

Wake County Processing of Revenue and Cash Receipts Report

Introduction

The Wake County Finance Department, Internal Audit, and County Manager's Office staffs devoted considerable time and resources during FY 2018 to understanding and improving cash collection and revenue management processes across County government. Initial actions included conducting in-person training for approximately 750 County employees; establishing a dedicated email account for cash handling questions; and implementation of a Fraud, Waste, and Abuse Awareness policy.

Following the conclusion of the FY 2017 annual audit, Finance and Internal Audit, with the support of County management, engaged the firm of Elliott Davis to conduct a series of agreed-upon procedures (AUPs) to further assess the soundness of activities at all cash collection sites. From the period of December 2017 to June 2018, Elliott Davis staff visited 104 sites and conducted testing on transactions that occurred at those sites between July 2017 through November 2017.

The goals of the Agreed-Upon Procedures for Finance and Internal Audit were to:

1. Understand System Resource Needs – Finance already was aware that several departments were using manual systems to record and process payments. Finance requested a placeholder in the FY 2020 CIP to begin funding new systems, system improvements, or other solutions. The findings of the AUPs will aid Finance in further defining these requirements and identifying priority areas.
2. Assess and Improve Training –To assess the effectiveness of the in-person training conducted in the Fall, Finance used feedback and findings from the AUPs to adjust or clarify information in the training and launched the revised training in Spring 2018. All employees responsible for or who supervise those with cash handling activities (approximately 800) were again required to take the training. All new employees with cash handling roles are required to successfully complete the training prior to working with County funds.
3. Ensure Adherence to Policies and Procedures – The AUPs benchmarked cash collection site activities against policies, procedures, and/or best practices. The findings of the AUPs will aid Finance in ensuring policies and procedures are being followed. Improved oversight activities to date include, but are not limited to:
 - a. Increased monitoring of deposit activities through enhanced reporting to ensure all locations are making and recording deposits per County policy. Increased monitoring allows Finance staff to more quickly identify and resolve issues.
 - b. Development of standardized receipting procedures for 11 collection sites whose collections are brought to the Finance Department for processing and deposit.
 - c. Draft updates to the cash collection policies and procedures to document use of more modern or alternate control procedures, as applicable.

Additional improvements related to compliance with policies and procedures are noted in the responses to the findings.

4. Develop Audit Plan – The information and findings coming from the AUPs would allow Internal Audit to prioritize and finalize a specific audit plan for Fiscal Year 2019. Internal Audit will develop a three-year rotation of cash collection site reviews based on a County-wide risk assessment. The audit plan will be reviewed and adjusted as needed.

Improvements Underway

While the work of the external auditors was ongoing, Finance Department and Internal Audit staff began working with County departments to implement improvements, including:

- Implementation of accepting in-person or online credit card payments at the Register of Deeds, Animal Control (for donations), Human Services Pharmacy, Finance, and the new Land Development System. This reduces the amount of cash and checks processed at these locations.
- Implementation of the Land Development System, under the direction of Information Services, Community Services, and Environmental Services. This new system, which launched in July, improves the transaction approval, revenue reconciliation, and deposit recording processes for all County services utilizing this system.

Finance and Internal Audit staff joined the external auditors on 35 of the site visits. These visits provided Finance staff an increased understanding of revenues and collection processes throughout the County. Much of the data collected during these visits will shape the work of the new Revenue Manager position approved in the FY 2019 budget (recruitment for which is underway). This position will work to ensure departments follow cash collection policies and procedures as well as centralize our revenue and cash management processes, where feasible.

Finally, Finance and Internal Audit staff worked with the County's legislative liaison to get passage of remote safe legislation for Wake County and all municipalities within the County. This functionality can potentially be used at sites with large cash deposits to reconcile revenues in a timelier manner as well as reduce human error, opportunities for cash misappropriation, and cash handling costs.

Responses to Findings for Processing of Revenue and Cash Receipts

Wake County management appreciates the assistance of Elliott Davis in reviewing the County's cash collections sites. The information gathered, and the results iterated in their report will aid County leadership to minimize risk related to cash and revenue management. Where applicable, compensating controls will be implemented in instances where technological changes or adding resources are costlier than the benefit derived from the changes.

