposit into the City’s bank account but returned by the bank because of insufficient funds, closed accounts, or other reason).

Furthermore, the Revenue Office obtains information from or provides information to other City systems and applications. Those other systems and applications include:

Certain revenue information is also maintained in systems maintained by other City departments and offices.

- Growth Management Permit Enforcement Tracking System (PETS). This system is used by the Growth Management Department to record issuance and payment for building and environmental permits.
- City Accounts Receivable System. This system administered by the City’s Accounting Services Section is used to track and account for amounts owed the City by various non-city entities. Amounts owed, billed, and paid are tracked within this system.
- Parking Ticket System. The Utility Business and Customer Services Department (UBCS) established a separate ACCESS database to track the status of parking tickets issued by the Tallahassee Police Department (TPD).
- Parking Meter System. The Public Works Technical Operations Section maintains this application which tracks various activities for individual parking meters. For example, the software tracks the value of deposited coins.

Deposited Items Returned for Nonsufficient Funds and Other Reasons.

As with most institutions accepting negotiable instruments as payment for fees and/or services, deposited items are sometimes returned by the City's bank when the payer's account had insufficient funds or was closed, frozen, garnished, etc. Returns include items electronically deposited as well as those physically received and deposited. For returned items the Revenue Office initiates appropriate actions to recover the funds due the City. Specifically, the Revenue Office:

A process is in place to address deposited items returned by the bank because of insufficient funds or other reasons.

- Records the returned items in a separate ACCESS database created to track those items.
- Assesses a fee to the applicable party (commonly a City utility customer) in amounts allowed by State statute.
- Generates and sends a "collection letter" to the applicable party requesting payment of the initial amount due and the related fee.
- Turns over unpaid returned items to the City's Utility Business and Customer Services Department (UBCS) for further collection efforts. UBCS makes additional efforts to collect the unpaid returned items, including sending another "collection letter," turning the item over to the State Attorney's Office for potential prosecution, and/or turning the item over to the City's contracted collection agent.

If an unpaid returned item pertains to a City utility account, the credit rating on the applicable customer's account is also reduced.

Significant management changes recently occurred within the Revenue Office.

Management Changes. The Revenue Office administrator (manager of all Revenue Office activity and functions) employed during our audit fieldwork was instrumental in developing many of the processes, systems and controls currently in place and identified within this audit (*See Appendix 1*). That administrator retired in January 2012, immediately after the end of our audit fieldwork. In addition to providing City management assurances as to the adequacy of existing controls and processes, this audit should provide guidance and assistance to City management and the new Revenue Office Administrator during the managerial transition process.

Background – Internal Controls

For the purpose of this audit, we identified controls necessary for the successful management and administration of the City’s revenue collection function and classified those controls into eight basic control activity categories established in the City’s “Internal Control Guidelines,” Administrative Policy and Procedure No. 630. **Table 6** that follows identifies and describes those controls by category.

| TABLE 6 INTERNAL CONTROLS APPLICABLE TO THE REVENUE FUNCTION | | |
|---|---|--|
| <i>NO.</i> | <i>CONTROL ACTIVITY CATEGORY</i> | <i>DESCRIPTION AND EXAMPLES</i> |
| 1. | Access to and Accountability for Resources | Access to resources and records should be limited to authorized individuals and designed to assign and maintain accountability for the custody and use of resources. Examples include (1) restricting access to collected revenues and receipts to authorized staff; (2) locking collections in a safe with access to the safe’s contents limited to authorized employees, (3) restricting system access permissions to authorized staff, and (4) assigning custodial responsibility to appropriate individuals. |
| 2. | Direct Activity Management | This involves the assignment, review, and approval of staff’s work. Supervisors should continuously review and approve the assigned work of their staff. Also, they should provide their staff with the necessary guidance and training to help ensure that management directives are achieved. Among other things, this would include (1) systematically reviewing each employee’s work to the extent necessary and (2) approving work at critical points to ensure that work flows as intended. |
| 3. | Segregation of Duties | Key duties and responsibilities in authorizing, processing, recording, and reviewing transactions and events should be segregated among individuals to reduce the risk of error or inappropriate actions. For example, no one employee should authorize an event resulting in the collection of cash, have access to or custody of that cash when collected, and maintain the records accounting for that collected cash. |
| 4. | Physical Controls | Assets such as cash and negotiable instruments should be physically secured. Examples would include controlled entry to locations where cash and checks are stored through locked doors, safes, surveillance cameras, and electronic monitoring devices. Physical controls can also be considered to include devices and/or systems that facilitate the processing of collections to enable more timely deposit of cash, such as cashiering systems and money counting machines. |
| 5. | Execution of Transactions and Events | Transactions and events should be authorized and executed only by personnel acting within the scope of their authority. Transactions should also be processed in an efficient and appropriate manner. |
| 6. | Recording of Transactions and Events | Transactions and events should be recorded on a timely basis and properly classified. Revenue and receipt activity should be documented from the point of receipt through deposit. |

| | | |
|----|------------------------|---|
| 7. | Information Processing | Information Processing includes a variety of controls to check the accuracy, completeness, and authorization of revenue and receipt transactions. One example would include independent checks of revenue generating activity to collections received and deposited. Other examples include reconciliation of initial records of receipt to final recordings of collected and deposited funds. Also, verification of the validity and propriety of “voided” revenue transactions represents a control within this category. |
| 8. | Documentation | Adequate documents and records should be designed and used to help ensure the proper recording of revenue transactions and events. Documentation also includes written operating procedures that provide direction and guidance to staff. |

Audit Methodology

We conducted various audit procedures to address the stated audit objectives. Those audit procedures included:

- Interviewing staff responsible for administering and managing the Revenue Office, as well as staff in other City departments/offices that perform revenue-related functions.
- Observing activities and applicable methods, processes, and procedures.
- Examining records and documents.
- Selecting and testing samples of revenue-related transactions and events.

Various audit procedures were performed to meet our audit objectives.

Based on understandings obtained through our procedures and the results of our testing, we provided certain assurances and comments on risks identified. The “assurances” indicate that controls and procedures are in place and operating to provide reasonable assurance that revenue operations are appropriate, proper, and valid. In contrast, “risks” represent instances where controls or processes were not in place or were not operating in a manner to provide such reasonable assurances. In most instances where we identified risks, we determined that controls and processes were generally operating effectively, but improvements and enhancements were needed to increase the level of assurance.

Identified assurances and risks were categorized and reported.

We categorized the identified assurances and risks into the following eight “control activity category” classifications that are addressed in **Table 6**:

- Access to and Accountability for Resources

- Direct Activity Management
- Segregation of Duties
- Physical Controls
- Execution of Transactions and Events
- Recording of Transactions and Events
- Information Processing
- Documentation

Subsequent sections of this report summarize the results of our audit by control activity category. **Further detail on the identified assurances and risks is presented in Appendix 1 of this report.**

Overall Summary

Overall, we found processes and controls were adequate.

Some risks were identified for which improvements and enhancements are warranted.

The result of our audit procedures showed the Revenue Office, for the most part, established and implemented appropriate, adequate, and efficient methods and controls to ensure the proper processing, recording, and deposit of funds collected on behalf of the City. Many of the identified methods and controls were the result of improvements and enhancements in processes and procedures implemented by Revenue Office management over the last decade. We commend the Revenue Office management for those improvements and enhancements.

Notwithstanding, we identified certain areas where improvements and enhancements are warranted to further mitigate the risk that City funds are not properly accounted for and deposited. Several of those areas relate to operations and activities administered by City departments and offices other than the Revenue Office. The following sections of this report describe the various controls and risks identified through this audit. Those controls (assurances) and risks are described further in *Appendix 1* of this report.

We would like to acknowledge the full and complete cooperation and support of staff of the Revenue Office and the various external departments and offices in this review.

Access to and Accountability for Resources

Access to resources and records should be limited to authorized individuals and designed to assign and maintain accountability for the custody and use of resources. **As reflected in Appendix 1 to this report, for the most part the Revenue Office has implemented appropriate controls that restrict access to collected revenues and receipts and has appropriate and adequate processes in place to ensure accountability for those collected revenues and receipts.** Controls implemented vary and include, but are not limited to: (1) custody and access to collections is assigned to specific Revenue Office staff based on their respective job assignments; (2) electronic collection methods are used to reduce the need for staff to physically access collections; (3) special bank accounts are used from which funds cannot be easily disbursed; (4) system permissions to cashiering and other systems are properly controlled; (5) physical access to areas where collections are received, processed, and temporarily stored are controlled through an electronic access system and locked doors and drawers with the applicable keys secured in appropriate locations; (6) safes, vaults, and locked drop boxes are used to control and restrict access to collections; and (7) special lockable containers are used to restrict access to deposited parking meter coins.

Overall, the Revenue Office implemented adequate processes and controls appropriately restricting access to and providing accountability over revenue collections.

Four risks were identified for which recommendations were made to enhance the described controls. Specifically:

- ◆ **Risk #1** - Electronic access permissions assigned to Revenue Office employees were for the most part appropriate based on their assigned job responsibilities. However, we identified two circumstances where access permissions should be revised to enhance security over collections. Those circumstances included: (1) two employees that had access to the balancing room and/or vault when that access was not needed for the employees to complete their respective job assignments and (2) one former Revenue Office employee that previously transferred to another division within the Treasurer-Clerk's Office that still had access to the Revenue Office. As of the end of our audit fieldwork the access permissions for two of the three applicable employees had been appropriately revised. We recommend that

Four risks relating to this control category were identified by this audit.

the access permission for the remaining employee be revised to preclude access to the vault.

- ◆ Risk #2 - We found that request for changes to electronic access permissions were not always documented as approved by authorized managerial staff. Specifically, 9 out of 16 requests sent by the Revenue Office to the City's Facilities Management Office (maintains the City's electronic access system) for access changes were not documented as having been authorized and approved by applicable Revenue Office management staff. (Those access changes involved replacement access cards, deactivation of existing cards, and changes in access permissions based on changes in employee assignments.) In response to our inquiry on each of those instances, applicable Revenue Office management staff verified the appropriateness of the requested (and executed) changes. To better document the appropriateness of electronic access changes, we recommend the Revenue Office coordinate with the City's Facilities Management Division (executes the changes) such that future changes are enacted only after documented approval from designated Revenue Office management staff has been provided.

