

*City of Alexandria, Virginia*

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MEMORANDUM

**DATE:** APRIL 28, 2021

**TO:** MARK JINKS, CITY MANAGER  
LAURA TRIGGS, DEPUTY CITY MANAGER  
KENDEL TAYLOR, DIRECTOR OF FINANCE

**FROM:** ROBERT SNYDER, CHIEF INTERNAL AUDITOR

**SUBJECT:** RELEASE OF AUDIT REPORT – RESULTS OF CLOSE-OUT COUNT OF  
TREASURY DIVISION – JUNE 30, 2020 (AR 21-02)

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Please find attached one copy of the subject audit report. The report details OIA's year end close-out count of the Treasury Division. On June 30, 2020, transactions totaling \$671,241.31 were deposited intact in the City's bank account and the four (4) petty cash funds assigned to the Treasury Division were satisfactorily accounted for.

In addition to our normal procedures we selected a sample amounting to over 90% of the June 30, 2020 transactions and traced them to the MUNIS Enterprise Resource Planning (ERP) system. We also requested that the Treasury Division, Revenue Division, and select departments provide supporting documentation for these transactions in order to ensure that they were posted to their respective Accounts Receivable (A/R) systems or were substantiated by adequate documentation.

We were able to confirm that all samples selected were recorded in the MUNIS system and were supported by either verification through their respective A/R system or adequate supporting documentation. Typically, the City relies on our external auditors during the annual financial statement audit to verify these systems, but every opportunity should be taken to test our financial controls and responsiveness of fiscal staff members. We have recommended that the Director update the relevant policies and procedures by using the High-Performance Organization (HPO) model to continue organizational wide improvement. I would like to thank the Treasurer Mr. David Clark and his staff for assisting us during this engagement. If you have any questions, please contact me at 703.746.4742 or robert.snyder@alexandriava.gov



**Results of Year-End  
Close-out Count of Treasury Division  
June 30, 2020**

**April 28, 2021**

**AR 21-02**

## Executive Summary

### What We Reviewed

Our annual work plan includes a year-end count of the Treasury Division. In the past this was done in conjunction with a City-wide petty cash count. Due to the COVID-19 response the ability to schedule and count the numerous petty cash funds in various locations conflicted with our other scheduled work projects. The additional petty cash funds will be counted after the City increases their onsite footprint later in FY2021.

The June 30, 2020 close-out count of the Treasury Division was directed at determining whether daily receipts collected by cashiers were deposited intact and timely in the City's bank account. In addition, we also accounted for the four (4) petty cash funds assigned to the Treasury Division. Finally, we verified that transactions posted in the Treasury Division were recorded in the supporting MUNIS Enterprise Resource Planning (ERP) and the Accounts Receivable (A/R) systems.

### What We Found

We found that transactions totaling \$671,241.31 were deposited intact and timely, and that the four (4) petty cash funds assigned to the Treasury Division were satisfactorily accounted for. In addition, we were able to confirm that all transactions were posted to the MUNIS system and select transactions posted to the supporting A/R systems. We identified that the controlling regulations, A.R. 4-3 *Petty Cash Fund Procedures* and A.R. 4-8 *Collection and Deposit of City Monies* are critical components of the City's internal control framework because they directly deal with cash collection, segregation of duties, and reconciliation processes. Many of the processes and systems have changed since these regulations were last updated. In addition, increased information technology risk, deployment of new systems, personnel turnover, and other factors make ongoing review a requirement. A standing task force to address internal control would be one way to address these concerns.

### What We Recommended

We recommended that the Director of Finance request that the Office of Organizational Excellence place the establishment of an internal control task force as a priority for the High-Performance Organization (HPO) Council. The update of A.R. 4-3 and A.R. 4-8 should be undertaken by this task force to bring them into compliance with current operating practices and standardize them with cash collection activities in other City departments. Upon conclusion of the update of the A.R.s the task force would be able to address additional concerns related to internal control on an ongoing and continuous basis.

**Results of Year-End  
Close-out Count of Treasury Division  
June 30, 2020**

This report has been approved for release and has been transmitted to the City Manager for information or such actions as may be indicated in the body of the report. The information contained in this report is considered privileged.



