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INTERNAL AUDIT DEPARTMENT

Report Number 2018-002

***First Follow-up Report: Survey - Assessment
of the Business License Division System Data
Reliability for Cash Handling Practices***

April 10, 2018

***Latona Thomas, CPA, Director
Michelle Swaby, CPA (inactive), PT Senior Internal Auditor
Andrea Clayton, Internal Auditor II
David Murry, Internal Auditor II***



COBB COUNTY INTERNAL AUDIT

Latona Thomas, CPA


100 Cherokee Street, Suite 250
Marietta, Georgia 30090
phone: (770) 528-2556
latona.thomas@cobbcounty.org

Director

April 10, 2018

MEMORANDUM

TO: Rob Hosack, County Manager

FROM: Latona Thomas, CPA, Director 

SUBJECT: **First Follow-up Report:** Survey – Assessment of the Business License Division System Data Reliability for Cash Handling Practices

We completed our first follow-up review of the original subject report. Our objective was limited to reviewing, as of November 13, 2017¹, the status of proposed actions by the Business License Division (BLD) to implement the fifteen recommendations in Report #2017-002, dated April 10, 2017. This follow-up should be read in conjunction with the original report and does not represent a complete reexamination of the activities. The auditor's role in follow-up reviews is to compile corrective actions taken by the auditee, assess whether those actions are adequate to correct the reported deficiencies, and relay those results to County management.

BLD, with the assistance of the Information Services Department (IS), have made positive progress toward implementing the corrective actions and recommendations as noted in the above-referenced report. Improvements to address the recommendations, aligned with the long-term goals of the BLD, affirms its commitment to results-based management. Of the fifteen recommendations, eight recommendations (53%) were deemed **fully implemented**, and seven recommendations (47%) were **partially implemented**. See the chart to the right.

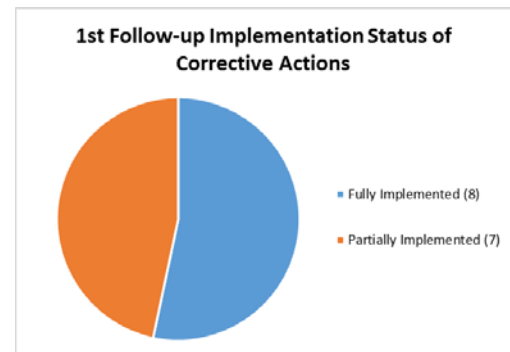


Chart 1 - Source: BLD Responses and Internal Audit Department assessment results.

Implementation Status of Corrective Actions

Recommendation 1 (*Partially Implemented*)

BLD coordinated with IS to evaluate its reporting functionality needs through the creation of a report list, which is available on SharePoint² and accessible to both departments. The report list provides an analysis as to whether the reports are being used, suited to serve as designed, require modifications, and the priority of each item.

¹ Supplemental materials and reconciliations as of December 22, 2017.

² SharePoint is a document management and storage system used by the County to share documents between departments.

Recommendation 1 (*Partially Implemented*), continued...

Although the list is a work in progress, BLD should ensure that the operational reports validate the completeness and accuracy of all transactions (not just cash transactions) and are adequately addressed in both Accela and any future system. As stated in the original report, Page 6³, "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."

Recommendation 2 (*Fully Implemented*)

BLD management provided evidence that they evaluated the current listing of available reports within the Accela software system for current applicability and developed a priority list for resolution. We did not assess the overall impact or risk of any reports not currently being used or not operating properly and thus, do not provide any assurance thereon.

Recommendation 3 (*Fully Implemented*)

Initially, both BLD and IS had their own list of outstanding configuration issues, but the departments subsequently combined both lists into one formal working document. This document is used to track and monitor the priority and status of each configuration issue. We also noted the periodic meeting of the BLD and IS, to address the issues on the list, and we propose that the timing of these meetings continue invariably until all the issues are addressed and fully encompassed in the future Statement of Work/Request for Proposal.

Recommendation 4 (*Fully Implemented*)

BLD and IS have incorporated a process of review, test, and approval for changes and upgrades that are requested by BLD as it relates to the Accela software. Internal Audit expects that this process will be formally included in the internal controls document soon. Additionally, the email exchanges are captured and saved on the County's network for retrieval as needed, but both BLD and IS should consider an alternative method of maintaining the documentation of review, testing, and approval for ease of retrieval as needed.

Recommendation 5 (*Partially Implemented*)

As stated by BLD management, IS and BLD have evaluated the preconfigured security profiles in Accela, but the permission in these preconfigured profiles do not match the grouping of security permissions needed by BLD for their user roles. IS and BLD attempted to modify individual rights within the preconfigured settings but were unsuccessful. IS has implemented alternative measures of access levels in the interim that include limiting access based on job functions, areas, and tasks. BLD and IS should continue a periodic review and monitoring of the user profiles and change any access and authority levels as needed. Not implementing this may lead to an employee having conflicted abilities and other segregation of duties weaknesses.

³ See Original Report #2017-002, Pages 5-6, 'Reporting function needs to be updated and corrected.'

Recommendation 6 (Partially Implemented)

Manual spreadsheet reconciliations are still being performed monthly, but BLD and IS expects that a future system replacement will allow for less manual reconciliations. The new vendor will be required to provide a financial reporting system, in addition to current services.

