



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

HIGHLIGHTS

Highlights of City Auditor Report #0818, a report to the City Commission and City management

WHY THIS AUDIT WAS CONDUCTED

This audit of the automated reporting and verification of deposits processes was requested by the Treasurer-Clerk to provide assurances that there were adequate controls in place in the newly implemented processes. Our review included examining controls related to the automation of deposit reporting and verification processes, including selected general computer controls, application controls, and related manual activities.

WHAT WE RECOMMENDED

We provided recommendations during the audit to address each of the identified issues. Two recommendations were implemented during the audit to resolve the issues related to segregation of duties for Revenue staff and limiting access to the deposit information in network folders.

We worked with Revenue management to determine the actions needed to address the three outstanding issues. The planned actions include Revenue management:

- Working with the credit card companies to provide the City the ability to “batch” credit card deposits similar to how the City “batches” credit card deposits and working with the iPay vendor to be able to produce reports to split out the credit card transactions. These changes will enhance the verification and reconciliation. Management expects to have this issue resolved by October 2008.
- Working with Accounting Services to develop and implement a process to ensure that deposits are labeled the same in both the CORE cashiering system and the City’s financial system. Management expects to have this issue resolved by October 2008.
- Collecting data to compare against the performance criteria to measure the success of the automation project. Management expects to evaluate data during the next fiscal year.

To view the full report, go to:

<http://www.talgov.com/auditing/index.cfm>

For more information, contact us by e-mail at auditors@talgov.com or by telephone at 850/891-8397.

September 9, 2008

AUDIT OF AUTOMATED DEPOSIT REPORTING AND VERIFICATION PROCESSES

The newly implemented processes included adequate controls to assure that all deposits reported received were accounted for.

WHAT WE CONCLUDED

We concluded that the newly implemented automated deposit reporting and verification processes reviewed included adequate controls to assure that all deposits reported received were accounted for.

During the audit, we notified management of all identified potential issues for their review and timely resolution prior to the automated deposit reporting and verification processes being implemented across all City departments.

Five issues were identified that needed to be addressed. Of the five issues identified, two were addressed immediately and the remaining three issues are currently being addressed. The three issues are related to:

- Inefficiencies caused by the differences between when credit card deposits are reported by credit card companies and by City departments;
- Recording of the “unlabeled” payments within the CORE cashiering system and the City’s financial system so the two systems record deposits the same and can be reconciled; and
- Measuring the success of the automation project.

The two issues that were addressed during the audit were related to:

- Segregation of duties for Revenue staff that had access to cash, records in the systems, and were responsible for verifying deposits, and
- Access to network folders storing deposit information was not limited to only those users that should be able to access the information due to their job duties.

Table 4 in the audit report provides detailed descriptions of the controls identified that were in place and each of the identified issues, the current status, and management’s resolution, if addressed during the audit, or planned actions to address the issue.

Audit Report



Sam M. McCall, CPA, CIA, CGFM
City Auditor

Automated Deposit Reporting and Verification Processes

Report #0818

September 9, 2008

Executive Summary

In December 2007, the Treasurer-Clerk requested an audit of the automated reporting and verification of deposits processes that were being implemented within the Revenue Division to provide assurances that there were adequate controls in place.

The automated reporting and verification of deposits processes included the implementation of a new collections reporting system, the Internet Payment Processing System (iPay). Staff utilizes the iPay system, the CORE cashiering system, downloaded bank deposit files, and the PeopleSoft Financials system to verify and report collections and deposits.

Our audit objectives were to determine whether there are adequate internal controls designed and in place within the new automated deposit reporting and verification processes conducted within the Treasurer-Clerk's Office to assure that all deposits reported received were accounted for (i.e., complete and accurate).

Our review included examining controls related to the automation of deposit reporting and verification processes, including selected general computer controls, application controls, and related manual activities. We identified those controls we noted were in place and those that needed to be addressed, along with the associated activities observed. For each control needing to be addressed, we provided the current status of the control and management's actions and/or plans to improve the control.

We concluded that the newly implemented automated deposit reporting and verification processes reviewed included adequate controls to assure that all deposits reported received were accounted for. Controls we noted that were in place were related to:

Control Environment – leadership, organizational structure, and management's understanding of internal control and its impacts.

Risk Assessment – management's identification, assessment, and mitigation of risks.

Control Activities – data entry, transaction processing, verification of transactions and deposits, system access controls, resolution of rejected items, retention of source documentation, documented processes, and performance criteria to measure the level of success of the project.

Information and Communication Activities – single point of data entry, availability, and ease of producing reports.

Monitoring Activities – management's continuous review of operations.

During the audit, all identified potential issues were discussed with management for their review and timely resolution prior to the automated deposit reporting and verification processes being implemented across all City departments. There were five issues identified during the audit; two were addressed and three are in the process of being addressed.

