

Processing of Revenue and Cash Receipts Review

August 2018



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Today's Purpose

- Share an update with the Board on cash management and oversight efforts since September 2017
- Share with the Board the results of the Agreed Upon Procedures (AUP) performed on the processing of revenue and cash receipts to include:
 - Goals of the AUP
 - Overview of work performed
 - Results and planned actions
 - Other improvements made to date

2017 Recap

- ✓ Finance emphasized cash handling roles and responsibilities to personnel at cash collection sites
- ✓ County implemented a Fraud, Waste & Abuse Awareness Policy to raise awareness of fraud and how to report suspected fraud
- ✓ Over 750 employees attended in-person training to review cash handling policies and procedures
- ✓ Finance established dedicated email account to quickly address cash handling questions
- ✓ Engaged external auditors to observe and report on procedures and controls at cash collection sites through Agreed Upon Procedures

What are Agreed-Upon Procedures (AUP)?

- *The independent accountant is engaged to:*
 - Perform specific procedures on given subject matter, and
 - Issue a report of findings based on the procedures performed
- *The procedures to be performed are:*
 - Based on the needs of the client, and
 - Are agreed to in writing by the client and the accounting firm
- *The accountant's report:*
 - Should be in the form of procedures and findings
 - Should *not* express an opinion or limited assurance

From: AT Section 201

County's Goals for the Engagement

1. Understand System Resource Needs
 - Use AUP as a tool to understand existing resources
 - Further define scope requirements and prioritize use of CIP funds
2. Assess and Improve Training
 - Use AUP to assess the effectiveness of in-person training
 - Revise and relaunch training to fill in the gaps identified
3. Ensure Adherence to Policies and Procedures
 - Use AUP to benchmark activities to policies, procedures, and best practices
 - Improve reporting and monitoring, standardize procedures, document processes
4. Develop Audit Plan
 - Prioritize and develop 3-year rotation of cash collection site reviews based on risk assessment

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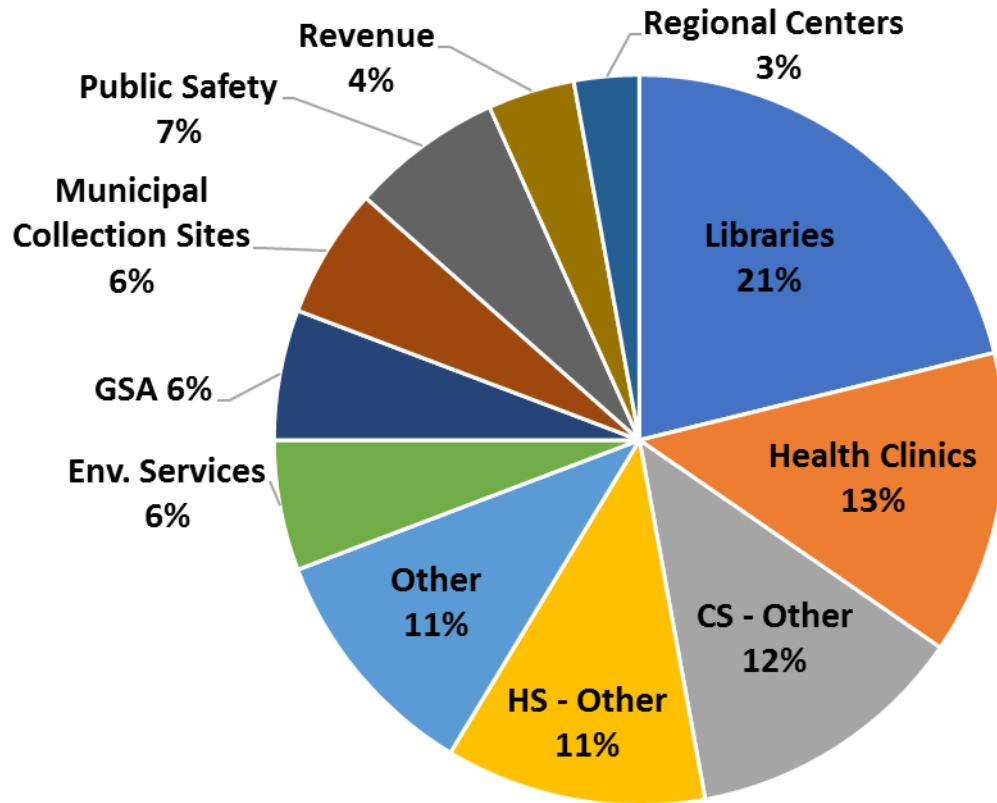
Results, Actions Taken, and Actions Planned

