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CHESTERFIELD COUNTY
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FY19 Revenue Collection Points

March 12, 2020

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FY19 Revenue Collection Points

Highlights

Petty Cash, Change, and Consumer Funds

All departments with petty cash and change funds are required to submit fiscal year-end confirmations to Accounting. No exceptions were noted for tested departments (WARR, Library, and Parks and Recreation). We also tested MHSS group home medication compliance and controls over consumer funds without exception.

Commendation: Tested departments complied with policies and procedures.

Accounts Receivable

Countywide policy implemented in 2014, established best practices for non-tax accounts receivable, which includes delinquent accounts receivable referral to the Treasurer's Debt Collection Division (DCD). However, Accounting remains the only department that refers debts to DCD. We noted other policy compliance exceptions for tested departments regarding procedures documentation, late payment penalty, accounts receivable reconciliations, aging schedules, write-offs, and discharging debts.

Recommendation(s): Accounting work with the Treasurer and County revenue collecting departments to implement Treasurer's DCD process countywide for delinquent accounts. Accounting consider policy updates to raise \$30 DCD account referral threshold and require departments confirm policy compliance. Tested departments (WARR, Library, and Parks and Recreation) address noted policy compliance exceptions.

Cash Receipting and Other Transactions

The annual budget identifies departments with revenue responsibilities. However, a comprehensive list of collection points does not exist. We tested three departments' cash receipt controls and processing accuracy without exception. However, two departments (WARR and Library) with addendum procedures to handle special cash receipting situations did not have documented Accounting and Treasurer approval.

Recommendation(s): County Administration coordinate effort to create and maintain a comprehensive list of collection points. Accounting implement process for retaining department cash receipt procedures approval. WARR and Library address noted policy compliance exceptions.

Point of Sale Systems

There is no list identifying County department cash collection points equipped to accept card payments, which could be used to monitor PCI compliance. Also, County policy does not require departments annually verify third-party PCI compliance assessments with payment processing vendors. Library confirms third-party vendor PCI compliance assessment annually; however, WARR and Parks and Recreation do not.

Recommendation(s): County Administration coordinate with key stakeholders to develop policy requirement for departments accepting card payments to confirm PCI compliance at least annually. WARR and Parks and Recreation implement processes to confirm third-party vendor PCI compliance.

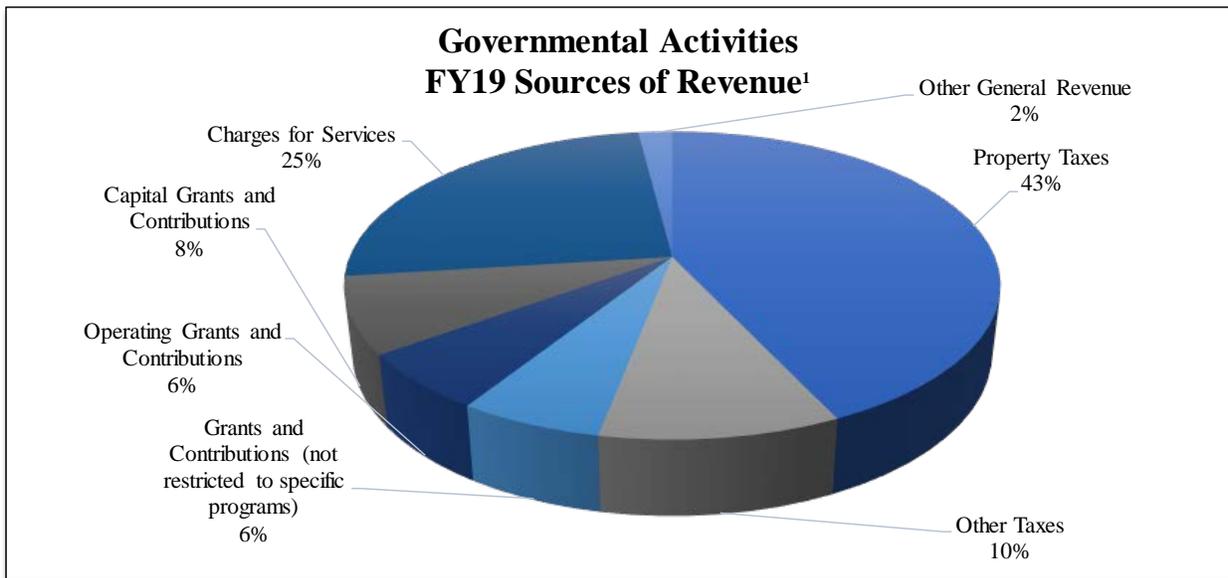
Management concurred with 14 of 14 recommendations detailed in the report to be implemented from March 31, 2020 to June 30, 2021. Internal Audit performs annual follow-up with management to confirm implementation status.

