

# **Final Audit Follow-up**

*As of April 1, 2009*



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

## **Automated Deposit Reporting and Verification Processes**

*(Report #0818, Issued September 9, 2008)*

**Report #0913**

**May 22, 2009**

### **Summary**

This is the first and final follow-up on the action plan steps originating from the audit of the City's Automated Deposit Reporting and Verification Processes (Report #0818) issued on September 9, 2008. Revenue management completed all three of the action plan steps identified in the audit as of April 1, 2009.

Our original audit was of the automated deposit reporting and verification processes that were implemented and completed within the Treasurer-Clerk's Revenue Division as of April 30, 2008. Our audit scope did not include the bank reconciliation activities performed in Accounting Services, as the automation of their processes was not scheduled for completion until after the audit period. The audit scope focused on the newly implemented automated processes, with specific objectives to evaluate the design and implementation of the selected internal controls (control activities, information and communication, and monitoring) to ensure they were working as designed and effectively.

During the period September 2008 through March 2009, the three completed steps were related to:

- Recording and resolving "unlabeled" payments.
- Working with credit card companies to improve the efficiencies related to verifying and reconciling credit card deposits.

- Developing criteria and evaluating performance to measure the extent to which the automated process goals and targets are being reached.

Management from the Revenue and Accounting Services Divisions has been working closely together to ensure the automated Revenue processes are working smoothly and accurately. Additionally, Accounting Services will be measuring and evaluating the success of their newly implemented automated bank reconciliation processes in May and June.

We appreciate the full cooperation provided during this audit follow-up by staff from Revenue Division and Accounting Services.

### **Scope, Objectives, and Methodology**

We conducted the original audit and this subsequent follow-up 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.

**Original Report #0818**

The scope of the 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.

The objectives of the audit were to evaluate the: 1) 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; and 2) 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.

**Report #0913**

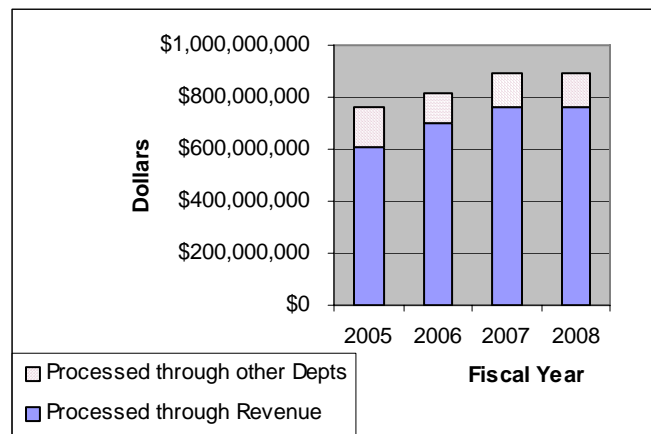
This is our first and final follow-up on action plan steps identified in audit report #0818. The purpose of this follow-up is to report on the progress and status in completing all action plan steps as of April 1, 2009. To obtain information we reviewed relevant documentation and interviewed key Revenue and Accounting Services managers and staff.

**Background**

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 four fiscal years (2005 – 2008) 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 FYs 2007 and 2008, the City collected approximately \$895 and \$896 million, respectively; of which, 85% of the revenues were collected and processed through the Revenue Division.

**Figure 1**  
**Revenues Collected at the City and Within the Revenue Division for FYs 2005-2008**



Source: Revenue Division Reports

There are four major components that make up the City’s reporting, verification, and reconciliation of deposits processes. Table 1 shows the major components of the collection and reconciliation processes and the division responsible.

**Table 1**  
**Major Processes in the City’s**  
**Reporting, Verification, and**  
**Reconciliation of Deposits**

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

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 2. Table 2 lists the project steps, division responsible, and whether the step has been completed or when it is anticipated to be completed.