Summary of Work Performed

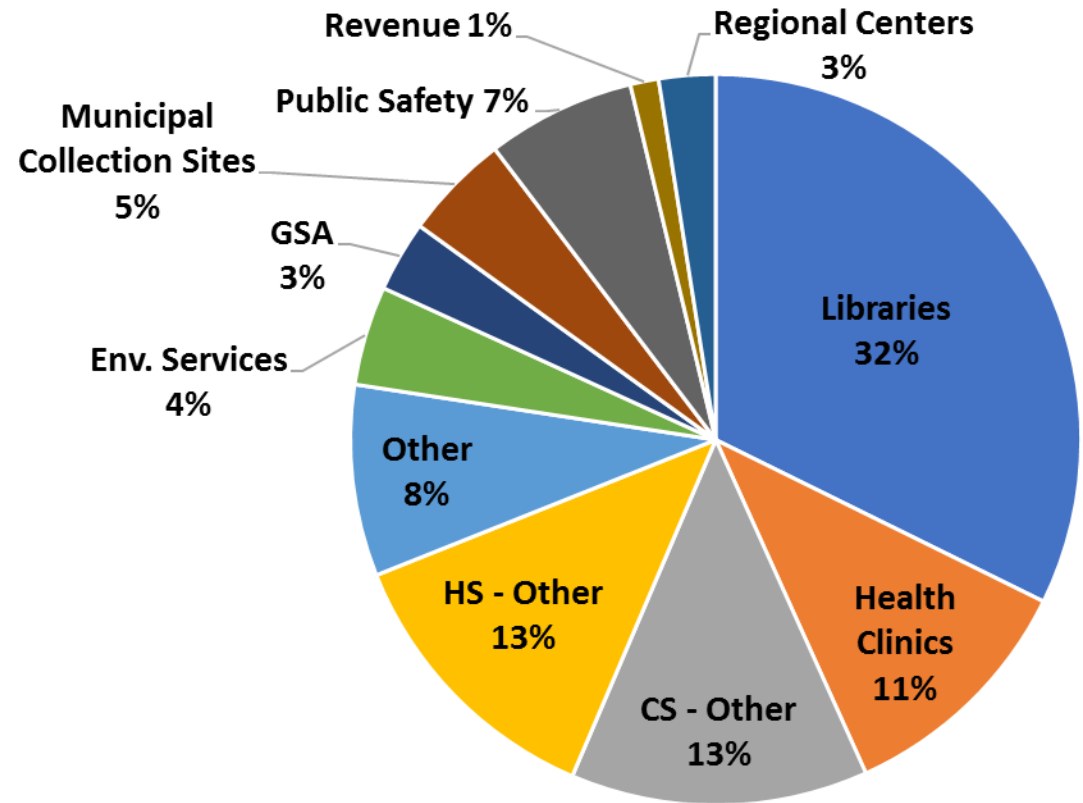
- Period under review: **July 1, 2017 to November, 30 2017**
- Review work performed: **December 2017 to June 2018**
- Sites reviewed: **104**
- Sites where County Finance staff participated: **35**

More Service Sites = More Findings

Site Breakdown



Findings Breakdown



Results Overview

- Results categorized into 13 finding areas
- For each finding area will:
 - Summarize the condition
 - Identify number of sites where findings were noted
 - Discuss actions taken to date and actions planned to address the finding

Finding #1: Use of Sub-ledgers to Reconcile Collections

Condition and Sites

Sub-ledger (cashiering system) is not in place, and the record of transaction occurring at the site is limited to bank deposits.