The three issues being addressed relate to:

1. Eliminating the inefficiencies caused by the differences between when credit card deposits are reported by credit card companies and by City departments. Revenue management is working with the credit card companies to resolve the issue related to the credit cards and expects to have this issue resolved in October 2008.
2. Recording of the "unlabeled" payments to resolve any differences between the CORE and financial systems. Revenue management is working with Accounting Services to determine the best way to record "unlabeled" payments so payments can be reconciled in CORE and the City's financial system.
3. Measuring the success of the automation project. Criteria have been developed to measure the success of the automation project and

management will measure the performance of the newly implemented processes over the next year.

The issues that were identified and addressed during the audit included:

- Duties needed to be segregated for two Revenue staff that have access to cash, are able to change records in the information systems, and are responsible for verifying deposits with the bank.
- All City employees with network accounts were mistakenly assigned “execute” access to the folder storing deposit information on the City’s network, and other City departmental users in Accounting Services and Information System Services were mistakenly assigned update and delete access to the same network folder.

Table 4, beginning on page 8, provides detailed descriptions of the controls identified that were in place and each of the identified issues, the current status, management’s resolution, if addressed during the audit, or planned actions to address the issue.

We would like to acknowledge the full and complete cooperation and support of management and staff from the Treasurer-Clerk’s Office and the Department of Management and Administration Accounting Services Division during the audit.

Scope, Objectives, and Methodology

The scope of this audit was to review the City Treasurer-Clerk’s Office recently implemented automated deposit reporting and verification processes as requested by the City Treasurer-Clerk. The scope did not include the bank reconciliation activities performed in Accounting Services, as the automation of their processes had not been completed as of April 30, 2008. Additionally, the scope of the review did not test the controls related to the handling of cash, but rather only focused on the newly implemented automated deposit reporting and verification processes. Specifically, our audit objectives were to:

1. Evaluate the design of the automated deposit reporting and verification processes for efficiency and for the effectiveness of selected internal controls related to control activities, information and communication, and monitoring.
2. Evaluate the implemented automated deposit reporting and verification processes to determine whether the selected internal controls (control activities, information and communication, and monitoring) were working as designed and effectively.

To evaluate the design of the automated deposit reporting and verification processes, we interviewed key management and staff responsible for performing the deposit reporting and verification procedures; reviewed related documentation including policies and procedures, process narratives, system manuals, selected management reports, and third party audit reports; observed Treasurer-Clerk staff and other City departmental staff input and verify daily deposit transactions; and identified the internal controls that were stated by management to be in place. The internal controls included within this review are related Control Activities, Information and Communication, and Monitoring.

To determine whether the selected internal controls related to the automated deposit reporting and verification processes were working as designed and effectively, we observed key staff perform reporting and reconciling processes; interviewed key staff and management; surveyed departmental iPay system users; and analyzed system access capabilities within the key applications utilized within the reporting and verification processes. We tested transactions recorded by departments participating in the pilot testing during March 2008 to ensure that the deposits were: 1) accurately received in the bank, and 2) accurately reported by account in the City’s financials system.

Most audit procedures were performed while the Revenue Division was testing the iPay application and the automated deposit verification business processes. During the audit, we notified management of each issue noted in order for them to take corrective actions in a timely manner prior to the iPay application being fully implemented across the City departments.

Additionally, we surveyed all 27 iPay users at 16 City departments to determine: 1) users’ level of satisfaction with the training received, ease of use, availability and type of reports, assistance provided from Revenue Division staff, system availability, and with the overall system; and 2) whether users felt that the new process is more efficient than the prior process in reporting daily collections. Twenty of the 27 surveyed iPay users responded to our user survey; 12 actually are using iPay and 8 users have not input transactions into the system yet or produced reports. Our survey results are based on the responses from the 12 users that had used iPay as of June 24, 2008.

We conducted the 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.