INTRODUCTION

BACKGROUND

The Revenue Collection Points audit was a regularly scheduled audit on the FY19 audit plan approved by the Audit and Finance Committees. This will be a recurring audit, with the purpose of regularly reviewing County and Schools non-tax revenues.

Our objectives and selection of departments will vary. For FY19, we reviewed non-tax revenues collected by various County departments. Non-tax revenues were 47% of FY19 governmental activities revenues.



¹Source: [FY19 Chesterfield County Comprehensive Annual Financial Report](#). Total fiscal year revenues for governmental activities were \$938,252,347.

We surveyed County and Schools departments regarding their cash receipt policy compliance and selected three departments for testing:

- WARR provides residents waste disposal and recycling options. FY19 revenues were approximately \$3,833,000, primarily recycling fees (\$1,933,000) and various landfill fees (\$1,896,000). Payments are accepted in-person at two convenience centers for residential waste disposal, and recycling fees are collected by the Treasurer’s office as part of the real estate tax invoice.
- Library’s system is used to monitor materials circulation and applicable charges and fees. FY19 revenues were approximately \$236,000, primarily fines (\$194,000 for late returns and material replacement) and printing charges (\$36,000). Payments are accepted by mail and in person at all branches.
- Parks and Recreation have a system to monitor facility and field rentals, and program and activities fees. FY19 revenues were approximately \$1,584,000 (excluding \$485,000 government aid), primarily tournament charges (\$426,000), rental fees (\$336,000), and instructional fees (\$325,000). Payments are accepted online, by mail, phone, and in-person.

We also evaluated:

- Petty cash and change funds controls across County and Schools.
- MHSS group home consumer fund and medication compliance.

OBJECTIVES

Objectives of the audit were to:

- Test revenues collected by selected departments for:
 - Internal controls over cash handling, receipt, void, and receivable processes.
 - Timely deposits.
 - Recording to proper general ledger accounts.
 - General ledger reconciliations.
 - Compliance with County administrative procedures.
- Test departments with petty cash and change funds for accuracy, completeness, and compliance with County Administrative Policies and Procedures.
- Test MHSS group home consumer funds for accuracy, completeness, and compliance with County Administrative Policies and Procedures.
- Test group home consumer medication is maintained in compliance with MHSS medication policies and procedures.
- Report results to County Management.

SCOPE

Our audit work covered FY19 and the current operating environment. We considered the following code, policies, and procedures during our audit:

<i>Accounting 1-7: Petty Cash Funds</i>	<i>Accounting 1-8: Cash Receipts</i>
<i>Accounting 1-9: Change Fund</i>	<i>Accounting 1-21: Non-Tax Accounts Receivable</i>
<i>MHSS General Operating Procedures</i>	<i>MHSS Management of Individual Funds Procedures</i>
<i>IST 7-1: Acquisition of Computer Equipment</i>	<i>IST 7-3 Information Security</i>
<i>Payment Card Industry (PCI) Data Security Standard (DSS) 3.2.1</i>	

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). 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. Lora Holland, Senior Auditor, and Sandra Fuentes, Staff Auditor, performed the audit work. Chesterfield County Internal Audit is a department within the organization of Chesterfield County/Schools.

METHODOLOGY

Detailed information regarding the methodology can be found in the individual findings listed in the report. Our methodology included the following:

- Obtaining information for departments that collect revenues for County and Schools.
- Testing sample of departments for compliance with County policies.
- Performing analytical reviews of petty cash and change fund accounts, and verifying funds were maintained in compliance with County policies.
- Verifying MHSS consumer funds and medication are maintained in accordance to procedure requirements.

