



Cobb County...Expect the Best!

INTERNAL AUDIT DEPARTMENT

Report Number 2017-002

***FINAL REPORT: Survey – Assessment of the Business
License Division System Data Reliability for Cash
Handling Practices***

April 10, 2017

***Latona Thomas, CPA, Director
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COBB COUNTY INTERNAL AUDIT

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Director

April 10, 2017

MEMORANDUM

TO: David Hankerson, County Manager

FROM: Latona Thomas, CPA, Director

SUBJECT: **FINAL REPORT:** Survey – Assessment of the Business License Division System Data Reliability for Cash Handling Practices

Attached for your review and comments is the subject final survey report. The overall objective of our survey consulting project was to assess the reliability of the Accela¹ software system data as used for cash handling practices within the Business License Division (BLD) of the Community Development Agency (CDA). This survey is a supplemental consulting project to an audit of the controls over cash handling practices within the Business License Division of the Community Development Agency. See 'Results of Survey' on Page 4 for further discussion.

Impact on the Governance of Cobb County

The recommendations, when implemented, will help to improve the reliability of software system data as used for cash handling practices and overall controls over the approximately \$42 million average² annual BLD collections. The findings will also provide additional assurances to County leadership and stakeholders that BLD collections are properly captured in the software system, with adequate controls to ensure the complete and accurate accounting, reporting and monitoring.

Executive Summary

The preliminary survey phase of our audit project resulted in our inability to obtain a sufficient level of assurance on the system data and reports to conduct our audit. In addition, we were unable to obtain the assurance needed regarding the completeness and accuracy of cash collections. As such, the audit project was concluded during preliminary survey work and this supplemental consulting survey project was initiated.

¹ See 'Background' on Page 1 for description.

² Based on the five-year average for the period FY2012 through FY2016. See Table 1 on Page 2.

We found that cash handling transactions are captured within the Accela software system, but the current system structure, functionality, use, and reporting resulted in significant internal control weaknesses. We performed a manually intensive reconciliation project for the period July 2015 through June 2016, to validate BLD management's assertions concerning the system functionality and to assess the software system reliability for cash handling transactions. With the assistance of BLD staff, we resolved several differences between internal reports but were unable to validate a difference of \$144,953 between system reports and the amount deposited and reported in the County's financial system.

Due to the significant weaknesses identified and potential risks, we issued an interim verbal report to the CDA Director and BLD Manager. Our interim verbal report included several recommendations including the critical need for a designated Operations function to address the numerous weaknesses identified. A Business Manager position was created, subsequently filled in late February 2017, and will be used to assist with the overall administration of the CDA, beginning with the corrective actions needed within BLD. See 'Results of Survey' on Page 4 for more in-depth discussion.

We also identified several control weaknesses regarding the internal control structure, control activities, and additional operational and physical safeguards that need to be addressed. The results included in this report are based on preliminary audit and consulting survey work only and does not constitute a complete audit.

Recommendations

We made 15 recommendations to address the current structure and functionality of the software system, the internal control structure and control activities, as well as operational and physical safeguards. For specific recommendations, see Pages 9-12 and 16-20 of the 'Results of Survey' section of this report.

Response

The Community Development Agency Director provided a response to our draft report and concurred with each of the 15 recommendations, inclusive of three with alternative solutions. The complete responses to the draft report are included in Appendix VI. During the briefing conference, the Community Development Agency Director agreed to provide a matrix of corrective actions to the County Manager. In addition, periodic status updates on the matrix and implementation of corrective actions will be provided during the Agency Director's status meetings.

We will perform a follow-up on corrective actions in six months from the date of this report. A copy of this report will be distributed to those affected by the report recommendations, as reflected in the distribution list in Appendix IV. Please contact me at (770) 528-2559 if you have questions.

Background

The Cobb County Business License Division (BLD) is a division under the Community Development Agency. BLD reviews, approves, and processes business license and occupational tax certificate (business license)³ applications. BLD is also responsible for collecting business registration certificate fees, occupation taxes, liquor by the drink taxes, alcoholic beverage excise taxes, hotel/motel occupancy taxes, financial institution taxes, cable franchise fees⁴, and other various business related taxes.

All businesses located in unincorporated Cobb County (the County), not within the city limits of Acworth, Austell, Kennesaw, Marietta, Powder Springs, and Smyrna, are required to obtain a business or occupational tax certificate. The BLD issues approximately 33,000⁵ annual licenses, and collects and deposits over \$42 million. Of the \$42 million collected, about \$15 million is from occupation tax certificates/business licenses and the remaining \$27 million are from other fees related to hotel/motel occupancy taxes, liquor by the drink excise tax, alcoholic beverage privilege license fees, and liquor, beer, and wine excise taxes from alcoholic beverage distributors for sales within unincorporated Cobb County and fees from Cable TV franchises. See Appendix II for abbreviations and glossary of various terms and a brief description of the revenue types referenced throughout this report.

The main location to serve the County's residents is the office located at 1150 Powder Springs Street, Suite 400 in Marietta, Georgia. Some payments, strictly general business license renewals, are taken at the Government Service Centers (East and South). Payments received via mail are processed at the main location listed above. During the last quarter of 2016, the BLD launched a new online renewal capability.

In addition, the BLD works with other County departments to ensure that all alcoholic beverage licenses, massage licenses, and other regulated business applications and renewals comply with local and state law regulations. BLD coordinates appeals and show cause hearings on violations of local ordinances and state law with the Business License Review Board⁶ and/or Board of Commissioners (BOC).

Staffing

At the time of our survey, BLD staffing included eleven (11) full-time employees: one Division Manager, three Public Service Technicians, two Business License Auditors, three Compliance Officers, and two Administrative support staff. Additionally, BLD employed seven (7) part-time employees and one unfilled position that all serve as Business License Clerks.

³ For consistency during report discussions, Occupational Tax Certificates/Business Licenses will be referenced as Business License only.

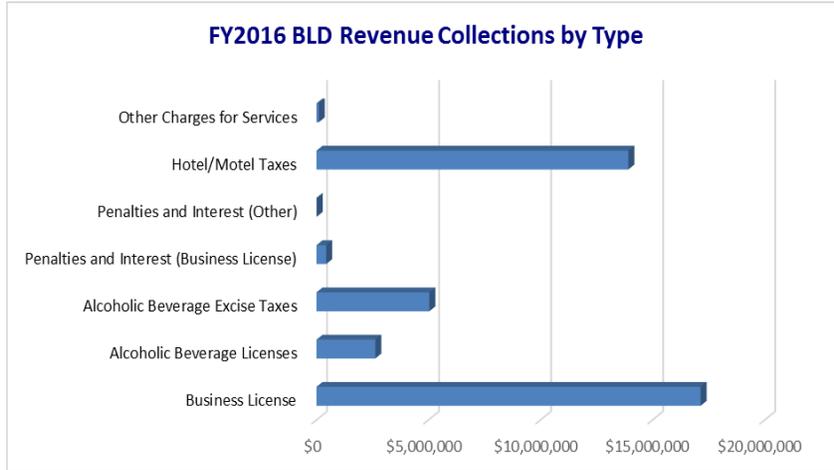
⁴ During FY16, the collection of cable franchise fees was relocated from the BLD to the Cobb County Communications Department.

⁵ Source: Cobb County Government 2015-2016 Biennial Budget Book.

⁶ See Appendix II for a description of the duties of the Business License Review Board.

FY2016 Revenue Collections

FY2016 BLD Revenue Collections by Type



Effective FY2016, the revenue from Cable TV Franchise Fees is recorded and reported under the Communications Department where the program is administered. With the impact of that transfer, revenue collected from Business Licenses account for approximately 44% of the FY2016 BLD collections. Hotel/Motel and Alcoholic Beverage Excise taxes

Chart 1 - Source: County's Financial System for Fiscal Year 2016.

account for approximately 35% and 13%, respectively. To the above left is a chart breakdown of the revenue collected for FY2016 only by type.

Five-year History of BLD Revenue Collections

Revenue from Business Licenses represents approximately 37% of the BLD average revenue collections over the most recent five-year period. Hotel/Motel taxes represents 29%; Cable TV Franchise fees 15%; and Alcoholic Beverage Excise taxes 12%. The remaining 19% is reflected in the other revenue types. Below is a summary table of BLD revenue collections for the most recent five-year history.

