



Chesterfield County, Virginia Internal Audit

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DATE: July 1, 2021

TO: Joseph P. Casey, Ph.D. Chesterfield County
County Administrator Board of Supervisors

Mervin B. Daugherty, Ed. D. Chesterfield County
Superintendent School Board

FROM: Khara L. Durden, CPA, CISA, CFE 
Director of Internal Audit

SUBJECT: FY20 Revenue Collection Points Audit

The Office of Internal Audit completed an audit of Revenue Collection Points, and the final report is attached.

We would like to thank Accounting, the Treasurer's Office, and County and School Departments for their cooperation and assistance during this audit.

Attachment

Copy: Donna Arrington, Director of Accounting
Matt Harris, Deputy County Administrator, Finance and Administration
Rebecca Longnaker, Treasurer
Kelly Fried, Executive Director of Mental Health and Support Services
Robert Meister, Schools Chief of Finance
Susan Bargar, Schools Director of Finance and Accounting



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CHESTERFIELD COUNTY
Internal Audit

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FY20 Revenue Collection Points

July 1, 2021

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FY20 Revenue Collection Points

Highlights



Assessment of Cash Receipt Controls & Processes

The Finance and Administration division was tasked to create an inventory of all cash collection points based on a previous Internal Audit recommendation. An inventory list was created that includes all departments that collect cash receipts (cash, check, credit/debit, other monies) and provided main contacts for each department. IA reviewed the list and noted two department contacts were no longer valid and two departments stated they do not collect cash receipts.

Chesterfield County Public Schools (CCPS) follows County policy 1-8 and has developed an internal training document in 2015 describing their procedures. CCPS Finance notified us that some procedures have changed since 2015 but have not been documented in writing.

We surveyed County and school cash collection point contacts regarding internal controls surrounding cash receipt, deposit, and void processes, based on County Policy 1-8 and CCPS Receipt of Funds Procedures. We received 27/33 (82%) County and 12/13 (92%) school responses and noted one County (County Attorney) and one School (Human Resources) department stated they have only one individual with receipting, depositing, and reconciling responsibilities. Per inquiry with these departments, we determined a supervisory employee reviews and approves the work of the receipting individuals. We also noted five school departments current processes related to refunds and 4 school departments current processes related to remittance of funds do not agree to the CCPS Receipt of Funds Procedures. CCPS Finance notified us the current processes are correct but have not been updated in their written procedures.

CCPS established an alternative process for handling cash receipts resulting from the Pandemic beginning in March 2020. In November 2020, CCPS documented the alternative processes to County Policy 1-8 and received Accounting approval. The addendum describes procedures that differ from County Policy 1-8 and will remain in place until CDC guidance changes. Accounting reviews all County policies, and addendums at least every two years. After June 30, 2021, Accounting and CCPS will determine if addendum should be removed or updated.

We tested 97 (54 County and 43 Schools) FY20 cash receipt transactions for compliance with County Policy 1-8. We noted 10 transactions included Daily Cash Summary Forms that were not signed by the preparer and/or approver and 11 transactions were not deposited in a timely manner.

Recommendation(s): We recommend CCPS Finance department revise the Receipt of Funds Procedures for CCPS Departments to accurately reflect current practices and align with County Policy. CCPS Finance department ensure collected cash receipts are deposited with the Treasurer or approved financial institution in a timely manner in compliance with approved addendum to County Policy 1-8. Mental Health Support Services (MHSS) department ensure preparer/approver signature is included on the Daily Cash Activity/Summary report in compliance with County Policy 1-8.

