



**CUYAHOGA COUNTY  
DEPARTMENT OF INTERNAL AUDITING**

TO: Chris Murray, Cuyahoga County Treasurer  
FROM: Cory Swaisgood, Director, Department of Internal Auditing  
DATE: October 5, 2018  
RE: Treasurer's Office 2<sup>nd</sup> Follow-Up Review Report

As required by the *International Standards for the Professional Practice of Internal Auditing*, the Department of Internal Auditing (DIA) completed follow-up procedures in March 2017 on reported issues from the Treasurer's Office (referred to within this report as "the Office") Audit Report issued on December 16, 2014. At the request of the County Executive, DIA performed a second follow-up review in 2018 to ensure implementation of recommendations not addressed during the first follow-up review. The first follow-up completed in March 2017 is attached as Appendix A in this report. The objective of this follow-up is to determine with reasonable assurance whether management took effective action on the issues presented in the audit report issued on December 16, 2014.

**RESULTS**

There were 30 recommendations in the Office's December 16, 2014 audit report, 14 of which were fully implemented and 4 withdrawn during the first follow-up review, completed in March 2017. The remaining 12 recommendations, as well as 3 new recommendations identified during the first follow-up, are addressed in this second follow-up report. Of the 15 outstanding recommendations, 9 were fully implemented and one was withdrawn. The 15 recommendations are addressed in the *Follow-Up Results* section beginning on page 3. The table below summarizes the recommendation status of the 15 recommendations following the second follow-up review.

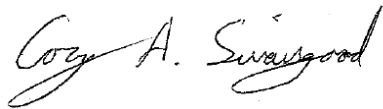
Fully Implemented	Partially Implemented	Open	Not Implemented	Withdrawn
9	4	0	1	1

The table below summarizes the recommendation status for the first and second follow-ups combined. Following the first follow-up (Appendix A), 60% of the recommendations were fully implemented or withdrawn (18/30). Results from the second follow-up showed signs of improvement in the Office. Of the 33 recommendations (30 from the audit report plus 3 additional from the first follow-up), 28, or 85% were fully implemented or withdrawn following the second follow-up review.

Fully Implemented	Partially Implemented	Open	Not Implemented	Withdrawn
23	4	0	1	5

DIA would like to express our appreciation to the Office for their cooperation during this follow-up review.

Respectfully,



Cory A. Swaisgood, CPA  
Director of Internal Auditing

Cc: Audit Committee  
Cuyahoga County Council  
Earl Leiken, Chief of Staff  
Robert J. Triozzi, Law Director

### Follow Up Results (2<sup>nd</sup> Review) Treasurer’s Office

- **Fully Implemented (F)** - The audit issue has been adequately addressed by implementing the original or corrective action.
- **Partially Implemented (P)** - The corrective action has been initiated but not completed.
- **Open Issue (O)** - The audit issue has not been addressed but management fully intends to address the issue.
- **Not Implemented (N)** - The audit issue has not been addressed and management has assumed the risk of not taking corrective action.
- **Withdrawn (W)** - The audit issue no longer exists because of changes in the auditee’s operations.

*NOTE: Agency responses were extracted and unmodified from the Treasurer’s Office Follow-Up Review Report issued on March 20, 2017. Issue numbers correspond to the follow-up report issued on March 20, 2017, as well. References to departments, offices, policies, etc. may not be consistent with terminology used throughout the rest of this report. The Treasurer’s Office Follow-Up Review Report can be found on the [Audit Committee’s website](#). The first follow-up report is attached as Appendix A and can also be found on the Audit Committee’s website.*

Issue	Risk Observation from 12/26/2014 Audit Report	Agency Response to 3/20/2017 Follow Up	Status of Recommendation	Corrective Action Taken					
				F	P	O	N	W	
4	<p><b>[Check administration]</b> DIA noted the following regarding cash collection and security in the Finance Department:</p> <ul style="list-style-type: none"> <li>• Cashiers left their windows without locking their drawer.</li> <li>• Real estate payment checks were not placed in locked cash drawer.</li> <li>• A second person was not present at cash counts.</li> <li>• Child support payments and receipts were kept unlocked and accessible to all employees.</li> </ul>	<p>We are presently evaluating what improvements may be made to the physical layout of the cashier’s area to provide us with sufficient desk/drawer space necessary to accommodate the security of the checks as referenced in the follow up. We have instructed all cashiers to properly secure checks to the best of their ability given the logistics of the counter space and will have Treasury management staff regularly supervise and monitor the safekeeping of checks.</p>	<p><u>1<sup>st</sup> Follow Up:</u> DIA noted checks received by the Office for property taxes were not immediately secured in cashier drawers. Checks were placed on the cashier’s counter. The Office noted checks should be secured in cashier drawers if cashiers step away from their window.</p> <p><u>2<sup>nd</sup> Follow Up:</u> The recommendation was fully implemented. DIA noted the Office reconfigured the cashier’s area to accommodate securing the checks. DIA observed no instances of checks left out when cashiers were away from their drawer.</p>	√					

Issue	Risk Observation from 12/26/2014 Audit Report	Agency Response to 3/20/2017 Follow Up	Status of Recommendation	Corrective Action Taken					
				F	P	O	N	W	
5	<p><b>[Logs]</b> DIA noted the following regarding the Money Vault and Cash Drawers:</p> <ul style="list-style-type: none"> <li>• The Office does not keep an access log for their key box or know the last time it was inventoried.</li> <li>• No logs are kept for the frequency or results of audits of cashier's cash drawers or the safe in the vault.</li> <li>• Cash and coin restrictions were exceeded per DIA count of select cashier drawers.</li> </ul>	<p>The Treasurer’s Office has instituted policies requiring the preparation and review of logs as recommended. I would request that IA conduct a supplementary review in the next 90-120 days to verify that the logs are prepared and maintained as recommended.</p>	<p><u>1<sup>st</sup> Follow Up:</u>  <b>Cashier Drawers</b> – Audits were periodically performed, but no log of the audits was maintained. In addition, coin and cash restrictions were removed from the Office’s policy. Beginning drawer balances were “approximately \$500.”  <b>Safe in Vault</b> – Money in vault was counted daily, but support was not maintained for the daily counts. Also, audits were not periodically performed on monies in the vault.  <b>Key Box</b> – A log was maintained for the key box, but it had not been audited since April 2016. The Office stated they would begin to maintain and monitor the abovementioned logs beginning April 1, 2017.</p> <p><u>2<sup>nd</sup> Follow Up:</u>                      The recommendations were fully implemented.  <b>Cashier Drawers</b> – The Office maintained logs on drawer audits, and the policy established coin and cash restrictions and beginning drawer balances of exactly \$500.  <b>Safe in Vault</b> – The Office maintained support for daily counts, and periodically performed audits on monies in the vault.  <b>Key Box</b> – The key box was audited in April 2018 and documented on a log.</p>	√					

Issue	Risk Observation from 12/26/2014 Audit Report	Agency Response to 3/20/2017 Follow Up	Status of Recommendation	Corrective Action Taken				
				F	P	O	N	W
6	[Voids] DIA noted voids in MVP (Real Estate) that had no supporting documentation maintained, no explanation for the reason for the void, and no supervisor approval. There were also voids in Child Support payments in which there was no explanation for the reason for the void and no supervisor approval. In addition, some child support payment receipts that were shown as "Void" were later collected out of sequence.	The Treasurer's Office will maintain and monitor void transaction logs as recommended in the report. I would request that IA conduct a supplementary review in the next 90-120 days to verify that the logs are prepared and maintained as recommended.	<p><u>1<sup>st</sup> Follow Up:</u> MVP voids were reviewed daily by a supervisor; however, there were no sign-offs to indicate approval. In addition, no log was maintained to track and monitor the frequency of voids per cashier. The Office stated they would begin to maintain and monitor logs for voids beginning April 1, 2017.</p> <p><u>2<sup>nd</sup> Follow Up:</u> The recommendations were fully implemented. The Office signed off on system voids and maintained a log.</p>	v				

Issue	Risk Observation from 12/26/2014 Audit Report	Agency Response to 3/20/2017 Follow Up	Status of Recommendation	Corrective Action Taken				
				F	P	O	N	W
11	During our review of policies and procedures developed throughout all departments in the Office, we noted employees were not required to sign-off on department specific policies. Furthermore, much of the information in the policy and procedure manuals available for DIA review appeared to be outdated or processes have evolved into undocumented operating procedures.	No agency response to the first follow-up review.	<p><u>1<sup>st</sup> Follow Up:</u> The Office did create a Policy and Procedure Manual (PPM). However, Office employees did not sign an “Acknowledgement of Receipt” form to confirm they received and understood the Office’s policies and procedures. The Office stated that employees would acknowledge receipt of the PPM in April of 2017.</p> <p><u>2<sup>nd</sup> Follow Up:</u> DIA noted that Office employees still did not sign an “Acknowledgement of Receipt” form for the PPM. The Office is waiting for approval by HR before asking Office employees to sign. DIA recommended the Office send a request to the Administrative Rules Board to review the PPM for any concerns over the legality of its rules and consistency with Human Resources’ policies and the County code. The follow-up status remained the same from the first follow-up.</p>		√			

