



# AUDIT OF CLOSE-OUT COUNT OF THE TREASURY DIVISION (AR23-01)



## Executive Summary

### Audit of Close-out Count of the Treasury Division (AR23-01)

**Background:** OIA conducted a close-out count of the Treasury Division on June 30, 2022. Our last close-out count was completed in June 2021 as part of a City-wide petty cash audit. The primary objective of the audit was to ensure that all funds received by the Treasury Division were deposited intact into the City's bank account. Another objective was to ensure that payments received were properly booked to their respective Accounts Receivable (A/R) systems. As part of the audit, we counted and reviewed the operations of the Treasury Division's control accounts and compared the results to prior audits. We have incorporated IT components into audits for several years. For this engagement we reviewed the access rosters of several Accounts Receivable (A/R) systems. Based on experience derived from other engagements we have included verification of physical security measures into this audit.

**Conclusions:** We found that transactions totaling \$1,363,712.67 were processed and all funds were deposited intact into the City's bank account. In addition, we were able to confirm that all transactions were posted to the MUNIS system and select transactions were posted to the supporting A/R systems. We found that both Petty Cash Control Accounts in the Treasury Division were in compliance with A.R. 4-3 Petty Cash Fund Procedures. A comparison of the petty cash reimbursements to the MUNIS Employee Reimbursement Module indicates that the City should increase attention to employee reimbursement.

When we compared the access rosters from the Finance Department's POS and A/R systems to the terminated employee report we identified personnel who had left the organization were still present. This is a repeated audit finding and we recommended that the Finance Department take immediate steps to remove access for these employees. We also found that the physical security measures in use by the Treasury Division are similar to measures in place by other City departments.

**Recommendations:** The Office of Internal Audit made the following recommendations:

- **Consider using currently available software to track petty cash fund documentation and request periodic update of verification documents,**
- **Conduct a documented semiannual check to verify the status of all POS and A/R systems users**
- **Update and consolidate AR 4-3 and AR 4-8 in conjunction with Finance Department Policies and Procedures Manual.**

#### **Departmental Response:**

The Finance Department has committed to hiring a new Accountant II who will be reviewing policies and procedures as well as identifying areas for operational improvement. The Finance Department will also ensure that termination information is being distributed to staff members responsible for access of POS and A/R systems.

# BACKGROUND

OIA notified the Finance department that we would conduct a close-out count of the Treasury Division on June 30, 2022. Our last close-out count was completed in June 2021 as a part of a City-wide petty cash audit. This engagement was conducted to support the City's annual external financial statement audit.

## OBJECTIVE, SCOPE, AND METHODOLOGY

OIA conducted a close-out count of the Treasury Division on June 30, 2022. The primary objective was to ensure that all funds received by the Treasury Division were deposited intact into the City's bank account. Another objective was to ensure that payments received were properly booked to their respective accounts receivable systems. This close-out count also included the two (2) petty cash control accounts which were used to assess the general status of the City's petty cash program as a whole. To support IT security objectives, OIA conducted testing of the access controls related to the Point of Sale (POS) and accounts receivable systems used by the Treasury Division. OIA also included certain questions related to physical security in our interviews.

The audit was limited to the funds received by the Treasury Division before the daily deposit was closed on June 30, 2022. OIA did not review other activity conducted by the Treasury Division on periods before or after June 30 and will not issue an opinion regarding the compliance with other City policies or procedures or related to periods not under review.

OIA reported to the Treasury Division and observed the close-out process and counted all funds on hand to ensure that they matched funds deposited in the City's bank account. OIA requested and received a listing of all revenues received on June 30 and traced a sample of the transactions back to their accounts receivable systems. OIA requested access rosters from the Finance Department Administrative Division and compared these rosters to records of terminated employees. OIA compared reimbursements of petty cash to reimbursements made using the MUNIS Employee Reimbursement module.

## FINDINGS, CONCLUSIONS, RECOMMENDATIONS

### I. CLOSE-OUT COUNT OF TREASURY DIVISION

#### A. Verification of Daily Transaction Totals

On the day of the audit, a review of the Treasury Divisions POS system's end of day report indicated a total of \$1,363,712.67 worth of transactions had been processed. The cash, check or money order, and credit card totals amounted to \$233,193.14. The remaining amount of \$1,130,519.53 consists of what is termed "specials" which are transactions that are processed by the POS system to record them in the City's MUNIS system. **All cash, check, and money order payments were deposited intact on July 5, 2022.**

## B. Verification of Transactions to the MUNIS System

To ensure all transactions that occurred on June 30, 2022, were reflected in the MUNIS system, we developed a sample based on over 90% of all transactions processed that day. **We identified no discrepancies when we traced these transactions back to the MUNIS system using their respective MUNIS object codes.**

## C. Verification of Transactions to Accounts Receivable Systems

The City has deployed various Accounts Receivable (A/R) systems to accurately record the status of real estate, personal property, business personal property, business license, parking citations, and other payments. We requested copies of payments made through the respective A/R systems as well as supporting records to ensure that the individual accounts were updated. For those object codes which did not have an A/R system, we requested records from the respective department. **We identified no discrepancies between the Treasury Divisions POS Transaction report and A/R system reports or records requested from departments.**