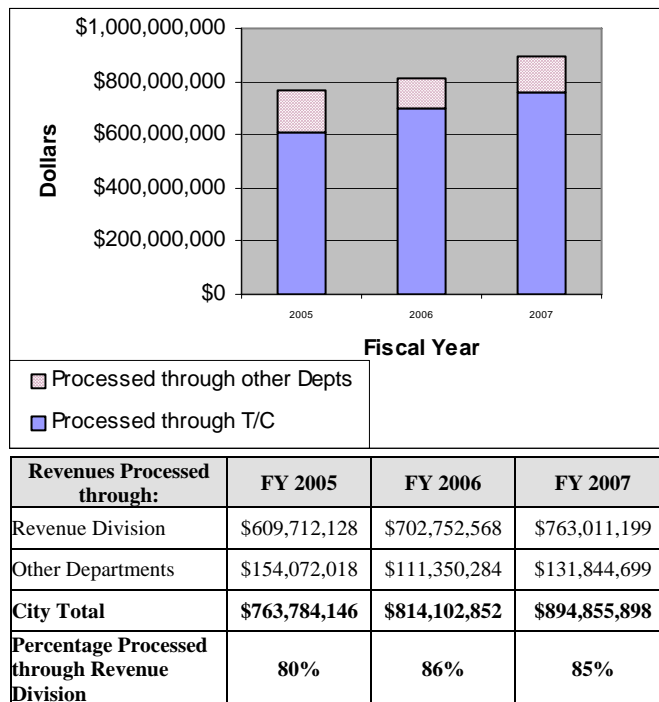
Background

Collection and Reporting of Revenues

Section 52 of the City Charter provides that the City Treasurer-Clerk is responsible for receiving, collecting, and depositing all monies paid to the City; examples include: taxes, licenses, fees, and fines.

Figure 1 provides the total amount of revenues collected during the last three fiscal years in the City and the amounts collected through the Treasurer-Clerk's Revenue Division and through other departments. These revenues enter into the City's banks through payments made by cash, checks, credit cards, and electronic fund transfers. In FY 2007, the City collected approximately \$895 million; of which, 85 percent was collected by the Revenue Division.

Figure 1
Revenues Collected at the City and Within the Revenue Division for FYs 2005-2007



Source: Revenue Division Reports

As shown in Figure 1, the majority of collections were processed through the Revenue Division. However, a portion of monies is collected at other City locations, as City management determined that it was better customer service to allow citizens to pay certain items at selected department locations rather than only at the Revenue Division. The Treasurer-Clerk is providing all

departments the capability to label what each payment is for through the iPay system.

Each location must report all collections to the Treasurer-Clerk's Revenue Division and ensure that all collections are deposited in the bank in a timely manner. Some locations transfer their collections to the Revenue Division for processing and deposit in the bank. Other locations process and deposit their collections directly into the bank. Regardless of the method, every location reports their collections to the Revenue Division for recording and managerial purposes. During our audit, we identified the following 29 locations (shown in Table 1) that reported collecting payments to the City.

Table 1
Locations Collecting City Payments

Department	Number of Locations Reporting
Accounting Services	1
Airport	1
Downtown Improvement Authority	1
Energy Services	1
Growth Management	1
Municipal Supply Center	1
Parks and Recreation (10) and Neighborhood Affairs (2)	12
Planning	1
Police	1
Power Engineering	1
Public Works Engineering	1
Real Estate	1
StarMetro	1
Treasurer-Clerk Revenue	2
Utility Accounting	1
Utility Business Customer Services	1
Water	1
Total Department Locations	29

Source: Revenue Division

Historically, collections were reported to the Revenue Division through "Daily Cash Reports" and bank deposit slips. The Daily Cash Reports summarized the collections by department, account, and amount for input into the City's financial system and the bank deposit slips were used to verify the bank deposits and identify the type of deposit (e.g., cash, check, credit card).

As part of the Revenue Division’s responsibilities for receiving, collecting, and depositing all monies paid to the City, Revenue staff verifies that all collections received at the bank are accounted for within the City’s cashing and financial systems. This verification process was historically performed manually and was very time intensive.

On a daily basis, the Department of Management and Administration (DMA) Accounting Services Division uses the Daily Cash Reports to record the collections in the City’s financial system, and on a monthly basis, staff reconciles the City’s bank statements (deposits and disbursements) to the City’s financial system. These processes (recording of collections and reconciling bank statements) are currently performed manually.

Reporting, Verification, and Reconciliation of Deposit Processes

There are four major components that make up the City’s reporting, verification, and reconciliation of deposits processes. Table 2 shows the major components of the collection and reconciliation processes and the division responsible.

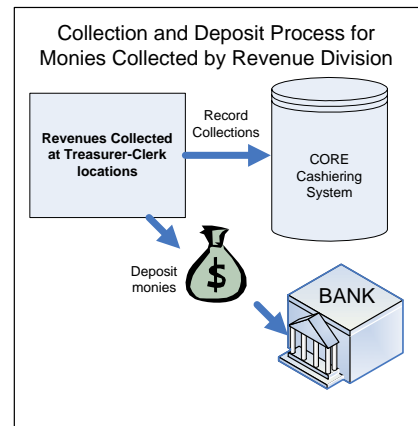
Table 2
Major Processes in the City’s Reporting, Verification, and Reconciliation of Deposits

Major Processes	Division
Recording collections received and depositing cash in the bank. (Shown in Figures 2 and 3)	Revenue
Downloading deposits received at the bank and verifying the bank deposits to the deposits recorded in the CORE cashing system. (Shown in Figures 4 and 5)	Revenue
Recording collections in City’s financial system (by department, account, and amount). (Shown in Figure 6)	Accounting Services
Reconciling deposits recorded in the City’s financial system to deposits received at bank. (Shown in Figure 7)	Accounting Services

Over the last few years, Revenue management has been working with banks, credit card companies, City Information System Services, Accounting Services, and others to upgrade equipment and software to automate as much of the collection processes as possible.