INTERNAL CONTROL CONCLUSION

According to Government Auditing Standards, internal controls, in the broadest sense, encompass the agency's plan, policies, procedures, methods, and processes adopted by management to meet its mission, goals, and objectives. Internal controls include the processes for planning, organizing, directing, and controlling program operations. It also includes systems for measuring, reporting, and monitoring program performance. An effective control structure is one that provides reasonable assurance regarding:

- efficiency and effectiveness of operations;
- accurate financial reporting; and
- compliance with laws and regulations.

Based on the results and findings of the audit test work, auditors concluded that internal controls were in place, but not consistently followed which could impact their ability to assist management in meeting its missions, goals, and objectives. Recommendations specific to improving these controls can be found in detail further in the audit report.

CLOSING

We would like to thank Accounting, Budget and Management, Finance and Administration, WARR, IST, Library, MHSS, Parks and Recreation, and the Treasurer's Office for their cooperation and assistance during the audit.

FINDINGS, RECOMMENDATIONS, RESPONSES
Petty Cash, Change, and Consumer Funds
(Point Sheet 1)

CRITERIA:

County Administrative Policy Accounting 1-7: Petty Cash Fund and 1-9: Change Fund provide guidance on petty cash and change fund maintenance and monitoring.

Mental Health Support Services' Management of Individual Funds Procedure states that periodic audits are to be performed at each group home location to ensure compliance with requirements regarding maintenance of consumer funds.

Mental Health Support Services' General Operating Procedures outline proper storage of resident medication and maintenance of medical and personal documentation.

CONDITION(S):

Accounting controls petty cash and change funds across County and Schools. As of June 30, 2018, there were 44 petty cash funds (\$20,780) and 77 change funds (\$17,668). Auditor compared petty cash and change fund listings as of June 30, 2017 and 2018, noting changes for new and closed funds, amounts, and/or custodians. There were 24 custodian changes, and 13 fund amount changes (3 change and 10 petty). For these changes, we verified that departments completed and submitted the required Request/Change form documentation to Accounting without exception.

All departments with funds are required to submit fiscal year-end confirmations to Accounting. We selected three departments for testing (WARR, Library, and Parks and Recreation) and verified they had completed year-end confirmations for their respective petty cash and/or change funds. No exceptions noted.

We also conducted unannounced petty cash and change fund counts for three department areas:

- WARR – Southern Area Convenience Centers: six change funds.
- Library – Central branch: one petty cash and two change funds.
- Parks and Recreation – Administrative Office: two petty cash and one change funds.

Internal Audit verified the funds were securely stored, used for specific purposes, and balanced. Petty cash fund transactions were verified to ensure funds had supporting documentation and were not used on restricted items per policy. No exceptions noted.

Chesterfield County MHSS manages 17 group homes with approximately 138 consumers as of April 2019. MHSS manages consumer funds and medication for group home clients. A staff member, independent of custodial duties, periodically performs consumer fund audits that verify: cash on-hand, daily spending ledger reconciliations, documentation completeness and retention, disbursement authorization, and completion of weekly and monthly supervisor reviews. We requested and evaluated MHSS' FY18 and FY19 consumer fund audit documentation and verified completion for all 17 group homes. 1 of 17 group homes had identified documentation deficiencies and MHSS will perform a follow-up review in FY20.

FINDINGS, RECOMMENDATIONS, RESPONSES
Petty Cash, Change, and Consumer Funds
(Point Sheet 1)

Internal Audit selected two group homes (Melody Road and Prestonwood) and tested medication compliance with no exceptions noted:

- Medication was properly locked and stored in a secure location, and all controlled substances were accompanied by doctor's orders.
- Delivery of prescription and non-prescription medication was documented on the daily medication administration sheet. Staff administering medication initialed paperwork.
- Instructions and phone numbers for emergency services were prominently shown by the telephone.
- Medical logs are maintained for each resident with emergency files, including updated medical, insurance, and family information.

CAUSE(S):

- WARR, Library, and Parks and Recreation have effective internal control procedures for petty cash and change funds.
- MHSS have effective internal control procedures for consumer funds and medication.