**Five-year History of BLD Revenue Collections
(By Revenue Type)**

BLD Five Year History of Revenue Collected							
	FY12	FY13	FY14	FY15	FY16	Totals	Averages
Business License	\$14,479,843	\$14,451,750	\$15,356,172	\$16,079,434	\$17,142,158	\$77,509,358	\$15,501,872
Alcoholic Beverage Licenses	\$2,483,250	\$2,532,154	\$2,607,869	\$2,580,949	\$2,626,350	\$12,830,572	\$2,566,114
Alcoholic Beverage Excise Taxes	\$4,611,903	\$4,735,183	\$4,822,275	\$4,921,908	\$5,037,511	\$24,128,780	\$4,825,756
Penalties and Interest (Business License)	\$229,390	\$264,565	\$399,711	\$473,770	\$432,136	\$1,799,572	\$359,914
Penalties and Interest (Other)	\$60,067	\$40,804	\$70,256	\$26,247	\$13,171	\$210,545	\$42,109
Cable TV Franchise Fees ^a	\$7,220,977	\$7,663,999	\$7,875,371	\$8,554,247	\$0	\$31,314,594	\$6,262,919
Hotel/Motel Taxes	\$10,366,262	\$11,244,163	\$12,330,071	\$13,245,458	\$13,918,458	\$61,104,412	\$12,220,882
Other Charges for Services	\$92,729	\$89,670	\$91,902	\$95,045	\$102,163	\$471,509	\$94,302
Totals	\$39,544,422	\$41,022,288	\$43,553,626	\$45,977,058	\$39,271,946	\$209,369,340	\$41,873,868

^a Effective FY2016, revenue from Cable TV Franchise Fees are posted to the County's Communications Department.

Table 1 - Source: County's Financial System (Fiscal Years 2012 – 2016).

Accela Software

It is our understanding that the Accela software⁷ was originally implemented in 2007 within the Code Enforcement Division of CDA. Accela was subsequently implemented within the BLD and has since undergone numerous upgrades to the system and several functionality changes. The upgrades and changes have been conducted by both the Accela vendor and/or internally by Information Services.

OPEX Scanner/Mavro Imaging Software

The OPEX Scanner is used in conjunction with Mavro Software Imaging to process paperwork and scan deposits throughout the BLD. The workstation (See picture to the right) allows the operator to open, prep, and scan the contents of envelopes, and use the Mavro software to accept the input information. The software allows the scanner to read, and input the information within the Accela software. Each year, business license renewals are printed with a unique barcode that allows the scanner and software to automatically match the renewal with the business profile already set up in the Accela system. This process allows for more efficient processing and depositing of business license renewals, especially during high volume times.



Source: [Mavro Imaging](#)

Purpose of Survey

We initiated an audit of the controls over BLD cash handling practices in accordance with our biennial audit plan. During our preliminary survey phase, we were unable to obtain the necessary assurance of a complete population of cash receipt transactions for the scope period selected. We also identified several other internal control weaknesses. Due to the nature of the weaknesses identified and our inability to substantiate BLD management's assertions regarding the software system and their inability to address the corrective actions needed, we judgmentally initiated a consulting project. See Appendix I on Page 21 for an in-depth summary of the overall process that led to this consulting survey project.

Our consulting survey scope covered BLD cash receipt transactions for the period July 2015 through June 2016. Detailed information on our consulting objective(s), scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix III.

⁷ Software solution used to streamline and track land management, permitting, and licensing for multiple County departments.

Results of Survey

We originally initiated an audit project to determine if the controls are adequate to ensure cash⁸ collections are complete and accurate, properly allocated, timely recorded and deposited, and accurately reported, and in accordance with current BLD regulations and requirements. Additionally, the audit was to evaluate the software system to ensure that it is effectively utilized in the deployment of controls over cash collections.

During the preliminary survey phase of our audit project, we interviewed both BLD and Information Services (IS) staff, individually and collectively, regarding the system reliability for cash handling practices. We noted inconsistent responses, the lack of clear objectives, and ineffective communication relative to BLD's business and reporting needs. BLD staff also expressed their lack of confidence in the overall system functionality, resulting in numerous manual processes and their inability to generate the requested documents needed to substantiate the completeness and accuracy of cash receipt transactions. We also performed various analyses of financial reports downloaded from the County's financial system. In addition, we attempted to obtain and validate various system generated reports. Our preliminary survey resulted in our inability to obtain a sufficient level of assurance on the system data and reports to conduct our audit. We were also unable to obtain the assurance needed regarding the completeness and accuracy of cash collections.

As such, the audit project was concluded and this supplemental consulting survey project initiated. The results included in this report are based on preliminary audit and consulting survey work and does not constitute a complete audit.

We found that cash handling transactions are captured within the Accela software system, but the current system structure, functionality, use, and reporting resulted in significant internal control weaknesses. Thus, several manual spreadsheets and other practices are used to identify, track, deposit, and reconcile to the County's financial system. We performed a manually intensive reconciliation project for the period July 2015 through June 2016, to validate BLD management's assertions and to assess the software system reliability for cash handling transactions. With the assistance of BLD staff, we resolved several differences between internal reports but were unable to validate a difference of \$144,953 between system reports and the amount deposited and reported in the County's financial system. As of the date of this report, the source of this difference remains outstanding. We identified several control weaknesses that need to be addressed:

- Current Structure and Functionality of the Software System needs to be revised;
- Internal Control Structure and Control Activities Need to be Improved; and
- Additional Operational and Physical Safeguards are Needed.

⁸ Cash includes currency, checks, money orders, credit cards, or other negotiable instruments.

Interim Verbal Report

Due to the significant weaknesses identified and potential risks, we issued an interim verbal report to the CDA Director and BLD Manager. We discussed the overall process-to-date, including the original objective of the audit and our inability to proceed due to findings noted during our preliminary survey audit work. We also provided a status of the consulting service reconciliation project and our process of validating the monthly reconciliations using the research performed by BLD staff. We requested a status of any internal updates and/or changes from our numerous discussions and verbal communication of issues as identified. Per the BLD Manager, no internal updates and/or changes had been made due to the impending online renewal project.

Our interim verbal report included several recommendations including the critical need for a designated Operations function to address the numerous weaknesses identified. It was our opinion that the BLD's current structure and staffing level did not include a function to perform internal assessments, develop and implement adequate controls, and other business-related best practices. The implementation of such a function would be an appropriate step toward corrective actions but would not immediately eliminate the findings. As such, a Business Manager position was created and subsequently filled in late February 2017. It is our understanding that this position will support the entire CDA, but initial emphasis and support will be directed toward the BLD and the elimination of control weaknesses. This report includes the written results of both the preliminary audit survey and consulting survey work.

Current Structure and Functionality of the Software System needs to be revised

We found that the Accela software system is used to capture, track, and record BLD cash receipt transactions, but the current structure and functionality is inadequate to ensure a complete and accurate population of transactions without a manually intensive validation process. The current reporting function produces invalid, inaccurate, or unreliable information. Issues resulting from system configuration changes have not been resolved. User profiles are not configured based on business need or job responsibilities. Numerous, inefficient manual processes are used to process transactions. In addition, the lack of an effective, timely reconciliation control resulted in unidentified differences. As such, several revisions to the software system structure and functionality are needed to ensure complete and accurate data outputs that can be reviewed and analyzed for management's decision-making needs.

Reporting function needs to be updated and corrected

We found that the reporting function of the software had not been maintained on a consistent basis, so the information was deemed invalid, inaccurate, or unreliable. We attempted to substantiate the completeness and accuracy of BLD transactions for the period July 2015 through June 2016 through several possible reports in various categories (i.e. revenue code, transaction type, business type, payment type, status, subtotals of each category, and a list of pre-numbered receipt numbers, cashier sessions, and Mavro batch ids, etc.). After numerous attempts to identify and validate various reports, and discussions with both BLD and IS staff, we determined that the reporting function was unreliable. The required data components are being captured in the software system, but the available reports had not been modified on a consistent basis to completely and accurately reflect the data output needed.

In addition, we obtained a list of 60 available reports and noted that only three (5%) had been modified after various system upgrades. It is our understanding, through discussions with BLD and IS staff, that the current applicability, use, completeness, and accuracy of the remaining 57 reports had not been evaluated. Thus, numerous manual processes have been developed and there was no evidence of validation of the information used and disseminated for report purposes, if any. We reviewed various other reports and noted invalid and inaccurate information, or we were unable to validate the report contents. Without valid, accurate, and reliable reports, BLD management is unable to make critical business decisions or provide accurate data to County leadership and various stakeholders.

During our discussions with BLD and IS, staff from both departments collectively agreed that a complete population of cash receipt transactions could be pulled, but no validated evidence was available except for manual spreadsheets maintained by BLD staff. We independently pulled these reports and requested the internal manual documents and proceeded to initiate consulting survey procedures, the results of which are summarized in this report. See 'Timely reconciliation/validation control activities should be implemented' on Page 8 regarding the results of our validation efforts.

System configuration issues need to be resolved

Our preliminary and consulting survey work revealed that changes have been made to the software system without going through proper Business Process Improvement (BPI)⁹. We also noted unclear expectations and no clear delineation of the responsibilities to resolve issues that result from system configuration and upgrades. BLD and IS staff made several inconsistent assertions regarding system configuration issues. We could validate issues regarding reporting, but we were unable to validate any other assertions because the requested documentation was not readily available (i.e. meeting notes, plan of action, sign off on testing phases, etc.). We also requested a current list of outstanding system configuration issues and a corrective action plan for each, but the information was not available. Several issues were communicated verbally or via email, but no clear plan of action for resolution was noted.