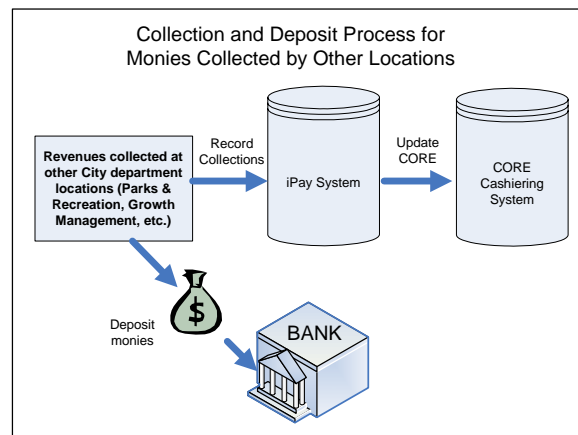
Figures 2 and 3 illustrate the first major process of recording collections received and depositing cash into the bank at the Revenue Division and other locations. Deposits prepared by the Revenue Division are transferred to the bank and collections are recorded in the CORE cashing system.

Figure 2



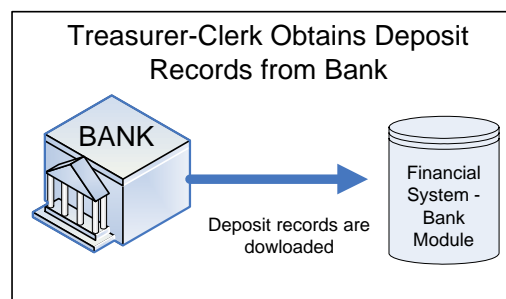
Deposits prepared by external locations are transferred to the bank and collections are recorded into an intermediary system (iPay), which is then uploaded into the CORE cashing system.

Figure 3



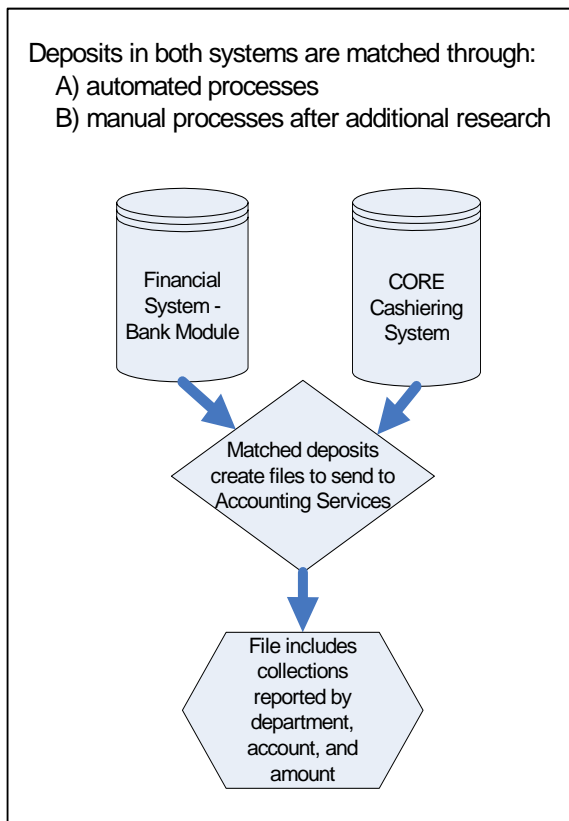
Figures 4 and 5 illustrate the second major process of downloading deposits received at the bank and verifying the bank deposits to the deposits recorded in the CORE cashing system. The Revenue staff initiates processes daily and weekly to download the deposit information from the bank and upload the information into the City’s financial system.