EFFECT(S):

- WARR, Library, and Parks and Recreation complied with County policy regarding petty cash and change fund use and maintenance.
- MHSS complied with General Operating and Management of Individual Funds policy requirements.

COMMENDATION(S):

We commend:

- WARR, Library, and Parks and Recreation for maintaining petty cash and change funds in accordance with County policy.
- MHSS for maintaining consumer funds and medication in compliance with internal procedures.

FINDINGS, RECOMMENDATIONS, RESPONSES

Accounts Receivable

(Point Sheet 2)

CRITERIA:

County Administrative Policy Accounting 1-21: Non-Tax Accounts Receivable defines controls and responsibilities for monitoring non-tax accounts receivable including:

- Segregation of duties.
- Accounts receivable adjustments.
- Record keeping and systems.
- Accounts receivable aging – uncollected accounts by length of time outstanding.
- Delinquent collections - receivables \$30 or greater and 61 days past due should be referred to the Treasurer’s Debt Collection Division (DCD) and assessed a \$30 administration fee.
- Write-off - ensures appropriate financial reporting and does not discharge or forgive the debt. Any payments received after an account has been written-off should still be accepted and processed as a payment.
- Each department’s billing and collection procedures must be documented and approved by Accounting. Department procedures may vary due to ordinances, system limitations and customer qualifications.

CONDITION(S):

We evaluated three departments’ non-tax accounts receivable compliance: WARR, Library, and Parks and Recreation. Exceptions are listed below:

Internal Procedures

- WARR does not have their billing and collection procedures documented.
- Two departments do not have Accounting’s approval of their billing and collection procedures. In addition, we noted opportunities to update written procedures for their current processes:
 - Library’s Overdue and Fine Notice Procedure #3.3.5 does not define billing and collection procedures for some checkout periods and overdue charges posted on Library’s webpage.
 - Parks and Recreation’s Accounts Receivable Policy #108, Paragraph 3.a. does not define the timeframe for timely invoicing.

Billing and Collection

- Two departments’ late payment penalties do not use required 10% or \$10 (whichever is greater):
 - WARR does not charge a late payment penalty for the \$25 annual recycling fee, billed with real estate taxes (\$12.50 per half).
 - Library charges a \$5 processing fee plus unreturned item cost. Customers who owe \$10 or more cannot borrow materials; the Library’s circulation software electronically blocks borrowing.

FINDINGS, RECOMMENDATIONS, RESPONSES

Accounts Receivable

(Point Sheet 2)

- Two departments do not refer delinquent accounts \$30 or greater and 61 days past due to DCD (Library and Parks and Recreation) (**repeat finding from April 28, 2010 Library Cash Receipts and Expenditures audit report, recommendation #4**).
- Countywide policy implemented in 2014 established best practices for non-tax accounts receivable. This includes referral of delinquent accounts receivable to DCD. However, Accounting remains the only department that refers debts to DCD.

Record Keeping and Monitoring

- Two departments do not have their accounts receivable ledger reconciled monthly, documented, signed by preparer, and reviewed by management:
 - Library's circulation system does not produce accounts receivable reports.
 - Parks and Recreation's system emails weekly reports to 3 of their staff, including the Chief of Finance. However, the preparer and supervisor do not sign the documented weekly report review, and they are only maintained for six months.
- One department does not maintain an accounts receivable aging schedule:
 - Library's circulation system does not produce accounts receivable aging reports. Annually, for write-off purposes, management downloads data by Library card to determine fines owed per fiscal year.

Write-offs

- One department does not write-off past due accounts after three years:
 - Parks and Recreation had never reported any write-offs to Accounting. FY19 write-offs should have included 6 delinquent FY14 to FY16 accounts (\$654), which is minimal considering the department's \$1.9 million FY19 total revenues. Parks and Recreation subsequently notified Accounting of their delinquent accounts over three years old. Accounting requested they submit these accounts for write-off next year, since FY19 write-offs were already finalized.
- Two departments discharge/forgive the debt upon write-off:
 - WARR marks unpaid "tax year" accounts as "opted-out" from the recycling program annually, and these citizens will not receive future recycling fee billings. FY19 write-offs included 711 tax year 2018 accounts (\$10,909), which is 0.6% of \$1.9 million FY19 Recycling Fee revenues.
 - Library purges these customer accounts and amounts owed from their system. Record is not maintained for accepting payments after write-off. FY19 write-offs included 669 FY16 accounts (\$48,666), which is 25% of \$194,484 FY19 Library Fines revenues.
 - We understand Accounting evaluates department annual write-off requests and may request an aged list of accounts receivable if deemed necessary. However, departments are not routinely required to provide additional detail for their accounts receivable and annual revenues.