Issue	Risk Observation from 12/26/2014 Audit Report	Agency Response to 3/20/2017 Follow Up	Status of Recommendation	Corrective Action Taken					
				F	P	O	N	W	
14	<p><b>[Cash worksheets]</b> The following was noted during testing of bank reconciliations:</p> <ul style="list-style-type: none"> <li>• There was no indication of approval of an immediate supervisor on the daily cash worksheet or monthly bank activity worksheet and not all bank accounts in the Treasurer's name were included.</li> <li>• Bank transactions noted on the daily ledger and worksheet are not timely recorded.</li> <li>• Transactions on the book side of the bank reconciliations were recorded based on bank account activity and not when the transaction occurred. No outstanding checks or deposits in transit were noted on the bank reconciliations to show a true cash balance.</li> <li>• We noted the beginning balance of Treasurer’s World was the beginning balance for the bank as well. The Department did not use a beginning cash balance for Treasurer’s World; therefore, there was no beginning book balance. Since there was no beginning book balance, DIA was unable to assure Treasurer’s World was reconciled to the bank.</li> </ul>	<p>The Treasurer’s Office has taken steps to prepare new reconciliation reports in accordance with the report recommendations. I would request that IA conduct a supplementary review in the next 90-120 days to verify that the improvements in the reconciliation process are being conducted in an acceptable manner. When the audit was originally conducted, there were no collective bargaining agreements impacting the Treasurer’s Office. Subsequent to the issue of the original report portions of the Treasury are unionized. Combination of the cashiers (union) and the Investment Department (non-bargaining) is under review but will take some additional coordinated efforts between Human Resources and the Personnel Review Commission.</p>	<p><u>1<sup>st</sup> Follow Up:</u> The Investment Officer and Cashier Supervisor did review and sign-off on the daily cash worksheets with activity of all bank accounts listed. However, the reconciliation process in the Finance Department (Cashiers) was not reviewed or modified to improve efficiencies in the reconciliation process. The Department still utilized the same spreadsheets and performed the same procedures to record and reconcile Office transactions in Treasurer’s World. As of the review, the Investment Department was creating new reports for the Finance Department to improve accountability and accuracy in their reports. The Finance Department and Investment Department were not combined as recommended by DIA.</p> <p><u>2<sup>nd</sup> Follow Up:</u> DIA noted the reconciliation process now includes all County bank accounts on the worksheets. However, the spreadsheets utilized in the Finance Department (Cashiers) were not modified to improve efficiencies, such as reducing the number of worksheets used, and improving the reconciliation process with the Fiscal Office’s financial system. As of May 2018, the Fiscal Office assumed some responsibility over the Treasurer’s reconciliation. DIA also noted the Finance Department (Cashiers) and Investment Department were not combined as recommended by DIA. With implementation of the new ERP, the Office should consider combining duties in the departments to improve daily operations. If managed correctly, the</p>		v				

			new ERP should also improve the daily reconciliations. The follow-up status remained the same from the first follow-up.					
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Issue	Risk Observation from 12/26/2014 Audit Report	Agency Response to 3/20/2017 Follow Up	Status of Recommendation	Corrective Action Taken				
				F	P	O	N	W
15	<p><b>[Mail checks]</b> DIA noted the following regarding issuing refunds for property taxes:</p> <ul style="list-style-type: none"> <li>• Refunds did not have a detailed note in MVP on why the refund was made.</li> <li>• Refunds failed to include all documentation to support the refund.</li> <li>• Refunds did not have evidence of supervisor approval.</li> <li>• Supporting documentation from refunds did not agree to information in FAMIS.</li> <li>• One tested refund was inaccurately refunded.</li> </ul>	<p>The Treasurer's Office has assigned responsibility for mailing checks to the Accounts Payable Department within the Fiscal Office effective March 20, 2017. I would request that IA conduct a supplementary review in the next 90-120 days to verify that checks are no longer being handled for mail in the Treasury.</p>	<p><u>1<sup>st</sup> Follow Up:</u> Refunds issued from MVP were still lacking detailed information. In addition, the Office was still handling and mailing refund checks as opposed to Accounts Payable as of the follow-up review. As of March 20, 2017, the Office stated they would require Accounts Payable to mail refund checks.</p> <p><u>2<sup>nd</sup> Follow Up:</u> The recommendations were fully implemented. DIA confirmed that refunds issued from MVP included sufficient information and Accounts Payable was handling and mailing refund checks.</p>	v				



Issue	Risk Observation from 12/26/2014 Audit Report	Agency Response to 3/20/2017 Follow Up	Status of Recommendation	Corrective Action Taken					
				F	P	O	N	W	
16	<p><b>[MVP adjustments]</b> DIA noted refunds were issued to the “Treasurer’s Office” from the “Treasurer’s Office” and included an Office employee as a co-payee. These checks were authorized by the Refund Division’s Supervisor after a form was completed by the employee requesting the check. The check was issued through Accounts Payable and sent back to the Treasurer’s Office employee to be receipted into MVP.</p>	<p>Unfortunately, the constraints of the current real property system (MVP) limit the manner in which adjustments for refunds may be processed. I am looking into any available short-term correction that does not require any additional programming of the new system. We have forwarded this issue to the attention of the development committee assigned to the implementation of the new Harris real property system to allow for design changes to eliminate this issue. If an interim solution can be derived we will advise IA of the change. Due to our limits on changing the existing system we may have to move total corrective actions to the new system, which will be operational in 2018.</p>	<p><u>1<sup>st</sup> Follow Up:</u> The Office was still issuing checks from the “Treasurer’s Office” to the “Treasurer’s Office”. This issue was still outstanding due to a system constraint with MVP. The Office did add a mitigating control by having a supervisor review and authorize the issuance of the check. Employee names were removed from the check as the co-payee.</p> <p><u>2<sup>nd</sup> Follow Up:</u> The Office was still issuing checks from the “Treasurer’s Office” to the “Treasurer’s Office”. When implemented, the new tax system is expected to have an adjustment function that will resolve this issue. The follow-up status remained the same from the first follow-up.</p>		√				

Issue	Risk Observation from 12/26/2014 Audit Report	Agency Response to 3/20/2017 Follow Up	Status of Recommendation	Corrective Action Taken				
				F	P	O	N	W
17	<b>[Refund/surplus reports]</b> Of the transactions pulled from the surplus report, all were refunded but did not appear on the refund report. All refunds should be taken out of the surplus report and appear in the refund report after a refund check is issued.	As with the item above, limitations of the current system make total implementation of corrective actions prohibitive - both from a cost and administrative standpoint. The Harris development team has been made aware of this recommendation and will coordinate corrective abilities into the new system.	<p><u>1<sup>st</sup> Follow Up:</u>                      The refund report was not utilized in conjunction with the surplus report to assure all refunds were properly approved and refunded. The new tax system should have applications to replace these reports.</p> <p><u>2<sup>nd</sup> Follow Up:</u>                      The refund report was still not utilized in conjunction with the surplus report. When implemented, the new tax system is expected to receive an import file from the new ERP (Infor) which notifies the Office when Fiscal issues refunds by posting the check number and check date to the refund records in the tax system. Due to this being a system limitation and the Office has other procedures in place to address the low risk, DIA withdrew the finding.</p>					√

Issue	Risk Observation from 12/26/2014 Audit Report	Agency Response to 3/20/2017 Follow Up	Status of Recommendation	Corrective Action Taken				
				F	P	O	N	W
20	<p><b>[NSF review]</b> There is no review performed on the NSF adjustments that take place in the Office. It is not required in the Policies and Procedures, nor has it been a practice of the Office to review or sign off on NSF transactions. Also, the Office does not have procedures in place to collect monies after NSF checks have been identified. Furthermore, the bank does charge the County a fee when NSF checks occur.</p>	<p>The Treasurer’s Office has initiated creation of a log to monitor NSF transactions. I would request that IA conduct a supplementary review in the next 90-120 days to verify that the logs are prepared and maintained as recommended. The new Harris system design will be evaluated to determine if the ability to assess NSF fees back to the taxpayer is feasible. System limitations on miscellaneous adjustments in MVP impact our ability to totally address the recommendations in the original report.</p>	<p><u>1<sup>st</sup> Follow Up:</u> No supervisor review or approval was noted for NSF transactions. During the review, the Office stated that a supervisor would begin to review and approve NSF transactions on a daily basis. The Office also stated they would maintain a log for NSF approvals beginning April 1, 2017. In addition, the Treasurer decided not to charge NSF bank fees to taxpayer bills. As of the review, the earnings credit with the County’s bank provider offsets NSF fees.</p> <p><u>2<sup>nd</sup> Follow Up:</u> The recommendations were fully implemented. DIA noted completion of daily reviews and approvals for NSF transactions, and logs were maintained on NSF approvals.</p>	√				