Figure 4



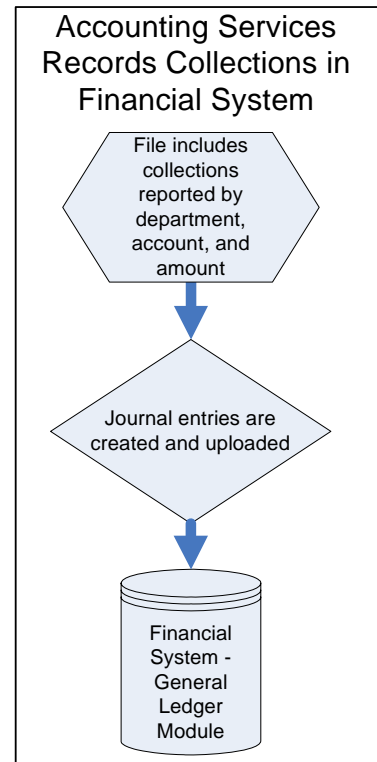
After downloading the deposit information from the bank, the Revenue staff runs the automated processes to match the deposits recorded in the cashiering system to the deposits in the financial system downloaded from the bank. This matching verifies that the bank has received the deposit reported in the cashiering system. There will be exceptions when deposits do not match, such as when errors are made on deposit slips or during input into the cashiering system. These deposits require additional research by Revenue staff to determine the cause of the error, fix the error, and then manually match the deposits in the cashiering system to indicate the deposit has been verified.

Figure 5



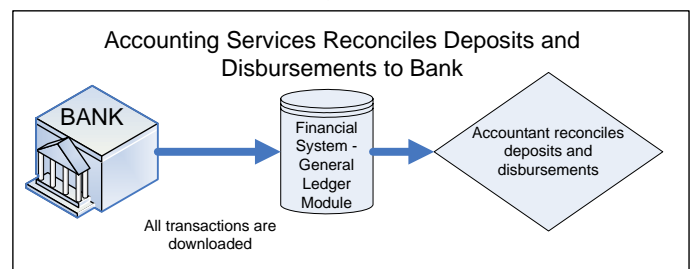
The third major process occurs after the Revenue Division has matched all deposits. The CORE system creates a file listing all the collections by department, account, and amount. At this point, Accounting Services receives a paper report from each location and manually creates journal entries and hand-keys the journal entries into the financial system. Accounting Services is in the process of developing automated processes to create journal entries that will be uploaded into the financial system. See Figure 6.

Figure 6



The fourth major process is reconciling deposits recorded in the City’s financial system to deposits received at the bank. This process is performed by Accounting Services and provides an independent reconciliation of deposits (and disbursements) by obtaining the deposits received at the bank directly from the bank and reconciling the bank’s deposits to the deposits recorded in the City’s financial system. See Figure 7.

Figure 7



Project Steps to Automate the Reporting, Verification, and Reconciliation of Deposits

To automate the reporting, verification, and reconciliation of deposits processes, the Revenue Division and Accounting Services have broken down the tasks to be completed into the eight project steps shown in Table 3. Table 3 lists the project steps, division responsible, and whether the step has been completed or when it is anticipated to be completed.

Table 3

Project Steps	Division	Month/Year Completed
Upgrade CORE cashiering system	Revenue	May 2007
Upgrade information systems between the City and bank (bank also upgraded their systems)	Revenue	February 2008
Upgrade the City’s infrastructure to support Revenue systems (coordinated by Information Systems Services)	Revenue	Partially completed Spring 2008
Implement the iPay system in the user departments	Revenue	April 2008
Implement the automated deposit verification process in Revenue Division	Revenue	April 2008
Develop automated “deposit reporting files” (by account, department, and amount) to upload into the Financials System	Revenue	April 2008
Upgrade the City’s financial system	Accounting Services	Anticipated to be completed by October 2008
Develop automated processes to 1) receive “deposit reporting files,” and 2) upload payment transactions from CORE into the City’s financial system	Accounting Services	Anticipated to be completed by October 2008
Develop automated processes to expedite the reconciliation of deposits between the City’s financial system and the bank’s system	Accounting Services	Anticipated to be completed by March 2009

These project steps have been funded and are managed independently within the respective divisions.

To completely automate the reporting, verification, and reconciliation of deposits processes, Accounting Services needs to complete three steps. These steps involve: 1) upgrading the current City’s financial system; 2) automating the processes to receive the “deposit reporting files” from Revenue Division, creating journal entries, and uploading the journal entries into the financial system; and 3) automating the bank reconciliation processes for deposits between the City’s financial system and the bank. Accounting Services plans to complete the automation of these final three processes by March 2009.

Identified Controls and Significant Issues and Recommendations

As shown in the Background, the complete automation of the reporting, verification, and reconciliation of deposits processes involves automating processes in both the Revenue Division and Accounting Services. The automation of processes performed in Accounting Services has not been completed. Accordingly, our audit scope was limited to those automated processes completed in the Revenue Division.

Our review included examining controls related to the automation of deposit reporting and verification processes, including selected general computer controls, application controls, and related manual activities.