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Robert Snyder  
Chief Internal Auditor

Report Distribution (Digitally Submitted)  
Mark Jinks, City Manager  
Laura Triggs, Deputy City Manager  
Kendel Taylor, Director of Finance  
James Spengler, Director Office of Organizational Excellence

**April 28, 2021**

**AR 21 - 02**

**Results of Year-End  
Close-Out Count of Treasury Division  
June 30, 2020**

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**Results of Close-out  
Department of Finance - Treasury Division**

**Background**

As required by the City Charter, an independent audit of the City's financial records is conducted each year. The audit includes various tests of City accounts, records and financial transactions as considered necessary to formulate an opinion as to whether the City's financial statements fairly represent the financial position of the City. The Office of Internal Audit (OIA) executes an audit program which includes engagements that provide assurance that the City's financial records are accurate. The results of these engagements can be factored into the audit plan of the external auditors as well as any federal or state audit agencies involved in auditing grant programs.

The Finance Department - Treasury Division serves as the City's clearing house for collection of taxes, license fees, fines, and other City revenues. The Treasury Division utilizes a Point of Sale (POS) system which is connected to our MUNIS Enterprise Resource Planning (ERP) system. Deposits made to the Treasury Division are processed by the cashiers and the resulting transaction records are recorded in MUNIS. Cash, check, and money order deposits are processed and deposited into the City's banking account. Treasury also serves as the hub for petty cash operations and two (2) petty cash control funds which reimburse department level petty cash funds were established for that purpose. Typically, OIA conducts an audit of petty cash each year which includes a close-out count of the Treasury Division. Due to the COVID-19 incident response only the Treasury Division's petty cash funds were selected for audit.

**Purpose, Scope and Methodology**

**Purpose**

On June 30, 2020, OIA staff members conducted a surprise close-out count of the Finance Department – Treasury Division. Our count was designed to ensure that all revenues recorded in the Treasury Division were deposited in the City's banking account, the MUNIS system, and subsidiary Accounts Receivable (A/R) systems as appropriate. To accomplish operations, the Treasury Division utilizes several change and petty cash funds which were also verified.

**Scope and Methodology**

On June 30, 2020, OIA staff members counted the daily receipts, the cashier change bank assigned to each cashier, the coin bank, and the two (2) petty cash funds assigned to Treasury staff. Each cashier's daily collection was verified to the end of day collection total and the existence of each cashier's change fund was verified. We then selected MUNIS object code items approximating over 90% of all the days transactions and verified them in the MUNIS system. If the transaction was supported by an A/R system such as real estate, personal property, or parking citations, we requested supporting documentation and screen shots of transactions. If the object code was not supported by an A/R system, we requested that the respective department provide copies of the supporting documents related to the transaction.

**Results of Surprise Close-out  
Department of Finance - Treasury Division**

Our audit was limited to a close-out count of the June 30, 2020. daily receipts and petty cash funds assigned to the Treasury. Accordingly, we have no opinion on overall compliance with policies, procedures, or internal controls in other areas of the Treasury Division or other petty cash funds which we did not inspect.

**Findings, Conclusions, and Recommendations**

**1. Results of June 30, 2020 Cash Close-Out Count - Treasury Division**

On the day of the audit a review of the Treasury Divisions POS system’s end of day report indicated a total of \$671,241.31 worth of transactions had been processed. The cash, check or money order, and credit card totals amounted to \$244,097.89. This amount was compared to records received by the City’s bank account and verified with no discrepancies. The remaining amount of \$427,143.42 consists of what is termed “specials” which are transactions that are processed by the POS system to record them into the City’s MUNIS system.

**Verification of Transactions to the MUNIS ERP System**

To ensure all transactions that occurred on June 30, 2020 were reflected in the MUNIS system, we developed a sample based on over 90% of all transactions processed that day. We traced these transactions back to the MUNIS system using their respective MUNIS object code. Table 1 below shows the respective amounts processed and verified in the MUNIS system:

<b>Table 1 Verification of Transactions to the MUNIS ERP System</b>			
<b>Object Code</b>	<b>Object Description</b>	<b>Amount</b>	<b>Notes</b>
46102	Real Estate Tax Current	15,901.34	
46103	Real Estate Delinquent	144,548.80	
46305	Personal Property Tax	46,663.08	
46802	Consumer Utility Tax	205,747.55	
46822	Business License Tax	6,290.99	
47525	Web/Mail Parking Tickets	14,517.20	
49070	Community Service Board	49,544.50	
49110	RPCA Fees	18,563.40	
49111	RPCA Activity Charges	43,299.96	
49117	RPCA Staff Fees	21,714.00	
49119	RPCA Marina Fees	12,596.52	
49203	Miscellaneous Revenue	11,198.93	Payments by Sheriff’s Office & Police
49346	DCHS Program Revenue	37,796.72	
<b>Total</b>		<b>\$628,382.99</b>	