FINDINGS, RECOMMENDATIONS, RESPONSES

Accounts Receivable

(Point Sheet 2)

CAUSE(S):

- Departments' internal billing and collection procedures have not been documented, do not address all related procedures (e.g., write-offs), and/or have not been approved by Accounting.
- Entity-wide non-tax accounts receivable management is limited and does not monitor compliance. Departments are only required to report write-offs to Accounting annually.
- The current \$30 receivable threshold for DCD referral may not warrant related administrative collection effort and increases difficulty to implement for multiple departments.

EFFECT(S):

Certain departments are not in compliance with County Administrative Policy Accounting 1-21 for accounts receivable collection, which may result in reduced revenue.

ACTION(S) TAKEN:

We noted an inconsistency with listed transaction sites between two Parks and Recreation accounts receivable aging report types. Upon our notification, they immediately modified reports to include all transaction sites.

RECOMMENDATION(S):

We recommend:

1. Accounting continue working with the Treasurer and County revenue collecting departments, including Library and Parks and Recreation, towards implementing Treasurer's Debt Collection Division process countywide for delinquent accounts per County Administrative Policy 1-21: Accounting – Non-Tax Accounts Receivable.
2. Accounting evaluate the cost/benefit of collection efforts and consider raising the \$30 receivable threshold for referral to Treasurer's Debt Collection Division.
3. Accounting review departments for Charges for Services line items for inclusion in yearly data call. Revise yearly data call to include request that departments provide internal policies for approval and any changes to internal policies on an annual basis. Also, requesting departments to submit related information such as total accounts receivable and annual revenue to provide perspective on write-off amount reasonableness.
4. Parks and Recreation perform annual process starting FY20 to submit all past due accounts more than 3 fiscal years old to Accounting for write-off.
5. The following departments update or document their accounts receivable procedures and obtain Accounting's approval. Justification for deviations from County Administrative Policy 1-21: Accounting – Non-Tax Accounts Receivable requirements, any exceptions including those noted above, should be documented by departments for Accounting's approval. Procedures should also include how the department tracks write-offs in their accounts receivable records.
 - a. WARR
 - b. Library
 - c. Parks and Recreation

FINDINGS, RECOMMENDATIONS, RESPONSES

Accounts Receivable

(Point Sheet 2)

6. The following departments perform and maintain documentation of monthly accounts receivable ledger reconciliations that are signed by the preparer and reviewed by management.
 - a. Library
 - b. Parks and Recreation

MANAGEMENT'S RESPONSE(S):

1. *Concur. Financial Systems Manager, Consuela Wilson, is responsible for implementing 9/1/2020. Accounting will continue to work with departments in an effort to implement Treasurer's DCD. Will document progress as we work with departments.*
2. *Concur. Financial Systems Manager, Consuela Wilson, is responsible for implementing 6/1/2020. Accounting will evaluate the current threshold of \$30 for referral to Treasurer's DCD.*
3. *Concur. Financial Reporting Manager, Lindsey Thornton, and Financial Systems Manager, Consuela Wilson, are responsible for implementing 8/1/2020. Accounting will update its write-off procedures to include a review of charges for services revenues to target departments with potential accounts receivables processes. The annual data call will be updated to request departments' policies and procedures which will be evaluated for compliance with Policy 1-21. The data call will also be tailored to request information specific to each department's revenue stream that is considered relevant in determining reasonableness of trends for the department.*
4. *Concur. Senior Customer Service Representative, Anita Lemire, and Chief of Finance, Jeannine McConnell, are responsible for implementing 6/30/2020. Parks and Recreation will submit past due accounts more than three years to the Accounting Department before June 30, 2020. During this fiscal year our department will be implementing an automated credit card file to upload daily into the Treasurer's system. We are working with ActiveNet to turn on the Accounting functions that will monitor the Account Receivables and past due account weekly. With the new processes, we will monitor and provide Accounting with past due accounts regarding write-offs in a timely manner.*
5.
 - a. *Concur. Division Manager WARR, Jeff Howard, is responsible for implementing 6/30/2020. Curbside recycling accounts receivable procedure to be developed to include write-off details.*
 - b. *Concur. Chief of Administrative Services, Jenny Stevens, is responsible for implementing 6/30/2020. Library will submit their current Cash Handling procedures for Accounting's approval and provide justification for any deviations from the policy to include account write-off procedures to comply with audit recommendations and the County Administrative Policy 1-21: Accounting – Non-Tax Accounts Receivable. The Library will resubmit these procedures after new integrated library system is procured in FY21.*
 - c. *Concur. Senior Customer Service Representative, Anita Lemire, and Chief of Finance, Jeannine McConnell, are responsible for implementing 3/31/2020. The Accounts Receivable procedure is being updated and will be submitted to Accounting for approval.*