Issue	Risk Observation from 12/26/2014 Audit Report	Agency Response to 3/20/2017 Follow Up	Status of Recommendation	Corrective Action Taken				
				F	P	O	N	W
22	<p><b>[Vault balances]</b> DIA noted the following in regards to safeguarding monies:</p> <ul style="list-style-type: none"> <li>• The Office provides change to the public and cash personal checks for County employees. The Office does not keep track of change given or personal checks cashed during the course of the day.</li> <li>• The Finance Dept. does not count or keep a log of the change sent from the bank nor do they have a minimum or maximum for the vault.</li> </ul>	<p>I have instructed the Treasurer’s Office to conduct a cash flow analysis of both the vault and cashier drawers to determine proper levels of physical cash balances in the office. I have also requested the staff to contact our financial institution to discuss industry approaches to determining the correct cash levels in the vault and drawers. A firm estimate of cash needs will be available within the next 60 days.</p>	<p><u>1<sup>st</sup> Follow Up:</u> A minimum or maximum dollar amount was not established for the vault. No analysis was performed on the amount of cash actually needed in the vault, banker’s drawer, and cashier drawers. Change was still given out to customers or County employees.</p> <p><u>2<sup>nd</sup> Follow Up:</u> The recommendations were fully implemented. DIA noted the Office performed an analysis on the amount of cash needed on a daily basis, and a minimum and maximum dollar amount were established in the policy. Change was still given out to customers or County employees, but the Office agreed to strictly enforce the counterfeit detection policy as a safeguard.</p>	v				

Issue	Risk Observation from 12/26/2014 Audit Report	Agency Response to 3/20/2017 Follow Up	Status of Recommendation	Corrective Action Taken				
				F	P	O	N	W
24	<p><b>[Policy development]</b> DIA noted the following regarding daily operations:</p> <ul style="list-style-type: none"> <li>• DIA noted the checks are locked in a vault after being processed for deposit by the Business Services Department. Since checks are scanned to the bank for deposit, this procedure is outdated.</li> <li>• Mail may be sent to the Tax Department if the Business Services Department cannot process all the mail checks into MVP in a day. The checks will be sent back to the Business Services Department; however, the Business Services Department does not keep a log of mail that included checks that were given to the Tax Department for processing.</li> <li>• Credit card and MVP reports on real estate receipts are filed with revenue receipts on a daily basis; however, there was no evidence that these reports were reviewed for accuracy to ensure the correct parcel number and corresponding dollar amount was uploaded from the credit card files to MVP.</li> </ul>	<p>The Treasurer’s Office has recently developed a policy and procedure manual that will address the recommendations of the IA Department report. I would request that IA conduct a supplementary review in the next 90-120 days to verify that the procedures in the policy manual are being administered correctly, and in a manner consistent with the recommendations contained in the original report.</p>	<p><u>1<sup>st</sup> Follow Up:</u> Checks received for payment into the County’s bank account were still processed and stored in the same manner as observed during the audit. No procedures were created in the policy and procedure manual to address this comment. In addition, imported credit card transactions from Official Payments to MVP were being reviewed by the Cashier Supervisor to ensure the total amounts reconcile. However, no individual parcels were reviewed to ensure the accuracy of the import per parcel.</p> <p><u>2<sup>nd</sup> Follow Up:</u> The recommendations were fully implemented. DIA noted the policy and procedure manual addressed the current procedures for processing and storing checks in the vault. DIA also noted the Cashier Supervisor has since reviewed individual parcels to ensure the accuracy of the credit card transaction import per parcel.</p>	v				

Issue	Risk Observation from 12/26/2014 Audit Report	Agency Response to 3/20/2017 Follow Up	Status of Recommendation	Corrective Action Taken					
				F	P	O	N	W	
25	<b>[Receipts]</b> Receipts were not considered posted by General Accounting to the County’s financial accounting system in a timely manner (five days or less).	Limitations of both the MVP and FAMIS systems prohibit total compliance with this recommendation. I have discussed the need for our new system development, both for the real property replacement (Harris) system and the new ERP system, to consider functional applications that allow for reconciliation of Treasury support documentation with the financial system. We are examining various interface capabilities between Harris and the ERP to ensure that data is transferred and available for immediate reconciliation.	<p><u>1<sup>st</sup> Follow Up:</u> The Office reviews FAMIS and reconciles amounts posted to supporting documentation in the Treasurer’s Office index codes; however, property tax revenue posted to the County’s financial system were not compared to Office support. The Office is unsure of the department that should be responsible for the reconciliation.</p> <p><u>2<sup>nd</sup> Follow Up:</u> DIA noted that property tax revenue posted to the County’s financial system was not compared to Office support. The Office should determine who is responsible to perform the reconciliation in the current system and determine how Office support documentation will be reconciled in the new tax system and ERP prior to implementation. The follow-up status remained the same from the first follow-up.</p>		v				

**DIA discovered three new issues during the first follow-up review (Appendix a) that were not included in the audit report released December 16, 2014. The three issues were tracked by DIA for follow-up and are listed below. The risk observations were taken from the Review Highlights section of the first follow-up report located on pages 2 and 4 in Appendix A. The corresponding headings and numbers are referenced in each risk observation below. DIA added the three issues to the total recommendations on page 1.**

Issue	Risk Observation Found During 1 <sup>st</sup> Follow-up Review	DIA's Follow-up Results	Corrective Action Taken				
			F	P	O	N	W
1	If a cashier experienced an overage or shortage at the end of the business day, the cashier added or deducted cash from the cashier's beginning drawer balance to force balance to the system. Cash deposited did not agree to the cash collected if overages or shortages occurred. If cash collected was less than cash recorded for property taxes, the Office was using the County's general fund to cover cash shortages on property tax receipts. In addition, jury fees were still paid from the beginning drawer balance of the cashiers. <i>[Finance Dept. (Cashiers) #2]</i>	The Office decided to accept the risk and was unsure how revenue would be reported to the Fiscal Office for overages and shortages. On 2/16/17, DIA emailed the Office with a policy used by the Clerk of Courts as a reference guide to develop similar processes. DIA also recommended the Office inquire with the Fiscal Office for the preferred method of reporting overages or shortages for the County's financial reporting system. DIA did note the overages and shortages are minimal in amount compared to the total revenue received, and therefore do not pose a significant risk of misstating the Office's revenue. However, the accumulation of overages and shortages could pose a greater risk if the Office does not properly recognize revenue received over a longer period.				✓	
2	The new tax system is not expected to have IT controls in place to require approvals for Voids, Misapplied Adjustments, NSF Checks, Tax Penalty Remissions, and Refunds. <i>[New Tax System #1]</i>	DIA received the implementation plan documents covering the related processes and noted that DIA's questions on IT controls should be implemented in the new tax system.	✓				
3	The Office was unsure if the new property tax system would allow all departments involved in the tax penalty remission process (including Fiscal Office and Board of Revision) to view and scan all supporting documentation into the new system. All involved departments should have access to required support documents. <i>[New Tax System #2]</i>	DIA received the implementation plan documents covering the tax penalty remission process and upon inspection noted that all departments involved should have the access necessary for viewing and scanning all supporting documentation into the new tax system.	✓				

### **Correspondence from Cuyahoga County Treasurer Chris Murray in response to the follow-up results:**

*The report and subsequent follow-up reports identify 33 recommendations for improvement. To date, 23 of the recommendations have been implemented and five have been withdrawn. There are five items that are not fully implemented. Many of those are in process, or they are being corrected with the transfer to new IT systems. There is one item that the Treasurer's Office disagrees related to the internal structure of the department. The remaining items and the workplan to address the outstanding issues are included in the following write-up.*

*Issue #11 – The attendance policy has been in effect since 2017 and the bargaining unit LIUNA 860 and treasury management have been operating under the revised attendance policy since that time. Treasury will incorporate the approved addendum into the existing agreement during the upcoming renegotiation of the LIUNA contract. The Treasury Policy and Procedure manual remains in the draft stage as many of the policies and procedures need to be updated again with the implementation of ERP and the new Real Property system. Instead of updating and bringing forward temporary policies and procedures documents that will change in a few months, the Treasurer's Office will update the manual as the ERP and Real Property implementations is going live.*