**Results of Surprise Close-out  
Department of Finance - Treasury Division**

**Verification of Transactions to Accounts Receivable Systems**

The City has deployed various A/R systems to accurately record the status of real estate, personal property, business personal property, business license, parking citations, and RPCA 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 PCI Transaction report and the requested records from the departments. Table 2 below shows the results of our review of the various A/R systems by object code:

<b>Table 2 Verification of Transactions to Supporting A/R Systems</b>			
<b>Object Code</b>	<b>Object Description</b>	<b>Amount</b>	<b>Notes</b>
46102	Real Estate Tax Current	15,901.34	Verified
46103	Real Estate Delinquent	144,548.80	Verified
46305	Personal Property Tax	46,663.08	Verified
46802	Consumer Utility Tax	205,747.55	No A/R System. Used substantiating records.
46822	Business Consumption Tax	6,290.99	No A/R System. Used substantiating records.
47525	Web/Mail Parking Tickets	14,517.20	Verified
49070	Community Service Board	49,544.50	No A/R System. Used substantiating records.
49110	RPCA Fees	18,563.40	Verified
49111	RPCA Activity Charges	43,299.96	Verified
49117	RPCA Staff Fees	21,714.00	Verified
49119	RPCA Marina Fees	12,596.52	Verified
49203	Miscellaneous Revenue	11,198.93	No A/R System. Used substantiating records.
49346	DCHS Program Revenue	37,796.72	No A/R System. Used substantiating records.
<b>Total</b>		<b>\$628,382.99</b>	

**2. Results of Review of Treasury Division Petty Cash Count**

AR 4-3 *Petty Cash Fund Procedures* dated October 1, 1991 provides the key procedures that are relevant to the petty cash program. These procedures include: (i) the fund amount should be approximately one month's cash requirement; (ii) the petty cash fund must be properly secured under lock and key when not in use; (iii) disbursements from the petty cash fund must be documented (i.e., cash register receipts, sales ticket, postage due tickets, etc.); (iv) receipts must reflect the applicable MUNIS code; (v) receipts must not be more than 30 days old and must be for the current fiscal year; and (vi) an overage or shortage in a fund must be reported to the Department Head by the Custodian's Supervisor. Shortages of more than \$5 must also be reported to the Director of Finance.



**Results of Surprise Close-out  
Department of Finance - Treasury Division**

At the time of our last audit, the Finance Department had four (4) petty cash funds. One (1) of the funds is used to account for Treasury Division cash drawers, one (1) is used to make change for cashiers, and two (2) are the petty cash control accounts. In the prior audit issued in April 2018, we identified five (5) audit findings. The findings were: two (2) funds did not have an updated *Petty Cash Notification of Change in Custodians or Alternates Form* on file, two (2) funds contained overages, and one (1) fund contained five (5) overdue receipts totaling \$292.55.

Due to the COVID-19 response additional funds were added to the two (2) control accounts. This measure allowed the control accounts to remain stocked despite any staffing or scheduling difficulties caused by the COVID-19 response. On the day of the audit all four (4) petty cash funds in the Treasury Division were satisfactorily accounted for. No discrepancies were noted which is an improvement over the two (2) previous petty cash audits. Table 3 provides an overview of the results of the previous petty cash audits:

<b>Table 3 Status of Treasury Petty Cash Audits</b>			
<b>Account Number</b>	<b>11/11/2015 Audit</b>	<b>04/02/2018 Audit</b>	<b>Current Findings</b>
101213	Overage in the amount of .05 was deposited into Miscellaneous Revenue	Overages in the amount of .83¢ were identified in two (2) cash drawers. The overage was deposited into Miscellaneous Revenue.	This Petty Cash fund was satisfactorily accounted for
101226	Overage in the amount of .05 was deposited into Miscellaneous Revenue	This fund contained five (5) overdue receipts which totaled \$292.55. The oldest receipt was dated November 3, 2017. In addition, this fund did not have a current <i>Notification of Change of Custodians or Alternates Form</i> on file with the accounting division.	This Petty Cash fund was satisfactorily accounted for
101227	This fund did not have a current <i>Notification of Change of Custodians or Alternates Form</i> on file with the Accounting division.	This Petty Cash fund was satisfactorily accounted for.	This Petty Cash fund was satisfactorily accounted for
101228	This Change fund was satisfactorily accounted for.	Overages in the amount of .40¢ was identified in this fund. The overage was deposited into Miscellaneous Revenue. In addition, this fund did not have a current <i>Notification of Change of Custodians or Alternates Form</i> on file with the accounting division.	This Petty Cash fund was satisfactorily accounted for