The internal controls are separated into the following five general areas as described in the Administrative Policy and Procedures #630 “Internal Control Guidelines” based on Internal Control – Integrated Framework (September 1992). These five general areas of control include:

- Control Environment - Management is responsible for the control environment, for setting the tone for the organization, and for influencing the control consciousness of its people. The control environment provides an atmosphere in which people conduct their activities and carry out their responsibilities, and reflects the overall attitude, awareness, and actions of management concerning the importance of control and its emphasis on the entity. It is the foundation for the other four components.
- Risk Assessment - Risk assessments are mechanisms to determine the relative potential for irregularities or non-compliance in programs and functions from both external and internal sources. Management is responsible for assessing risk and encouraging continuous assessment at all levels in the organization.
- Control Activities - Control activities are the policies, procedures, techniques, and mechanisms that enforce management’s directives. They are an integral part of planning, implementing, reviewing, and accountability. They include a wide range of diverse activities such as approvals, authorizations, verifications, reconciliations, performance reviews, and creation and maintenance of records that provide evidence of execution of activities as well as appropriate documentation.

- Information and Communication - Information should be communicated to management and others who need it in a form and within a time frame that enables them to carry out their responsibilities. Information needs to be relevant, reliable, and timely communicated.
- Monitoring - Monitoring should occur in the course of normal operations. A variety of controls should be in place to check accuracy, completeness, and authorization of transactions.

The scope of this audit was to review the City Treasurer-Clerk's Office recently implemented automated deposit reporting and verification processes as requested by the City Treasurer-Clerk.

To evaluate the areas of internal control related to the automation of the deposit verification and reporting processes, we obtained an understanding of the processes, selected relevant controls, and conducted audit procedures to determine whether each selected control was in place and working effectively.

During our audit, we noted that the control environment within the Treasurer-Clerk's Office and Revenue Division reflected an atmosphere where daily operations were closely monitored and managed, and management understood the importance of internal control and its impact over their financial responsibilities and activities.

We also noted that the management understood the value of assessing and addressing risks associated with their activities. This was evidenced by their request for the Office of the City Auditor to review their automation of deposit reporting and verification processes prior to full implementation across the City, and their timely responses in addressing risks identified during the audit.

Regarding monitoring, we noted that there were adequate monitoring activities in place. Examples of such monitoring control activities included: 1) two supervisors that were not involved in the verification process regularly (i.e., weekly or biweekly) reviewed a listing of voided transactions in the cashiering system; 2) Revenue management reviewed transactions voided in the CORE system on a daily basis; and 3) Revenue manager receives notification from the bank when there are differences of \$50 or more between deposit slips and amounts received by the bank.

Table 4, beginning on the next page, provides a listing and description of the selected controls we noted that were in place and those that needed to be addressed along with the associated activities observed related to the control activities and information and communication activities. For each control that needed to be addressed, we provided the current status of the control and management's plans to improve the control. As necessary, we also provided recommendations to the City Treasurer-Clerk toward improving the control.

**Table 4
Identified Controls and Significant Issues and Recommendations**

Control Activities Determined to be in Place	
Control Description	Description of Activities Within the Revenue Division
Data entry controls include edit and validation checks designed to identify inaccuracies in entered data, duplicate entries, or data not meeting pre-determined acceptance criteria.	<p>In the iPay application:</p> <ul style="list-style-type: none"> • Revenue accounts for collections are pre-defined for the user ensuring that all accounts are valid and any additional accounts must be pre-configured by the system administrator.
Transaction processing controls are controls within an application designed to be within a session or batch to help ensure data is processed accurately.	<p>In the iPay application:</p> <ul style="list-style-type: none"> • Transaction amounts input by account must equal the total deposit recorded. • Transaction can be voided, but not deleted, ensuring that previously entered transactions cannot be altered. <p>In iPay, before a department’s transaction file can be completed, the entered information in the deposit file must be "balanced," in that the total deposited amount will equal the sum of the amounts per payment type (i.e., cash, checks, credit cards). If the file is not balanced, the transaction file will not close and the user will receive an error statement.</p> <p>In CORE, before the cashiers close out each night, their individual cash drawers must be balanced before the system will let the user close out for the day. The systems will automatically assign any difference to an over/short category if there remains a difference.</p>
Reconciliation processes verify that all transactions and payments balance ensuring that all payments received are recorded.	<p>Daily, a Treasurer-Clerk supervisor reconciles:</p> <ol style="list-style-type: none"> a) Each cashier drawer by tender type (cash, credit card, check), the total amount on hand, and the amount recorded. b) Each cashier drawer by transaction type (payment for utility bill, parking ticket, or other account receivable due), the total amount on hand, and the total amount recorded. c) The total utility payments recorded in Customer Information System (CIS, the utility billing system) to the amount recorded received in the cashiering system. d) The total amount recorded received in the cashiering system to the amounts recorded by fund/account, and by transactions.

