

**FREDERICK COUNTY
INTERAGENCY INTERNAL AUDIT AUTHORITY**

**FREDERICK COUNTY
TREASURY DEPARTMENT CASH RECEIPTS
FOR THE PERIOD
JULY 1, 2006 THROUGH JUNE 30, 2007**

**REPORT # 08-04
NOVEMBER 14, 2007**





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I. Introduction

Internal Audit (IA) conducted its review using standards as outlined in generally accepted *Government Auditing Standards, 2003 Revision*, issued by the United States Government Accountability Office (GAO). These standards require IA to maintain competence, integrity, objectivity and independence. Other requirements are to adequately plan the audit and to gain a sufficient understanding of internal controls to determine the testing to be performed.

This report is intended to provide information to Treasury management. The report is a matter of public record, and with the exception of any applicable disclosure exemptions, distribution should not be limited. Information extracted from this report may also serve as a method to disseminate information to the public as a reporting tool to help citizens assess government operations. Management responsible for the functional area reviews the report, and their formal written responses are incorporated into the final report per IIAA policy and generally accepted *Government Auditing Standards* (Standard 5.27).

It is management's responsibility to: 1) strive to achieve enterprise, department and program goals and objectives; 2) use resources efficiently, economically, effectively and equitably; 3) safeguard all assets/resources entrusted to them; 4) follow laws and regulations; and, 5) ensure that management and financial information is reliable and properly reported. To fulfill this responsibility, as well as achieve its expectations, management should design and implement an adequate system of internal control.

The responsibility of the Internal Audit Division is to determine if management's system of internal control is functioning properly in relation to the audit objectives. It is management's responsibility to decide if action should be taken in response to any reported audit recommendations, taking into consideration related costs and benefits. Management, therefore, assumes the risk of making the decision not to implement any reported recommendations.

II. Background

The Frederick County Treasury Department receives, processes and deposits cash receipts, including revenue related to property taxes, permits, and Transit bus passes. Treasury Department cash receipts totaled approximately \$396 million for Fiscal Year 2007. During Fiscal Year 2004, the Treasury Department implemented the MUNIS system (Municipal Information System), which replaced the legacy system. Based on the bill type, receipts are posted and applied to the appropriate accounts. Each business day, Treasury staff completes a closeout process of the day's receipts. This daily closeout includes the preparation and safeguarding of the daily bank deposit and an interface between the MUNIS and PeopleSoft systems, which transfers the day's cash receipt information to the County's financial system. Additionally, a daily cash receipts package, containing details of the day's cash receipts, is delivered the following day to Accounting for further review and reconciliation.

III. Scope and Objectives

The scope of this audit covers cash receipts received during the period July 1, 2006 through June 30, 2007. Although we did not test system controls for MUNIS, we tested inputs and outputs to assess the reliability of the data.

The objectives of this audit were to determine if cash receipts were:

- Properly classified and recorded in both the Treasury and County financial systems.
- Safeguarded and deposited in a timely manner.

IV. Methodology

Methods used in this audit included:

1. Interviews with Treasury management and staff;
2. Walkthroughs and observations of the cash receipts process;
3. Random sample testing of 100 individual cash receipts, 10 daily closeouts and the 10 corresponding deposits; and,
4. Review of supporting documentation for the cash receipts selected for testing.

V. Conclusion

Based on the audit work performed, we determined that for the period July 1, 2006 through June 30, 2007 cash receipts, in all material respects, are properly classified and recorded; properly safeguarded; and deposited timely. Internal controls present in the Treasury Department complied with established policies and procedures in all significant respects. Furthermore, the procedures and policies allow for the appropriate level of segregation of duties.

During the audit, we noted that generic user names were being used to log into the MUNIS system at the customer service windows. The use of generic names creates a risk of not being able to trace a cash transaction or batch to the employee who processed it. This risk could ultimately result in errors or potentially the misappropriation of County funds. Both Treasury and Interagency Information Technology (IIT) were aware of this risk prior to the beginning of this audit and Treasury staff identified the risk to Internal Audit during the process walkthrough. Solutions to eliminate shared generic user names are being researched. The risk is addressed as a condition in the report.

We would like to thank the management and staff of Treasury and Accounting and recognize the cooperation of all those interviewed during this audit.

VI. Condition and Recommendation

Condition 1: Generic System User Names

Within MUNIS, there is a system limitation that does not allow a user to be logged on in multiple locations. In order for the Treasury staff to perform their job functions efficiently and effectively, they need to be logged in at both their individual workspace and their customer service windows. Generic user names, such as “cash1” and “cash2,” are being utilized at the customer service windows. Although the use of these generic user names did not result in any testing exceptions, their use creates a risk of not being able to trace transactions or batches to specific employees who processed them. Ultimately this risk could potentially result in errors or the misappropriation of County funds. According to the Treasury Manager, as of October 29, 2007, these generic names were still being used. Both Treasury and IIT are aware of the risk that generic user names creates. Treasury staff notified Internal Audit of this risk and the system limitation during the initial walkthrough of the cash receipts process. Treasury does utilize a mitigating control by requiring staff to manually initial and date any batch they close. However, this manual control does not totally eliminate the risk because the user is still not identified within the MUNIS system.

Recommendation 1: Require System User Names to be Employee Specific

As noted above, both Treasury and IIT were aware of the risk prior to the audit. IIT is currently working on solutions within the system that would eliminate the generic user names and implement customer service window user names that are traceable and unique to the user. We agree with the steps being taken by both Treasury and IIT to eliminate this risk. We recommend that Treasury establish a timetable to ensure the risk is eliminated as soon as possible.

The Director of Treasury stated that implementation of the recommendation occurred on October 30, 2007. The auditee's response appropriately addresses the condition and our recommendation. See Attachment for the auditee's response.

November 14, 2007

/s/ Interagency Internal Audit Authority
Interagency Internal Audit Authority



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October 31, 2007

Mr. Richard Kaplan, Director, Internal Audit
Interagency Internal Audit Authority
8 East Second Street, Suite 130
Frederick, MD 21701

Dear Mr. Kaplan:

Per your request, I am submitting a written response to the recommendations contained in the audit report regarding the Frederick County Treasurer's Office Cash Receipts process for FY 2007.

During the audit it was noted that the generic user names were being utilized at the customer service windows. These generic user names were necessary due to a system limitation of MUNIS that does not allow a user to be logged on in multiple locations. Use of these generic user names creates a risk of not being able to trace a transaction or batch to the specific employee who processed it. Ultimately this risk could potentially result in errors or the misappropriation of County funds.

The generic user names have been eliminated and IIT and Treasury staff have implemented customer service window user names that are traceable and unique to the users. The implementation was complete on October 30, 2007.

We appreciate the opportunity to work with IIAA to improve our Treasury operations.

Sincerely,

Lori L. Decker, CPA
Director of Treasury

Cc: John Kroll, Director of Finance
Kelly Hammond, Internal Audit
Jason Myers, Internal Audit