Finding #1 – Use of Sub-ledgers to Reconcile Transactions

The Finance Department will work with County departments to assess and recommend cost-effective solutions to implement automated cashiering system throughout the County. Recognizing this finding prior to the start of work by the external auditors, the FY 2020 CIP already includes a placeholder toward implementing a solution(s).

Community Services: Cash registers utilized by libraries currently are not integrated with the library management system. Community Services administrative and library staffs will work with the Finance Department to review options to integrate receipting functions with the library management system.

Human Services: The Finance Department and Internal Audit also will work with Human Services financial staff to implement solutions to resolve or mitigate this finding. Establishing one cashiering system for all Human Services locations is not practical or cost effective. Solutions to be considered include a combination of changing business practices, implementing cashiering systems, and/or accepting electronic payments.

Finding #2 – Revenue Reconciliation Process

The Finance Department and Internal Audit are working with management of the sites noted to implement the recommended revenue reconciliation wherever possible or document an approved alternate process.

Finding #3 – Transaction Approval

Finance and Internal Audit is working with management of the sites noted to review functionality within their respective sub-ledgers and/or modify procedures to strengthen internal controls.

Community Services: For the libraries, Community Services leadership recently changed the organizational structure to designate a manager on duty to be responsible for approving adjustments, voids or refunds. By establishing responsibility and an approval process, Community Services and the libraries are making changes to enhance adequate segregation of duties and good internal controls.

Human Services: Enhancements to existing sub-ledger/cashiering systems are needed within Human Services clinics to record transaction approvals within the patient care management system (PCMS). Internal Audit will work with Human Services Information Services Division to determine the best approach to document approvals within PCMS and establish adequate segregation of duties.

Finding #4 – Reconciliation Oversight

The Finance Department and Internal Audit are working with management of the sites noted to implement reconciliation processes at collection sites to establish adequate reconciliation oversight processes. Upon completion of validation process, departments will submit reports to Finance monthly at a minimum or as agreed upon.

Finding #5 – Access to Cash on Hand

During the 2018 fiscal year, changes were made to limit access to cash. Examples of the changes that were implemented include: changing safe combinations; rekeying cash drawer locks; utilizing tamper evident deposit bags; establishing responsibilities for lead cashiers; and additional training.

The majority of collection sites related to this finding are Community Services and Human Services locations. Shared cash drawers are used at these locations due to the business need of limiting the number of change funds. County management will continue to review and assess the risk and cost benefit derived from using shared cash drawers.

Finding #6 – Cash Limits

The Finance Department and Internal Audit are working with the identified sites to ensure timely deposits in accordance with County policy. Three of the sites are non-County entities collecting money on behalf of the County, and therefore, changes will need to occur through contract enforcement procedures.

Finding #7 – Saleable Inventories

The Register of Deeds Office is acquiring a new vital records point-of-sale system and will work with the vendor to allow for reconciliation using an automated report.

Finding #8 – Segregation of Duties

The Finance Department and Internal Audit are working with identified sites to ensure an independent staff member is performing or reviewing the reconciliation of the sub-ledger system to collections and that other cash collection duties are segregated to the maximum extent possible.

Finding #9 – Timely Recording of Collections

The lag time in recording of receipts predominantly occurred at parks, libraries, and other remote collection sites where transaction information is reported to a central office for recording in the general ledger system. The Finance Department and Internal Audit are working with staff within the central offices of these departments to streamline business processes and improve recording timeliness.

Finding #10 – Timely Deposit of Collections

The Finance Department and Internal Audit will work with management of the site noted to adjust business processes so that prepayments for services can be deposited timely.

Finding #11 – Restrictive Endorsement of Checks

The Finance Department and Internal Audit are working with management of the sites noted to reduce the time lag between receipt of checks and restrictive endorsement or document an approved alternate process. The County will consider the cost/benefit of procedure changes since some current procedures are the result of automating the deposit process, which improves or mitigates other risks.

Finding #12 – Check Log

The Finance Department and Internal Audit has worked or will work with management of the sites noted to implement improvements in logging of checks received in the mail.

Finding #13 – Number of Collection Sites

The Finance Department will work with management to centralize collection of receipts to the extent that centralizing the processing of such receipts remains efficient and timely for all departments.