**Results of Surprise Close-out  
Department of Finance - Treasury Division**

**3. Review of Existing Regulations**

Although the close-out count of the Treasury Division and count of petty cash funds identified no discrepancies, we noted that the regulations which support cash collection and petty cash were issued in 1991 and 2010, respectively. A.R. 4-3 *Petty Cash Fund Procedures* contains various processes which are no longer used. Forms attached to this A.R. are likewise out of date and should be updated or eliminated. Lastly, although over half of the City's petty cash funds are in fact utilized only for change making purposes, the A.R. is not linked to the cash collection A.R. which focuses on internal control principles for all types of payments. We view this A.R. as critically important and with adjustment, it can easily be improved to increase security of City funds.

A.R. 4-8 *Collection and Deposit of City Monies* although newer, should be reviewed and updated. Some examples of improvement include 1) current focus on the Treasury Division with limited reference to other City departments which receive payments, such as OHA or RPCA, 2) continued use of terminology relevant to the previous City financial accounting system, 3) need for increased references to both IT security and physical security, and 4) no direct linkage to A.R. 4-3 *Petty Cash Fund Procedure*.

The process to review and update these A.R.s is a time-consuming process which has often foundered due to staffing shortages or competing operational requirements. In addition, the City has no mechanism to update regulations on a periodic basis. The City's adoption of the High-Performance Organization (HPO) model presents an opportunity to address these concerns as well as obtaining the buy-in and compliance with the policies from several departments which receive and process payments. Recommending that a standing task force be established to address internal control with an initial focus on the update of these two (2) A.R.s could address the problem and pave the way for continuous improvement.

**Conclusion**

During the close-out count of the Treasury Division on June 30, 2020 daily receipts totaling \$671,241.31 were properly accounted for and all cash, check or money order, and credit card payments were deposited intact and in a timely manner. All petty cash funds assigned to the Treasury Division were satisfactorily accounted for. This audit indicated an improvement over the previous audits of the Treasury Division where as many as five (5) audit findings were identified.

Requests for information were submitted to departments on July 2, 2020 and responses were received within two (2) business days. The ability to quickly respond to requests for information demonstrates a mature organization which could react quickly if required. Review

**Results of Surprise Close-out  
Department of Finance - Treasury Division**

of relevant regulations indicates that A.R. 4-3 *Petty Cash Fund Procedures* and A.R. 4-8 *Collection and Deposit of City Monies* are outdated and should be revised.

**Recommendations**

Based on our audit of the Finance Department-Treasury Division we recommend that the Director of Finance take the following actions:

1. The Director of Finance should request that the Director of the Office of Organizational Excellence (OOE) place the establishment of an internal control task force with initial mandate to update A.R. 4-3 and A.R.4-8 on the HPO Council's work plan. This process will facilitate the update of these records in order to improve the effectiveness and security of the City's cash collection and petty cash activities.

**Departmental Response**

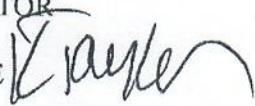
A copy of this audit report was provided to the Director of Finance and their response is provided on the following page.



DEPARTMENT OF FINANCE  
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DATE: APRIL 28, 2021  
TO: ROBERT SNYDER, CHIEF INTERNAL AUDITOR  
FROM: KENDEL TAYLOR, DIRECTOR OF FINANCE   
SUBJECT: RESPONSE TO AUDIT REPORT 21-01 – CLOSE-OUT COUNT OF TREASURY DIVISION

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Based on the audit of the Finance Department – Treasury Division, the Office of Internal Audit made the following recommendation:

1. The Director of Finance should request that the Director of the Office of Organizational Excellence (OOE) place the establishment of an internal control task force with initial mandate to update A.R. 4-3 and A.R. 4-8 on the HPO Council's work plan. This process will facilitate the update of these records in order to improve the effectiveness and security of the City's cash collection and petty cash activities.

#### **Department Response**

Development and review of policies and procedures continue to be on the Finance Department workplan. Limited onsite personnel in the Treasury Division make any additional work difficult to take on at this time. Working with OEM to update A.R.s 4-3 and 4-8 will be incorporated into the FY 2022 Finance Work Plan to be addressed in the second half of the fiscal year.