- ◆ Risk #3 - While the majority of keys accessing various areas (vaults, safes, rooms, drawers, lock boxes, etc.) where collections are processed and temporarily stored were appropriately and adequately secured, we noted (1) the keys to one of the drop boxes, in which City customers may place their payments, were maintained in an unlocked desk drawer in an unlocked room and (2) some cashiers placed the keys to their locked cash drawers in an unsecure location (e.g., unlocked drawer) when they were temporarily away from their work stations. In response to the latter of those two situations, Revenue Office supervisory staff indicated placement of the cash drawer keys in an unlocked drawer (by the cashiers temporarily leaving their work stations) allowed the supervisory staff to access those cash drawers in the event the cashiers did not return to their work station. That circumstance could be remedied by obtaining a separate secured set of keys to the cash

Identified risks related to (1) assigned electronic access permissions, (2) documenting authorization to changes of electronic access permissions, (3) securing keys to areas where collections are processed and stored, and (4) securing the mail room.

drawers and making those separate keys accessible only to authorized supervisory staff. We recommend:

- Keys to the applicable drop box be maintained in a secured location.
- Cashiers either (1) be instructed to place their keys to their locked cash drawers in a secured location when temporarily away from their work stations or (2) be instructed to retain their keys on their person when temporarily away from their work stations, with a separate secured set of keys to those cash drawers obtained and stored in a location accessible only by designated supervisory staff.

- ◆ Risk #4 - During the audit we found that doors providing access to rooms and locations where collections are processed and temporarily stored were generally closed and locked when not attended by authorized staff. However, we observed one instance where the door to the mail room in City Hall was left open while mail room staff was delivering mail to applicable City departments and offices. In response to our inquiry, the mail room staff indicated the door was intentionally left open to allow deliveries (e.g., from Fed-Ex or UPS) to be placed in the mail room. Notwithstanding that the City maintains a security office adjacent to the mail room, such circumstances results in unsupervised access to City mail (containing utility bill and other payments) by non-City staff and unauthorized City staff. We recommend the door to the mail room located in City Hall be locked at all times when that room is unattended. In the event deliveries occur while the mail room is unattended, existing procedures should be followed providing for the delivering personnel to use the available “hall phone” to call designated staff within the Treasurer-Clerk’s Office (located on the second floor in City Hall) for assistance.

Recommendations were made to address the identified risks.

As noted above, recommendations were made to address the identified risks.

Direct Activity Management

Management review and oversight of Revenue Office operations was adequate.

Direct activity management involves the assignment, review, and approval of staff's work. Management should provide adequate oversight and involvement in activities relating to revenue operations. For instance, managers and supervisors within the Revenue Office should (1) observe and review day-to-day revenue processing operations, (2) play an active role in reviewing and reconciling collections to various recorded activity, (3) play an active role in assisting in the design and application of software programs/systems relating to the processing of revenues, and (4) ensure proper guidance and training is provided to Revenue Office staff. **Our audit showed that management oversight activities were generally adequate and appropriate (see Appendix 1).**

Only **one risk was identified** as noted in the following:

- ◆ **Risk #1** - The experienced Revenue Office Administrator retired in January 2012 after completion of our audit fieldwork. The retired administrator was very knowledgeable in regard to Revenue Office operations and instrumental in continually ensuring appropriate, adequate, and efficient processes and controls were in place. While several key supervisory staff are also knowledgeable and instrumental in regard to the described areas, we recommend the City Treasurer-Clerk ensure continued leadership and oversight of the Revenue Office through the timely hiring and appointment of a new Revenue Office Administrator.

The experienced and knowledgeable Revenue Office Administrator retired after completion of our audit fieldwork.

As indicated above, a recommendation was made to address the described risk.

Segregation of Duties

Overall, duties pertaining to revenue collections were adequately and appropriately segregated among different City departments and employees.

Key duties and responsibilities in authorizing, processing, recording, depositing, and reviewing revenues/receipts and related activity should be segregated among different individuals to reduce the risk of error or inappropriate actions. For example, no one employee should authorize an event resulting in the collection of cash or a check, have access to that cash/check when collected, and maintain the records accounting for those collected moneys. Similarly, employees handling or otherwise having access to collected cash/checks should not have the ability to manipulate records accounting for those collections and should not be

responsible for reconciling collections to records accounting for those collections. In circumstances where it is not practicable or efficient to segregate incompatible duties among different employees, appropriate compensating controls should be put in place to mitigate the risk of errors, loss, or unauthorized diversions of collections.

We found duties pertaining to City revenues were, for the most part, adequately segregated among different City departments and employees (see Appendix 1). For example, (1) the duty of physically handling (receiving, processing, and depositing) City revenues was performed by the Revenue Office, while the duty of accounting for those revenues was performed by Accounting Services, a separate City office (*segregation of custodial and recordkeeping functions*); (2) most revenue-generating activities are administered by City departments/activities other than the Revenue Office, meaning the Revenue Office collects revenues generated through the actions of other City departments and offices, such as the City utility departments (*segregation of authorization and custodial functions*); (3) reconciliations of bank records to the City's general ledger is performed by Accounting Services and not the Revenue Office (*independent reconciliations*); (4) reconciliations of utility-related collections recorded in the City's general ledger to utility-related collections recorded in the City's utility customer information system was performed by Utility Business and Customer Services (UBCS) and not the Revenue Office (*independent reconciliations*); (5) two employees were required to be present during certain activities such as removing coins from parking meters (*presence of two employees*); and (6) duties among Revenue Office staff were periodically rotated to preclude one employee from controlling all aspects of an activity for indefinite periods (*rotation of duties*).

Four risks were identified that increased the risk of errors or unauthorized diversions of collections. Those risks are described in the following:

Four circumstances were identified in which duties were not adequately segregated.

- ◆ Risk #1 - Several supervisory staff within the Revenue Office perform or have the capability to perform the following incompatible functions:
 - Collect cash and checks or otherwise have access to collected cash and checks.
 - Void transactions previously recorded in the cashiering system.
 - Adjust previously recorded revenues in other systems, such as the City's utility customer information system and the occupational license database.
 - Close out the daily business within the Revenue Office (includes balancing and verifying collections within different systems agree and reconcile).

Accordingly, if one of those supervisors was to close out a day's business within the Revenue Office, he/she would be in the position to divert cash and/or checks and cover up the diversion through fraudulent manipulation of previously recorded transactions (i.e., increase the risk of loss or theft without timely detection). Because performance of the noted duties allows for efficient and timely closing of daily revenue activity, we recommend an appropriate compensating control be placed into operation. For example, daily reports of changes to previously recorded activity in the various systems could be generated and provided directly to Revenue Office managerial staff (other than the closing supervisors) to confirm the appropriateness and propriety of the changes. Any changes not substantiated should be questioned and reviewed as appropriate.

Within the Revenue Office, compensating controls should be put in place to mitigate risks resulting from the performance of incompatible duties by closing supervisors.

- ◆ Risk #2 - In addition to the previous risk, designated Revenue Office supervisory staff perform the following incompatible functions:
 - Collect cash and checks as payment for occupational business taxes and loading zone permits, or otherwise have access to the collected cash and checks.

- Maintain the ACCESS databases created to track and account for the issuance of the occupational business licenses and loading zone permits and receipt of the related fees.
- Reconcile the collection activity recorded in those ACCESS databases to collection activity recorded in the City's general ledger.

Under those circumstances, the supervisors are in the position to divert cash/checks collected for sale of those permits and manipulate the ACCESS databases such that the diversion would be covered up and not timely detected. To compensate for the described inadequate segregation of duties, consideration should be given to (1) segregating the functions within the Revenue Office such that persons with the ability to update or adjust the ACCESS databases do not also have access to or the ability to collect payments for permits issued or (2) requiring higher level reviews (e.g., by the Revenue Office Administrator) of voided transactions, database adjustments, reconciliations, and other related activity. A third alternative to address this risk would be to remove the occupational license and loading zone permit administrative functions from the Revenue Office to another City department/office. Under that alternative, the administering department/office would issue and track permits and collections, but the Revenue Office would collect and deposit the payments for those permits. If selected, this alternative would potentially require revisions to current City ordinances.

Contrary to good control practices, Accounting Services was receiving and accepting checks payable to the City.

- ◆ Risk #3 - Good internal control practices provide that the same employees (department) that accounts for and maintains records for revenues should not also have access to or custody of those revenues (e.g., checks). Contrary to that concept, we found the Accounting Services Section, which accounts for City revenues, accepted and received checks from various entities. Those checks represented funds owed the City for various reasons, including payment for City services and activities, entitlements, and donations. Some of the checks represented payments on accounts receivable billed/invoiced by the Accounting Services

Section. The checks received and accepted by Accounting Services were placed in an open basket marked “Checks Going to Revenue” located on top of a filing cabinet in the Accounts Receivable area within the Accounting Services office. Any employee or individual accessing that area would have access to those checks. Checks exceeding \$1 million have been received and placed in that open basket. On a daily basis, couriers from the Revenue Office obtained the checks and delivered them to the Revenue Office for processing and deposit. This practice increased the risk of loss or unauthorized diversion of those checks. Furthermore, this practice increased the risk that any unauthorized diversions would be covered up through fraudulent manipulation of the accounting records and therefore not detected.

We recommend the Accounting Services Section discontinue the practice of accepting checks. Applicable entities should be instructed to remit their checks directly to the Revenue Office (either at the Renaissance Building or the satellite office located in City Hall). Consideration should also be given to providing applicable entities the ability to wire transfer their payments instead of preparing and mailing checks. Any checks that continue to be inadvertently received in Accounting Services should be immediately transferred to the Revenue satellite office located in City Hall (i.e., as Accounting Services is also located in City Hall).

- ◆ Risk #4 - Within the Public Works Technical Operations Parking Meter Shop, staff performed, or had the capability to perform, the following incompatible duties:

- Maintain the meter software application that tracks and reports detail and summary data on deposited coins (meter collections).
- Maintain the keys to open each meter and collection container (for maintenance purposes), thereby providing unrestricted access to collected coins.

Without adequate compensating controls, the performance of these duties would enable the Parking Meter Shop staff to

Compensating controls should be placed into operation to address the risk resulting from incompatible duties performed by employees of the Public Works Parking Meter Shop.