In 2015, the Accela software system was reconfigured to incorporate a parent/child (P/C) structure to tracking BLD transactions. In the P/C structure, the parent record is considered the main record for each business and a child record is created for each respective renewal cycle. Each renewal year, a new child record is created which includes required fees, license information, payment history, and statuses. BLD staff asserted that updates to a child record does not automatically update the parent record on a consistent basis. BLD staff also asserted that this P/C structure resulted in additional manual process steps, inaccurate reporting functions, and reduced monitoring capabilities and overall lack of confidence in the system. In the previous configuration, there was only one record per business, and all information was stored within that one record. We were unable to substantiate the objective of the P/C structure change or whether the overall goal and objective was met, as intended.

⁹ An approach designed to help organizations redesign their existing business operations to accomplish significant improvement in production. Effective BPI helps to generate promising results in operational efficiency and customer focus. BPI, when implemented by means of a structured methodology, helps companies to reduce their operational costs and cycle time, enhance customer service and improve the quality of their products or services. (Source: www.techopedia.com)

We inquired about the BPI regarding this system configuration, to include applicable documentation and approvals, but no substantiating information was available in an auditable format.

In addition, we found that a Master Listing Report¹⁰ was unusable due to a system configuration issue. Per BLD and IS staff, this master listing report impacts several aspects of BLD operations and has been outstanding for more than one year. Additional discussions revealed that no internal expertise could solve the configuration issue, and the estimated cost of external vendor support was approximately \$15,000¹¹. Again, we noted no clear delineation of responsibility regarding the resolution of this and other system configuration issues. The lack of appropriate and formal business processes to support the upgrades and system changes has led to a communication breakdown and overall lack of reliance on the Accela software system within the BLD.

User profiles should be configured based on business need

User profiles in the Accela software system are not configured based on business need and job responsibilities. There was no approval process to grant permission to specific aspects of the Accela software system. We also found that the audit trail feature to track system changes had not been activated or used for monitoring purposes.

We requested 'read only' access to the Accela software system to independently run various reports but was granted 'daily user' access, which allowed the creation of vendors, records, payments, and running reports. The correct 'read-only' access was subsequently granted after we notified IS of the error. No written approvals of specific security rights were required prior to granting system access privileges. User profiles should be restricted to functions relevant to individual job duties to minimize the potential risk of unauthorized or fraudulent transactions. Also, profiles should maintain proper segregation of duties to ensure a user does not have conflicting processing capabilities (i.e. the ability to take payments and make changes without an adequate monitoring function).

Inefficient, manual processes should be eliminated

Because of BLD staff lack of confidence and reliance on the Accela software system for reporting purposes, several inefficient, manual processes are used to track daily and monthly cash receipt deposits. BLD Auditors developed several Microsoft Excel spreadsheets to account for daily deposits and monthly business tax transactions, but the spreadsheets are not validated by a separate individual. See 'Adequate Segregation of Duties Controls are Needed' on Page 13 for further discussion.

We observed the manual processes and found them to be voluminous and provide no assurance other than what is tracked, reported, and reconciled by the BLD Auditor position. Each manual process uses various system-generated reports based on when cashier sessions are closed and payments posted, but there is no overall reconciliation performed to ensure that all cash receipt transactions are accounted for and properly reflected during the manual processes.

¹⁰ A report that tracks all businesses within the Accela software system.

¹¹ Amount not validated by Internal Audit.

We also reviewed several reports used to support the manual processes and noted no consistent methodology used to select transactions for deposit. For instance, if an error is identified within a group of BLD batch transactions, the entire batch may be put aside and addressed for depositing at a later day. This inconsistent process can result in cash deposits being held for as much as two months. Automated processes should be developed to ensure cash receipts are deposited in a timely, efficient, and consistent manner. Coordination with IS should be initiated to resolve these inefficiencies and an assessment should be conducted on all existing manual processes within BLD operations. The use of manual spreadsheets without validation or monitoring increases the risk of human error, theft, loss, and misappropriation of assets.

Timely reconciliation control activities should be implemented

Periodic reconciliation procedures were not performed to ensure the completeness and accuracy of BLD transactions and cash receipt amounts. During our preliminary survey procedures of our audit, we performed an independent summary reconciliation of BLD payments and transactions for the period July 2015 through June 2016.

The objective of the independent reconciliation was to validate BLD and IS’s assertion of completeness and accuracy. We agreed the a) Cash Drawer and Mavro Batch ID¹³ reports; b) Accela Revenue¹⁴ Report; c) BLD Manual Spreadsheet¹⁵; and d) AMS Financial¹⁶ Reports. The initial results are reflected in the table to the right:

Description of Independent Source Documents (July 2015 through June 2016)	Initial Reconciliation Differences
Total collections per Cash Drawer and Mavro Batch ID reports	\$48,107,835
Cash Drawer and Mavro Batch ID versus Accela Revenue Report	\$ 183,792
Cash Drawer and Mavro Batch ID versus BLD Manual Spreadsheet	\$ 300,814
BLD Manual Spreadsheet versus AMS Financial ¹²	\$ (14)

Table 2 - Source: Accela Software System

We provided these results along with the supporting documents to BLD staff and asked them to review our initial findings, investigate the differences, update the reconciliation differences, and provide us with the revised results. We had planned to analyze the revised results and assess our ability to rely on our source population before proceeding with our audit procedures. During a subsequent meeting, BLD staff explained that differences were probably due to refunds, internal transfers, or maybe bounced checks, but they were unable to provide any substantiating documentation as evidence. We acknowledged the system functionality issues as discussed on Page 5-6, but an effective reconciliation process should have been used to timely detect differences so that each could have been investigated, explained, reported, and corrected, if applicable.

After several discussions and unsuccessful attempts to obtain the assurance needed, we concluded our preliminary survey audit procedures and initiated a consulting survey project. The initial reconciliation results revealed potential significant internal control deficiencies¹⁷ with no corrective action taken.

¹² The BLD manual spreadsheet is reconciled to AMS Financial monthly so differences are expected to be minimal.

¹³ Cash Drawer and Mavro Batch ID reports reflect a detailed listing of individual BLD transactions.

¹⁴ Accela Revenue reports reflects a summary of individual BLD transactions by revenue object code.

¹⁵ BLD Manual Spreadsheet serves as a subsidiary ledger maintained by the BLD Auditors to track and reconcile deposits to the AMS Financial System.

¹⁶ AMS Financial is the County’s financial system used for financial reporting purposes.

¹⁷ An internal control deficiency exists when control activities are not adequately designed, not properly executed, or ineffective at reducing a risk within a process to an acceptable level.

We communicated this project status and change in type of service to the Agency Director and requested the assistance of BLD staff for research. We also communicated the overall change in audit plan to our Audit Committee.

With the assistance of BLD personnel, we identified the individual transactions within each difference noted in Table 2 on the previous page. The manually intensive process identified and/or validated duplicate Mavro batches, timing differences, internal transfers, refunds, and other reconciling items requiring additional research. BLD staff attempted to research and explain the origin, impact, and potential corrective action for August 2015, but an inadequate reporting function and other system limitations impeded a successful completion.

The reconciliation project was successful in that the initial differences between the Cash Drawer and Mavro Batches and the Accela Revenue Report were accounted for, resolved, and documented. No additional research was performed on the difference between the BLD Manual Spreadsheet and AMS Financial of \$14. In addition, the remaining difference between the Cash

Description of Independent Source Documents (July 2015 through June 2016)	FINAL Reconciliation Differences
Total collections per Cash Drawer and Mavro Batch ID reports	\$47,924,043
Cash Drawer and Mavro Batch ID versus Accela Revenue Report	\$ 0
Cash Drawer and Mavro Batch ID versus BLD Manual Spreadsheet	\$ 144,953
BLD Manual Spreadsheet versus AMS Financial	\$ (14)

Drawer and Mavro Batches and the BLD Manual Spreadsheet was reduced from \$300,814 to \$144,953. We concluded our reconciliation efforts as all available information had been utilized to justify the differences. It was also deemed cost-prohibitive to continue with the current system structure and functionality, lack of audit trail, timing issues, and IA's current resources. See final reconciliation results to the left.

Table 3 - Source: Accela Software System/Internal Audit Survey Results

In summary, the total cash receipts per the Accela reports exceeded the amounts deposited and reported in the financial system by \$144,953, but we are unable to determine whether this difference represents actual understated revenue, the result of system structure and functionality issues, or a combination of both. Either cause is deemed significant and warrants prompt attention and corrective action. The inability to resolve these differences, coupled with the duration of the issues, and BLD staff's prior knowledge without adequate corrective actions increases the County's risk of theft, loss, misappropriation, and inaccurate reporting.