*Issue #14 – No change from the (first) follow up response. While Treasury continues to maintain daily cash activity reports, the updating of Treasurer's World is now the responsibility of Financial Reporting. As for the issue of the Treasury organization chart, The County disagrees with the recommendation that this would be more efficient as the two units will still need to exist and elects to continue with the current assignment of duties.*

*Issue #16 – Treasury has confirmed with the Real Property implementation lead that the Harris system addresses tax lien administration, surplus amounts in a closed tax cycle, and misapplied payments as well.*

*Issue #25 – No change from the (first) follow up response.*

*Issue From First Follow Up - Following the prior audit recommendation, cashiers are made whole daily to begin and end their day with a \$500 bank balance. There are existing guidelines regarding amounts that support potential disciplinary action and the variances are noted on a spreadsheet and identified by cashier.*

*In addition, the existing jury voucher process is as noted: Over the counter vouchers are redeemed in cash for police officers mainly (rarely other individuals) and all vouchers must first be validated by the Fiscal Office - General Services. The bulk of the vouchers are received every other week from the Clerk of Courts via General Services and also redeemed in cash. Each week the total cash voucher amounts and all vouchers are given to General Services for reconciliation purposes.*

*Thank you for the opportunity to respond to this second follow up review. If you have any questions please contact me directly.*





**CUYAHOGA COUNTY  
DEPARTMENT OF INTERNAL AUDITING**

TO: Chris Murray, Cuyahoga County Treasurer  
 FROM: Cory Swaisgood, Director, Department of Internal Auditing  
 DATE: March 20, 2017  
 RE: Treasurer's Office Follow-Up Review Report

As required by the International Standards for the Professional Practice of Internal Auditing, the Department of Internal Auditing (DIA) has completed follow-up procedures on reported issues from the Treasurer's Office Audit Report issued on December 16, 2014. The objective of the follow-up report was to determine with reasonable assurance whether management took effective action on the issues that were presented in the audit report.

**RESULTS**

There were 30 recommendations in the Treasurer's Office Audit Report of December 16, 2014; 60% of the recommendations were fully implemented or withdrawn. Each recommendation is addressed in the Follow-Up Results section on page 5. Significant findings not addressed by the Treasurer's Office (referred to within this report as "the Office") are noted on the following page. The following table is a summary of the recommendations.

Fully Implemented	Partially Implemented	Open	Not Implemented	Withdrawn
14	11	0	1	4

The Fiscal Officer provided a letter of response to DIA's follow-up results, which is attached at the end of this report. DIA would like to express our appreciation for the cooperation of the Office staff during this follow-up review.

Respectfully,

Cory A. Swaisgood, CPA  
 Director of Internal Auditing

Cc: Audit Committee  
 Cuyahoga County Council  
 Sharon Sobol Jordan, Chief of Staff  
 Robert J. Triozzi, Law Director

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## Review Highlights Treasurer's Office

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During DIA's follow-up review of the Treasurer's Office Report issued on December 16, 2014, DIA determined that significant audit findings identified by DIA were not addressed. DIA concluded that 40% of recommendations were not fully implemented. The following is a list of the most significant of these findings. In addition, we noted other findings that came to our attention during the review. Management could not provide proof during our follow-up review that corrective action was taken to mitigate the risk associated with these findings.

### Finance Department (Cashiers)

1. No analysis was done to determine the amount of cash that should be in the vault, banker's drawer, and cashier drawers. The Treasurer's Policy and Procedure Manual (PPM) did not address a minimum or maximum amount of cash needed on a daily basis. On December 13, 2016, over \$19,000 in cash was on hand during the day between the vault, banker's drawer, and cashier drawers. The Department could not explain if this amount was sufficient to cover the day's operations. In context, DIA's review and calculation of the cash-on-hand was outside of the Office's property tax collection period, during which receipts significantly increase. See Issue 22 on page 18.
- 2.\* The PPM states cashiers should have "approximately \$500" as their daily beginning drawer balance. If a cashier experienced an overage or shortage at the end of the business day, the cashier added or deducted cash from the cashier's beginning drawer balance to force balance to the system. Cash deposited did not agree to the cash collected if overages or shortages occurred. Periodically, if beginning drawer balances were less than \$500 – meaning cash received was less than cash recorded for property taxes – the Office would replenish the beginning drawer balances by issuing a check from the Office's own budget (general fund money). In effect, the Office was paying for property taxes out of the County's general fund to cover cash shortages on property tax receipts. Even though the dollar amount of shortages appeared to be minimal during 2016, these procedures were unnecessary and inefficient. In addition, jury fees were still paid from the beginning drawer balance of the cashiers.
3. Checks received by the cashiers were not secured in the cashier drawers upon receipt. Checks were placed on the counter of the cashiers. The Office noted that checks should be secured in the cashier drawers if cashiers step away from their window. See Issue 4 on page 7.
4. The daily count of cash in the vault was not maintained. No periodic audits were performed on cash in the vault. The Office stated they would maintain proof for the daily count of cash in the vault, and additionally maintain a log of cash vault audits beginning April 1, 2017. See Issue 5 on page 7.

*\*Issue was newly discovered during the follow-up review and was not found during the audit performed in 2013. This issue was not noted in the Treasurer's Office Audit Report and only reported in this follow-up report.*

5. The Finance Department was still utilizing the same spreadsheets and performing similar procedures to record daily transactions in Treasurer's World to, ultimately, be reconciled to FAMIS, the County's financial system. No review of the process was conducted by the Office to identify more efficient and useful methodologies in the reconciliation process. The process was however being reviewed by the Investment Department at the time of our follow-up and changes were being made to improve the process. Treasurer's World is an in-house application used by the Office to record Office cash transactions and reconcile to FAMIS. See Issue 14 on page 14.
6. The Investment Department and Finance Department were still segregated even though most of DIA's issues were not addressed by the Finance Department and both Departments work closely to review and reconcile daily activity. DIA also noted the Investment Department was in the process of reviewing and revising the Finance Department's daily reports. See Issue 14 on page 14.
7. Cashier drawers were periodically audited, but a log of these audits was not maintained. The Office stated they would maintain a log for audits of cashier drawers beginning April 1, 2017. See Issue 5 on page 7.
8. Support for voids in the Office's tax system, MVP, was maintained by the Finance Department and reviewed by the Cashier Supervisor; however, no evidence of review was noted with the Cashier Supervisor's signature and no log was maintained to monitor voids per cashier. The Office stated they would maintain a log on voids beginning April 1, 2017. See Issue 6 on page 8.
9. Daily credit card receipt reports from the Office's electronic payment processor, Official Payments, were reviewed by the Cashier Supervisor to ensure the total amount charged for the day agrees to the total amount recorded in MVP. No review was performed on individual parcels to assure the import from Official Payments was recorded to the correct parcels in MVP. See Issue 24 on page 19.
10. No supervisor review or approval was evident when an employee in the cashier's area accepts a NSF check. The Office stated that a supervisor would begin to review and approve NSF transactions on a daily basis. The Office also stated they would maintain a log for NSF approvals beginning April 1, 2017. In addition, the Treasurer decided not to charge NSF bank fees to taxpayer bills. At the time of the review, the earnings credit with the County's bank provider offsets NSF fees. See Issue 20 on page 17.

### **Tax Services**

1. The Office was still issuing checks from the "Treasurer's Office" to the "Treasurer's Office". This issue was still outstanding due to a system constraint with MVP. The Office did not provide any assurance the issue will be resolved with the new tax system. The Office did add a mitigating control by having a supervisor review and authorize the issuance of a check issued to the "Treasurer's Office" from the "Treasurer's Office". See Issue 16 on page 15.
2. Refund checks were still mailed by the Office instead of requiring Accounts Payable to mail the checks. As of March 20, 2017, the Office stated they would require Accounts Payable to mail refund checks. See Issue 15 on page 15.

### **Administrative**

1. The Office did perform reconciliations between transactions in the Office's index codes (in FAMIS) and supporting documentation. However, property tax revenue posted to FAMIS was not reconciled to Office support. The Office was unsure of the department that should be responsible for the reconciliation. See Issue 25 on page 20.
2. The Office created a PPM as recommended by DIA. However, Office employees did not sign an "Acknowledgement of Receipt" form to confirm they received and understood the Office's policies and procedures. The Office stated that employees would be required to acknowledge receipt of the PPM beginning in April 2017. See Issue 11 on page 11.

### **New Tax System (In Design Phase during follow-up review)**

While inquiring with the Office about the new tax system and issues still outstanding from DIA's audit, the following was noted:

- 1.\* The new tax system is not expected to have IT controls in place to require approvals for Voids, Misapplied Adjustments, NSF Checks, Tax Penalty Remissions, and Refunds.
- 2.\* The Office was unsure if the new property tax system would allow all departments involved in the tax penalty remission process (including Fiscal Office and Board of Revision) to view and scan all supporting documentation into the new system. All involved departments should have access to required support documents.