Recommendations were made to address the described risks.

remove coins for fraudulent reasons and cover up the diversion through manipulation of system records and/or reports. We acknowledge that performance of the described incompatible duties is inherent to the Parking Meter Shop staff's responsibilities for meter administration and maintenance. Accordingly, as a compensating control, we recommend an "independent" annual comparison of collections reflected by the meter software application to meter collections processed by the Revenue Office and recorded in the City's general ledger. Any significant changes to the meter software application data, and any significant differences in collections shown on meter software reports and collections recorded in PeopleSoft Financials, should be investigated. "Independent" for this purpose is defined as an employee not having access to collected coins. An appropriate staff for this comparison would be a Public Works manager/supervisor. *(NOTE: This risk is also addressed from a different perspective as an identified risk under "Information Processing.")*

As noted above, recommendations were made to address the described risks.

Physical Controls

Physical controls and devices were generally adequate.

Regardless of form (cash, negotiable instruments, or electronic), collected revenues should be physically safeguarded and secured. Physical equipment should be obtained and used when practicable and efficient to facilitate collection and processing of revenues. **We found the Revenue Office has implemented proper and appropriate physical controls and devices (see Appendix 1).** Those controls include, for example: (1) an electronic access system; (2) locked safes and vaults; (3) lockable rooms, boxes, cabinets, drawers, and bags used for temporary storage of collections; (4) locked drop and mail deposit boxes; (5) electronic alarm system; (6) alarm distress codes and panic buttons; (7) surveillance cameras; (8) armored courier service; (9) use of sealed bags for securing parking meter coins and transporting cash deposits to the bank; (10) money counting machines; (11) counterfeit detection devices; (12) specialized hardware and software applications that allow electronic (remote) deposit of negotiable instruments; (13) an automated cashing system; (14) restrictive

endorsements of negotiable instruments; (15) specially designed collection carts and collection containers for parking meter collections; and (16) electronic scales for measuring and tracking parking meter collections.

Two areas of risks were identified.

Two areas of risk were identified for which enhancements are needed to strengthen existing physical controls and devices. Those risks are described in the following:

- ◆ Risk #1 - The City maintains numerous surveillance cameras that allow Revenue Office and Facilities Management staffs to monitor revenue activity at the Renaissance Building, City Hall, and surrounding grounds. Notwithstanding those cameras and surveillance activities, an additional camera and surveillance by the Tallahassee Police Department would enhance security further. Specifically:
 - We noted there was no security camera monitoring the drop box located on the north side of City Hall.
 - A direct real-time (live) feed of the Revenue Office surveillance cameras to the Tallahassee Police Department (TPD) would enable TPD to assess circumstances in the event of a situation (e.g., robbery, hostages, etc.) at the Revenue Office.

An additional surveillance camera and direct feed of all surveillance to TPD would enhance existing security.

To further enhance existing risk mitigation techniques and controls already in place, we recommend adding a surveillance camera to monitor the noted City Hall drop box and the provision of a real-time feed of Revenue Office surveillance cameras to TPD.

- ◆ Risk #2 – All negotiable instruments received at the Revenue Office are restrictively endorsed immediately upon receipt. Also, the Revenue Office provided a restrictive endorsement stamp to most other departments and offices that collect negotiable instruments on behalf of the City. However, we noted the following enhancements are needed:

Enhancements to the restrictive endorsements placed on negotiable instruments are needed.

We made recommendations to address the identified risks.

- No restrictive endorsement stamp was provided to TPD staff to allow immediate restrictive endorsement of checks and other negotiable instruments received at TPD on nights and weekends as payments for turn on of utilities. As a result, those instruments were not restrictively endorsed until after their transfer to the Revenue Office. We recommend that a restrictive endorsement stamp be provided to the appropriate TPD staff.
- The restrictive endorsement stamps previously provided to and currently used by various City departments and offices receiving negotiable instruments is outdated, as it contains the former name of the City's bank prior to its purchase by another bank. We recommend that updated stamps be obtained and provided to the applicable City departments and offices.
- The equipment and application used since June 2011 to electronically deposit all negotiable instruments received at the Revenue Office automatically places a restrictive endorsement on each instrument. That endorsement indicates "For deposit only for the COT" (City of Tallahassee). It does not, however, list the City's bank or bank account to which the instrument is to be deposited. While the risk of unauthorized diversion is significantly lessened through the remote depositing of those instruments, it would strengthen controls to include the bank and bank account as part of the restrictive endorsement. Revenue Office management indicated efforts had been made to include the bank and bank account on the restrictive endorsement but space limitations of the current application precluded adding that information in a format that was legible. We recommend that efforts be continued to provide a more complete endorsement.

Recommendations were made to address the described risks as noted above.

Execution of Transactions and Events

Controls were in place and processes established to provide for proper and efficient processing of revenues and related activities.

Returned checks relating to non-utility payments should be turned over to the City's contracted collection agent when City efforts to recover the funds are not successful.

Transactions and events should be authorized and executed only by staff acting within the scope of their authority. Furthermore, transactions should be processed in an efficient and appropriate manner. **Our audit showed that adequate controls and procedures were generally in place for the proper execution and recording of transactions and events (see Appendix 1).** Specifically, we found that controls and processes were in place to (1) ensure Revenue Office staff acted within their authority and were assigned the necessary system permissions to properly perform their assigned duties; (2) ensure collections were promptly recorded, processed, and deposited; (3) provide restrictive endorsement of negotiable instruments; (4) facilitate the cashiering function through the use of imprest (or working) funds; (5) ensure other City departments and offices were provided operating and working procedures when applicable; and (6) provide for electronic collection and deposit of revenues.

Two risks were identified for which improvements are recommended. Those risks included the following:

- ◆ **Risk #1** – Deposited items (e.g., checks, electronic payments, etc.) are sometimes returned by the bank because of insufficient funds, closed or frozen bank accounts, etc. Collection efforts for those returned items include (1) submission of collection letters to the payers by the Revenue Office and subsequently by UBCS if the Revenue Office efforts are not successful; (2) turning the items over to the State Attorney's Office for prosecution when adequate information is available; and (3) turning the items over to a contracted collection agent when all other efforts are not successful. While each of the described efforts are made for returned items representing payments on City utilities, we found that returned items representing payments to the City for services other than City utilities (non-utility returned items) are not turned over to the City's contracted collection agent when other collection efforts were not successful. Overall, returned non-utility items are not significant, as there were only 259 returned non-utility items over the last three years totaling \$30,640 that were not collected

and not turned over to the City's contracted collection agent. Nonetheless, these items should have been turned over to that collection agent so that additional efforts to collect those funds could be made. We recommend that non-utility returned items that are not collected through City efforts be turned over to the contracted collection agent for further collection attempts.

*The County should be
timely billed for its share
of costs.*

- ◆ Risk #2 – The City's Information System Services Department (ISS) pays an annual fee to the contractor (Accela, Inc.) that provides a website giving builders and others an option to obtain and pay for growth management permits online using a credit or debit card. That annual fee is split between the City and Leon County, as the County's growth management department also uses the same service. The split, or allocation, is based on respective usage and the applicable City/County agreement. The annual fee is paid in its entirety by the City upon receipt of the annual invoice from Accela, Inc. Using the City's accounts receivable system, ISS then bills the County for its share. The County's share of the annual bills for the last two years was \$37,620 and \$33,799, respectively. While those amounts were billed to and collected from the County, we found they were not billed and collected in a timely manner. Specifically, for each of the two years, ISS did not bill the County until six months after the City received the invoice from and paid Accela, Inc. Not billing the County in a timely manner results in the City not timely receiving funds for further use or investment. To ensure appropriate amounts due the City are timely received and available for further use or investment, we recommend ISS bill the County in a timely manner.

Recommendations were made to address the described risks as noted above.

Recording of Transactions and Events

Adequate controls and procedures were generally in place to provide for proper recording of revenue collection transactions.

The identified risk pertained to the lack of signed receipts documenting transfers of funds between offices.

Transactions and events relating to revenues should be recorded and documented on a timely basis and properly classified. Receipts should be documented from the point of receipt through deposit. **Our audit showed that adequate controls and procedures were generally in place for the proper recording of transactions and events in relation to revenue collections (see Appendix 1).** For example: (1) adequate and appropriate systems were available and used to record and track revenues and collections, (2) adequate codes were established to provide for the proper classification of collected revenues and receipts, (3) documentation was generally prepared and retained to document the custodial transfer of collections among persons/entities/offices, and (4) initial records of receipt were prepared for collections received at both the primary and satellite Revenue Offices.

The following risk was identified:

- ◆ **Risk #1** – Signed receipts were not obtained to document the daily transfer of cash and negotiable instruments from the Growth Management Department to the Revenue Office. (NOTE: In addition to electronic payments, the Growth Management Department accepts in-person cash and check payments at the Growth Management Office. Those collections are transferred daily to the Revenue Office for processing and deposit.) The lack of signed receipts documenting transfers of custodial responsibility may limit management’s ability to determine responsibility in the event of loss or theft. To appropriately document those daily transfers of custodial responsibility, we recommend the Growth Management employee (courier) delivering the cash and checks obtain a signed and dated receipt from the Revenue Office. Both the Growth Management Department and the Revenue Office should maintain these receipts (one the original and the other a copy).

As noted, recommendations were made to address the described risk.

Information Processing

Information processing controls include various processes that check the accuracy, completeness, and authorization of revenue and receipt activity and collections.

Information processing controls are important when it is not efficient or practicable to implement certain other controls.

Information processing controls can be performed internally or externally.

Information processing includes a variety of controls to check accuracy, completeness, and authorization of revenue activity and collections. One example would include independent checks of revenue generating activity to collections received and deposited. Other examples include balancing cashiering system totals to collected moneys and comparing/reconciling collection/deposit totals between different systems. The importance of this category of controls is enhanced in those circumstances where cost-benefit determinations preclude the implementation of other controls, such as segregation of incompatible duties among staff.

Controls established within this category and placed into operation are categorized into two subcategories for purposes of this audit: (1) internal process controls and (2) external process controls. Internal process controls relate to the information processing controls performed (internally) by Revenue Office staff, whereas external process controls represents those performed by departments and offices external to the Revenue Office. Regardless of whether performed internally or externally, controls in both categories serve to ensure collections received by the Revenue Office are properly processed and deposited.