We recommended that BLD begin the process of monthly reconciliations so that differences could be identified in a timely manner, researched, corrected, and/or the necessary system functionality corrected. It is our understanding that the process was initiated for the period October through December 2016 and corrective actions will be addressed internally.

Recommendations

The Community Development Business Manager and Business License Division Manager should:

Recommendation 1: Coordinate with Information Services to evaluate the reporting functionality needs of the Business License Division. The results should be incorporated into a business case analysis inclusive of: a) a prioritization listing based on need and impact; b) timetable of completion; and c) any related costs. This information should be presented to the Community Development Agency Director for review and approval, as deemed necessary.

Auditee Response: Concur.

- a. Community Development will coordinate with Information Services to identify a complete list of prioritized reporting functionality required to allow management to accurately track and reconcile Business License applications and payments. This list will be presented to the Community Development Director and the Information Services Director.

Timeline: August 7, 2017. The Business Manager and Technology Services Manager will be responsible for this item.

- b. The list created in step 2 will be incorporated into this list of requirements and a statement of work created.

- c. This Finalized/Approved Statement of Work will be used to obtain the costs necessary for completing the work, using approved procurement policies (RFP, RFQ etc.). Dependent upon funding availability, reports will be created to provide this functionality.

Timeline: February 5, 2018 (6 months following approval of requirements listed in Recommendation 1.a., depending on funding availability). The Technology Services Manager will be responsible for this item.

Additional Auditor Comment: During the briefing conference, the Community Development Agency Director agreed that 1.b. will be a joint collaboration of both the Business Manager and Technology Services Manager.

Recommendation 2: Evaluate the current listing of available reports within the Accela software system for current applicability and develop a priority list for resolution.

Auditee Response: Concur. This recommendation will be completed before Recommendation 1. Information Services and the Business License Division will work together to evaluate the entire list of currently available reports in Accela to determine which reports are needed and are utilized. Additionally, each report will be evaluated to determine if it is accurately producing the desired results. The list will be prioritized based on Business License Division requirements. A prioritized spreadsheet or formal document will be created listing which reports to keep and which reports to remove and which need modification.

Timeline: June 12, 2017. The Business License Manager and Technology Services Manager will be responsible for this item.

Recommendation 3: Coordinate with Information Services to develop a complete list of configuration issues to include prioritization. We further recommend that representatives from both departments meet at least weekly, at a minimum, to strategize and complete open issues. A periodic, status report should be provided to the Community Development Agency and Information Services Directors.

Auditee Response: Concur. Two separate lists of outstanding configuration issues already exist, one in Business License and one in Information Services. These lists will be united into one formal, working document with the items listed in order of priority and status. Information Services and the Business License Division will initially meet weekly as we work with the vendor to resolve these issues or put them into a requirements document if funding is required.

Auditee Response, continued...

Meeting periodicity may change as number and severity of outstanding issues raise or lower. This document will include an issues log and software enhancement requests and the two groups will work together to determine prioritization. As each item is given proper attention a status will be provided periodically and ultimately resolution and sign-off will be documented for each. This list will be a living document and will be maintained by Information Services with access provided to Business License Division. As issues are resolved, there will be a Business License Division sign off that each issue has been resolved.

Timeline: May 15, 2017. The Business License Manager and Technology Services Manager will be responsible for this item.

Recommendation 4: All system changes and upgrades made to the Accela software should be documented and approved through the appropriate business processes. Documentation and approvals from both the Business License Division and Information Services Department should be obtained, to include granting approvals.

Auditee Response: **Concur.** A change control process is already present internally within Information Services. Software and configuration changes to Accela must go through the change process and be approved by the Information Services change review board. Requested changes will be forwarded from Information Services to the Business License Division Manager for approval. The approval received from Business License Division will be electronically attached to the approved change ticket. This process does not apply to break fix changes which often require the change be made immediately to restore service and the user notified afterwards. For these changes, an Emergency Change ticket is used. Once implemented this process will be used to get user approval prior to changes in the production system.

Information Services is evaluating a hosted ticketing system which will allow designated user approvers to see tickets and be an approver on the ticket.

Timeline: Approval process put in place by May 15, 2017. The Business License Manager and Technology Services Manager will be responsible for this item.

Recommendation 5: Analyze user job roles and the functions needed within the Accela system. Re-assign profiles in accordance with the analysis performed and proper segregation of duties practices are not impacted.

Auditee Response: **Concur.** Phase One: Review and modify assigned Accela security groups to fit job functions as they exist today in the Business License Division. To do this Information Services will provide the Business License Division with a matrix of the security roles and the permissions associated with each user/role that already exist in Accela (There are 10 different security groups identified in the Accela business licensing module). The Business License Division will review this list of Security Groups and identify the minimum level required for each job function. Information Services will make the changes once identified.

Timeline: August 7, 2017. The Business Manager and Technology Services Manager will be responsible for this item.

Auditee Response, continued...

Phase II: Once recommendation number 9 has been completed. Evaluate assigned security groups against new job functions. Assign new security groups based on segregation of duties created in item number 9. Following completion of this recommendation, periodic (either annual or bi-annual) reviews of security group structure will take place to address changes in job functions, responsibilities and staffing.

Timeline: If current Accela security groups support new job functions, September 11, 2017. If Accela security profiles must be modified or added then this timeline would increase to February 5, 2018. The Business Manager and Technology Services Manager will be responsible for this item.

Recommendation 6: In connection with Recommendation 1, evaluate the continued need and use of manual spreadsheets in the accounting and reporting process of BLD transactions. Every effort should be made to fully automate the entire cash handling process. If deemed necessary, adequate monitoring controls should be implemented as a compensating control.

Auditee Response: **Concur.** The use of manual spreadsheets in the accounting and reporting process of Business License transactions will continue until the revenue reporting functions in Accela have been fully addressed and determined to be working appropriately as noted in recommendations 1 and 2. The pertinent reporting functions will include the ability to create weekly, monthly, quarterly, annual, and ad-hoc revenue reports. This will be contained within the list completed for recommendation 1. This particular recommendation will not be completed in one action but will take several months to identify all components that are corrupting the validity of currently available revenue reports.

Timeline: August 6, 2018 (120 days after the completion of recommendation 1). The Business Licenses Manager will be responsible for this item.

Recommendation 7: As an interim procedure, continue the process of monthly reconciliations so that differences could be identified in a timely manner, researched, corrected, and/or the necessary system functionality corrected. Every effort should be made to eliminate this process with a fully automated system.

Auditee Response: **Concur.** Manual monthly reconciliations will continue until all Accela revenue reports are functioning correctly. Once those reports have been corrected, Information Services and the Business License Division will work together to create an automated reconciliation process. This reconciliation process will allow Business License to detect any future revenue reporting issues.

Timeline: July 2, 2018 (90 days after the completion of recommendation 1). The Business Manager will be responsible for this item.

Internal Control Structure and Control Activities Need to be Improved

Based on our preliminary audit and consulting survey work, we found the significant weaknesses in BLD's internal control structure. Weaknesses noted include, but are not limited to: unclear basic internal control objectives, inadequate segregation of duties, outdated written procedures, inadequate monitoring and supervisory reviews, inconsistent approvals, and unclear resource allocation methodology. The lack of an effective internal control structure increasing the risk of loss, theft, misappropriation of assets; does not provide a basis for such actions to be prevented or timely detected; and does not provide the assurance of a complete and accurate accounting and reporting of transactions.

Clear Internal Control Objectives are Needed

Throughout our preliminary audit and consulting survey work, we noted a lack of clear understanding of basic internal control objectives. Internal Control is defined as a process for providing reasonable assurance regarding the achievement of an organization or division's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws and regulations, and the safeguard of assets.

We found instances where the perceived primary objective was getting deposits in the bank without assessing operational effectiveness and efficiency or the impact that internal control weaknesses could have on the reliability of reporting and safeguarding of assets. Specific emphasis included the volume of transactions being processed and the amount of cash receipts deposited and accounted for but excluded the overall completeness and accuracy of those transactions.

An adequate internal control function is critical in any organization, but it is also imperative for BLD due to the volume and dollar value of transactions processed. Without clear internal control objective, BLD and County leadership cannot be assured of a complete and accurate accounting and reporting of cash receipt and other BLD transactions. In addition, without an effective internal control structure, any additional audit procedures would have provided only minimal additional assurance.

Adequate Segregation of Duties Controls are needed

Segregation of duties involves separating activities among different persons to enhance accountability and reduce the risk of errors or inappropriate activity. The authorization (approvals), accounting (recording) and asset custody tasks should be separated. Specifically, no one person should be able to initiate, approve and record transactions; take custody of the assets; review the related reports; and perform the respective reconciliations. In smaller offices, it may not be feasible to segregate all the cash related tasks; therefore, compensating controls (i.e. detailed supervisory review) may be used to mitigate the risk but only if necessary.