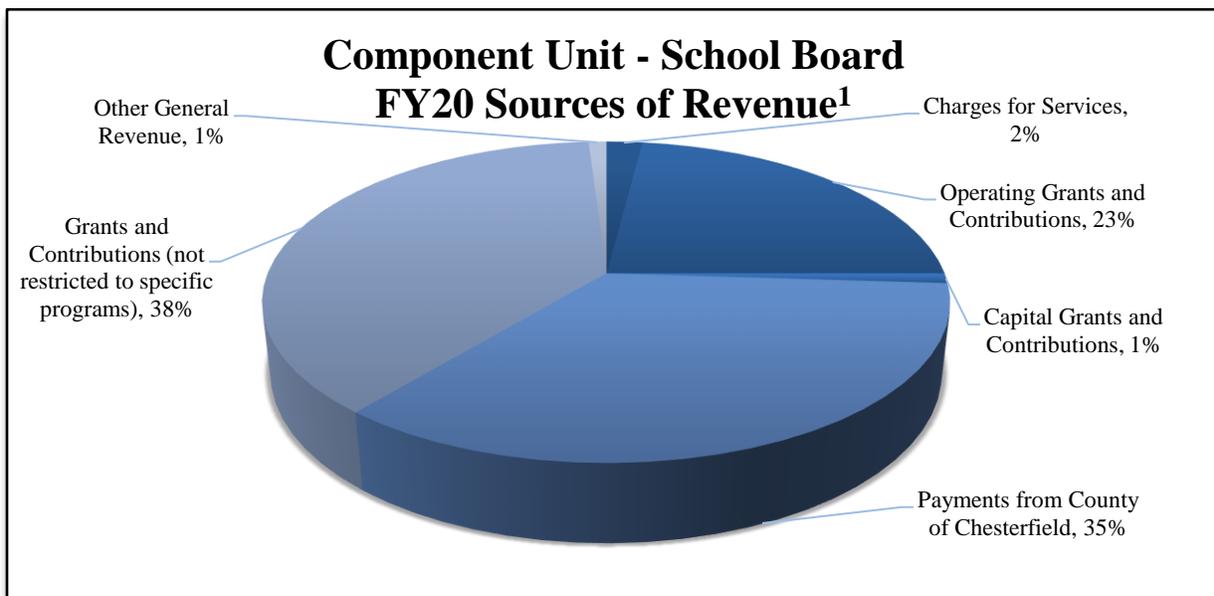
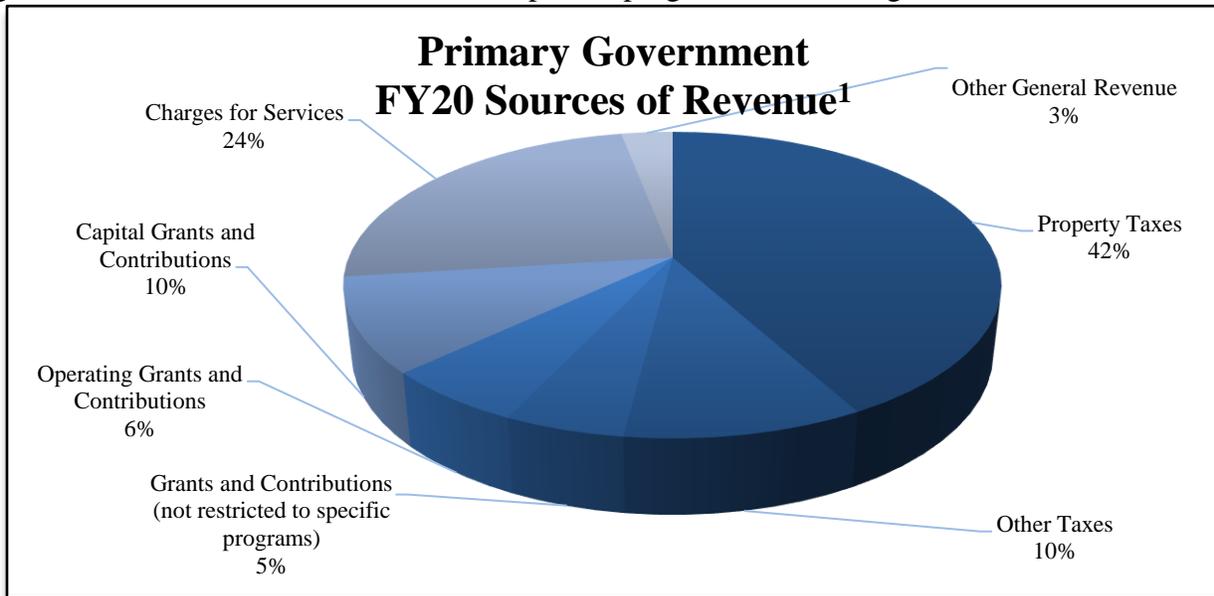
Management concurred with 3 of 3 recommendations detailed in the report to be implemented from 7/6/2021 to 9/1/2021. Internal Audit performs annual follow-up with management to confirm implementation status.

INTRODUCTION

BACKGROUND

The revenue collection points audit is a recurring audit, with the purpose of regularly reviewing County and Schools non-tax revenues. Objectives and testing selections will vary.

For FY20, we reviewed entity-wide non-tax revenues. Non-tax revenues were 48% of FY20 primary government (governmental and business-type activities) revenues. Non-tax revenues include charges for services, capital grants and contributions, operating grants and contributions, grants and contributions not restricted to specific programs, and other general revenue.