Activity relating to collection, processing, and depositing of revenues and receipts was generally reviewed and checked by appropriate supervisory and management staff for the purpose of ensuring that collections received by the Revenue Office were properly processed and deposited. Specifically, we found: (1) reconciliations by supervisors and staff of collections to amounts recorded in the cashiering system, (2) various reconciliations by supervisors and staff of collections reflected/recorded in various City systems and physical records to collections recorded in other City systems and records, and (3) reconciliations by supervisors and staff of collections reflected/recorded in various City systems and physical records to collections reflected/recorded in various non-City systems and records (e.g., bank statements). Reconciliations and comparisons as described were performed by supervisors/staff in both the Revenue Office (internal process controls) and other

Overall, adequate and appropriate information processing controls have been implemented.

City departments/offices (external process controls). *See Appendix 1 for a detailed description of the individual controls.*

One of the more important controls to ensure City revenues are properly received and deposited involves reconciliation processes performed by City departments and offices other than the Revenue Office (external process controls). As one example, City departments that administer revenue generating activities and programs, but do not collect those revenues, are in a position to compare what should be collected and deposited based on their systems (external to the Revenue Office) to what was actually collected and deposited by the Revenue Office. For example, Utility Accounting reconciles collected revenues recorded in the City's general ledger based on transactions executed and recorded through Revenue Office operations to what the PeopleSoft CIS reflects was received as utility revenues. As another example, the Public Works Meter Shop can compare what was collected and deposited by the Revenue Office to what their parking meter software shows should have been collected and deposited. A different example involves reconciliations by Accounting Services of what the bank shows as collected and deposited to what the City's general ledger shows was deposited based on transactions executed and recorded through Revenue Office operations. Each of these examples serves to help ensure the Revenue Office properly processes and deposits City revenues.

Additional reconciliations by other City departments and offices are warranted.

As noted above, several such "external reconciliations" are performed. **We identified risks indicating the need to improve and enhance some of those external reconciliations and to initiate additional reconciliations.** Specifically:

- ◆ Risk #1 - There was no reconciliation by the Growth Management Department (GM) of building and environmental permit collections, received and recorded by GM staff in their Permit Enforcement Tracking System (PETS) and subsequently transferred to the Revenue Office for processing and deposit, to collections recorded in the City's general ledger based on Revenue Office actions. If performed, such reconciliations would serve to ensure the Revenue Office properly processed

and deposited those collections. We recommend that independent reconciliations as described be performed by GM staff. (NOTE: An efficient method and process for conducting such reconciliations was developed and presented to GM staff during the audit. In our follow up engagements for this audit we will address GM's use of that process.)

- ◆ Risk #2 - There was no reconciliation by UBCS of parking ticket collections recorded as collected in the UBCS parking ticket database to parking ticket collections recorded in the City's general ledger based on Revenue Office actions. If performed, such reconciliations would serve to ensure the Revenue Office properly processed and deposited those collections. We recommend that independent reconciliations as described be performed by UBCS staff. (NOTE: An efficient method and process for conducting such reconciliations was presented to UBCS staff during the audit. In our follow up engagements for this audit we will address UBCS's use of that process.)
- ◆ Risk #3 - There was no reconciliation by TPD of fees that should have been collected and deposited based on taxi cab permits issued by TPD staff to collections for those permits recorded in the City's general ledger based on Revenue Office actions. If performed, such reconciliations would serve to ensure the Revenue Office properly received, processed, and deposited those collections. We recommend that independent reconciliations as described be performed by TPD staff.
- ◆ Risk #4 - There were reconciliations, by both Revenue Office management and staff in the Public Works Meter Shop, of collections recorded in the PeopleSoft Financials (general ledger) to parking meter collections reflected by the separate parking meter software application maintained by the Meter Shop. However, we found that each party relied on the other party to provide the appropriate information to complete the respective reconciliations. Specifically, Revenue Office management relied on Public Works Meter Shop staff to

Enhancements should be made to some of the reconciliations currently performed by certain departments and offices outside the Revenue Office.

provide (by e-mail) the amounts recorded as collected by the parking meter software application. Similarly, the Public Works Meter Shop staff relied on Revenue Office management to provide (by e-mail) the amounts recorded as collected in the City's general ledger. Under those circumstances, either party is in the position to fraudulently provide false or incorrect collection information to cover up diversion of collected coins for unauthorized purposes. Appropriate reconciliations under these circumstances would provide that each party obtain the applicable information independent of the other party. Alternatively, the reconciliations should be performed by a third party (that does not have access to collected coins) that independently obtains the necessary collection information from both the general ledger and meter software application for purposes of completing the reconciliations. We recommend that independent reconciliations as described be performed. The source of collection/deposit information used in those reconciliations should be independently obtained by the party (parties) conducting those reconciliations.

- ◆ Risk #5 - Accounting Services performs independent bank statement reconciliations by reconciling collections recorded in the City's general ledger based on Revenue Office operations to collections reported as deposited by the bank. Such reconciliations serve to ensure funds recorded as deposited by the Revenue Office are correctly deposited. Over the past year we found those reconciliations have not been performed in a timely manner. Specifically, as of the date of our audit fieldwork and inquiry in October 2011, the most recent month for which reconciliations had been initiated was February 2011, eight months earlier at that date. Our review of the February 2011 reconciliation work papers at that time showed significant unreconciled and unexplained differences. Subsequent to our initial review, Accounting Services completed the reconciliation for February 2011. Accounting Services management indicated the delay in completing timely reconciliations was primarily attributable to employee transition issues (i.e., the retirement of knowledgeable staff that had performed those reconciliations and on-going efforts to train staff reassigned to that function).

Notwithstanding, performing complete and timely bank statement reconciliations is critical to the usefulness of that control. We recommend Accounting Services provide the necessary training and make necessary efforts to ensure timely initiation and completion of monthly reconciliations of collections recorded in the City's general ledger to the bank statements.

As noted above, recommendations were made to address the described risks.

Documentation

Adequate documentation was prepared and appropriate procedures were established and made available to Revenue Office staff.

Adequate documents and records should be designed, used, and retained to help ensure and demonstrate the proper accounting of revenue and receipt activities. Written operating procedures should also be prepared to provide direction and guidance to staff, and to help ensure a consistent and appropriate methodology for collecting, processing, and depositing funds. **We found adequate and appropriate documentation was prepared and written procedures established and made available to applicable Revenue Office staff (see Appendix 1).** Specifically, (1) adequate forms and records were developed and used to provide an accurate accounting and tracking of revenue collections and (2) comprehensive written procedures and guidelines were developed that addressed the receipt, processing, recording, and deposit of revenues and receipts by the Revenue Office. Those procedures were updated when needed and provided to applicable staff.

No risks in this category were identified.

Conclusion

Overall, the Revenue Office has implemented controls that provide assurances that revenues and receipts are properly and efficiently recorded, processed, and deposited; a few risks were identified for which recommendations were made.

The Revenue Office (with assistance from other applicable City departments and offices) has implemented controls that for the most part provide assurances that revenues and receipts collected through the Revenue Office are properly and efficiently processed, accounted for, safeguarded, and deposited into the City's bank account. Adequate and appropriate actions were generally taken to collect funds for deposited negotiable instruments and electronic deposits rejected and returned by the City's bank because of insufficient funds in the payer's account or other reasons. Risks were identified that should be addressed to further reduce the risk

that revenues due the City are not properly received, accounted for, and deposited. Recommendations were made within this audit to address those identified risks.

We would like to acknowledge the full and complete cooperation and support of Revenue Office management and staff, as well as staff in other City departments and offices, during this audit.

***Appointed
Officials’
Response***

City Treasurer-Clerk:

We thank the City Auditor for his professional and thorough audit of the Revenue Office. Systems and processes in place to process, record, and deposit funds were believed to be proper and efficient with appropriate controls; however, an independent review of such systems and processes is beneficial. Such a review was particularly useful given the increase in the significance of new electronic payment methods. We appreciate the recognition of improvements and enhancements made in recent years and look forward to addressing those areas where opportunities for further improvements have been identified.

City Manager:

The City Auditor’s Office has conducted a thorough and detailed audit of the City’s cash management processes and procedures for the Treasurer Clerk’s Revenue Office. I am extremely pleased with cooperation demonstrated by Mr. McCall’s team and staff of the various audited departments. I am convinced that the audit findings and the recommended improvements will result in measurable financial results to this government and community. The action items identified in this report will ensure that our internal controls and City policies continue to be strictly adhered to in the future. I would like to commend the Auditor’s Office as well as all of the departments for their outstanding work on this audit.

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Appendix 1

Presentation of Assurances, Risks, and Recommendations

Assurances, Risks, and Recommendations. The following table describes the assurances and risks identified during, and recommended actions resulting from, our audit of the Revenue Office and related areas.

| <i>ASSURANCES, RISKS, AND RECOMMENDATIONS</i> | | | |
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| | Applicable Control Activity (Note 1) | Assurances/Risks | Recommendation |
| 1. | Access to and Accountability for Resources | <p>The following controls were in place:</p> <ul style="list-style-type: none"> ✓ Custody of collected revenues is assigned to specific Revenue Office (R/O) staff based on type of revenues. For example, mail collections are assigned to staff responsible for processing the mail collections while cashiers are assigned responsibility for receiving and processing in-person payments. ✓ Through use of technology, a significant amount of revenues are now collected “electronically” whereby monies are not received and handled by R/O staff; instead, customers and the R/O are able to initiate payments (collections) through secured websites and/or other processes (automated bank drafts) whereby the funds are deposited directly into the City’s bank account without physical handling of the funds by R/O staff. ✓ Collections by individual R/O cashiers are not commingled as each cashier is assigned a separate lockable drawer. ✓ The majority of City revenues are deposited into two special bank accounts for which the deposited funds cannot be disbursed by check or debit transactions. (Instead, the deposited collections are swept daily into the City’s master bank account. Disbursements from that master bank account are controlled by processes and staff external to the R/O.) | |