Our preliminary audit and consulting survey work revealed that the BLD Auditors assist with the overall administration of BLD. They have the capability to authorize/approve, record, and make changes to BLD transactions, as well as maintain or have access to the physical custody of cash receipts. The BLD Auditors also prepare deposits and reconcile to the Office of Finance and Economic Development (OFED) records.

We reviewed the current job description for BLD Auditors and noted that overseeing the accuracy and security of daily cash balancing as an essential job duty. However, their current role in BLD's administration and cash receipt process, with no compensating controls, represent a significant weakness in segregation of duties noted.

In addition to the division-wide responsibilities above, BLD Auditors are specifically responsible for tracking and maintaining monthly tax accounts. Maintaining the monthly tax accounts include receiving the payments, recording payment into the Accela software, preparing deposits and recording revenue to AMS Financial and subsequent verification with OFED. Other duties include processing refunds and making internal transfers or corrections to accounts with the Accela software. Solely performing these functions with no evidence of detailed supervisory review, monitoring, or other compensating controls further supports the segregation of duties weakness.

In addition, we observed other potential areas where inadequate segregation of duties may exist, but because we were unable to complete additional audit procedures, these issues will be communicated verbally.

Proper segregation of duties for BLD Auditors and other employees, as applicable, as well as other control activities are needed to eliminate or reduce to an acceptable level, the risk of theft, loss, or misappropriation.

Written Operating Procedures need to be revised

Written operating procedures for BLD have not been revised since 1995 and do not reflect the current operating practices. The 22-year-old version of procedures pre-dates the Accela software conversion and does not reflect the numerous changes and electronic processing components. We found that employees maintain individual notes to assist with job duties, but a division-wide operating document was not readily available.

Written documentation organizes procedures and helps ensure consistency of processing across the division. It provides a means for training staff and prevents the creation of unapproved procedures. In addition, it acts as a protection during monitoring and supervisory reviews, helping to pinpoint any actions taken against established policy. Other daily processes such as mail procedures, high volume processing procedures, priority of processing, closing procedures, and approval levels should also be documented and maintained for consistency. Procedural changes, revisions to the internal control structure, and corrective actions resulting from this report should also be reflected in the written operational procedures. Future changes in the Accela software system should be incorporated as well.

Policies and procedures are important to ensure employees understand what is expected of them and it details how the organization should operate; therefore, as changes are implemented, they should be documented.

Internal Monitoring and Supervisory Reviews need to be implemented or revised

Internal monitoring and supervisory reviews across the cash handling process is non-existent or inadequate. As described during our discussion of the segregation of duties weakness on Page 11, we found no evidence of division-wide internal supervisory reviews, reconciliations, comparisons of reports or other monitoring activities to ensure that BLD transactions are complete and accurate.

We also found that the numerical sequence of receipt numbers (automated or hand-written) are not periodically validated and reconciled to ensure all receipt numbers, cashier sessions, and batch ids are accounted for and properly reflected in deposit or refund reports. The BLD Auditor does maintain a list of batch ids, but no reconciliation is performed to ensure completeness. Accounting for numerically sequenced transactions will ensure that missing transactions are identified, researched, and resolved in a timely manner.

In addition, the audit trail feature within the Accela software system had not been activated. An audit trail identifies what, when and by whom changes were made and why the changes were necessary. During our preliminary survey, the audit trail feature was activated, but there has been no subsequent evidence to support its use in BLD monitoring and supervisory review activities. Erroneous changes to BLD records could go undetected and negatively impact operations.

Effective monitoring controls over BLD transactions are essential to ensure that the division is operating as intended and in a consistent manner. Management reviews at the functional or activity level is a basic internal control activity which compares actual performance to planned or expected results. This activity must be ongoing to ensure expected management objectives and goals are met. These activities include approvals, authorizations, verifications, reconciliations, and the creation and maintenance of related records which provide evidence of execution of these activities as well as appropriate documentation.

Consistent Approvals need to be implemented

We noted that refunds are not approved by an appropriate level of BLD management on a consistent basis. Refunds are initiated by BLD staff for various reasons and processed by the BLD Auditors monthly. The average monthly refund amount for the period July 2015 through June 2016 was \$6,500. We reviewed the July 2015 refunds during our consulting survey work, and noted evidence of approval by the BLD Manager on some refunds, but not on a consistent basis.

Management approvals is a control activity designed ensure that the transaction is appropriate, accurate, supported by adequate documentation, and complies with organization policies and procedures and other applicable laws and regulations. BLD should implement the appropriate level of approvals for refunds and other transactions.

Current Resource Allocation Methodology should be evaluated

We observed that the resource allocation methodology for the effective and efficient processing of BLD transactions was unclear. BLD utilizes a mix of full and part time positions to process approximately 33,000 transactions with an average dollar value of \$42 million annually. We interviewed BLD staff and found that resources are currently allocated based on the number of staff and amount of mail and other transactions awaiting processing that day, but no information was readily available to support whether this workflow was effective and efficient. We noted no clear methodology for identifying, tracking, and monitoring transaction processing (i.e. outstanding transactions and cash receipts that have not been processed and/or deposited within a designated timeframe). We found two cashier sessions from January 2016 that was not deposited until March 2016. We were unable to determine the frequency or context of this type of delay.

We also noted a complex workflow for the processing of credit/debit card transactions and cashier sessions. It is our understanding that the Accela software system limits the functionality of processing credit/debit card transactions in the same cashier session, but we were unable to substantiate this assertion. BLD management should evaluate its current resource allocation methodology to ensure that it's clear, effective, efficient, and meets the agency's expectations. During the high-volume renewal season, an effective and efficient resource allocation methodology is critical to processing BLD transactions in a timely manner and in accordance with expectations.

BLD should consider implementing performance measures to evaluate its effectiveness and efficiency in its resource allocation methodology, overall transaction processing, and other operational tasks. An applicable evaluation should include, at a minimum, overall division goals and objectives, volume and dollar value of transactions, complexity of transactions, fluctuation in transaction types, current staffing levels and proficiency, system impact, budgetary needs, workspace layout, other forecasts, benchmarks, and performance goals.

Recommendations

The Community Development Business Manager and Business License Division Manager should:

Recommendation 8: Develop and implement a periodic, internal training session to communicate and re-iterate the internal control objectives and overall mission of the Business License Division. Evidence of the training should be documented and updated as needed.

Auditee Response: **Concur.** A document describing internal controls will be developed. This document will be disseminated to all Business License Division employees. Each employee will sign an acknowledgement of receipt. All employees will review and sign an acknowledgement of understanding on an annual basis.

Timeline: August 7, 2017 (60 days following the completion of Recommendation 9). The Business Manager will be responsible for this item.

Recommendation 9: Develop and implement adequate segregation of duties controls throughout the BLD transaction, accounting, and reporting processes.

Auditee Response: **Concur.** The development and implementation of adequate segregation of duties will be established and the Business License Division will work with Information Services to enhance security capabilities in Accela per recommendation 5. Under existing staffing levels, it will not be possible to fully segregate duties due to the need for additional staffing and the impact it may have on operational efficiency. With current staffing levels, the Business License Division Manager and Business Manager will develop a program of checks and balances incorporating additional sign offs and reviews for the cash handling processes.

Timeline: June 5, 2017 using existing staff. Full completion will be dependent upon the completion of recommendation 5 and allocation of additional staff. The Business Manager and Business License Manager will be responsible for this item.

Recommendation 10: Update all processes and incorporate into a comprehensive, written policies and procedures manual for the Business License Division, to include both cash handling and operational procedures. The manual should be revised with all changes to reflect current practices.

Auditee Response: **Concur.** The Business License Division Manager is in the process of creating Standard Operating Procedures for the division. Upon completion, these Standard Operating Procedures will be submitted to the Community Development Business Manager who will review them for concurrence with current and future internal control policies.

Timeline: February 5, 2018 (180 days following the completion of recommendation 5). The Business License Manager will be responsible for this item.

Recommendation 11: Develop and implement division-wide internal supervisory reviews, reconciliations, comparison of reports, and other monitoring activities throughout the cash handling processes. This process should include a review of the audit trail and documented evidence of completion.

Auditee Response: **Concur with Alternate Solution.** Part one is to update the existing cash handling processes. In concurrence with recommendation 1, the creation of a report will be requested that will allow a reconciliation against bank reconciliations that are forwarded to Business License from Finance.

Timeline: February 5, 2018 (following conclusion of recommendation 1). The Business License Manager and Business Manager will be responsible for this item.

Part two is to conduct quality-control audits of cash handling sessions. This would occur through the control procedures that will be outlined in Recommendation 9. In order to fully respond to the audit recommendations additional staffing may be necessary.