¹Source: [FY20 Chesterfield County Comprehensive Annual Financial Report](#). Total fiscal year primary government revenues were \$1,178,320,408 and School Board revenues were \$663,932,478.

We compared FY19 and FY20 department non-tax cash receipt collections. The table below illustrates departments with significant change (greater than \$100,000 and 10%) in cash receipts from year to year.

Departments	FY19	FY20	FY19/FY20 \$ Diff	FY19/FY20 % Diff
County Cash Receipt Collections				
Environmental Engineering	\$ 3,093,155	\$ 5,404,988	\$ 2,311,833	164%
Fire	174,209	310,002	135,793	149%
Juvenile Detention	1,885,537	450,254	(1,435,283)	(76%)
Library	611,904	345,446	(266,458)	(44%)
Parks and Recreation	1,439,978	966,070	(473,907)	(133%)
Planning	1,030,631	1,155,582	124,951	12%
Police	1,301,937	1,023,761	(278,176)	(21%)
Transportation	185,610	-	(185,610)	(100%)
Utilities	27,815,965	33,843,574	6,027,609	22%
Waste and Resource Recovery	3,838,878	4,556,944	718,066	19%
School Cash Receipt Collections				
Career/Technical Education	14,408	257,935	243,527	1690%
Compensation and Benefits	-	144,760	144,760	100%
Student Support/ESOL	2,691,151	3,451,210	760,059	28%
High School Leadership	336,210	207,760	(128,450)	(38%)
Operations and Maintenance	552,560	375,020	(177,540)	(32%)
Summer Session Instruction	1,648,296	1,484,508	(163,788)	(10%)

OBJECTIVES

Objectives of the audit were to:

- Evaluate internal controls over cash handling, receipt, and void processes.
- Assess deposit processes for cash receipts made to Treasurer and approved financial institutions.

SCOPE

Our audit work covered FY20 and the current operating environment. We considered the following code, policies, and procedures during our audit:

<i>Accounting 1-8: Cash Receipts</i>	<i>CCPS Addendum to County Policy 1-8</i>
<i>2015 Receipt of Funds Procedures for CCPS Departments</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. Christian Wingfield, 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:

- Surveying departments for compliance with County policies and School procedures.
- Testing entity-wide transactions for compliance with County policies and School procedures.

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 and there were minimal findings to question their ability to assist management in meeting its mission, 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, the Treasurer's Office, and County and School departments for their cooperation and assistance during this audit.

FINDINGS, RECOMMENDATIONS, RESPONSES
Assessment of Cash Receipt Controls and Processes
(Point Sheet 1)

CRITERIA:

County Administrative Policy 1-8: Accounting Cash Receipts provides standards for departments when monies are collected. Cash receipts are all monies including cash, check, credit/debit card receipt, or other negotiable instruments. The policy requires the following:

- Segregation of Duties - No one employee should control a transaction from the point of receipt until deposit. If it is impossible for more than one individual to be directly involved, another employee at a supervisory level must review the employee's work.
- Security/Accountability – Cash receipts should be kept in a secure location and access should be limited to those responsible for collected funds. Employees should not have access to another employee's collected funds or process transactions for any other individuals.
- Collected Funds - Cash receipts collected while processing business transactions are not included with Petty Cash and may not be used to cash personal checks, make payments, or make change for non-transactional purposes.
- Changes to Transactions - Supervisory employees or others not involved with the transaction, can make changes to and void transactions.
- Daily Balancing – Daily, a supervisor or other employee not involved in cash receipting reconciles receipted funds using the Daily Cash Activity/Summary Report which documents cash receipts by transaction and tender type.
- Deposit of Cash Receipts - Cash receipts must be deposited directly with the Treasurer's Office unless the Treasurer has pre-authorized deposits at a financial institution. Cash receipts totaling \$300 or more must be deposited within one business day, and cash receipts totaling less than \$300 should be deposited within two business days.
- Deposit of Cash Receipts - If a department deposits cash receipts directly to a financial institution, they must provide a bank validated deposit ticket, corresponding Daily Cash Activity/Cash Summary Report, and related documentation to the Treasurer's Office within two business days.
- Accounting and Treasurer's Office must authorize departments alternative procedures for special cash receipting situations.

CCPS utilizes a 2015 Receipt of Funds Procedures document to train employees on receipt and transmittal of funds. It includes the following requirements:

- Any receipt of funds for a specific activity requires the use of a Master Receipt.
- The employee collecting funds is responsible for the collections until they are delivered to the department Administrator/Director and will count and prepare the Master Receipt. The Administrator/Director is responsible for verifying funds and approving the Master Receipt.
- Master Receipt, funds, and supporting documentation must be delivered to the Finance Department by the department Administrator/Director daily. Security measures should be used to protect funds until they are delivered to the Finance Department. If a daily deposit is not possible, funds are to be safeguarded by the Department Administrator/Director in a secure location.