FINDINGS, RECOMMENDATIONS, RESPONSES

Accounts Receivable

(Point Sheet 2)

6. a. *Concur. Chief of Administrative Services, Jenny Stevens, is responsible for implementing 6/30/2021. The Library is currently working with Procurement to obtain a new 3rd party integrated library system that will better track items owed as well as provide tacking for monthly account information.*
- b. *Concur. Senior Customer Service Representative, Anita Lemire, and Chief of Finance, Jeannine McConnell, are responsible for implementing 6/30/2020. With the updates to the ActiveNet System this year, our department will implement a list of all Accounts Receivable that will be reconciled to the General Ledger monthly with the preparer and approver signatures. This process is being developed.*

FINDINGS, RECOMMENDATIONS, RESPONSES
Cash Receipting and Other Transactions
(Point Sheet 3)

CRITERIA:

County Administrative Policy Accounting 1-8: Cash Receipts provides minimum requirements for cash collections, depositing, and record retention processes. Department cash receipt remittance requirements to the Treasurer include:

- Daily cash summary report.
- \$300 or more must be deposited within one business day.
- Amounts less than \$300 should be deposited within two business days.
- Departments authorized to deposit collections at bank must provide a validated deposit ticket within 2 business days.

Departments may develop addendum procedures to handle special cash receipting situations, which must be approved by Accounting and the Treasurer.

CONDITION(S):

The annual budget identifies departments with revenue responsibilities. Accounting maintains an enterprise system (ONESolution) for monitoring financial activity against budget. Revenue collecting departments are responsible for reporting receipts and making deposits to the Treasurer. Budget and Management, Accounting, and the Treasurer were unable to provide Internal Audit with a list identifying all collection points by department. Internal Audit considered departments with known change funds, budgeted revenues, and our department survey responses to identify potential collection points for testing.

For the three departments selected, Internal Audit inquired about their cash receipting and depositing processes. We obtained each department's internal cash receipting policy and compared it to County Administrative Policy 1-8. If there were any addendum procedures, we verified that Accounting and the Treasurer's Office authorized these changes.

General Services Waste and Resource Recovery Division

WARR's Convenience Centers prepare daily Point of Sale (POS) closeout reports and deposit. Armored car services make deposits to the bank. Daily cash receipt paperwork is delivered to General Services' Central Office, who uploads daily revenue activity to the General Ledger. Instead of providing Treasurer a cash summary report, general ledger updates are provided to the Treasurer to reconcile with the bank deposit.

Both Accounting and the Treasurer helped develop this GL upload and deposit process. We understand Accounting approved this process exception. However, this approval support is not documented.

Library

All branches use their POS closeout reports to prepare a daily cash summary report. The Central Library delivers their deposits and supporting summary report copy to the Treasurer's Office the following day. Treasurer's receipt is attached to deposit report filed in the Library's administrative

FINDINGS, RECOMMENDATIONS, RESPONSES
Cash Receipting and Other Transactions
(Point Sheet 3)

office. The other nine branches (Bon Air, Chester, Clover Hill, Enon, Ettrick-Matoaca, LaPrade, Meadowdale, Midlothian, and North Courthouse) deposit directly to the bank by 2:00 pm the following day. They submit cash receipt documentation to the administrative office to review for completeness and accuracy. Library branches submit daily cash summary reports with validated deposit slips to the Treasurer weekly, which falls outside of the two day reporting requirement. This process exception has not been approved by Accounting and the Treasurer.