Control Description	Description of Activities Within the Revenue Division (Continued)	
System access controls provide controls so that only authorized users have access to information, and provide accountability for user actions within the applications.	<p>Sample user access controls include:</p> <ul style="list-style-type: none"> • The bank requires approval from the Treasurer-Clerk system administrator before assigning access privileges to download transaction information from the City’s bank accounts. • iPay users are assigned an individual user id and password. • CORE users are assigned an individual user id and password. • iPay users’ access capabilities are limited to their job responsibilities and within their department, if applicable. • CORE users’ access capabilities are limited to their job responsibilities. • The iPay application requires users to change their password upon their first logon. • The iPay application will automatically lock out the user after 15 minutes of inactivity. 	
Rejected items are identified and monitored and followed up on and resolved in a timely manner.	The Revenue Division has dedicated an accountant to reconcile deposits that do not “match” through the automated verification process. The accountant monitors the deposits daily, researches, and manually verifies those “unmatched” deposits.	
Processes are documented to support the activities that should take place. This assists management in identifying risks and implemented controls.	Revenue management has developed and documented their “Bank Deposit Reconciliation Processes – Data Download and File Processing Procedures” to be used by management for risk assessment and training of staff in their job responsibilities.	
Users can access systems and input their data when desired.	On a scale of 1 to 5 (1 -very satisfied, 2 – satisfied, 3 – No opinion, 4 – dissatisfied, and 5 – very dissatisfied), users were satisfied with the availability of the iPay system (average rating of 1.7).	
Users receive adequate training to be able to utilize the applications.	On a scale of 1 to 5 (1 -very satisfied, 2 – satisfied, 3 – No opinion, 4 – dissatisfied, and 5 – very dissatisfied), users were satisfied with the training they received for the iPay system (average rating of 1.8).	
Control Activities That Need to be Addressed		
Control Examined	Description of Activities Within the Revenue Division	Management’s actions and current status
A segregation of duties should exist among incompatible job duties. One person should not be able to 1) access cash, 2) access transaction records, and 3) verify bank deposits.	Duties need to be segregated for two Revenue staff who have access to and/or have assigned responsibilities related to handling cash, updating transactions in the CORE cashing system, downloading and reformatting bank deposit files, uploading the deposit files into PeopleSoft Financials, and reconciling the deposits from bank (in PeopleSoft Financials) to the deposits recorded in CORE.	<p>Addressed by implementing compensating controls – Management has acknowledged this risk and implemented the following compensating controls they feel are adequate to address the associated risks so that any irregularities are detected in a timely manner:</p> <ul style="list-style-type: none"> • Daily, two supervisors prepare the bank deposit. • Daily, two additional persons conduct a second cash count to verify deposits prior to sending the monies to bank.

		<ul style="list-style-type: none"> The Treasurer-Clerk has an agreement with the bank to notify the Deputy Treasurer-Clerk and the Revenue Director immediately if a deposit is off by \$50 or more. This prompts the Director to investigate the cause for the difference.
<p>System Access controls limit users' access to processes and/or data based on job responsibilities.</p>	<p>All City employees with network accounts were mistakenly assigned "execute" access to the folder storing deposit information on the City's network. Other City departmental users were also mistakenly assigned update and delete access to the same network folder storing deposit information, including Accounting Services and Information System Services.</p>	<p>Addressed - Management reviewed the user listing and removed access from users with inappropriate access.</p>
<p>Reviews should be made of actual performance versus forecasted performance and improved processes are tracked to measure the extent to which targets are being reached.</p>	<p>The Revenue Division's goal is "to administer the City of Tallahassee's collection process through sound revenue principals and cutting-edge technology while warranting the highest degree of public confidence." To measure the success of the automation of deposit verification and reporting processes, the Revenue Division will examine whether the automated processes for revenue reporting:</p> <ol style="list-style-type: none"> 1) At all collection sites: <ol style="list-style-type: none"> a. Provide an efficient replacement to paper reporting. b. Provide a traceable user interface for revenue reporting. c. Insure atmosphere of accountability while promoting ease of use. 2) Provide online revenue reporting for management. 3) Meet City mandates for expanding e-services and Green Initiatives by reducing paper and the City's carbon footprint. 4) Provide the means to auto-reconcile deposit data and reduce staff time needed to accomplish the reconciliation process, and a) is more efficient, b) reduces workload, and c) saves resources. 	<p>Being Addressed – The Revenue Division has developed their criteria to measure the success of the automation project, but has not yet had the opportunity to measure the criteria since the automation has only just been fully implemented and management is still resolving some of the reporting capabilities. Management plans to measure the performance of the newly implemented processes over the next year.</p>
<p>Information and Communication Activities Determined to be in Place</p>		
<p>Control Description</p>	<p>Description of Activities Within the Revenue Division</p>	
<p>Source documentation is retained and available for verification.</p>	<p>Payment source documents (amount due document and receipt) are scanned into system (documentation of what payment is for and that it was paid).</p>	