FINDINGS, RECOMMENDATIONS, RESPONSES
Assessment of Cash Receipt Controls and Processes
(Point Sheet 1)

- Personal checks may not be cashed from collected funds, nor should change be made from cash on hand for personal use.
- Budget Analysts process refunds rather than the receipting departments.

Policy requires departments to obtain authorization from the Accounting department and Treasurer's Office for any addendum procedures. CCPS's addendum to County Policy 1-8 documenting alternative cash receiving procedures lists the following:

- Cash receipts will be logged daily, following segregation of duties guidance, and stored in a locked safe until deposit.
- Cash receipts will be directly deposited to Wells Fargo Bank on a weekly basis unless there is a receipt of bills/coins or the receipts total more than \$100,000.
- The Daily Cash Activity/Summary Report will be delivered to the Treasurer's Office on the same day as the bank deposit.

CONDITION(S):

The Finance and Administration division was tasked to create an inventory of all cash collection points based on a previous Internal Audit recommendation (FY19 Revenue Collection Points report dated 3/12/2020, recommendation #7). The Emerging Senior Leaders Program sent a survey to collect data for County departments which was merged with Accounting data for departments that use point of sale systems, ONESolution cash receipts system, or provide manual receipts via Pay-In-Voucher books (used to manually record miscellaneous cash receipts). The resulting inventory list included all departments that collect cash receipts (cash, check, credit/debit, other monies) and provided main contacts for each department. IA reviewed the inventory and noted two department contacts were no longer valid, and two departments stated they do not collect cash receipts.

CCPS follows County policy 1-8 and has developed an internal training document describing their procedures. CCPS Finance notified us that some procedures have changed since 2015 but have not been documented in writing. These changes relate to refunds, which are currently processed by the receipting department instead of a Budget Analyst, and daily delivery of funds to CCPS Finance, which can be delivered by the department Administrator/Director or a designated individual. CCPS Finance provides the procedures upon request to employees or when an individual begins employment. CCPS also provided a revenue collection inventory list by department which included points of contact for each department.

Internal Audit sent a survey to 33 county and 13 school cash collection point contacts. The survey included internal control questions regarding cash receipt, deposit, and void processes, based on County Policy 1-8 and CCPS receipt of funds procedures. We received 27/33 (82%) county and 12/13 (92%) school survey responses and noted the following:

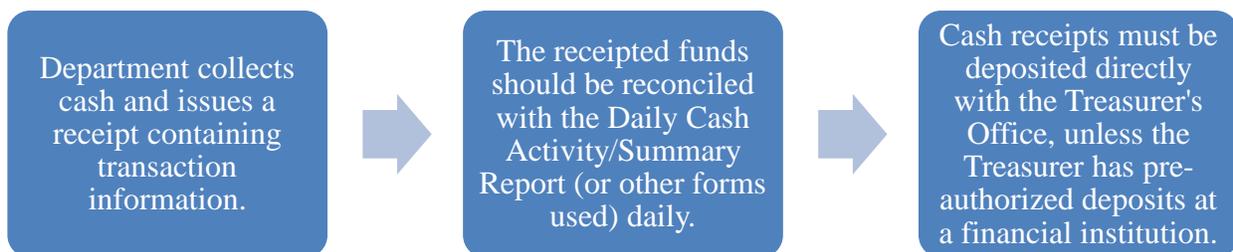
- 1/27 (4%) County departments (County Attorney) and 1/12 (8%) School departments (Human Resources) stated they only have one individual with receipting, reconciling, and depositing responsibilities. We inquired and were notified that each department has a supervisory employee that reviews and approves the work of the receipting individuals.

FINDINGS, RECOMMENDATIONS, RESPONSES
Assessment of Cash Receipt Controls and Processes
(Point Sheet 1)

- 5/12 (42%) School departments stated they process refunds without contacting their assigned Budget Analyst. School Finance informed us refunds are processed by the receipting department instead of Budget and internal procedures should be updated.
- 4/12 (33%) School departments responded that a position other than Administrator/Director delivers funds to CCPS Finance daily. School Finance informed us the Administrator/Director may assign a designee to deliver funds to CCPS Finance but are required to verify the Master Receipt prior to submission. This change has not been documented in their internal procedures.