Parks and Recreation

Parks and Recreation use their POS closeout reports to prepare a daily cash summary report. Administrative staff take deposits with supporting summary report copy to the Treasurer the following day. Treasurer's receipt is attached to deposit report filed in the Parks and Recreation's administrative office. The department did not have any amended procedures that would require approval from Accounting and the Treasurer.

We tested a random sample of five FY19 business days totaling \$71,831 for WARR, \$22,682 for Library, and \$76,366 for Parks and Recreation. We tested all departments for the following criteria with no exceptions noted:

- Daily revenues are reconciled to daily cash summary reports.
- All deposit documentation is signed by both preparer and approver.
- Voids and refunds were documented and approved by supervisors (if applicable).
- Deposits to the Treasurer or financial institution were made within two business days.
- Treasurer's receipt was obtained (if applicable).

We also considered procedures to receipt any expenditure refunds (i.e. from vendors) to the account where originally incurred. The auditor searched through various revenue accounts to look for potential entries that could have been misclassified as revenues. Sample size varied based on the number of entries that fit the criteria. We tested without exception:

- WARR: two entries totaling \$1,995.
- Library: nine entries totaling \$56,767.
- Parks and Recreation: six entries totaling \$8,825.

CAUSE(S):

- Revenue and cash collection monitoring responsibility is shared among multiple departments.
- One department did not obtain proper authorization from Accounting and the Treasurer for their own respective cash receipting policy.
- Accounting does not maintain documentation for approval of department cash receipting policy exceptions.

FINDINGS, RECOMMENDATIONS, RESPONSES
Cash Receipting and Other Transactions
(Point Sheet 3)

EFFECT(S):

- There is limited central oversight to manage cash receipt policy compliance across departments.
- We cannot verify if adequate controls exist for the department's cash receipting procedures.
- Documented approval for unique department cash receipting procedures and/or policy exceptions is not available in certain departments.

RECOMMENDATION(S):

We recommend:

7. County Administration coordinate effort to create and maintain a comprehensive list of collection points by department, including locations, primary contact, and accepted payment types.
8. Accounting implement process for retaining approval for unique department cash receipt procedures and/or policy exceptions, if any, to confirm compliance with County Administrative Policy 1-8: Accounting – Cash Receipts.
9. Library obtain approval from Accounting and the Treasurer for cash receipting procedures.
10. WARR obtain documentation of Accounting and Treasurer's approval for their cash receipting procedures.

MANAGEMENT'S RESPONSE(S):

7. *Concur. Deputy County Administrator of Finance, Matt Harris, is responsible for implementing 12/31/2020. Emerging Senior Leaders Program project will create a list of collection points, primary contact, and accepted payment types for transactions. In addition to this, the project will explore options on how to create a streamlined process for payment of fees and taxes to improve collection efficiencies.*
8. *Concur. Financial Systems Manager, Consuela Wilson, is responsible for implementing 6/30/2020. As Accounting approves departmental unique cash receipts procedures and/or exceptions we will compile a file listing such approvals and retain a copy of the department's procedures.*
9. *Concur. Chief of Administrative Services, Jenny Stevens, is responsible for implementing 6/30/2020. The Library will submit their current Cash Handling policies for approval from Accounting and the Treasurer's departments.*
10. *Concur. Division Manager WARR, Jeff Howard, is responsible for implementing 9/30/2020. Once the new iPayment Point of Sale System is installed at the two convenience centers (anticipated go live date of 7/28/2020), General Services Waste & Resource recovery will provide cash receipting procedures to the Treasurer for their review and approval.*

FINDINGS, RECOMMENDATIONS, RESPONSES

Point of Sale Systems

(Point Sheet 4)

CRITERIA:

County Administrative Policy Accounting 1-8: Cash Receipts outlines credit and debit card processing requirements for departments. This includes reconciling monthly card services to verify processing fees, chargebacks, and payments.