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| | | <ul style="list-style-type: none"> ✓ For the CORE cashiering system, PeopleSoft Customer Information System, and certain in-house ACCESS databases, system access permissions allowing recording of certain collection information (e.g., payment adjustments) are generally restricted to authorized staff. Those restrictions help preclude inappropriate manipulation of recorded collection information (e.g., covering up errors or fraudulent diversion of collected revenues). ✓ Access to the R/O facilities and to selected areas within the R/O is restricted to authorized staff through an electronic security access system. ✓ Doors granting access to secured areas within the R/O facility are generally closed and locked when not attended by authorized staff. ✓ The vault in which the safe and collections are stored overnight is automatically secured during night-time hours and weekends (cannot be opened through normal electronic access or key during those periods). ✓ Changes to R/O facility access levels and areas must be approved by designated R/O and Treasurer-Clerk (T/C) managerial staff before such changes will be executed by the City's Facilities Management Division. ✓ Knowledge of safe combinations is restricted to authorized staff. ✓ Collected revenues are stored in locked vaults and secured safes overnight and pending deposit. ✓ Other items of value (e.g., loading zone permits) are stored in locked safes and areas restricted to authorized staff. ✓ Keys to portable safes, parking meters and collection canisters, secured rooms and areas, drawers, cabinets, drop boxes, cash transport bags, etc. are generally restricted to authorized staff and stored in a secured location with restricted access. ✓ Locked drop boxes to which access is restricted are placed at strategic locations for customers to place their payments. ✓ For parking meter collections: | |
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| | | <ul style="list-style-type: none"> - Access to collected coins inserted in meters is controlled through locked meter housings and in most cases locked depositories (collection canisters) placed within the locked meter housings. - Specially designed and built collection carts (has a collection slot built into the collection cart itself) and meter collection containers preclude staff collecting the coins from parking meters from accessing the coins during the collection process. <p>Four risks were identified during the audit for which improvements and enhancements are recommended. Specifically:</p> <ul style="list-style-type: none"> ◆ <u>Risk #1</u> - While electronic access permissions assigned to R/O employees were for the most part appropriate based on their assigned job responsibilities, we identified two instances where access permissions should be revised to enhance security over collections. Those two instances included: (1) two employees that had access to the balancing room and/or vault when that access was not needed for the employees to complete their respective job assignments and (2) one former R/O employee that previously transferred to another division within the Treasurer-Clerk’s Office that still had access to the R/O. As of the end of our audit fieldwork the access permissions for two of the three applicable employees had been appropriately revised. ◆ <u>Risk #2</u> - We found that request for changes to electronic access permissions were not always documented as approved by authorized managerial staff. Specifically, 9 out of 16 requests from the R/O for access changes (involving replacement access cards, deactivation of existing cards, or changes in access permissions based on changes in employee assignments) were not documented as having been authorized and approved by applicable R/O management staff. In response to our inquiry on each of those instances, applicable R/O management staff verified the appropriateness of the requested (and executed) changes. | <p>We recommend that the access permission for the remaining employee be revised to preclude access to the vault.</p> <p>To better document the appropriateness of electronic access changes, we recommend that the R/O coordinate with the City’s Facilities Management Division (executes the changes) such that future changes are enacted only after documented approval from designated R/O management staff has been provided.</p> |
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| | | <p>◆ Risk #3 - The majority of keys accessing various areas (vaults, safes, rooms, drawers, lock boxes, etc.) where collections are temporarily stored were appropriately and adequately secured. However, we noted (1) the keys to one of the drop boxes were maintained in an unlocked desk drawer in an unlocked room and (2) some cashiers placed the keys to their locked cash drawers in an unsecure location (e.g., unlocked drawer) when they were temporarily away from their work stations. In response to the latter of those two situations, R/O supervisory staff indicated placement of the cash drawer keys in an unlocked drawer allowed the supervisory staff to access the cash drawers in the event the cashiers did not return to their work station. That circumstance could be remedied by having a separate secured set of keys to the cash drawers accessible only to authorized supervisory staff.</p> <p>◆ Risk #4 - During the audit we found that doors providing access to rooms and locations where collections are processed and temporarily stored were generally closed and locked when not attended by authorized staff. However, we observed one instance where the door to the mail room in City Hall was left open while mail room staff was delivering mail to applicable City departments and offices. In response to our inquiry, the mail room staff indicated the door was intentionally left open to allow deliveries (e.g., from Fed-Ex or UPS) to be placed in the mail room. Notwithstanding that the City maintains a security office adjacent to the mail room, such circumstances results in unsupervised access to City mail (containing utility bill and other payments) by non-City staff and unauthorized City staff.</p> | <p>We recommend:</p> <ul style="list-style-type: none"> - Keys to the applicable drop box be maintained in a secured location. - Cashiers either (1) be instructed to place their keys to their locked cash drawers in a secured location when temporarily away from their work stations or (2) be instructed to retain their keys on their person when temporarily away from their work stations, with a separate secured set of keys to those cash drawers obtained and stored in a location accessible only by designated supervisory staff. <p>We recommend the door to the mail room located in City Hall be locked at all times when that room is unattended. In the event deliveries occur while the mail room is unattended, existing procedures should be followed providing for the delivering personnel to use the available "hall phone" to call designated staff within the Treasurer-Clerk's Office (located on the second floor in City Hall) for assistance.</p> |
| 2. | Direct Activity Management | <p>The following controls were in place:</p> <ul style="list-style-type: none"> ✓ R/O management is very active in day-to-day operations and activities of the R/O; including identification and mitigation of risks. ✓ R/O management and supervisors play an active role in reviewing and comparing/reconciling collections to various recorded activity. | |

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| | | <ul style="list-style-type: none"> ✓ R/O management plays an active role in assisting in the design/application of software systems/programs to facilitate R/O collection and recording operations. ✓ Management ensures proper guidance and training is provided to R/O staff. <p>One risk was identified as noted below:</p> <ul style="list-style-type: none"> ◆ <u>Risk #1</u> - The experienced R/O Administrator retired in January 2012 after completion of our audit fieldwork. The retired administrator was very knowledgeable in regard to R/O operations and instrumental in continually ensuring appropriate, adequate, and efficient processes and controls were in place. While several key supervisory staff are also knowledgeable and instrumental in regard to the described areas, it is important for the Treasurer-Clerk’s Office to ensure continued leadership in this critical area. | <p>The City Treasurer-Clerk should ensure continued leadership and oversight of the R/O through hiring and appointment of a new R/O Administrator.</p> |
| <p>3.</p> | <p>Segregation of Duties</p> | <p>The following controls were in place:</p> <ul style="list-style-type: none"> ✓ While the R/O had custodial responsibility for collections, Accounting Services is responsible for recording collection activity in the City’s general ledger system (<i>segregation of custodial and recordkeeping functions</i>). ✓ For the vast majority of revenues, City departments/offices other than the R/O administer and manage the generation of revenues and determine the amounts due and payable to the City, while the R/O collects, processes, and deposits the related revenues (<i>segregation of authorization and custodial functions</i>). ✓ Reconciliations of bank records to the general ledger are performed by staff other than those in the R/O, thereby ensuring errors or falsification of records for purposes of covering up unauthorized diversions of funds are/would be timely detected (<i>independent reconciliations</i>). ✓ Reconciliations of utility-related collections recorded in the City’s general ledger (PeopleSoft Financials System) to those collections as posted to the City’s utility customer information system (PeopleSoft CIS) are performed by staff other than those in the R/O, thereby ensuring errors or falsification of records for purposes of covering up unauthorized diversions of funds are/would be timely detected (<i>independent reconciliations</i>). | |