**Table 2**  
**Project Steps to Automate the**  
**Reporting, Verification, and Reconciliation of**  
**Deposits (Status updated as of April 1, 2009)**

Project Steps	Division	Month/Year Completed
Upgrade CORE cashing 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	<i>Completed May 2008</i>
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 City’s financial system	Revenue	April 2008
Upgrade the City’s financial system	Accounting Services	<i>Completed December 10, 2008</i>
Develop automated processes to 1) receive “deposit reporting files,” and 2) upload payment transactions from CORE into the City’s financial system	Accounting Services	<i>Completed April 1, 2009</i>
Develop automated processes to expedite the reconciliation of deposits between the City’s financial system and the bank’s system	Accounting Services	<i>Completed April 1, 2009 (testing will continue through May 2009)</i>

Note: Updated items are in italics.

***Previous Conditions and Current Status***

In report #0818, 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 were accounted for. During our review, we noted many controls that were designed, in place, and working effectively. Additionally, we 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.

There were three action plan steps developed to address the following issues described in the audit report. The issues were related to the:

- 1) inefficiencies caused by the differences between when credit card deposits are reported by credit card companies and by City departments;
- 2) recording of the “unlabeled” payments to resolve any differences between the CORE and financial systems; and
- 3) performance measures and processes to measure the success of the automation project.

Management identified three action plan steps to address the recommendations provided in the audit report to enhance their operations. Table 3 provides a summary of management’s action plan steps that were due to be completed as of April 1, 2009, and their current status.

**Table 3  
Action Plan Steps from Report #0818  
Due as of April 1, 2009, and Current Status**

Action Plan Steps Due As of April 1, 2009	Current Status
<b>Measuring the Success of the Newly Implemented Automated Processes</b>	
<ul style="list-style-type: none"> <li>Developing criteria and evaluating performance to measure the extent to which the automated process goals and targets are being reached.</li> </ul>	<p>✓ <b>Completed.</b> The Revenue Manager has been reviewing the program regularly and reported positive results, including the process provides the ability to determine within one day if funds are deposited correctly, additional controls, and ease-of-use. The automated process also eliminates duplicate data entry and realizes the City’s “green” initiative by reducing paper products. The Treasurer-Clerk plans to request City Environmental Policy &amp; Energy Resources Department to assess the “green” savings resulting from the new automated processes. Additionally, Accounting Services will be measuring and evaluating the success of the newly implemented automated bank reconciliation processes in May and June.</p>
<b>Improving the Efficiencies Related to Verifying Deposit Transaction</b>	
<ul style="list-style-type: none"> <li>Revenue management needs 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.</li> </ul>	<p>✓ <b>Completed.</b> A solution satisfying both Revenue and Accounting Services has been implemented where Accounting Services records the "unlabeled-deposits" into the iPay system.</p>
<ul style="list-style-type: none"> <li>Revenue management continue to work with credit card companies to resolve the timing difference so that the credit card companies reported deposits align with the City's credit card deposits by City location.</li> </ul>	<p>✓ <b>Completed and ongoing.</b> The majority of this issue has been resolved. Revenue management is limited by the limitations of specific vendors. Only one credit card vendor continues to cause a timing issue for the City because the vendor does not batch credit card receipts on weekends and holidays. Since the City would like to continue to accept credit card payments from this vendor, City Revenue staff has made accommodations and manually combines payments and deposits in order to verify deposits. The Revenue Manager met with vendor representatives in March 2009 and they are reviewing the issue.</p>

**Table Legend:**

- Issue addressed in the original audit

✓ Completed

**Conclusion**

As described in Table 3, Revenue management completed all three action plan steps due as of April 1, 2009. We appreciate the full cooperation provided during this audit follow-up from Revenue and Accounting Services management and staff.

**Appointed Official's Response**

**City Treasurer-Clerk:**

We are extremely pleased that this project exceeded our expectations in the areas of automation, financial controls and the City's Green initiative. We appreciate the professional work conducted by the City Auditor and his staff, which has served to make this process very sound. We also recognize the outstanding job by Accounting Services in taking the baton and crossing the finishing line. Over the next few years the number of staff hours and paper products saved by the City should be considerable.

Copies of this audit follow-up #0913 or audit report #0818 may be obtained from the City Auditor's website (<http://www.talgov.com/auditing/auditreports.cfm>) or via request by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail or in person (Office of the City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail ([auditors@talgov.com](mailto:auditors@talgov.com)).

Audit follow-up conducted by:  
Beth Breier, CPA, CISA, Audit Manager  
Sam M. McCall, Ph.D., CPA, CGFM, CIA, CGAP, City Auditor