# II. PETTY CASH

## A. Results of Petty Cash Audit

Our audit was limited to the two (2) petty cash control accounts in the Treasury Division. Both control accounts were inspected and found to be in compliance with all requirements of A.R. 4-3 Petty Cash Fund Procedures. As a result of our last audit a total of eight (8) funds were recommended for closure. We have also noted an increase in the number of staff members who have left the organization which can indicate an opportunity to strengthen the attestation process for the petty cash funds. **We recommend that the Finance Department consider the use of new software applications currently available to the City to track and maintain a listing of all petty cash funds along with their authorization documents.**

During our last petty cash audit, we identified that the amount of petty cash being used has been steadily declining based on the implementation of the MUNIS Employee Reimbursement Module. This module would allow for employees to be reimbursed through their paychecks for funds that were previously paid to them using the Accounts Payable (A/P) process. Table 1 below shows the comparison to the amount of petty cash reimbursed compared to the amounts reimbursed through the module.

**Table 1 Comparison Petty Cash Reimbursement to Employee Reimbursement Module**

	FY 2020	FY 2021	FY 2022
Petty Cash Reimbursement	\$7,808	\$1,498	\$4,428
Employee Reimbursement Module	\$237,643	\$39,248	\$106,953
<b>* Reimbursement computation based on Claim Entry Date and Actual Settlement amount of disbursement.</b>			

We reviewed the records of the petty cash control accounts in the MUNIS system which indicated that \$4,428 had been reimbursed for all of FY 2022. This indicates that the program is stabilizing and is commensurate with the reduced number of funds currently on hand. **Due to the increased amount of employee reimbursements OIA will consider this program for future audit work plans.**

### III. IT SECURITY

Our audit compared the access rosters from the Finance Department's POS and A/R systems to the terminated employee report. Although we did not identify any Treasury Division employees who had left the organization still listed on various access rosters, we did identify other members of the Finance Department which were listed as having access to various systems. Inaccurate access rosters present a problem because if terminated employees retain their access rights, they may still be able to complete fraudulent or illegitimate transactions. **Similar to our recommendation from January 2022, we recommended that the Finance Department conduct a documented semiannual check to verify the status of all POS and A/R systems users.**

### IV. PHYSICAL SECURITY

OIA reviewed the physical security measures the Treasury Division employs and compared them to the measures utilized by other City departments and divisions. The physical security measures were summarized and briefed to the department. We also provided our findings to the General Services Physical Security Administrator for inclusion into their work plan. **OIA has recommended that the City issue a physical security administrative regulation, therefore no recommendations are being made to the Finance Department at this time.**

## CONCLUSIONS

Our audit indicated that the Treasury Division properly deposited all funds into the City's bank account. In addition, we were able to verify that the funds received were properly recorded in the City's MUNIS Accounting System and other accounts receivable systems. We concluded that the City's petty cash program is generally operating as intended and reimbursement levels are in line with the number of funds in operation. A comparison of the petty cash reimbursements to the MUNIS Employee Reimbursement Module indicates that greater attention should be made to reimbursements made to employees. We noted that personnel who were not current employees were still listed as having access to various A/R systems.

## RECOMMENDATIONS

Based on our audit we are recommending that the Director of Finance take the following actions:

1. Consider using currently available software to track petty cash fund documentation and request periodic update of verification documents.
2. Conduct a documented semiannual check to verify the status of all POS and A/R systems users.

3. Update and consolidate AR 4-3 and AR 4-8 in conjunction with Finance Department Policies and Procedures Manual.

## DEPARTMENTAL RESPONSE

The Finance Department provided a written response on November 22, 2022. We have included their response on Page 7 of this report. We have reviewed their response and will work the Finance Department to assist in implementing the recommendations.

Please contact our office at [internalaudit@alexandriava.gov](mailto:internalaudit@alexandriava.gov) or 703.746.4742 if you have any questions.



*City of Alexandria, Virginia*

MEMORANDUM

DATE: NOVEMBER 22, 2023

TO: ROBERT SNYDER, CHIEF INTERNAL AUDITOR

FROM: KENDEL TAYLOR, ACTING DEPUTY CITY MANAGER/DIRECTOR OF FINANCE *KJ*

SUBJECT: AUDIT RESPONSE TO CLOSE-OUT COUNT OF TREASURY DIVISION (AR23-01)

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**Please find our response to the following recommendations:**

**1. Consider using currently available software to track petty cash fund documentation and request periodic update of verification documents.**

In conjunction with the new changes to small purchase procedures and thresholds, one of the jobs of the new Accountant II in Administration will be to ensure that documentation and authorizations are up to date. As he gets more familiar with Finance Department operations, this will be explored for opportunities for improvement.

**2. Conduct a documented semiannual check to verify the status of all POS and A/R systems users.**

The Kronos Administrator will share termination information for City employees and Division Directors will share information regarding temporary employees with the Finance Systems Manager who leads the Finance Business Processing team and controls the access to Department's tax systems (Business Personal Property and Personal Property), with specific instructions for system removal. It should be noted that the individuals in Realware provide maintenance and tech support and are authorized users. Not all authorized individuals in these systems have access to Munis

**3. Update and consolidate AR 4-3 and AR 4-8 in conjunction with Finance Department Policies and Procedures Manual.**

A new Accountant II is beginning in Admin on Monday, November 28. This individual will provide much needed accounting capacity in this division and will be tasked with reviewing and updating Administrative Regulations and Finance Department policies and procedures.