County Administrative Policy IST 7-1: Acquisition of Computer Equipment provide departments guidelines to coordinate and acquire computer related equipment, software, forms and services.

County Administrative Policy IST 7-3: Information Security states each department head is responsible for their information system security (electronic, digital, or other computerized form) and for taking appropriate steps to secure the information.

Payment Card Industry (PCI) Data Security Standard (DSS) 3.2.1 includes protecting customer personal information during transaction processing. Merchants have two third party assessments options to evaluate their PCI compliance:

- **Annual** – Merchant schedules assessment and provides compliance results to customers.
- **On-Demand** – Upon customer request, merchant obtains assessment and provides compliance results and/or participates in customer’s own assessment.

CONDITION(S):

There is no list identifying County department cash collection points equipped to accept card payments. We contacted IST, Accounting, and Treasurer and could not locate a formal County-wide card payment equipment inventory. However, an IST employee provided an informal list with some machine information for certain departments. However, this list is not comprehensive, and some data is several years old.

Internal Audit selected three departments (WARR, Library, and Parks and Recreation) to evaluate card services processing. We inquired whether card services fees were reconciled monthly and if card payments were processed separately from any charge-backs. We noted all three departments:

- Have their monthly card services fee reconciliations performed by the Treasurer.
- Process credit card charge-backs separately from payments.

County policy does not require departments to annually assess their ongoing PCI compliance with third-party vendors. We inquired how the departments confirmed their PCI compliance. We found:

- Vendor’s third-party PCI compliance assessment was not confirmed by WARR. The department accepts payments in person. WARR indicated their Convenience centers’ Point of Sale system was not PCI compliant. The division has completed procurement to secure a new PCI compliant system to be implemented in March 2020.
- Central Library’s third-party vendor provides an annual PCI compliance assessment and their process aligns with best practices.

FINDINGS, RECOMMENDATIONS, RESPONSES

Point of Sale Systems

(Point Sheet 4)

- Vendor's third-party PCI compliance assessment was not confirmed by Parks and Recreation. The department accepts payments online, by phone, and in person. All in-person sales are processed manually through their Point of Sale system. They had purchased PCI compliant card readers but have not used them due to installation issues.

CAUSE(S):

- There is no formal inventory monitoring procedure for which County departments accept card payments and whether equipment is PCI compliant.
- There is no current County policy that addresses PCI compliance.

EFFECT(S):

- A comprehensive and current payment equipment inventory by department is not available.
- Departments are using card payment systems that are not PCI compliant, putting customer account data at risk.

RECOMMENDATION(S):

We recommend:

11. County Administration coordinate with key stakeholders to develop policy guidance which includes PCI compliance listing of related devices, software and applications, PCI compliance certifications and attestations for departments.
12. County Administration coordinate with key stakeholders to develop a policy requirement that departments accepting card payments annually obtain and monitor third-party PCI compliance assessments from payment processing vendors.
13. WARR complete implementation of new PCI compliant POS system and develop procedure to monitor ongoing compliance.
14. Parks and Recreation develop procedure to monitor ongoing compliance.

MANAGEMENT'S RESPONSE(S):

11. *Concur. Deputy County Administrator of Finance, Matt Harris, is responsible for implementing 12/31/2020. A county-wide PCI Compliance Policy will be developed by a team of key stakeholders to include, but not limited to; IST, Accounting, Treasurer, PCI Departments, and other stakeholders as identified by management.*
12. *Concur. Deputy County Administrator of Finance, Matt Harris, is responsible for implementing 12/31/2020. A county-wide PCI Compliance Policy will be developed by a team of key stakeholders to include, but not limited to; IST, Accounting, Treasurer, PCI Departments, and other stakeholders as identified by management.*
13. *Concur. Division Manager WARR, Jeff Howard, is responsible for implementing 9/30/2020. New iPayment Point of Sale System is being installed by Core Business Technologies at the two convenience centers with a go live date of 07/28/2020. Procedures to be finalized after implementation.*
14. *Concur. Automation Coordinator, Travis Ross, and Chief of Finance, Jeannine McConnell, are responsible for implementing 3/31/2020. Parks and Recreation will develop procedures with ways to monitor PCI compliance.*