Timeline: June 12, 2017 (with current staffing); however, full compliance with this recommendation will only be possible with additional staffing resources. The Business License Manager will be responsible for this item.

Recommendation 12: Implement approval procedures to ensure all refunds are reviewed, substantiated, and approved by the Business License Division Manager or designee prior to input into the County's financial system.

Auditee Response: **Concur.** A refund form is filled out for all potential refunds. Once filled out, these forms will be submitted to the Business License Division Manager (or designee) who will either approve with a signature or deny. Once approved, the slip will be submitted for processing to whichever role under the new security profiles and separation of duties is deemed the most appropriate.

Timeline: May 8, 2017. The Business License Manager will be responsible for this item.

Recommendation 13: Evaluate its current resource allocation methodology for processing Business License Division transactions. Performance measures should be established and periodically reviewed to ensure business objectives are met and that the division is operating effectively and efficiently.

Auditee Response: **Concur with Alternate Solution.** Due to current Business License Division staffing levels, during renewal season, there is an “all hands on deck” approach to ensure efficient processing for our 30,000 businesses to receive their occupational tax certificate/business license in as timely a manner as possible. Appropriate performance measures will be developed to track employee effectiveness and efficiency which will be periodically reviewed by management. Timeline: October 9, 2017. The Business License Manager will be responsible for this item.

Additional Operational and Physical Safeguards are Needed

We observed the need for additional operational and physical safeguards within BLD. The need for solid physical safeguards is imperative not only to protect cash but also to protect the people on the premises. Several factors need to be considered to ensure the overall security over BLD operations. Some of the areas we observed that need to be addressed are below.

Additional Operational Safeguards are needed

During our preliminary audit survey procedures, we identified a number weaknesses in the operational safeguards. Adequate operational safeguards are essential to prevent theft, loss, and misappropriation. We noted five areas that need strengthening.

The key to a BLD safe room, where unopened and unprocessed mail is kept during high volume, is in an unlocked cabinet that is accessible to various BLD and Community Development staff. Keeping the key in an unsecured location increases the risk that an authorized person can gain access.

We observed several weaknesses in the current controls over mail. Mail with remittances was left unattended in an open area accessible to staff within BLD and other divisions. Mail is also maintained in a safe room but not in a locked cabinet within the safe room. Since the safe room is accessible to other divisions, additional controls should be taken to safeguard mail. Other controls over mail should ensure that all remittances via mail is tracked upon receipt, placed under proper safeguards, and deposited in a timely manner.

We found that some deposits are maintained in an employee’s office instead of the safe. To guard against possible theft, the deposits should be maintained in the safe with limited access.

Checks received for BLD transactions were not restrictively endorsed when received. All checks should be restrictively endorsed at the time of receipt to prevent diversion and unauthorized cashing. In addition, the delayed time between collections to deposit could increase this risk of loss.

BLD management also needs to evaluate its overall operational security measures regarding the location of where deposits are prepared and ensure that proper workspace security controls are clearly communicated and periodically monitored. Effective operational security controls minimize the potential risk of theft, loss, misappropriation of assets, disclosure of confidential, and/or sensitive information.

Additional Physical safeguards are needed

BLD handles a large volume of cash, which increases the risk of loss or theft. A security system is a control feature designed to safeguard County physical and intellectual assets. Physical security measures at County facilities, to include access controls, security cameras, etc., need to be monitored to ensure continued operability and periodically evaluated to ensure continued effectiveness. Ineffective, inoperative or unmonitored security measures increase the risk of loss to the County.

Recommendation(s)

The Community Development Business Manager and Business License Division Manager should:

Recommendation 14: Implement additional procedures to ensure adequate operational safeguards over collections. These should include, at a minimum:

- Relocation of the key to the safe room and limit access based on job responsibilities;
- Ensure that all mail is properly safeguarded in a locked cabinet/safe until processed;
- Ensure that mail and contents are not left unattended;
- Ensure that all deposits are maintained in a safe with limited access until delivered;
- Ensure that all checks are restrictively endorsed upon receipt; and
- An assessment of the overall operational security measures to ensure deposits are prepared away from public view and that other workspace security controls are properly implemented.

Auditee Response: Concur with Alternate Solution.

1. Effective immediately, the key to the safe room will be moved to an area that is easily monitored/controlled.
2. All mail is currently stored in the safe room. Controlling access (key relocation mentioned above) as well as the installation of a camera in the safe room should resolve concerns of unauthorized mail access. This will be completed as soon as the building renovations are completed.
3. The room where mail is physically processed will have an electronic keypad lock installed as part of building renovations. Only authorized employees will have the code to unlock this door. This will be implemented following the completion of building renovations.
4. All deposits are currently either in the possession of an authorized employee or placed in the drop safe to which very few have access. This will continue; however, each evening during closing procedures, all contents of the drop safe will be transferred to the larger safe in the safe room, guarded with a lock and the above mentioned camera. In the interim, a safe log will be implemented that must be filled out each time the safe is opened until the safe room security camera is installed. This process will begin immediately, though the camera in the safe room will not be present until the completion of the building renovations.

5. Upon preparation for processing, all checks, regardless of delivery method, will be restrictively endorsed with a stamp. This will be implemented immediately.
6. Upon completion of the building renovations, an appropriate space that adheres to the above-mentioned guidelines for processing deposits will be designated.

The Business License Manager is responsible for all of the items in Recommendation 14.

Recommendation 15: Assess the current security measures for the buildings and staff and include all divisions housed in the building/area. Consideration should be given to:

- Ongoing monitoring of cameras and alarm systems; and
- Obtaining safes that provide adequate safeguard against burglary, water, and fire damage.

Auditee Response: **Concur.** Resolution for this recommendation is already underway. Part of the building renovations will include the installation of security cameras in the front lobby as well as in the safe room. We will look into the feasibility of relocating relevant safes. Both of these will be completed with our building renovations. The Business License Manager is responsible for all of the items in Recommendation 15.

Additional Auditor Comment: During the briefing conference, the Community Development Agency Director agreed to coordinate with other County departments, including Public Safety and Information Services, to assess the data retention schedule for camera systems. Periodic updates will be provided to the County Manager during the Agency Director's status meetings.

Detailed Objectives, Scope, and Methodology

In accordance with our biennial audit plan, our audit objective was to determine if the controls over BLD cash handling practices were adequate to ensure cash¹⁸ collections are complete and accurate, properly allocated, recorded timely and deposited, accurately reported, and in accordance with current BLD regulations and requirements. We were also to evaluate if the software system, Accela, is effectively utilized in the deployment of controls over cash collections. The audit scope included BLD financial activities for the period July 2015 through June 2016.

During our preliminary survey, we gathered information about BLD by observing the cash handling process, researching applicable State and County laws, and interviewing staff from both the BLD and Information Services (IS). We also performed various analyses of financial reports downloaded from the County's financial system. In addition, we attempted to obtain and validate various system generated reports, but additional clarification was needed. A meeting was held with staff from BLD and IS to finalize our validation, with specific emphasis placed on whether we could obtain the necessary assurance on the system reports to proceed with our audit. A complete population of cash receipt transactions for the scope referenced above and applicable reporting tools, was collectively agreed upon and used to proceed with the audit.

A significant amount of additional preliminary survey time was spent on the discussions of BLD's understanding and lack of confidence in the overall functionality of the Accela system, their development and reliance on numerous manual processes, and their inability to generate requested documents to substantiate the completeness and accuracy of cash receipt transactions. Subsequent discussions with IS staff revealed a communication gap regarding the functionality of the Accela system, BLD's business and reporting needs, and IS's ability to fully support the disparity. As a result, we initiated an Accela consulting project to independently assess the overall reliability of the system data and reporting for use during cash handling practices and to account for the Internal Audit (IA) staff time spent on system-related issues separately from the audit. Below is a summary of procedures performed to conclude on the consulting survey objective as identified above.

- I. Determined if the controls are adequate to ensure cash collections are complete and accurate.
 - A. Obtained a list of available reports used to validate the funds collected by revenue code, transaction type, number and dollar value, status types of businesses and payment types, and accounting for pre-numbered receipt numbers, cashier sessions, and Mavro batch IDs, etc.
 - 1. Inquired of monitoring of completeness and frequency, if applicable.
 - 2. Identified the current applicability of report list and updates needed (in general).
 - 3. Identified weaknesses and documented the risk and impact on the completeness and accuracy of cash collections.

¹⁸ For the purposes of this audit, cash includes currency, checks, money orders or other negotiable instruments.