53 sites noted

Actions Taken

FY 2020 CIP includes a placeholder toward implementing automated solutions.

Finance and other departments researching potential product solutions.

Actions Planned

Utilize information from AUP to further define requirements and prioritize sites to implement automated solutions (Spring 2019).

Finding #2: Revenue Reconciliation Process

Condition and Sites

While a sub-ledger is in place, transactions per the sub-ledger are not being compared to the sites daily bank deposits.

34 sites noted

Actions Taken

Implementation of the Land Development System eliminates this finding for Planning and Inspections Services.

Provided Sunnybrook deposit preparer reporting access to sub-ledger systems.

Community Services developed online cash reporting tool for libraries.

Actions Planned

Work with remaining sites to implement recommended procedures or document approved alternate process (ongoing).

Finding #3: Transaction Approval

Condition and Sites

Cashiers have the ability to record items such as voids, zero-charge transactions, fee waivers, refunds, and other adjustments without documented approval from a designated supervisor.

46 sites noted

Actions Taken

Libraries designated manager on duty with responsibility to approve these adjustments.

Implementation of the Land Development System eliminates this finding for Planning and Inspections Services.

Actions Planned

Work with remaining sites to ensure designated supervisor is aware of responsibility.

Determine best method to document approvals for remaining sites.

Finding #4: Reconciliation Oversight

Condition and Sites	Actions Taken	Actions Planned
<p>There is not an effective periodic review and approval of the reconciliation process by County personnel other than the site employee.</p> <p><i>6 sites noted</i></p>	<p>Implementation of the Land Development System eliminates this finding for Community Services and Environmental Services.</p>	<p>Meet with remaining sites to review and improve current processes (ongoing).</p>

Finding #5: Access to Cash on Hand

Condition and Sites

Insufficient restrictions surrounding access to cash storage units including safes and cash drawers.

48 sites noted

Actions Taken

Sites changed safe combinations; rekeyed cash drawer locks; and began utilizing tamper-evident deposit bags.

Actions Planned

Continued monitoring of sites where shared cash drawers are used.

Assist departments as needed on maintaining safety of cash at all times.

Work with non-County entities to ensure contractual enforcement of policy.

Finding #6: Cash Limits

Condition and Sites

Site retained cash balances on hand overnight in excess of \$250, and weekly or monthly deposits were not taking places as required per policy.

13 sites noted

Actions Taken

Finance developed an automated reporting process to verify locations are making deposits per policy.

Supportive Housing program deposits picked up by courier to ensure timely deposit.

Actions Planned

For remaining sites, determine best methods to ensure timely deposits and periodically review for compliance (ongoing).

Work with non-County entities to ensure contractual enforcement of deposit policy.

Finding #7: Saleable Inventories

Condition and Sites

Blank certificate stock not tracked and logged, sale of certificates not reconciled to bank deposits. Access to inventory is not restricted to designated personnel.

3 sites noted

Actions Taken

New vital records system procured.

Actions Planned

Implement new vital records system and work on specifications for tracking and reconciliation processes within new system (2018-2019).

Finding #8: Segregation of Duties

Condition and Sites

Reconciliation of sub-ledger receipts to the daily deposit is being conducted by same individual performing the cashiering function.

26 sites noted

Actions Taken

Actions Planned

Work with sites to ensure independent staff member is reconciling revenues or verifying the reconciliation.

Segregate other cash collection responsibilities to the maximum extent possible.

Investigate use of online payments, where possible.

Finding #9: Timely Recording of Collections

Condition and Sites

Posting of revenue collections to County's general ledger system may be delayed up to 15 days from the date of deposit.

43 sites noted

Actions Taken

Finance developed an automated reporting process to verify locations are recording deposits per County policy, 3 days. Finance works with departments if issues are found.

Actions Planned

Continue to periodically review for compliance.
Work with departments to streamline and document processes for remote sites submitting information to central office for recording in general ledger system (ongoing).

Finding #10: Timely Deposit of Collections

Condition and Sites

Pre-payments received for future services are not being deposited in a timely manner and refunds are not being processed through Finance.