*\*Issue was newly discovered during the follow-up review and was not found during the audit performed in 2013. This issue was not noted in the Treasurer's Office Audit Report and only reported in this follow-up report.*

### Follow Up Results Treasurer’s Office

- **Fully Implemented (F)** - The audit issue has been adequately addressed by implementing the original or corrective action.
- **Partially Implemented (P)** - The corrective action has been initiated but not completed.
- **Open Issue (O)** - The audit issue has not been addressed but management fully intends to address the issue.
- **Not Implemented (N)** - The audit issue has not been addressed and management has assumed the risk of not taking corrective action.
- **Withdrawn (W)** - The audit issue no longer exists because of changes in the auditee’s operations.

*NOTE: Agency responses were extracted and unmodified from the Treasurer’s Office Report issued on December 16, 2014. References to departments, offices, policies, etc. are not consistent with terminology used throughout the rest of this report. Due to the length of some agency responses, DIA did not include the whole response in the below results. Please see the Treasurer’s Office Audit Report on the [Audit Committee’s website](#) for complete responses.*

Issue	Risk Observation	Agency Response to 12/16/2014 Audit Report	Reasoning if not Fully Implemented	Corrective Action Taken				
				F	P	O	N	W
1	During our testing for compliance with the Ohio Revised Code sections 2303.02, 2101.03, 309.03, 325.17 and the Cuyahoga County Code section 107.02, the Office does not store all bonds within the department. All older bonds are kept with the Office in the Finance Department’s vault; however, newer bonds are kept in the Fiscal Office. These bonds are obtained by the Director of Special Projects and locked away in a fire proof safe in the general operations department but they are not held in the Treasurer’s Office as these sections require.	As of October 2013, bonds are received from Risk Management and stored in the Treasurer’s vault.		√				

Issue	Risk Observation	Agency Response to 12/16/2014 Audit Report	Reasoning if not Fully Implemented	Corrective Action Taken				
				F	P	O	N	W
2	In accordance with ORC 321.03, the contract (with financial institutions) may not be entered into unless there is "a certification by the Auditor of State that the financial institution and the treasurer have given assurances satisfactory to the Auditor of State that the records of the financial institution, to the extent that they relate to payments covered by the contract, shall be subject to examination by the Auditor of State to the same extent as if the services that the financial institution has agreed to perform were being performed by the treasurer."	The certification letter was completed by the Law Department and sent to the State Auditor for a signature on 5/21/15.		v				
3	DIA noted the following issues in regards to Tax Penalty Remissions: <ul style="list-style-type: none"> <li>• No policies and procedures manual.</li> <li>• Information in MVP was incorrect or incomplete.</li> <li>• A remission that should have been denied was accepted.</li> <li>• Adequate support was not always obtained for the reason for the remission.</li> </ul>	The Treasury Department created written policies and procedures in December 2013 which included procedures for tax penalty remissions for the Treasurer's Office, Fiscal Office, and Board of Revision. The document will be reviewed annually and updates will be made as needed.		v				

Issue	Risk Observation	Agency Response to 12/16/2014 Audit Report	Reasoning if not Fully Implemented	Corrective Action Taken				
				F	P	O	N	W
4	<p>DIA noted the following in regards to cash collection and security in the Finance Department:</p> <ul style="list-style-type: none"> <li>• Cashiers left their windows without locking their drawer.</li> <li>• Real estate payment checks were not placed in locked cash drawer.</li> <li>• A second person was not present at cash counts.</li> <li>• Child support payments and receipts were kept unlocked and accessible to all employees.</li> </ul>	<p>Treasury Dept. management has reiterated to staff that cash drawers are to be locked at all times when away from window and that two employees are to be present at cash counts. Management does not agree that real estate payments should be locked in cash drawers due to space constraints. Multiple people collect child support payments but it is balanced by one assigned person.</p>	<p>DIA noted checks received by the Office for property taxes were not immediately secured in cashier drawers. Checks were placed on the cashier’s counter. The Office noted checks should be secured in cashier drawers if cashiers step away from their window.</p>		v			
5	<p>DIA noted the following in regards to the Money Vault and Cash Drawers:</p> <ul style="list-style-type: none"> <li>• The Office does not keep an access log for their key box or know the last time it was inventoried.</li> <li>• No logs are kept for the frequency or results of audits of cashier's cash drawers or the safe in the vault.</li> <li>• Cash and coin restrictions were exceeded per DIA count of select cashier drawers.</li> </ul>	<p>The Office created written policies and procedures in December 2013 to address the noted issues. Audits of the vault and cashier drawers are conducted on a regular basis and documented. The cashier drawer cash and coin restrictions were removed in October 2014. A key box log will be kept and audited on a monthly basis.</p>	<p><b>Cashier Drawers</b> – Audits were periodically performed, but no log of the audits was maintained. In addition, coin and cash restrictions were removed from the Office’s policy. Beginning drawer balances were “approximately \$500.”</p> <p><b>Safe in Vault</b> – Money in vault was counted daily, but support was not maintained for the daily counts. Also, audits were not periodically performed on monies in the vault.</p> <p><b>Key Box</b> – A log was maintained for the key box, but it had not been audited since April 2016.</p> <p>The Office stated they would begin to maintain and monitor the above-mentioned logs beginning April 1, 2017.</p>		v			

Issue	Risk Observation	Agency Response to 12/16/2014 Audit Report	Reasoning if not Fully Implemented	Corrective Action Taken				
				F	P	O	N	W
6	DIA noted voids in MVP (Real Estate) that had no supporting documentation maintained, no explanation for the reason for the void, and no supervisor approval. There were also voids in Child Support payments in which there was no explanation for the reason for the void and no supervisor approval. In addition, some child support payment receipts that were shown as "Void" were later collected out of sequence.	Effective October 2014, the Cashier Dept. does not accept Child Support receipts out of sequence. In addition: <ul style="list-style-type: none"> <li>• Voids should be approved by supervisor or person familiar with process.</li> <li>• Physical support is maintained for MVP voids with all pertinent information.</li> <li>• A log for child support voids has been created including the reason for the void and to track missing receipts and prevent out of sequence usage. The public is advised that forms are to be completed in the office and returned on the same day.</li> </ul>	MVP voids were reviewed daily by a supervisor; however, there were no sign-offs to indicate approval. In addition, no log was maintained to track and monitor the frequency of voids per cashier. The Office stated they would begin to maintain and monitor logs for voids beginning April 1, 2017.		v			
7	Two out of seven cashier outages documented on the Accumulative Cashier Activity Report did not have Out of Balance Incident Report Forms filled out and maintained by the Cashier Supervisor. In addition, there was an Out of Balance Incident Report Form and accompanying research checklist that was not posted to the Accumulative Cashier Activity Report.	<ul style="list-style-type: none"> <li>• Applicable procedures regarding outages are being followed per the Outage Research Checklist, which will be updated to reflect current practices in April 2016.</li> <li>• The "Progressive Discipline" has been incorporated in the Cashier Policy and Procedure Manual and is no longer being used as an existing cashier document. HR provides documentation for verbal/written reprimands and suspensions.</li> <li>• The Counseling and Action Plan form is no longer being utilized. Performance areas and/or behaviors that must be improved are addressed using a Performance Improvement Plan (PIP) per HR.</li> <li>• The Out of Balance Incident form is consistently being used to document outages, per occurrence.</li> <li>• The Accumulative Cashier Activity Report is updated on a monthly basis for purposes of balancing.</li> </ul>		v				



Issue	Risk Observation	Agency Response to 12/16/2014 Audit Report	Reasoning if not Fully Implemented	Corrective Action Taken				
				F	P	O	N	W
8	<p>DIA noted the following instances in which the Office did not follow the County's Investment Policy:</p> <ul style="list-style-type: none"> <li>• The County's Investment Policy was not signed by all brokers, dealers, and other financial institutions that conduct investment business and initiate, or execute transactions.</li> <li>• Current financial statements of eligible banks and broker/dealers were not on file with the Office and these institutions have not been required to complete a Broker/Dealer Request for Information.</li> <li>• The Office has not requested an investment program review as part of the County's annual audit.</li> <li>• There were three out of the four months in our audit period in which the Monthly Investment Report was not filed within ten business days following the end of the month.</li> </ul>	<p>The Investment Policy was updated in October 2013, which removed the obsolete language identified in this Audit. A Broker/Dealer Request for information was initiated in October 2013. The Monthly Investment Report is being submitted in a timely fashion as of July 2013. The Treasury has not requested an investment program review as part of the County's annual audit.</p>		√				