Recommendation 7 (Partially Implemented)

BLD, as an interim procedure, is still preparing monthly reconciliations, and there is evidence of differences being identified in a timely manner, researched, and corrected. There is only one manual process that remains, due to a timing discrepancy with online payments (Check21). We also noted that the most recent monthly manual reconciliation, prepared by the Fiscal Officer, was not readily available upon request, however, it was subsequently provided at a later date. Additionally, there is no evidence that these manual reconciliations are being reviewed by a senior staff member (i.e. BLD Manager or the Agency Director). Since reconciliations are control activities designed to foster a department's financial integrity, we believe that the following action should be taken, increased or performed consistently:

- Ensure that each reconciliation includes a title, description of the account, and procedures and/or instructions on how to complete the reconciliation (applicable reports to run or obtain, etc.).
- Establish due dates for the reconciliations to be submitted for review.
- Require reconciliations to be reviewed and approved by a senior staff member, to include evidence by manual or electronic sign off.

In addition, we determined that BLD's monthly reconciliation package did not include the identification and documentation to resolve monthly refunds and differences in the Accela revenue report. Monthly refunds are included on an internal document but not factored into the division-wide reconciliation to the County's financial system. Likewise, we noted no evidence that differences between the system deposit totals on the revenue report are addressed with the appropriate documentation maintained. Unidentified and/or unresolved differences increases the risk that theft, loss, misappropriation, and inaccurate reporting occurs. The Fiscal Officer should ensure that all differences are identified, researched, resolved, and the appropriate evidence is documented and included in the division-wide monthly reconciliation package.

Recommendation 8 (Fully Implemented)

BLD management created additions to their internal control environment, by a written 'Internal Process Controls,' document that specifically addressed issues identified in the previously referenced report. Additionally, BLD management created performance metrics, by which the staff's performance and work output will be reviewed. We believe that while these steps address the specific issues in the original report, it should not be viewed as complete or that it addresses each potential internal control weakness in the cash receipt process. We did not perform an audit of the internal control process, and thus we are unable to provide assurance in this area. BLD management should continue its efforts to identify internal control weaknesses and address them accordingly.

Recommendation 9 (Fully Implemented)

BLD management developed and implemented segregation of duties controls in the cash handling and reporting processes. We verbally communicated that evidence to support who performed specific tasks, reconciliations, reviews, etc. should be documented and maintained as of agreement and/or approval.

Recommendation 10 (Partially Implemented)

We observed evidence that there are documented updates to some new processes implemented, but not all new processes have been documented and incorporated into a comprehensive written policies and procedures manual. BLD management mentioned that updates to the system is a work in progress, and not all processes are finalized. BLD should ensure that a current policies and procedures manual addresses each BLD operational, financial, and performance function and not just Accela system changes.

Recommendation 11 (Partially Implemented)

BLD developed and implemented, as stated, division-wide internal supervisory reviews, reconciliations, comparison of reports, and other monitoring activities throughout the cash handling processes. We noted that evidence of supervisory reviews was not documented and maintained in all instances relative to cashier sessions. We also noted that other monitoring activities, to include the use of a system 'audit trail' feature and the numerical sequence of cashier session numbers and batch ids should be included. BLD management should continue its efforts to resolve these issues.

Recommendation 12 (Fully Implemented)

BLD management implemented a review and approval procedure to ensure refunds are reviewed, substantiated, and approved by the BLD Manager or designee prior to input into the County's financial system. Based on the evidence presented, BLD management has not incorporated in this procedure, a control function for when the BLD Manager is the preparer of the refund request. In instances where the BLD Manager initiates a refund, the Assistant BLD Manager, Fiscal Officer, or Community Development Agency Director should review and approve prior to submission to the BLD Auditor for processing.

Recommendation 13 (Partially Implemented)

BLD management has created performance measures to address the quality and quantity of work, and internal controls adherence. Although BLD has taken steps to address performance measures at the individual transaction level, we noted no performance measures at the division level. As stated in the original report⁴, "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." Workplace layout has been addressed with the recent renovation; however, division level performance measures still need to be evaluated and implemented.

⁴ See Original Report #2017-002, Pages 5-6, 'Reporting function needs to be updated and corrected.'

Recommendation 14 *(Fully Implemented)*

BLD has implemented additional control procedures and other operational safeguards over collections. These include, but are not limited to security system and monitoring, access controls, newly established rules for mail handling, and the use of 'restrictive endorsement stamps' provided to each payment processor.

Recommendation 15 *(Fully Implemented)*

BLD assessed, implemented, and/or installed additional physical security measures and monitoring functions. We did not test the operating effectiveness of the security system and thus do not provide assurance in this area. BLD management did indicate that the new security measures are the collective efforts of BLD, Property Management Department, Public Safety Agency, and IS to ensure they meet the County's expectations.

We appreciate the cooperation extended to us by BLD and IS staff during our follow-up review. Should you wish to discuss any aspect of this report, please contact me at extension 2559 or Michelle Swaby, Auditor-in-charge, at 2642.

Distribution:

Dana Johnson, Director, Community Development Agency
Sandra Richardson, Business License Division Manager, Community Development Agency
Sean Reed, Fiscal Officer, Community Development Agency
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