Data from other systems are updated from the source system in a timely manner (eliminating duplicate entry).	Customer payment information recorded in the CORE cashiering system is transferred to supporting systems. Specifically: <ul style="list-style-type: none"> Utility payments are updated via automated processes to the City's Customer Information System (CIS) in real-time. Payments for accounts receivable system and parking tickets are updated through semi-automated processes daily.
Users can produce desired reports as needed and easily.	On a scale of 1 to 5 (1 -very satisfied, 2 – satisfied, 3 – No opinion, 4 – dissatisfied, and 5 – very dissatisfied), users rated their satisfaction with reports produced at an average of 2.4, indicating that users were between satisfied and no opinion regarding the reports produced.

Information and Communication Activities That Need to be Addressed

Control Examined	Description of Activities Within the Revenue Division	Management's actions and current status
Reports provide staff the ability to identify transactions that have been deposited in each location as needed.	The credit card transactions are "packaged" (batches are closed and reported to the bank) at different days and/or times than "packaged" by the City, creating difficulties and increased staff efforts to reconcile daily and monthly credit card deposits. This problem is not only occurring within the automated deposit verification process, but has been occurring in Accounting Services during the manual deposit reconciliation process for a long time. However, the staff time to reconcile these deposits has doubled with the automated verification process now that Revenue Division staff is conducting preliminary deposit verification in addition to the efforts performed in Accounting Services.	Being addressed – Revenue management: 1) Has been working with the iPay vendor to revise the system reports to split out the credit card transactions to assist in identifying the specific types of transactions. The reports are now in the testing phase and should be provided to the users by October 2008. 2) Has negotiated new contracts with credit card companies to provide the City the ability to "package" and report the credit card transactions to reduce staff efforts in reconciling credit card transactions in Revenue and Accounting Services. While this will not eliminate all reconciliation issues, the new reporting should reduce staff time overall. The new batching capabilities will be provided to users by October 2008.
Reports and/or queries can be run to label each payment so there is assurance that the payment is recorded in the appropriate revenue accounts.	During the deposit verification process, there are deposits that may not be labeled when received and the Revenue Division does not know which account to record the payment in. These are later researched by Accounting Services and then a journal entry is created to record the payment in the correct revenue account. When a journal entry is used to input the payment directly into the financial system, it makes the amounts recorded in each account different in the financial system from the amounts recorded in each account in the CORE system.	Being Addressed – Revenue management plans to work with Accounting Services to determine if recording the "unlabeled" payments through the iPay system is a possible solution to resolve any differences between the two systems or identify other possible alternative solutions. Management expects to have this issue resolved by October 2008.

Conclusion

We concluded that the newly implemented automated deposit reporting and reconciliation processes reviewed during our audit included adequate controls to assure that all deposits reported received are accounted for. During our review, we noted many controls that were designed, in place, and working effectively.

Additionally, we also noted some instances where controls either were not in place or working effectively and needed to be addressed. We communicated these instances to management so they could implement the appropriate controls prior to the automated deposit reporting and reconciliation processes being implemented across City departments.

Two issues were addressed and resolved during the audit, and the three remaining issues are being addressed. The three control areas being addressed relate to: 1) the inefficiencies caused by the differences between when credit card deposits are reported by credit card companies and by City departments; 2) the recording of the “unlabeled” payments to resolve any differences between the CORE and financial systems; and 3) measuring the success of the automation project. Historically, Revenue management has experienced difficulties in verifying and reconciling credit card payments due to the time delays in settling the payment with the bank. Management stated that they will continue to work with the credit card companies to implement processes and reporting mechanisms to increase the efficiency of verifying and reconciling the credit card deposits.

Revenue management indicated they would work with Accounting Services to determine if recording the “unlabeled” payments through the iPay system is a possible solution to resolve any differences between the two systems or identify other possible alternative solutions.

Additionally, management has partially evaluated the success of the automation project and plans to complete their evaluation after all project steps have been completed in both the Revenue and Accounting Services divisions.

We would like to acknowledge the full and complete cooperation and support of management and staff from the Treasurer-Clerk’s Office, the Department of Management and Administration Accounting Services Division, and Information Systems Services.

Appointed Official’s Response

City Treasurer-Clerk:

We are very pleased that the controls in place for the newly implemented automated deposit reporting and reconciliation process were working effectively. All issues raised in the audit have either been addressed or are in the process of being addressed. We appreciate Internal Audit's input and suggestions to enhance the controls and security of the City's automated deposit system.

Copies of this audit report #0818 may be obtained from the City Auditor’s web site (<http://www.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).

Audit conducted by:
Beth Breier, CPA, CISA, Audit Manager
Sam M. McCall, CPA, CGFM, CIA, CGAP, City Auditor