Issue	Risk Observation	Agency Response to 12/16/2014 Audit Report	Reasoning if not Fully Implemented	Corrective Action Taken				
				F	P	O	N	W
9	<p>DIA noted the following instances in which the Office was not following the County Investment Procedures:</p> <ul style="list-style-type: none"> <li>• There is no formal list of those employees who are authorized to make investment transactions nor are they provided to each broker.</li> <li>• Even though the Treasurer approves all long-term investments, this approval is not stated in the Investment Procedures. We noted two out of 31 tested investments, that did not have “Approved” or “Disapproved” marked next to the Treasurer’s signature.</li> <li>• Three different trade tickets were completed during the investment buying process. All three trade tickets include the same information.</li> <li>• A \$150 million cash balance threshold was established by the Investment/Cash Management Department. This threshold was not approved by the Investment Advisory Committee</li> </ul>	<p>The Investment and Cash Management Procedures (formerly Investment Procedures) were updated in October 2013 and the issues listed in this Audit were addressed and corrected. Management does not agree that the Investment Advisory Committee should approve this document, as it is an internal working document specific to the needs of the Treasury.</p> <ul style="list-style-type: none"> <li>• Trade tickets were overhauled to an automated process in 2015, streamlining an inefficient process.</li> <li>• The “amount to keep liquid” is approved by the IAC as the IAC approves the Investment Policy. As long as the “amount liquid” is within the parameters of the investment policy, then the IAC has approved it. The daily operational liquidity amount is the decision of the Treasurer/Investment Officer.</li> <li>• The list of individuals who can make investments are the Treasurer, Investment Officer, and Asst. Investment Officers. The IAC does not need to approve as it is part of the job duties outlined in the job classification. The list was emailed to brokers in 2015 (on 7/23/15). New brokers are provided this list as needed.</li> </ul>		v				

Issue	Risk Observation	Agency Response to 12/16/2014 Audit Report	Reasoning if not Fully Implemented	Corrective Action Taken				
				F	P	O	N	W
10	Five employees left the service of the County in 2011 and used more furlough time than the amount that had been deducted from their pay. The total owed to the County is \$240. There was one employee who left the service of the County in 2011 and had more deducted from their pay than they had taken in furlough time. The County owes this employee \$349.	Effective May 2012, Human Resource functions are no longer handled at the department level.	No furlough policy was implemented since furlough leave is no longer being offered. DIA will inquire with Human Resources if furlough leave is offered in the future to assure a recoup policy is created and enforced.					✓
11	During our review of policies and procedures developed throughout all departments in the Office, we noted employees were not required to sign-off on department-specific policies. Furthermore, much of the information in the policy and procedure manuals available for DIA review appeared to be outdated or processes have evolved into undocumented operating procedures.	The Treasury Department created written policies and procedures in December 2013. The Treasury Department will include an employee sign-off sheet specific to the Treasury manual and this will be included in the revised manual to be completed after ratification of the bargaining agreement.	The Office did create a Policy and Procedure Manual (PPM). However, Office employees did not sign an “Acknowledgement of Receipt” form to confirm they received and understood the Office’s policies and procedures. The Office stated that employees would acknowledge receipt of the PPM in April of 2017.		✓			

Issue	Risk Observation	Agency Response to 12/16/2014 Audit Report	Reasoning if not Fully Implemented	Corrective Action Taken				
				F	P	O	N	W
12	<p>During testing of the dog license credit card fee account, we noted the following:</p> <ul style="list-style-type: none"> <li>• The County did not maintain a current contract or agreement with Bank of America; therefore, DIA could not determine whether the credit card fee being charged by the vendors for dog license credit card transactions was in compliance with the contract.</li> <li>• There is no proof the credit card fee bank account is monitored to assure accuracy of charges it is also not included on the daily reconciliations.</li> <li>• Credit card fees charged to customers purchasing dog licenses online is not sufficient to cover BoA fee withdrawals every month.</li> <li>• Online dog license receipts are deposited into a separate account from County's main account. There is also no proof of reconciliation or review of 1099-K or monthly statements.</li> </ul>	<p>The Dog License process has been completely overhauled as of October 2014. The findings identified in the Audit have been corrected. The account is maintained at Key Bank. The policies and procedures will be added to the aforementioned Treasury Department Policy and Procedure manual.</p> <p>Treasury only receives the bank statements. All maintenance of the dog license account is the responsibility of the Fiscal Office-General Services Division.</p>		v				

Issue	Risk Observation	Agency Response to 12/16/2014 Audit Report	Reasoning if not Fully Implemented	Corrective Action Taken					
				F	P	O	N	W	
13	<p>During review of the online credit card dog license bank accounts, the following issues related to SkipJack Financial Services, a payment solution company used for dog license payments via online credit card, were noted:</p> <ul style="list-style-type: none"> <li>• The County did not maintain a current contract or agreement with SkipJack, nor was there evidence a contract ever existed with SkipJack.</li> <li>• Fees are withdrawn by BoA for bank fees on a monthly basis; however, it could not be determined if SkipJack received any compensation for their services.</li> <li>• DIA noted SkipJack offers their services to be resold and a commission could be realized on every SkipJack account sold. Since the County could not provide a contract or agreement, DIA was unable to determine if a person or business received or receives commission for SkipJack's services.</li> </ul>	<p>The SkipJack account was closed on October 14, 2014.</p> <p>Operational procedures to reconcile dog license receipts and fees are as follows:</p> <ul style="list-style-type: none"> <li>• Fiscal Office- General Service Division downloads a payment file from Key Bank. The file is balanced and a revenue receipt for the total is created and submitted to Treasury- Investment and Cash Management Division.</li> <li>• Treasury reconciles the revenue receipt to the bank deposit.</li> </ul>							

Issue	Risk Observation	Agency Response to 12/16/2014 Audit Report	Reasoning if not Fully Implemented	Corrective Action Taken				
				F	P	O	N	W
14	<p>The following was noted during testing of bank reconciliations:</p> <ul style="list-style-type: none"> <li>• There was no indication of approval of an immediate supervisor on the daily cash worksheet or monthly bank activity worksheet and not all bank accounts in the Treasurer's name were included.</li> <li>• Bank transactions noted on the daily ledger and worksheet are not timely recorded.</li> <li>• Transactions on the book side of the bank reconciliations were recorded based on bank account activity and not when the transaction occurred. No outstanding checks or deposits in transit were noted on the bank reconciliations to show a true cash balance.</li> <li>• We noted the beginning balance of Treasurer’s World was the beginning balance for the bank as well. The Department did not use a beginning cash balance for Treasurer’s World; therefore, there was no beginning book balance. Since there was no beginning book balance, DIA was unable to assure Treasurer’s World was reconciled to the bank.</li> </ul>	<p>A Policy and Procedures manual was developed in December 2013. With the procurement of a new ERP system, the findings identified should be corrected with its implementation.</p> <ul style="list-style-type: none"> <li>• As of January 2014, the Investment Officer has been signing off on the daily cash worksheet and reconciliations.</li> <li>• As of April 2014, all Treasurer bank accounts are listed on the daily cash worksheet.</li> <li>• Escrow account activity has been monitored for activity and included in the daily cash worksheet since November 2015.</li> <li>• Excel spreadsheets are to be reviewed and revised for clarity and necessity. The documented support that identifies individual elements of specific daily activity will continue to be utilized as a required component for the reconciliation process.</li> <li>• The overall reconciliation process in Treasurer’s World will be addressed with the implementation of the new ERP system.</li> <li>• The working relationship between the Cashier and Investments department are clearly defined and support the segregation of duties, one of the key concepts of effective internal controls. Management believes the current Treasury Office structure supports the tandem working relationship that contributes to the office’s system of checks and balances. Analysis will be ongoing to ensure the optimal control procedures required and/or a potential need for changes in the Treasury’s operating and financial environment.</li> </ul>	<p>The Investment Officer and Cashier Supervisor did review and sign-off on the daily cash worksheets with activity of all bank accounts listed. However, the reconciliation process in the Finance Department (Cashiers) was not reviewed or modified to improve efficiencies in the reconciliation process. The Department still utilized the same spreadsheets and performed the same procedures to record and reconcile Office transactions in Treasurer’s World. As of the review, the Investment Department was creating new reports for the Finance Department to improve accountability and accuracy in their reports. The Finance Department and Investment Department were not combined as recommended by DIA.</p>		v			