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| | | <ul style="list-style-type: none"> ✓ Two employees are always present when <i>(presence of two employees)</i>: <ul style="list-style-type: none"> – Collections are removed from locked drop boxes and mail collection boxes located at the Renaissance Building and the primary mail collection box located behind City Hall. – Coins are removed from parking meters. – Parking meter coins are removed from the secured collection cart and subsequently processed for recording and deposit. ✓ Duties among staff within the R/O are periodically rotated such that one staff does not control all aspects of an activity for indefinite periods of time <i>(rotation of duties)</i>. ✓ While changes in assigned access permissions are based on directions from designated R/O management staff, Facilities Management Staff control and establish that electronic access to R/O facilities and rooms <i>(segregation of authorization and execution functions)</i>. <p>Four risks were identified during the audit for which improvements and enhancements are recommended. Two of these risks relate primarily to City departments/offices other than the R/O. These risks are explained in the following:</p> <ul style="list-style-type: none"> ◆ <u>Risk #1</u> - Several supervisory staff within the R/O perform or have the capability to perform the following incompatible functions: <ul style="list-style-type: none"> – Collect cash and checks or otherwise have access to collected cash and checks. – Void transactions previously recorded in the cashiering system. – Adjust previously recorded revenues in other systems, such as the City’s utility customer information system and the occupational license database. – Close out the daily business within the R/O (includes balancing and verifying collections within different systems agree and reconcile). | <p>We acknowledge the importance and necessity of allowing the applicable R/O supervisory staff the ability to perform the noted functions in order to ensure efficient and timely closing of daily activity within the R/O. Accordingly, to address the described risk, we recommend that an appropriate compensating control be put in place. For example, daily reports of changes to previously recorded activity in the various systems could be generated and provided directly to R/O managerial staff (other than the closing supervisors) and other appropriate City staff (e.g.,</p> |
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| | | <p>Accordingly, if one of those supervisors was to close out a day’s business within the R/O, he/she would be in the position to divert cash and/or checks and cover up the diversion through fraudulent manipulation of previously recorded transactions (i.e., increase the risk of loss or theft without timely detection).</p> <p>◆ <u>Risk #2</u> - In addition to the previous risk, designated R/O supervisory staff perform the following incompatible functions:</p> <ul style="list-style-type: none"> - Collect cash and checks as payment for occupational business taxes and loading zone permits, or otherwise have access to the collected cash and checks. - Maintain the ACCESS databases created to track and account for the issuance of the occupational business licenses and loading zone permits and receipt of the related fees. - Reconcile the collection activity recorded in those ACCESS databases to collection activity recorded in the City’s general ledger. <p>Under those circumstances, the supervisors are in the position to divert cash/checks collected for sale of those permits and manipulate the ACCESS databases such that the diversion would be covered up and not timely detected.</p> <p>◆ <u>Risk #3</u> - Good internal control practices provide that the same employees (department) that accounts for and maintains records for revenues should not also have access to or custody of those revenues (e.g., checks). Contrary to that concept, we found the Accounting Services Section, which accounts for City revenues, accepted and received checks from various entities. Those checks represented funds owed the City for various reasons, including payment for City services and</p> | <p>within Utility Business and Customer Services) to confirm the appropriateness and propriety of the changes. Any changes not substantiated should be questioned and reviewed as appropriate.</p> <p>To compensate for the described inadequate segregation of duties, consideration should be given to (1) segregating the functions within the R/O such that persons with the ability to update or adjust the ACCESS databases do not also have access to or the ability to collect payments for permits issued or (2) requiring higher level reviews (e.g., by the R/O Administrator) of voided transactions, database adjustments, reconciliations, and other related activity. A third alternative to address this risk would be to remove the occupational license and loading zone permit administrative functions from the R/O to another City department/office. Under that alternative, the administering department/office would issue and track permits and collections, but the R/O would collect and deposit the payments for those permits. If selected, this alternative would potentially require revisions to current City ordinances.</p> <p>We recommend the Accounting Services Section discontinue the practice of accepting checks. Applicable entities should be instructed to remit their checks directly to the R/O (either at the Renaissance Building or the satellite office located in City Hall). Consideration should also be given to providing</p> |
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| | | <p>activities, entitlements, and donations. Some of the checks represented payments on accounts receivable billed/invoiced by the Accounting Services Section. The checks received and accepted by Accounting Services were placed in an open basket marked "Checks Going to Revenue" located on top of a filing cabinet in the Accounts Receivable area within the Accounting Services office. Any employee or individual accessing that area would have access to those checks. Checks exceeding \$1 million have been received and placed in that open basket. On a daily basis, couriers from the R/O obtained the checks and delivered them to the R/O for processing and deposit. This practice increased the risk of loss or unauthorized diversion of those checks. Furthermore, this practice increased the risk that any unauthorized diversions would be covered up through fraudulent manipulation of the accounting records and therefore not detected.</p> <p>◆ <u>Risk #4</u> - Within the Public Works Technical Operations Parking Meter Shop, staff performed, or had the capability to perform, the following incompatible duties:</p> <ul style="list-style-type: none"> - Maintain the meter software application that tracks and reports detail and summary data on deposited coins (meter collections). - Maintain the keys to open each meter and collection container (for maintenance purposes), thereby providing unrestricted access to collected coins. <p>Without adequate compensating controls, the performance of these duties would enable the Parking Meter Shop staff to remove coins for fraudulent reasons and cover up the diversion through manipulation of system records and/or reports. <i>(NOTE: This risk is also addressed from a different perspective as an identified risk under "Information Processing.")</i></p> | <p>applicable entities the ability to wire transfer their payments instead of preparing and mailing checks. Any checks that continue to be inadvertently received in Accounting Services should be immediately transferred to the R/O satellite office located in City Hall (i.e., as Accounting Services is also located in City Hall).</p> <p>We acknowledge that performance of the described incompatible duties is inherent to the Parking Meter Shop staff's responsibilities for meter administration and maintenance. Accordingly, as a compensating control, we recommend an "independent" annual comparison of collections reflected by the meter software application to meter collections processed by the R/O and recorded in the City's general ledger. Any significant differences to the meter software application data, and any significant differences in collections shown on meter software reports and collections recorded in PeopleSoft Financials, should be investigated. "Independent" is defined as an employee not having access to collected coins. An appropriate staff for this comparison would be a Public Works manager or supervisor.</p> |
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| <p>4.</p> | <p>Physical Controls</p> | <p>The following controls were in place:</p> <ul style="list-style-type: none"> ✓ City-hired security guards are located in the lobby outside the R/O to help preclude unauthorized access and are available to assist in the event of any disruptive behavior ✓ An electronic access system is used to control access to R/O locations and areas in both the Renaissance Building and mail room in City Hall. ✓ Lockable boxes, cabinets, drawers, rooms, bags, etc. are used for temporary storage and processing of collected revenues. ✓ Locked safes and vaults are used for storage of collections pending deposit and for storage of R/O cashier working funds. ✓ Locked drop deposit boxes are placed at strategic locations where paying customers may place their utility and parking ticket payments. ✓ Locked mail deposit boxes, used by the US Postal Service to place mailed payments, are located at the Renaissance Building and City Hall. ✓ The vault has a secured door that cannot be opened during nighttime and weekend hours. ✓ An electronic alarm system is set each night as the R/O is closed; that system is programmed to send an alarm for which the Tallahassee Police Department is notified in the event of a break-in. ✓ An alarm distress code is available that can be used by R/O staff in the event an authorized employee is approached and accosted by a stranger or other individuals when opening the R/O facility; the distress code will shut off the alarm but simultaneously send a distress signal to a vendor that will immediately contact the Tallahassee Police Department. ✓ Surveillance cameras are strategically located throughout the R/O area (15 locations). ✓ Panic alarm buttons are strategically placed throughout the R/O facility; when pushed a silent alarm signal is automatically sent to a vendor that will immediately contact the Tallahassee Police Department. | |
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| | | <ul style="list-style-type: none"> ✓ Certain rooms within the R/O facility are secured; doors to these rooms are kept closed unless accessed and occupied by authorized R/O personnel. ✓ An armored courier service is used to transport cash deposits to the bank. ✓ Cash deposits are transported to the bank for deposit in sealed bags. ✓ Sealed bags are used to temporarily store and safeguard coins collected from parking meters prior to counting and processing those coins for recording and deposit. ✓ Money counting machines are used to count currency and coins; thereby facilitating the processing and deposit of collections. ✓ Counterfeit detection devices are used, including (1) special marking pens provided to each individual cashier and (2) money counting machines that detect counterfeit currency. ✓ Specialized hardware and software applications are used to process checks and other negotiable instruments, such that those instruments can be deposited electronically (remotely) instead of being accumulated and deposited through physical transport. ✓ An automated cashiering system (CORE) is used by R/O cashiers to process collections, thereby providing an automated means of recording the initial receipt, restrictively endorsing checks and negotiable instruments, and facilitating processing of the collections. ✓ Various software and banking applications were implemented that allow customers and other entities to make payments through bank drafts or electronically, thereby reducing exposure of funds to loss or diversion and resulting in more timely deposit into the City's bank account. ✓ Restrictive endorsement stamps were obtained and are used by applicable outlying locations (e.g., R/O satellite office in City Hall) to restrict deposit of collected checks and other negotiable instruments to the City's bank account. ✓ Specially built collection carts are used in the collection of coins from parking meters. The carts, which are transported on a truck along | |
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| | | <p>with specialized equipment to lower and raise the cart from the truck bed, facilitate collection of coins from parking meters and limit the period the coins are exposed to loss or theft during the collection process.</p> <ul style="list-style-type: none"> ✓ Specially designed parking meter depositories (canisters) and specially designed collection boxes (i.e., a key and collection slot are built into the collection box) attached to the parking meter collection carts are used during the collection of coins from parking meters and transport of those collected coins to the R/O; those boxes and depositories preclude employees/individuals from accessing coins during the collection and transport processes. ✓ Electronic scales are used to weigh coins in and out of the R/O as a means of ensuring all coins collected from parking meters are deposited in the City’s bank account. <p>Risks were identified in two primary areas during the audit. Those areas included the following:</p> <ul style="list-style-type: none"> ◆ <u>Risk #1</u> - The City maintains numerous surveillance cameras that allow R/O and Facilities Management staffs to monitor revenue activity at the Renaissance Building, City Hall, and surrounding grounds. Notwithstanding those cameras and surveillance activities, an additional camera and surveillance by the Tallahassee Police Department would enhance security further. Specifically: <ul style="list-style-type: none"> — We noted there was no security camera monitoring the drop box located on the north side of City Hall. — A direct real-time (live) feed of the R/O surveillance cameras to the Tallahassee Police Department (TPD) would enable TPD to assess circumstances in the event of a situation (e.g., robbery, hostages, etc.) at the R/O. <p>Adding another surveillance camera and a direct real-time feed to TPD would further enhance existing risk mitigation techniques and controls already in place.</p> | <p>We recommend a surveillance camera be installed to allow for monitoring of the drop box located on the north side of City Hall. Also, consideration should be given to adding a real-time feed of the R/O surveillance cameras to the appropriate TPD offices.</p> |
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| | | <p>◆ <u>Risk #2</u> – All negotiable instruments received at the Revenue Office are restrictively endorsed immediately upon receipt. Also, the Revenue Office provided a restrictive endorsement stamp to most other departments and offices that collect negotiable instruments on behalf of the City. However, we noted the following enhancements are needed:</p> <ul style="list-style-type: none"> – No restrictive endorsement stamp was provided to the Tallahassee Police Department (TPD) staff to allow immediate restrictive endorsement of checks and other negotiable instruments received at TPD on nights and weekends as payments for turn on of utilities. As a result, those instruments were not restrictively endorsed until after their transfer to the Revenue Office. – The restrictive endorsement stamps previously provided to and currently used by various City departments and offices receiving negotiable instruments is outdated, as it contains the former name of the City’s bank prior to its purchase by another bank. – The equipment and application used since June 2011 to electronically deposit (remote deposit) all negotiable instruments received at the Revenue Office automatically places a restrictive endorsement on each instrument. That endorsement indicates “For deposit only for the COT” (City of Tallahassee). It does not, however, list the City’s bank or bank account to which the instrument is to be deposited. While the risk of unauthorized diversion is significantly lessened through the remote depositing of those instruments, it would strengthen controls to include the bank and bank account as part of the restrictive endorsement. R/O management indicated efforts had been made to include the bank and bank account on the restrictive endorsement but space limitations of the current application precluded adding that information in a format that was legible. <p>If implemented, the recommended enhancements will strengthen current processes.</p> | <p>We recommend the R/O provide a stamp to TPD that allows for restrictive endorsement of negotiable instruments upon receipt at that location.</p> <p>Restrictive endorsement stamps used by various City departments and offices should be replaced with updated stamps reflecting the current name of the City’s bank.</p> <p>We recommend the R/O continue to pursue enhancements to the current equipment and application that would allow the addition of the bank and bank account on the restrictive endorsement placed on negotiable instruments.</p> |
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| <p>5.</p> | <p>Execution of Transactions and Events</p> | <p>The following controls were in place:</p> <ul style="list-style-type: none"> ✓ Revenues were collected, processed, and deposited by R/O staff acting within their assigned authority and responsibility. ✓ Various software and banking applications were implemented such that customers and other entities make payments through bank drafts or electronically, thereby reducing exposure of funds to loss or diversion and resulting in more timely deposit into the City’s bank account. ✓ Processes were established that provide for prompt (e.g., generally immediate) recording of collections in the City’s cashing system. ✓ Processes were established to ensure appropriate and timely (daily) processing and deposit of collections physically received in the R/O. ✓ Software system permissions were established to enable R/O staff to execute and perform only those duties necessary to complete their assigned responsibilities. ✓ Items (e.g., checks) returned for various reasons (insufficient funds in the payer’s account, payer’s account closed, frozen, or garnished) are tracked and attempts made by the R/O to recover the funds through submission of letters to the applicable individuals/entities. If unsuccessful, the returned items are turned over to Utility Business and Customer Services (UBCS) who continues follow up efforts, including turning off the payer’s utilities (if returned item represented a utility bill payment), turning over returned items to the State Attorney’s Office for prosecution, and turning over the items to a contracted collection agent. Procedures are also in place to flag and denote the applicable individual/entity’s utility account in a manner that impacts the type tender that will be accepted for future payments (e.g., cash only). ✓ To the extent reasonable and necessary, the R/O authorizes and provides processes and procedures for external City departments to collect and process revenues and receipts due the City. | |
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| | | <p>✓ For the most part, physical checks and negotiable instruments are immediately restrictively endorsed (limiting deposit to only the City’s bank account) by the automated cashiering system, the mail processing hardware and software application, or by stamp when applicable.</p> <p>✓ Imprest funds were established to facilitate cashiering activities (provide working funds to cashiers and provide change when needed).</p> <p>Two risks were identified for which improvements are recommended. Those risks included the following:</p> <ul style="list-style-type: none"> ◆ <u>Risk #1</u> – Deposited items (e.g., checks, electronic payments, etc.) are sometimes returned by the bank because of insufficient funds, closed or frozen bank accounts, etc. Collection efforts for those returned items include (1) submission of collection letters to the payers by the R/O and subsequently by UBCS if the R/O efforts are not successful; (2) turning the items over to the State Attorney’s Office for prosecution when adequate information is available; and (3) turning the items over to a contracted collection agent when all other efforts are not successful. While each of the described efforts are made for returned items representing payments on City utilities, we found that returned items representing payments to the City for other than City utilities (non-utility returned items) are <u>not</u> turned over to the City’s contracted collection agent when other collection efforts were not successful. ◆ <u>Risk #2</u> – The City’s Information System Services Department (ISS) pays an annual fee to the contractor (Accela, Inc.) that provides a website giving builders and others an option to obtain and pay for growth management permits online using a credit or debit card. That fee is split between the City and Leon County, as the County’s growth management department also uses the same service. The split, or allocation, is based on respective usage and the applicable City/County agreement. The annual fee is paid in its entirety by the City upon receipt of the annual invoice from Accela, Inc. ISS then bills the County for its share. The County’s share of the annual bills for the last two years was \$37,620 and \$33,799, respectively. While those amounts were billed to and collected from the | <p>When other collection efforts for non-utility returned items are not successful, we recommend UBCS implement a process to submit those items to the City’s contracted collection agent for additional collection efforts.</p> <p>To ensure appropriate amounts due the City are timely received and available for further use or investment, ISS should bill the County in a timely manner.</p> |
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| | | <p>County, we found they were not billed and collected in a timely manner. Specifically, for each of the two years, ISS did not bill the County until six months after the City received the invoice from and paid Accela, Inc. Not billing the County in a timely manner results in the City not timely receiving funds for further use or investment.</p> | |
| <p>6.</p> | <p>Recording of Transactions and Events</p> | <p>The following controls were in place:</p> <ul style="list-style-type: none"> ✓ Generated and collected revenues processed by the R/O are recorded and tracked in various appropriate accounting records and systems, including: <ul style="list-style-type: none"> - CORE (automated cashiering system) - PeopleSoft Financials System (City’s general ledger) - PeopleSoft CIS (City’s utility billing & accounting system) - Various specialized databases (e.g., ACCESS databases created in-house for occupational license revenues, loading zone permit revenues, parking ticket collections, and returned items) - City’s Accounts Receivable System - Various secured City network files - Growth Management Permits Enforcement Management System (PETS) - Parking Meter Inventory and Revenue Application ✓ Adequate codes were established to provide for the proper classification of collected revenues for reporting and tracking purposes. ✓ Documentation is generally generated and retained to document the custodial transfer of funds from one person/entity/office to another. ✓ Initial records of receipt are prepared for collections received at both the R/O located in the Renaissance Building and the R/O satellite office in City Hall. | |