The Daily Cash Activity/Summary Report is used to transmit receipt information to the Treasurer’s Office and is used by both County and Schools. Through inquiry with Accounting and Treasurer’s Office, we discovered the reconciliation report provided to the Treasurer’s Office may vary by department. Departments can submit the Daily Cash Activity/Summary Report (ONESolution-generated report), the Daily Cash Summary Form (manual paper form), or may have department-generated forms using excel, reporting tools from an automated system or other software applications. Policy 1-8 defines what should be included on the reconciliation report, including preparer/approver signatures, transaction codes, and other information, which ensures segregation of duties and allows the Treasurer’s Office to accurately record transactions.

Departments can process receipts and submit to the Treasurer’s Office in several ways. Departments with frequent or high volume of activity typically use the cash receipts module in ONESolution. Departments with low volume use Pay in Voucher (PIV) books to issue individual receipts to customers and use the 3-part paper Daily Cash Summary Form for submission to the Treasurer’s Office. Departments with point of sale (POS) systems process individual receipts and produce the Daily Cash Activity/Summary Report from the application or include the totals on a form pre-approved by the Treasurer. The figure below illustrates the process of receipting and depositing funds to the Treasurer’s Office.



CCPS established an alternative process for handling cash receipts resulting from the Pandemic starting in March 2020. In November 2020, CCPS documented the alternative processes to County Policy 1-8 and received Accounting approval. It is preferred that an addendum be approved prior to the effective date, but there are special circumstances where departments may take emergency measures which may require approval post-implementation. The addendum describes procedures that differ from County policy 1-8 and will remain in place until CDC guidance changes.

FINDINGS, RECOMMENDATIONS, RESPONSES
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Accounting reviews all County policies, and addendums at least every two years. After June 30th, 2021, Accounting and CCPS will determine if addendum should be removed or updated.

Internal Audit downloaded FY20 cash receipts and selected 57 county and 43 schools cash receipts transactions for testing. We reviewed the Daily Cash Activity/Summary Report, Treasurer's receipt, validated bank receipt, and other supporting documentation to evaluate timely deposits, approvals, and compliance with policy requirements. We did not receive documentation for 3/100 (3%) transactions for constitutional officers. We found:

- All 97 transactions included appropriate reconciliation forms submitted when necessary.
- 77/97 (79%) transactions were tested without exception.
- 9 Daily Cash Summary Forms submitted by MHSS were not signed by a preparer and/or approver.
- 9 School Finance transactions were not deposited in a timely manner.

We found the following minimal exceptions:

- Police-Animal Services had one Daily Cash Summary Form that was not signed by the preparer and/or approver and one transaction that was not deposited in a timely manner.
- Procurement had one transaction that was not deposited in a timely manner.

CAUSE(S):

- County and School departments are following segregation of duties requirements related to receipt and deposit of cash receipts.
- CCPS Finance does not have a process to document periodic review and revisions for the Receipt of Funds Procedures.
- Daily Cash Activity/Summary Reports are not always approved by a supervisory employee.
- Some departments did not deposit funds totaling over \$300 within one business day.

EFFECT(S):

- County and School departments comply with policy 1-8 segregation of duties responsibilities.
- CCPS Finance has not documented Receipt of Funds Procedures updates since 2015 and may not be following County Policy 1-8 procedures.
- Treasurer's Office is processing incomplete Daily Cash Activity/Summary Reports.
- Collected funds were held for multiple days, which could increase risk of theft or loss.

RECOMMENDATION(S):

We recommend:

1. CCPS Finance department revise the Receipt of Funds Procedures for CCPS Departments to accurately reflect current practices and align with County policy.
2. CCPS Finance department ensure collected cash receipts are deposited with the Treasurer or approved financial institution in a timely manner in compliance with approved addendum to County Policy 1-8.
3. Mental Health Support Services department ensure preparer/approver signature is included on Daily Cash Activity/Summary report in compliance with County Policy 1-8.

FINDINGS, RECOMMENDATIONS, RESPONSES
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MANAGEMENT'S RESPONSE(S):

1. *Concur. Director of Finance and Accounting, Susan Bargar, is responsible for implementing 9/1/2021. Will revise CCPS Receipt of Funds Procedures.*
2. *Concur. Director of Finance and Accounting, Susan Bargar, is responsible for implementing 7/6/2021. Will deposit funds in a timely manner in compliance with County Policy 1-8.*
3. *Concur. Finance Director, Danielle Sayre, is responsible for implementing 7/15/2021. Staff will receive re-training on County Policy 1-8: Accounting Cash Receipts. The Accounting Manager will ensure preparer/approver signatures are included on the Daily Cash Activity/Summary report.*