Issue	Risk Observation	Agency Response to 12/16/2014 Audit Report	Reasoning if not Fully Implemented	Corrective Action Taken					
				F	P	O	N	W	
15	<p>DIA noted the following in regards to issuing refunds for property taxes:</p> <ul style="list-style-type: none"> <li>• Refunds did not have a detailed note in MVP on why the refund was made.</li> <li>• Refunds failed to include all documentation to support the refund.</li> <li>• Refunds did not have evidence of supervisor approval.</li> <li>• Supporting documentation from refunds did not agree to information in FAMIS.</li> <li>• One tested refund was inaccurately refunded.</li> </ul>	<p>The Treasurer staff in the Quality Assurance (Refund) Division was provided access to FAMIS in December 2013. This area utilizes two computer systems so training will be provided to the appropriate staff to ensure that they are able to capture the information that is needed to answer questions about refunds. Management will work with the Unit Supervisor to determine the best process to incorporate the remaining recommendations and have them implemented.</p>	<p>Refunds issued from MVP were still lacking detailed information. In addition, the Office was still handling and mailing refund checks as opposed to Accounts Payable as of the follow-up review. As of March 20, 2017, the Office stated they would require Accounts Payable to mail refund checks.</p>		v				
16	<p>DIA noted checks were issued to the “Treasurer’s Office” to the “Treasurer’s Office and included an Office employee as a co-payee. These checks were authorized by the Refund Division’s Supervisor after a form was completed by the employee requesting the check. The check was issued through Accounts Payable and sent back to the Treasurer’s Office employee to be receipted into MVP.</p>	<p>Checks are no longer issued with the employee name as a co-payee. Refund checks that are requested to resolve payment posting discrepancies are made payable to the Treasury due to the fact the collected monies are intended for real tax. The “fix” for a given discrepancy is to make the check payable to Treasury in order to apply the payment correctly.</p>	<p>The Office was still issuing checks from the “Treasurer’s Office” to the “Treasurer’s Office”. This issue was still outstanding due to a system constraint with MVP. The Office did add a mitigating control by having a supervisor review and authorize the issuance of the check. Employee names were removed from the check as the co-payee.</p>		v				

Issue	Risk Observation	Agency Response to 12/16/2014 Audit Report	Reasoning if not Fully Implemented	Corrective Action Taken				
				F	P	O	N	W
17	Of the transactions pulled from the surplus report, all were refunded but did not appear on the refund report. All refunds should be taken out of the surplus report and appear in the refund report after a refund check is issued.	Discussions regarding refund and surplus report content/customization are ongoing with implementation of the new real property system (Govern/Harris).	The refund report was not utilized in conjunction with the surplus report to assure all refunds were properly approved and refunded. The new tax system should have applications to replace these reports.		√			
18	The financial statement property taxes receivable appears to be an unsubstantiated number as DIA could not find any support that real estate property tax amounts are derived from the outstanding taxes report from MVP. This report was not deemed necessary to include in the financial statement number in prior years.	Treasury Department Management agrees with this finding and will continue to work with the County's Fiscal Office to develop better reconciliation processes. Managers' reports for settlement, collections and delinquencies will be a key deliverable for the new real property system.	DIA noted that MVP reports were not being utilized to calculate the County's property taxes receivable on the annual financial statements; however, the Fiscal Office does use data from the Budget Commission. Any differences between MVP and the receivable would be immaterial.					√
19	DIA performed a review of misapplied adjustments and noted all misapplied adjustments tested were not approved by a supervisor. The Office never required approval for misapplied adjustments in the Office's real estate system prior to or after adjustment.	The Quality Assurance Manager reviews the adjustments to verify that they are correct. <ul style="list-style-type: none"> <li>The misapply process is often used as a method of facilitating partial refunds. All refund requests are submitted via management to the department of Financial Reporting. The misapply application report will be reviewed bi-weekly for accuracy.</li> </ul>		√				



Issue	Risk Observation	Agency Response to 12/16/2014 Audit Report	Reasoning if not Fully Implemented	Corrective Action Taken				
				F	P	O	N	W
20	There is no review performed on the NSF adjustments that take place in the Office. It is not required in the Policies and Procedures, nor has it been a practice of the Office to review or sign off on NSF transactions. Also, the Office does not have procedures in place to collect monies after NSF checks have been identified. Furthermore, the bank does charge the County a fee when NSF checks occur.	Treasury management agrees with this finding and is in the process of developing new procedures for the management of Non-Sufficient Funds processes. Currently, nonsufficient fund items are reconciled between the MVP real property system and the daily bank statements, by the Cashier Department. The "Returned Items" sheet generated by Cashier Department is given to the Investments Department for the purpose of clearing NSF balances and is signed by the Cashier supervisor.	No supervisor review or approval was noted for NSF transactions. During the review, the Office stated that a supervisor would begin to review and approve NSF transactions on a daily basis. The Office also stated they would maintain a log for NSF approvals beginning April 1, 2017. In addition, the Treasurer decided not to charge NSF bank fees to taxpayer bills. As of the review, the earnings credit with the County's bank provider offsets NSF fees.		v			
21	After a case has gone to settlement the Office can no longer void a transaction. If voids need to be performed, the Office's Systems Administrator contacts the Fiscal Officer who calls the MVP system administrators to make the void. MVP system rules are set to allow MVP employees to edit County data rather than having the data be edited by County management.	The Treasury Management agrees with this finding and will work with the current Real Estate Tax System provider as well as the future provider (Govern/Harris) to ensure that the software allows for such an adjustment to be processed by internal Treasury Staff only.		v				

Issue	Risk Observation	Agency Response to 12/16/2014 Audit Report	Reasoning if not Fully Implemented	Corrective Action Taken				
				F	P	O	N	W
22	<p>DIA noted the following in regards to safeguarding monies:</p> <ul style="list-style-type: none"> <li>• The Office provides change to the public and cashes personal checks for County employees. The Office does not keep track of change given or personal checks cashed during the course of the day.</li> <li>• The Finance Department does not count or keep a log of the change sent from the bank nor do they have a minimum or maximum for the vault.</li> </ul>	<p>In April 2014, Treasury Department management instituted a requirement for random monthly audits. There are audit log sheets that are completed after each audit. The audit is performed by the Banker. The Cashier Department receives change from the bank each Monday. Bills are counted and verified for accuracy. Coins are received in sealed boxes. The cashing of personal checks was discontinued in October 2013.</p>	<p>A minimum or maximum dollar amount was not established for the vault. No analysis was performed on the amount of cash actually needed in the vault, banker's drawer, and cashier drawers. Change was still given out to customers or County employees.</p>				v	
23	<p>DIA noted the following in regards to the revenue receipt process:</p> <ul style="list-style-type: none"> <li>• The Investment Department completes revenue receipts for multiple agencies based on the daily bank deposits per the bank stmts. They also complete revenue receipts for grant money that is electronically transferred to the County.</li> <li>• Property tax cash and check receipts are collected by the Finance Department. Instead of using revenue receipts, the Finance Department inputs the necessary index codes on the daily cash spreadsheet used for daily reconciliations.</li> </ul>	<p>Treasury Department Management agrees with the recommendation that individual agencies should complete their own revenue receipts, but this is not always possible as some deposits are received electronically and in order to ensure timely posting, Treasury staff is forced to complete the Revenue Receipt. The Treasury Department Management does not agree that all property tax collections be combined on one revenue receipt. There is limited space for the description field, which is entered into FAMIS.</p>		v				

Issue	Risk Observation	Agency Response to 12/16/2014 Audit Report	Reasoning if not Fully Implemented	Corrective Action Taken					
				F	P	O	N	W	
24	<p>DIA noted the following in regards to daily operations:</p> <ul style="list-style-type: none"> <li>• DIA noted the checks are locked in a vault after being processed for deposit by the Business Services Department. Since checks are scanned to the bank for deposit, this procedure is outdated.</li> <li>• Mail may be sent to the Tax Department if the Business Services Department cannot process all the mail checks into MVP in a day. The checks will be sent back to the Business Services Department; however, the Business Services Department does not keep a log of mail that included checks that were given to the Tax Department for processing.</li> <li>• Credit card and MVP reports on real estate receipts are filed with revenue receipts on a daily basis; however, there was no evidence that these reports were reviewed for accuracy to assure the correct parcel number and corresponding dollar amount was uploaded from the credit card files to MVP.</li> </ul>	<p>The Treasury Department created written policies and procedures in December 2013. The document will be reviewed and updates will be made as needed. The Treasury Management does not agree with logging all mail as there are sometimes hundreds of thousands of pieces of mail to process, logging the mail would disrupt the timely posting of payments. The Treasury Management will work with the Cashier Supervisor and the Remittance Processing area to develop a process and procedure for the daily review of payments that are uploaded into the Real Estate Tax System.</p>	<p>Checks received for payment into the County's bank account were still processed and stored in the same manner as observed during the audit. No procedures were created in the policy and procedure manual to address this comment. In addition, imported credit card transactions from Official Payments to MVP were being reviewed by the Cashier Supervisor to assure the total amounts reconcile. However, no individual parcels were reviewed to assure the accuracy of the import per parcel.</p>						