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| | | <p>A risk was identified in regard to documenting the transfer of custodial responsibility for collections. Specifically:</p> <ul style="list-style-type: none"> ◆ <u>Risk #1</u> – Signed receipts were not obtained to document the daily transfer of cash and negotiable instruments from the Growth Management Department to the R/O. (NOTE: In addition to electronic payments, the Growth Management Department accepts in-person cash and check payments at the Growth Management office. Those collections are transferred daily to the R/O for processing and deposit.) The lack of signed receipts documenting transfers of custodial responsibility may limit management’s ability to determine responsibility in the event of loss or theft. | <p>To appropriately document these daily transfers of custodial responsibility, we recommend the Growth Management employee (courier) delivering the cash and checks obtain a signed and dated receipt from the R/O. Both the Growth Management and the R/O should maintain these receipts (one the original and the other a copy).</p> |
| <p>7.</p> | <p>Information Processing</p> | <p>For purposes of this audit, this control category is divided into two separate groups: (A) controls performed internally by Revenue Office staff and (B) controls performed by other City departments/offices, both of which are designed to ensure proper processing and deposit of funds by the Revenue Office. Within this audit those controls will be called “internal process controls” and “external process controls.”</p> <p>Within those two categories the following controls were in place:</p> <p>SUBCATEGORY A - INTERNAL PROCESS CONTROLS:</p> <ul style="list-style-type: none"> ✓ Individual cashiers reconcile/balance their daily collections to what they record in the cashiering system (CORE). ✓ R/O closing supervisors reconcile each cashier’s daily collections to amounts recorded by the cashiers in the cashiering system (CORE). ✓ Collections transferred daily to the R/O (Renaissance Building) from the satellite office in City Hall are verified to the accompanying manual records showing amounts to be transferred. ✓ Collections of utility turn-on fees transferred daily to the R/O from TPD are verified to (1) the records of those fees as prepared by TPD staff collecting the fees and (2) a separate record of utility turn-on actions prepared by Utility Business and Customer Services staff. | |

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| | | <ul style="list-style-type: none"> ✓ R/O supervisors reconcile amounts recorded daily as utility collections in the PeopleSoft CIS to daily utility collections recorded in the CORE cashiering system. ✓ R/O staff reconciles amounts turned in daily by Growth Management staff to the accompanying Growth Management report of collections as recorded in the PETS. ✓ In regard to occupational business license revenues: <ul style="list-style-type: none"> - The R/O closing supervisor reconciles collections recorded daily in the CORE cashiering system to the occupational business license database “daily report of posted payments.” - R/O staff reconciles collections in the CORE cashiering system and the occupational business license database to collections recorded in PeopleSoft Financials on an on-going basis. - R/O management reconciles collections in the CORE cashiering system and the occupational business license database to PeopleSoft Financials on an annual basis. ✓ R/O supervisors total parking tickets paid at the R/O office and compare those totals to amounts recorded in the CORE cashiering system for those collections. ✓ In regard to parking meter collections: <ul style="list-style-type: none"> - R/O staff and supervisors compare weights of collected coins determined upon initial dates of collection to weights of coins subsequently processed for deposit. - R/O supervisors reconcile amounts on records generated by the money counting machine to amounts manually recorded by counting staff. - R/O supervisors reconcile amounts recorded in the CORE cashiering system to amounts recorded in the parking meter ACCESS database. | |
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| | | <ul style="list-style-type: none"> - R/O management reconciles/compares annual parking meter collections processed and deposited by the R/O to parking meter collections as determined by the parking meter software managed and maintained by the Public Works Meter Shop. <i>(However, see related risk identified below.)</i> ✓ Payments made by credit and debit card for selected City services (Star Metro passes, Parks and Recreation registrations, lien searches) through established websites and reported by the City’s contracted vendors are reconciled by R/O staff to independent third party reports showing accepted payments. ✓ Checks and other negotiable instruments processed by R/O cashiers are totaled and compared to (1) CORE cashiering system summary reports and (2) totals summed and processed by the RP Solutions application that processes those checks for electronic deposit into the City’s bank account. ✓ Checks and other negotiable instruments electronically deposited through the RP Solutions application are verified to bank confirmations indicating the amounts deposited. ✓ R/O supervisors reconcile collections for issuance of loading zone permits as recorded in separately maintained database to collections recorded in PeopleSoft Financials (general ledger system). ✓ The R/O established and implemented an “automatic deposit verification process” whereby deposited revenues reflected in the City’s CORE cashiering system are automatically matched to deposit information uploaded by the bank. Collections matched by this process are recorded in the City’s general ledger system (PeopleSoft Financials). ✓ R/O closing and opening supervisors verify reports of voided transactions reflected in both the PeopleSoft CIS (utility payments only) and CORE cashiering system (all revenues) to appropriate evidence substantiating and justifying the voids. | |
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| | | <p>SUBCATEGORY B - EXTERNAL PROCESS CONTROLS:</p> <ul style="list-style-type: none"> ✓ <u>Accounting Services</u> – reconciles collections recorded in PeopleSoft Financials (general ledger) based R/O operations to collections reported as deposited by the bank (i.e., bank statement reconciliation). <i>(However, see related risk identified below.)</i> ✓ <u>Accounts Receivable Section</u> – reconciles receipt of billed amounts as reported in manual reports prepared by the R/O office to collections posted in PeopleSoft Financials (general ledger). ✓ <u>Utility Accounting (part of UBCS)</u> - reconciles utility collections reflected in PeopleSoft Financials (general ledger) to utility collections recorded in the PeopleSoft CIS system. ✓ <u>Public Works Meter Shop</u> – reconciles/compares collections reported by the R/O as recorded in PeopleSoft Financials (general ledger) to parking meter collections reflected by the separate parking meter software applications maintained by the Meter Shop. <i>(However, see related risk identified below.)</i> <p>Risks were identified for which improvements are recommended. Those risks related to reconciliations by City departments and offices other than the R/O (see Subcategory B above).</p> <p><u>Background.</u> One of the more important controls to ensure City revenues are properly received and deposited involves reconciliation processes performed by City departments and offices <u>other than</u> the R/O. As one example, City departments that administer revenue generating activities and programs, but do not collect those revenues, are in a position to compare what should be collected and deposited based on their systems (external to the R/O) to what was actually collected and deposited by the R/O. This type of control is noted above, where Utility Accounting reconciles collected revenues recorded in the City’s general ledger based on transactions executed and recorded through R/O operations to what the PeopleSoft CIS reflects was received as utility revenues. As another example, the Public Works Meter Shop can compare what was collected and deposited by the R/O to what their parking meter software shows should have been collected and deposited. A different example</p> | |
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| | | <p>involves reconciliations by Accounting Services of what the bank shows as collected and deposited to what the City’s general ledger shows was deposited based on transactions executed and recorded through R/O operations. Each of these examples serves to help ensure the R/O properly processes and deposits City revenues.</p> <p>As described above, several such “external reconciliations” are performed. We identified where some of those reconciliations should be enhanced and other areas where additional reconciliations are warranted. Specifically:</p> <ul style="list-style-type: none"> ◆ <u>Risk #1</u> – There was no reconciliation by the Growth Management Department (GM) of building and environmental permit collections, received and recorded by GM staff in PETS and subsequently transferred to the R/O for processing and deposit, to collections recorded in the City’s general ledger based on R/O actions. If performed, such reconciliations would serve to ensure the R/O properly processed and deposited those collections. ◆ <u>Risk #2</u> - There was no reconciliation by UBCS of parking ticket collections recorded as collected in the parking ticket database to parking ticket collections recorded in the City’s general ledger based on R/O actions. If performed, such reconciliations would serve to ensure the R/O properly processed and deposited those collections. ◆ <u>Risk #3</u> - There was no reconciliation by TPD of fees that should have been collected and deposited based on taxi cab permits issued by TPD staff to collections for those permits recorded in the City’s general ledger based on R/O actions. If performed, such reconciliations would serve to ensure the R/O properly received, processed, and deposited those collections. | <p>We recommend that independent reconciliations as described be performed by GM staff. (NOTE: An efficient method and process for conducting such reconciliations was developed and presented to GM staff during the audit. In our follow up engagements for this audit we will address GM’s use of that process.)</p> <p>We recommend that independent reconciliations as described be performed by UBCS staff. (NOTE: An efficient method and process for conducting such reconciliations was presented to UBCS staff during the audit. In our follow up engagements for this audit we will address UBCS’s use of that process.)</p> <p>We recommend that independent reconciliations as described be performed by TPD staff.</p> |
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| | | Accounting Services management indicated the delay in completing timely reconciliations was primarily attributable to employee transition issues (i.e., the retirement of knowledgeable staff that had performed those reconciliations and on-going efforts to train staff reassigned to that function). Notwithstanding, performing complete and timely bank statement reconciliations is critical to the usefulness of that process. | |
| 8. | Documentation | <p>The following controls were in place:</p> <ul style="list-style-type: none"> ✓ Adequate forms and records (manual and computer/electronic) were established and maintained to provide an accurate accounting and tracking of revenue collections. ✓ Comprehensive written policies were established, maintained, and made available to applicable staff. Those policies address the receipt, processing, recording, and deposit of revenues and receipts by the Revenue Office. <p>No risks were identified in this control category.</p> | |