- B. Obtained system-generated reports by the various types including the Cash Drawer Reconciliation Report and Mavro Batch ID report, and a Cash Drawer Reconciliation Report for the months ending July 2015 through June 2016.
- C. Obtained manual reports generated by the various types along with supporting documentation, as needed for the months ending July 2015 through June 2016.
- D. Interviewed IS and BLD staff for clarification.
- E. Perform reconciliation procedures with the assistance of BLD staff
 - 1. Reconciled Cashier Drawer Reconciliation and Mavro ID Batch reports to the BLD Manual Spreadsheet and Accela Revenue Reports.
 - 2. Reconciled to revenue object code postings (Advantage Financial), bank deposits, etc. in total.
 - a. Agreed to supporting documents, as needed.
 - b. Identified and researched differences.
 - c. Updated the summary reconciliation report.
 - 3. Reconciled to revenue object code postings (Advantage Financial), bank deposits, etc. in total.
 - 4. Identified discrepancies and discuss w/BLD for resolution.
 - a. Documented the results, including any issues.
 - b. Cross-referenced to any audit trail issues.

Abbreviations and Glossary

BLD	Business License Division, Community Development Agency
IS	Information Services Department
SOPs	Standard Operating Procedures
AMS	Advantage Financial Management System
CDA	Community Development Agency
BPI	Business Process Improvement
OFED	Office of Finance and Economic Development
Accela	Accela Software System
Business License (Occupation Tax)	Fees collected for the issuance of business licenses authorizing the holder to engage in business within the unincorporated Cobb County
Alcoholic Beverage Licenses	Fees collected for the issuance of beer, liquor, and wine authorizing retail sales. Also, includes the issuance of Sunday sales permits
Alcoholic Beverage Excise Taxes	Excise taxes charged to retailers and/or wholesalers for the sale of beer, liquor, wine, and gross liquor by the drink
Penalties and Interest (Business License)	Penalties and interest assessed on delinquent business licenses and renewals
Penalties and Interest (Other)	Penalties and interest assessed on various other delinquent licenses and fees
Cable TV Franchise Fees	Franchise fees based on gross subscriber revenue received for cable TV operations
Hotel/Motel Occupancy Taxes	Excise taxes based on the occupancy of hotel/motel guest rooms, lodging facilities, boarding houses, bed and breakfast establishments, and campgrounds
Other Charges for Services	Fees collected for first offense violations of selling alcoholic beverages, the legal advertisement and public hearings associated with various BLD services, and other miscellaneous charges for County services

Business License Review Board	Duties are to hear deferred applications or appeals from administrative decisions by the BLD office with regard to applications for licenses, transfers, renewals, change of ownership or other matters affecting such licenses; hear appeals with regard to issuance or renewal of work permits; hear matters involving any revocation, suspension or other disciplinary action against the holder of any work permit and to consider and act upon any other matters specifically delegated to the license review board by any other county ordinance or resolution or action of the BOC. The decision of this board is final unless appealed to the BOC within thirty (30) days of the decision of the LRB; the decision of the BOC is final unless appeal is made to the Superior Court of Cobb County.
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Major Contributors to the Report

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FINAL Report Distribution List

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Bill Volckmann, Interim Finance Director/Comptroller
Cobb County Audit Committee
Internal Audit Department File

Outcome Measures

This appendix presents detailed information on the measurable impact that our recommended corrective action(s) will have on County governance. These benefits will be incorporated into our annual report to the Board of Commissioners, Audit Committee, and County Manager.

Type and Value of Outcome Measure:

- Reliability of Information – Actual; Recommendations, when implemented, will provide assurance of the completeness, accuracy, validity, and integrity of the data and transactions captured within the Accela software system. (See Pages 5-20).

Methodology Used to Measure the Reported Benefit:

We found that the current structure, functionality, and configuration of the Accela software system produced invalid, inaccurate, or unreliable information. Recommendations, when implemented, will correct these weaknesses and increase the reliability of financial and other reporting.

Type and Value of Outcome Measure:

- Efficient Use of Resources – Potential; Recommendations, when implemented, will increase the efficiency of BLD operations and provide costs savings. (See Pages 5-9; 15).

Methodology Used to Measure the Reported Benefit:

We found instances where the elimination of manual processes and a timely reconciliation tool within the accounting and reporting phases of BLD's operations may reduce the number of staff hours required and result in indirect cost savings.

Type and Value of Outcome Measure:

- Revenue Protection – Actual; Recommendations, when implemented, will provide additional security over cash collections and employee capital. (See Pages 18-20).

Type and Value of Outcome Measure:

- Increased Safeguards of Assets/Protection of Resources – Actual; Recommendations, when implemented, will provide increased controls over the average annual collections of approximately \$42 million within the BLD. (See Pages 13-20).

Methodology Used to Measure the Reported Benefit:

We analyzed the five-year annual collections for BLD and found the average to be approximately \$42 million. In addition, we identified potential weaknesses in the overall operational and physical safeguards.

Auditee's Response



**COBB COUNTY
COMMUNITY DEVELOPMENT AGENCY**

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Dana Johnson, AICP
Director

DATE: March 31, 2017

TO: Latona Thomas, CPA, Director

FROM: Dana Johnson, Director 

CC: David Hankerson, County Manager
Sharon Stanley, Director
Bill Volckmann, Director
Sandra Richardson, Business License Division Manager
Sean Reed, Business Manager

SUBJECT: Response to the Internal Audit Draft Report: Survey – Assessment of the Business License Division System Data Reliability for Cash Handling Practices

This memo is in response to the subject report dated March 13, 2017. You identified opportunities to improve the overall activities of the Business License Division Cash Handling Practices, including the current structure and functionality of the software system, the internal control structure and control activities, as well as operational and physical safeguards. Several recommendations were made and our coordinated responses to those recommendations are below.

Recommendations

The Community Development Business Manager and Business License Division Manager should:

Recommendation 1: Coordinate with Information Services to evaluate the reporting functionality needs of the Business License Division. The results should be incorporated into a business case analysis inclusive of: a) a prioritization listing based on need and impact; b) timetable of completion; and c) any related costs. This information should be presented to the Community Development Agency Director for review and approval, as deemed necessary.

Response: Concur

a). Community Development will coordinate with Information Services to identify a complete list of prioritized reporting functionality required to allow management to accurately track and reconcile Business License applications and payments. This list will be presented to the Community Development Director and the Information Services Director.

Timeline: August 7, 2017. The Business Manager and Technology Services Manager will be responsible for this item.

b.) The list created in step 2 will be incorporated into this list of requirements and a statement of work created.

c.) This Finalized/Approved Statement of Work will be used to obtain the costs necessary for completing the work, using approved procurement policies (RFP, RFQ etc.). Dependent upon funding availability, reports will be created to provide this functionality.

Timeline: February 5, 2018 (6 months following approval of requirements listed in Recommendation 1.a., depending on funding availability). The Technology Services Manager will be responsible for this item.

Recommendation 2: Evaluate the current listing of available reports within the Accela software system for current applicability and develop a priority list for resolution.

Response: Concur

This recommendation will be completed before Recommendation 1. Information Services and the Business License Division will work together to evaluate the entire list of currently available reports in Accela to determine which reports are needed and are utilized. Additionally, each report will be evaluated to determine if it is accurately producing the desired results. The list will be prioritized based on Business License Division requirements. A prioritized spreadsheet or formal document will be created listing which reports to keep and which reports to remove and which need modification.

Timeline: June 12, 2017. The Business License Manager and Technology Services Manager will be responsible for this item.

Recommendation 3: Coordinate with Information Services to develop a complete list of configuration issues to include prioritization. We further recommend that representatives from both departments meet at least weekly, at a minimum, to strategize and complete open issues. A periodic, status report should be provided to the Community Development Agency and Information Services Directors.

Response: Concur

Two separate lists of outstanding configuration issues already exist, one in Business License and one in Information Services. These lists will be united into one formal, working document with the items listed in order of priority and status. Information Services and the Business License Division will initially meet weekly as we work with the vendor to resolve these issues or put them into a requirements document if funding is required. Meeting periodicity may change as number and severity of outstanding issues raise or lower. This document will include an issues log and software enhancement requests and the two groups will work together to determine prioritization. As each item is given proper attention a status will be provided periodically and ultimately resolution and sign-off will be documented for each. This list will be a living document and will be maintained by Information Services with access provided to Business License Division. As issues are resolved, there will be a Business License Division sign off that each issue has been resolved.

Timeline: May 15, 2017. The Business License Manager and Technology Services Manager will be responsible for this item.

Recommendation 4: All system changes and upgrades made to the Accela software should be documented and approved through the appropriate business processes. Documentation and approvals from both the Business License Division and Information Services Department should be obtained, to include granting approvals.

Response: Concur

A change control process is already present internally within Information Services. Software and configuration changes to Accela must go through the change process and be approved by the Information Services change review board. Requested changes will be forwarded from Information Services to the Business License Division Manager for approval. The approval received from Business License Division will be electronically attached to the approved change ticket. This process does not apply to break fix changes which often require the change be made immediately to restore service and the user notified afterwards. For these changes, an Emergency Change ticket is used. Once implemented this process will be used to get user approval prior to changes in the production system.