1 site noted

Actions Taken

Actions Planned

Work with site to adjust business processes, such as online registration and payments (in process).

Finding #11: Restrictive Endorsement of Checks

Condition and Sites

Checks are either not restrictively endorsed for an extended period of time or are being processed without endorsement.

33 sites noted

Actions Taken

Ordered restricted check endorsement stamps for sites, as needed.

Actions Planned

Continue to periodically review for compliance.
Document approved alternative processes (remote deposit or check scanning technologies) and update policies as needed (Fall 2018).

Finding #12: Check Log

Condition and Sites

A listing of payments received via mail is not being maintained to document the source or identify the employee responsible for opening mail.

8 sites noted

Actions Taken

Finance developed check logs to be used for payments received via mail or from other departments for which they process payments.

Actions Planned

Work with remaining sites to implement improved procedures for payments received via mail (2018-2019).

Finding #13: Number of Collection Sites

Condition and Sites

Certain departments and offices are receiving and handling payments that should be remitted directly to Finance.

5 sites noted

Actions Taken

Finance now bills and directly receives payments for Workforce Development.

Some Fire Services fees are now billed and collected through the Land Development System.

Actions Planned

Work with management to centralize collection of miscellaneous receipts to the extent practical.

Work with vendors and customers to improve routing of receipts to appropriate locations.

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Next Steps

2018-19 Focus on Application and Training

- As issues were identified during the review, Finance and Internal Audit staff began working with departments to improve processes
- Relaunched training in e-learning format to all existing employees and assign to new employees with cash handling roles and responsibilities
- Finance and Internal Audit Will Continue To:
 - Correct findings by applying applicable policies and procedures or identifying alternate compensating controls based on site resources
 - Meet with departments and County management to collaborate on planned improvements and modernization
 - Provide recommendations for use of CIP dollars for automated solutions

Support for Additional Oversight

Revenue Manager Position

- Approved with FY 2019 budget (recruitment underway)
- Provides dedicated resource for oversight of and improvements to cash handling and revenue management
- Results of AUP will shape work plan and prioritize activities

FY 2019 Internal Audit Plan

- Use AUP results to finalize cash audit plan
- All cash collection sites will be audited at least every 3 years
- Work collaboratively with Finance and other departments to modernize business systems

County Further Mitigates Risks by Reducing Access to Cash

Credit Card Functionality

- Register of Deeds (vital records)
- Animal Control (online donations)
- Human Services Pharmacy system upgrade
- Finance
- Land Development System (planning, permitting, inspections, and fire services)

Remote Safe Legislation

- Statutory authority granted June 2018
- Functionality potentially can be used at sites to:
 - Reconcile revenues in a timelier manner
 - Reduce opportunities for human error or cash misappropriation
 - Reduce courier fees

AUP Engagement Process – Elliott Davis

- Inspected the responses to the questionnaire as an initial assessment of the site
- Visited each site to review the questionnaire with the preparer and obtain clarification of responses
- Interviewed key employees regarding their roles and responsibilities as they relate to cash handling
- Observed selected transactions with employees for comparison to questionnaire responses
- Noted inconsistencies that were observed in comparison to County policy and questionnaire responses

AUP Engagement Process – Elliott Davis

Sampled daily deposits and observed supporting documentation for indication of compliance with County policy

Documentation observed included receipts, general ledger details, reconciliations to deposits, supply access logs, and bank records

Conducted status meetings with the Finance Department that included reviewing findings as they were identified

Reported findings as reflected in our AUP report and Management letter

Strategies Moving Forward

Modernize

Prioritize and recommend cashiering systems and system improvements (Spring 2019).

Update policies and procedures where needed (Fall 2018).

Centralize

Provide oversight via Revenue Manager and ongoing Internal Audit cash collection audits (2018-2019).

Collaborate with departments to standardize procedures in accordance with policies (2018-2019).

Reduce

Continue focus on training and awareness to mitigate risks (ongoing).

Implement available technologies to reduce cash handling (ongoing).