Table Legend:



Activities increased assurance that collected funds items were properly received, processed, safeguarded, accounted for, and deposited.



Identified risks for which certain enhancements and/or improvements are needed.

Note (1): Applicable Control Activities determined from INTERNAL CONTROL GUIDELINES - Administrative Policies and Procedures No. 630, Section .09, Part III.

| Appendix 2 - Action Plan | | | |
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| Action Steps to be Completed | | Responsible Employee | Target Date |
| A. Objective: Ensure controlled access and proper accountability | | | |
| 1. | The remaining electronic system access permission for the applicable employee noted in the audit report will be changed so that employee will no longer have unescorted access to the vault. | Jennifer Whittaker | 6-30-2012 |
| 2. | Documented management approval will accompany all subsequent requests sent to Facilities Management for changes to electronic access permissions. | Revenue Office Administrator (Note 1) | As needed (Note 2) |
| 3. | Keys to the City Hall drop box will be stored in a secured location, accessible only by authorized staff. | Jim Cooke | 6-30-2012 |
| 4. | Cashiers will lock their cash drawers when temporarily away from their work stations, and cashiers will be instructed to place the keys in a secured location with the Cashier Supervisor when temporarily away from their work stations. | Kim Connell | 6-30-2012 |
| 5. | The door to the mail room will be locked when that room is not attended by authorized staff. | Melinda Blanton | Completed 3-6-2012 (Note 3) |
| B. Objective: Ensure adequate management and oversight | | | |
| 1. | Efforts will be made to timely hire a new Revenue Office Administrator. | Jim Cooke | 6-30-2012 |
| C. Objective: Ensure adequate segregation of employee duties or compensating controls | | | |
| 1. | Reports documenting all changes to previously recorded collection activity will be generated and reviewed (i.e., by staff other than closing and opening supervisors), with discrepancies reported directly to Revenue Office management and UBCS management for their review. That management staff will review those reports to ensure the propriety and reasonableness of those changes. Questionable and/or unsupported changes will be investigated. | Sharon Jeter Jennifer Whittaker Matt Matherne | 6-30-2012 |

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| 2. | The Revenue Office Administrator will review, for propriety and reasonableness, voided transactions, database adjustments, and related reconciliations pertaining to business tax and loading zone permit collections. | Revenue Office Administrator (Note 1) Jennifer Whittaker | 6-30-2012 |
| 3. | Accounting Services will no longer accept checks and other negotiable instruments. Instead, individuals will be instructed to remit checks and negotiable instruments to the Revenue Office (either at the Renaissance Building or the City Hall satellite office). Any checks or negotiable instruments inadvertently sent to Accounting Services will be immediately transferred to the Revenue satellite office in City Hall. Individuals/entities that have traditionally sent their payments (checks/negotiable instruments) will be instructed to send their subsequent payments directly to the Revenue Office. | Rick Feldman | 4-30-2012 |
| D. Objective: Ensure adequate and appropriate physical controls | | | |
| 1. | A surveillance camera will be installed to monitor the lock box located on the north side of City Hall. | Jennifer Whittaker | 6-30-2012 |
| 2. | Real-time (live) feed of all surveillance cameras monitoring Revenue Office locations and activities will be provided to TPD. | Jennifer Whittaker Greg Frost | 6-30-2012 |
| 3. | TPD will be provided a restrictive endorsement stamp to use for checks and negotiable instruments collected for utility turn-ons. | Jennifer Whittaker | Completed 3-6-2012 (Note 3) |
| 4. | Updated restrictive endorsement stamps reflecting the current name of the City's bank will be obtained and provided to applicable City departments and offices. | Jennifer Whittaker | Completed 3-6-2012 (Note 3) |

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| 5. | Efforts will continue to revise the RP Solutions application such that complete and legible restrictive endorsements can be placed on checks and other negotiable instruments processed through that application. <i>(The Treasurer-Clerk indicated a determination has been made that it is not practicable with the current hardware and software to add a legible endorsement containing the City's bank and bank account. However, the Treasurer-Clerk indicated efforts will continue to place complete and legible endorsements on negotiable instruments as future system upgrades are made.)</i> | Revenue Office Administrator (Note 1) Francine Francis | Completed 3-6-2012 |
| E. Objective: Ensure proper execution of transactions and events | | | |
| 1. | When City efforts to recover funds for returned non-utility items are not successful, UBCS will submit those items to the City's contracted collection agent for additional collection efforts. | Rhonda Reaves-Smith | 1-1-2013 |
| 2. | ISS will bill the County for its share of costs for services provided by Accela, Inc. in a timely manner. | Glenda Myers | Upon receipt of next applicable Accela, Inc. invoice |
| F. Objective: Ensure proper recording of transactions and events | | | |
| 1. | Transfer receipts will be prepared and signed to document the daily transfer of checks and negotiable instruments from the Growth Management Department to the Revenue Office. Both the Growth Management Department and Revenue Office will retain those receipts (e.g., one a copy and the other the original) in accordance with City record retention requirements. | Cindy Dickinson Doug Moore | 6-30-2012 |
| G. Objective: Ensure adequate "external processing controls" | | | |
| 1. | Growth Management staff will have processes in place that verify collections remitted daily to the Revenue Office are properly recorded and reflected in the PeopleSoft Financials System. | Doug Moore | 4-30-2012 |

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| 2. | UBCS staff will use the developed method to verify parking ticket collections reported by the Revenue Office and recorded in the parking ticket ACCESS database are properly and accurately reflected in the PeopleSoft Financials System. | Rhonda Reaves-Smith | 4-1-2012 |
| 3. | TPD will verify that fees that should have been collected for issued taxi cab permits are properly reflected as recorded revenue collections in the PeopleSoft Financials System. | Greg Frost | 3-31-2012 |
| 4. | An appropriate Public Works supervisor will independently compare parking meter collections reflected by the parking meter application to parking meter collections recorded in the PeopleSoft Financials System. Records used in those comparisons will be obtained independent of staff within the Meter Shop and Revenue Office. Any unreasonable or significant differences will be reviewed and investigated. Also, the appropriate Public Works supervisor will ascertain if there are any unexplained or unreasonable changes to the parking meter application, such that data from that system could have been intentionally manipulated. | Greg Wilkerson | 6-30-2012 |
| 5. | Accounting Services will complete necessary training to ensure timely reconciliations of collections (and disbursements) per the bank statement to recordings reflected in the City's general ledger (PeopleSoft Financials). | Rick Feldman | 4-30-2012 |

Note 1: The Revenue Office Administrator position is currently vacant.

Note 2: Action will commence upon next request for changes to electronic access permissions.

Note 3: Action plan step completed as of indicated date per Treasurer-Clerk. Completion will be verified during the audit follow-up process.