Information Services is evaluating a hosted ticketing system which will allow designated user approvers to see tickets and be an approver on the ticket

Timeline: Approval process put in place by May 15, 2017. The Business License Manager and Technology Services Manager will be responsible for this item.

Recommendation 5: Analyze user job roles and the functions needed within the Accela system. Re-assign profiles in accordance with the analysis performed and proper segregation of duties practices are not impacted.

Response: Concur

Phase One: Review and modify assigned Accela security groups to fit job functions as they exist today in the Business License Division. To do this Information Services will provide the Business License Division with a matrix of the security roles and the permissions associated with each user/role that already exist in Accela (There are 10 different security groups identified in the Accela business licensing module). The Business License Division will review this list of Security Groups and identify the minimum level required for each job function. Information Services will make the changes once identified.

Timeline: August 7, 2017. The Business Manager and Technology Services Manager will be responsible for this item.

Phase II: Once recommendation number 9 has been completed. Evaluate assigned security groups against new job functions. Assign new security groups based on segregation of duties created in item number 9. Following completion of this recommendation, periodic (either annual or bi-annual) reviews of security group structure will take place to address changes in job functions, responsibilities and staffing.

Timeline: If current Accela security groups support new job functions, September 11, 2017. If Accela security profiles must be modified or added then this timeline would increase to February 5, 2018. The Business Manager and Technology Services Manager will be responsible for this item.

Recommendation 6: In connection with Recommendation 1, evaluate the continued need and use of manual spreadsheets in the accounting and reporting process of Business License Division transactions. Every effort should be made to fully automate the entire cash handling process. If deemed necessary, adequate monitoring controls should be implemented as a compensating control.

Response: Concur

The use of manual spreadsheets in the accounting and reporting process of Business License transactions will continue until the revenue reporting functions in Accela have been fully addressed and determined to be working appropriately as noted in recommendations 1 and 2. The pertinent reporting functions will include the ability to create weekly, monthly, quarterly, annual, and ad-hoc revenue reports. This will be contained within the list completed for recommendation 1. This particular recommendation will not be completed in one action but will take several months to identify all components that are corrupting the validity of currently available revenue reports.

Timeline: August 6, 2018 (120 days after the completion of recommendation 1). The Business Licenses Manager will be responsible for this item.

Recommendation 7: As an interim procedure, continue the process of monthly reconciliations so that differences could be identified in a timely manner, researched, corrected, and/or the necessary system functionality corrected. Every effort should be made to eliminate this process with a fully automated system.

Response: Concur

Manual monthly reconciliations will continue until all Accela revenue reports are functioning correctly. Once those reports have been corrected, Information Services and the Business License Division will work together to create an automated reconciliation process. This reconciliation process will allow Business License to detect any future revenue reporting issues.

Timeline: July 2, 2018 (90 days after the completion of recommendation 1). The Business Manager will be responsible for this item.

Recommendation 8: Develop and implement a periodic, internal training session to communicate and re-iterate the internal control objectives and overall mission of the Business License Division. Evidence of the training should be documented and updated as needed.

Response: Concur

A document describing internal controls will be developed. This document will be disseminated to all Business License Division employees. Each employee will sign an acknowledgement of receipt. All employees will review and sign an acknowledgement of understanding on an annual basis.

Timeline: August 7, 2017 (60 days following the completion of Recommendation 9). The Business Manager will be responsible for this item.

Recommendation 9: Develop and implement adequate segregation of duties controls throughout the BLD transaction, accounting, and reporting processes.

Response: Concur

The development and implementation of adequate segregation of duties will be established and the Business License Division will work with Information Services to enhance security capabilities in Accela per recommendation 5. Under existing staffing levels, it will not be possible to fully segregate duties due to the need for additional staffing and the impact it may have on operational efficiency. With current staffing levels, the Business License Division Manager and Business Manager will develop a program of checks and balances incorporating additional sign offs and reviews for the cash handling processes.

Timeline: June 5, 2017 using existing staff. Full completion will be dependent upon the completion of recommendation 5 and allocation of additional staff. The Business Manager and Business License Manager will be responsible for this item.

Recommendation 10: Update all processes and incorporate into a comprehensive, written policies and procedures manual for the Business License Division, to include both cash handling and operational procedures. The manual should be revised with all changes to reflect current practices.

Response: Concur

The Business License Division Manager is in the process of creating Standard Operating Procedures for the division. Upon completion, these Standard Operating Procedures will be submitted to the Community Development Business Manager who will review them for concurrence with current and future internal control policies.

Timeline: February 5, 2018 (180 days following the completion of recommendation 5). The Business License Manager will be responsible for this item.

Recommendation 11: Develop and implement division-wide internal supervisory reviews, reconciliations, comparison of reports, and other monitoring activities throughout the cash handling processes. This process should include a review of the audit trail and documented evidence of completion.

Response: Concur with Alternate Solution

Part one is to update the existing cash handling processes. In concurrence with recommendation 1, the creation of a report will be requested that will allow a reconciliation against bank reconciliations that are forwarded to Business License from Finance.

Timeline: February 5, 2018 (following conclusion of recommendation 1). The Business License Manager and Business Manager will be responsible for this item.

Part two is to conduct quality-control audits of cash handling sessions. This would occur through the control procedures that will be outlined in Recommendation 9. In order to fully respond to the audit recommendations additional staffing may be necessary.

Timeline: June 12, 2017 (with current staffing); however, full compliance with this recommendation will only be possible with additional staffing resources. The Business License Manager will be responsible for this item.

Recommendation 12: Implement approval procedures to ensure all refunds are reviewed, substantiated, and approved by the Business License Division Manager or designee prior to input into the County's financial system.

Response: Concur

A refund form is filled out for all potential refunds. Once filled out, these forms will be submitted to the Business License Division Manager (or designee) who will either approve with a signature or deny. Once approved, the slip will be submitted for processing to whichever role under the new security profiles and separation of duties is deemed the most appropriate.

Timeline: May 8, 2017. The Business License Manager will be responsible for this item.

Recommendation 13: Evaluate its current resource allocation methodology for processing Business License Division transactions. Performance measures should be established and periodically reviewed to ensure business objectives are met and that the division is operating effectively and efficiently.

Response: Concur with Alternate Solution

Due to current Business License Division staffing levels, during renewal season, there is an "all hands on deck" approach to ensure efficient processing for our 30,000 businesses to receive their occupational tax certificate/business license in as timely a manner as possible. Appropriate performance measures will be developed to track employee effectiveness and efficiency which will be periodically reviewed by management.

Timeline: October 9, 2017. The Business License Manager will be responsible for this item.

Recommendation 14: Implement additional procedures to ensure adequate operational safeguards over collections. These should include, at a minimum:

1. Relocation of the key to the safe room and limit access based on job responsibilities;
2. Ensure that all mail is properly safeguarded in a locked cabinet/safe until processed;
3. Ensure that mail and contents are not left unattended;
4. Ensure that all deposits are maintained in a safe with limited access until delivered;
5. Ensure that all checks are restrictively endorsed upon receipt; and
6. An assessment of the overall operational security measures to ensure deposits are prepared away from public view and that other workspace security controls are properly implemented.

Response: Concur with Alternate Solution

1. Effective immediately, the key to the safe room will be moved to an area that is easily monitored/controlled.
2. All mail is currently stored in the safe room. Controlling access (key relocation mentioned above) as well as the installation of a camera in the safe room should resolve concerns of unauthorized mail access. This will be completed as soon as the building renovations are completed.
3. The room where mail is physically processed will have an electronic keypad lock installed as part of building renovations. Only authorized employees will have the code to unlock this door. This will be implemented following the completion of building renovations.
4. All deposits are currently either in the possession of an authorized employee or placed in the drop safe to which very few have access. This will continue; however, each evening during closing procedures, all contents of the drop safe will be transferred to the larger safe in the safe room, guarded with a lock and the above mentioned camera. In the interim, a safe log will be implemented that must be filled out each time the safe is opened until the safe room security camera is installed. This process will begin immediately, though the camera in the safe room will not be present until the completion of the building renovations.
5. Upon preparation for processing, all checks, regardless of delivery method, will be restrictively endorsed with a stamp. This will be implemented immediately.
6. Upon completion of the building renovations, an appropriate space that adheres to the above-mentioned guidelines for processing deposits will be designated.

The Business License Manager is responsible for all of the items in Recommendation 14.

Recommendation 15: Assess the current security measures for the buildings and staff and include all divisions housed in the building/area. Consideration should be given to:

1. Ongoing monitoring of cameras and alarm systems; and
2. Obtaining safes that provide adequate safeguard against burglary, water, and fire damage.

Response: Concur

Resolution for this recommendation is already underway. Part of the building renovations will include the installation of security cameras in the front lobby as well as in the safe room. We will look into the feasibility of relocating relevant safes. Both of these will be completed with our building renovations. The Business License Manager is responsible for all of the items in Recommendation 15.