Issue	Risk Observation	Agency Response to 12/16/2014 Audit Report	Reasoning if not Fully Implemented	Corrective Action Taken				
				F	P	O	N	W
25	Receipts were not considered posted by General Accounting to the County's financial accounting system in a timely manner (five days or less).	The Treasury Department is creating a procedure that will require verification of posting by General Accounting for items that have been submitted by the Treasury. The timing of processing financial transactions is not the responsibility of the Treasurer.	The Office reviews FAMIS and reconciles amounts posted to supporting documentation in the Treasurer's Office index codes; however, property tax revenue posted to the County's financial system were not compared to Office support. The Office is unsure of the department that should be responsible for the reconciliation.		v			
26	It is the practice of the Office not to record the receipt or expenditure of child support monies collected from customers and passed on to the State in the County's accounting system.	Child Support is collected on behalf of the Child Support Enforcement Agency for the state administered program. The Cashier Department provides a daily deposit and receipt report to CSEA to reconcile revenues within its existing sub-fund. Since the deposits are made directly to CSEA's operating fund, Treasury questions the need for an agency fund which must also be reconciled by both departments.	Funds were not recorded in FAMIS; however, the Fiscal Office has procedures to include the bank account activity in the Agency Fund of the County's financial statements.					v

Issue	Risk Observation	Agency Response to 12/16/2014 Audit Report	Reasoning if not Fully Implemented	Corrective Action Taken				
				F	P	O	N	W
27	The Investment Department completes the revenue receipts based on the bank deposit. DIA also noted instances where the Investment Department did not receive notification from the agency of grant monies being deposited. The Investment employees have to research all deposits of grant monies before completing a revenue receipt or transferring funds to the main bank account. If the Investment employees cannot determine which agency “owns” the grant monies, they complete a revenue receipt for the funds to be reflected in the “Temp EFT” index code until clarification is determined.	The recommendation will be provided to the Fiscal Office <b>Controller</b> for a final determination on this subject.	<i>Note: The County hired a Grant Coordinator in July 2016. The Investment Department is no longer completing revenue receipts for grants received.</i>	v				
28	Cashiers did not always log off or lock their computer terminals when they were absent from the terminal. Additionally, the computers utilized for credit card payments are kept unlocked and logged into GovPayNow.com during business hours. Lastly, security over MVP passwords is weak; they aren’t required to be changed on a regular basis.	The Treasury management agrees with this recommendation and will ensure employees follow the internal policies and procedures. Progressive discipline will be administered as required. The Treasury management will work with the Real Estate Tax system developers to determine if controls can be put in place to strengthen password protection.		v				

Issue	Risk Observation	Agency Response to 12/16/2014 Audit Report	Reasoning if not Fully Implemented	Corrective Action Taken				
				F	P	O	N	W
29	Office management expressed a concern that employees may not have the proper skills to adequately perform their duties. There were many instances of adjusted transactions, including voids, made in MVP which may be a result of the lack of computer and communication skills.	After the administration of the 2013 Performance Evaluations, the Treasury Management set a goal for all staff to begin attending job related training. On-going training sessions are being attended as offered and all Treasury staff are required to attain the highest level of Excel training offered by the County by the end of calendar year 2014.		v				
30	The Treasurer’s Office recently redefined their organizational chart; however, the Office was unable to provide a job description for the Tax Administrator unclassified position. Also, in review of the classified job descriptions, DIA noted two classified positions used by the Office were not labeled as Treasurer’s Office positions. The Fiscal Office Supervisor position was noted for use in the “Fiscal Office” and the Fiscal Officer 1 position was labeled for use in “Human Services, only”.	Treasury Management will work with Human Resources to address this finding. Human Resources advised that the “Human Services” only designation on Fiscal Officer 1 is incorrect. This position is Countywide. The Tax Administrator position description was submitted to Human Resources. The Fiscal Office Supervisor position has been vacated and was reclassified to an Examiner.	DIA was not provided with a job description for the Tax Administrator position. HR has been notified of the issue and has not been responsive. DIA will withdraw this issue from the Treasurer’s Office audit report.					v



## FISCAL DEPARTMENT

TO: Cory Swaisgood, Director – Department of Internal Auditing

FROM: Dennis Kennedy, Fiscal Officer

SUBJECT: Internal Audit Follow Up Review

DATE: April 5, 2017

On behalf of the Fiscal Office and the Treasurer, thank you for the efforts you and your staff have extended to work on the follow up to the Internal Audit (IA) review of the operations of the Treasurer's Office that was originally issued in December 2014. We have attempted to address as many concerns you have highlighted as possible and will continue to work with your office to monitor compliance of our remedial actions throughout the next 90-120 days.

I would specifically like to address the issues referenced in the follow up that are categorized as partially or not implemented as of the date of the release of the follow up. This information is provided to Internal Audit as well as the Audit Committee in order to document our continued corrective measures to insure we have appropriately focused on implementing all of the recommendations to the best of our ability.

Presented below are my comments related to the audit issues still in a partial or not implemented status:

Issue 4 (check administration) – We are presently evaluating what improvements may be made to the physical layout of the cashier's area to provide us with sufficient desk/drawer space necessary to accommodate the security of the checks as referenced in the follow up. We have instructed all cashiers to properly secure checks to the best of their ability given the logistics of the counter space and will have Treasury management staff regularly supervise and monitor the safekeeping of checks.

Issue 5 (logs) – The Treasurer's Office has instituted policies requiring the preparation and review of logs as recommended. I would request that IA conduct a supplementary review in the next 90-120 days to verify that the logs are prepared and maintained as recommended.

Issue 6 (voids) – The Treasurer's Office will maintain and monitor void transaction logs as recommended in the report. I would request that IA conduct a supplementary review in the next 90-120 days to verify that the logs are prepared and maintained as recommended.

Issue 14 (cash worksheets) – The Treasurer's Office has taken steps to prepare new reconciliation reports in accordance with the report recommendations. I would request that IA conduct a supplementary review in the next 90-120 days to verify that the improvements in the reconciliation process are being conducted in an acceptable manner. When the audit was originally conducted, there were no collective bargaining

agreements impacting the Treasurer's Office. Subsequent to the issue of the original report portions of the Treasury are unionized. Combination of the cashiers (union) and the Investment Department (non-bargaining) is under review but will take some additional coordinated efforts between Human Resources and the Personnel Review Commission.

Issue 15 (mail checks) – The Treasurer's Office has assigned responsibility for mailing checks to the Accounts Payable Department within the Fiscal Office effective March 20, 2017. I would request that IA conduct a supplementary review in the next 90-120 days to verify that checks are no longer being handled for mail in the Treasury.

Issue 16 (MVP adjustments) – Unfortunately, the constraints of the current real property system (MVP) limit the manner in which adjustments for refunds may be processed. I am looking into any available short term correction that does not require any additional programming of the new system. We have forwarded this issue to the attention of the development committee assigned to the implementation of the new Harris real property system to allow for design changes to eliminate this issue. If an interim solution can be derived we will advise IA of the change. Due to our limits on changing the existing system we may have to move total corrective actions to the new system, which will be operational in 2018.

Issue 17 (refund/surplus reports) – As with the item above, limitations of the current system make total implementation of corrective actions prohibitive - both from a cost and administrative standpoint. The Harris development team has been made aware of this recommendation and will coordinate corrective abilities into the new system.

Issue 20 (NSF review) – The Treasurer's Office has initiated creation of a log to monitor NSF transactions. I would request that IA conduct a supplementary review in the next 90-120 days to verify that the logs are prepared and maintained as recommended. The new Harris system design will be evaluated to determine if the ability to assess NSF fees back to the taxpayer is feasible. System limitations on miscellaneous adjustments in MVP impact our ability to totally address the recommendations in the original report.

Issue 22 (vault balance) – I have instructed the Treasurer's Office to conduct a cash flow analysis of both the vault and cashier drawers to determine proper levels of physical cash balances in the office. I have also requested the staff to contact our financial institution to discuss industry approaches to determining the correct cash levels in the vault and drawers. A firm estimate of cash needs will be available within the next 60 days.

Issue 24 (policy development) – The Treasurer's Office has recently developed a policy and procedure manual that will address the recommendations of the IA Department report. I would request that IA conduct a supplementary review in the next 90-120 days to verify that the procedures in the policy manual are being administered correctly and in a manner consistent with the recommendations contained in the original report.

Issue 25 (receipts) – Limitations of both the MVP and FAMIS systems prohibit total compliance with this recommendation. I have discussed the need for our new system development, both for the real property replacement (Harris) system and the new ERP system, to consider functional applications that allow for



reconciliation of Treasury support documentation with the financial system. We are examining various interface capabilities between Harris and the ERP to insure that data is transferred and available for immediate reconciliation.