

FOLLOW-UP OF SARASOTA COUNTY AREA TRANSIT BUS OPERATIONS CASH HANDLING

December 2017

Original audit report issued November 2016

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EXECUTIVE SUMMARY

As part of the Annual Audit Plan, the Clerk of Circuit Court and County Comptroller's *Internal Audit Department and Office of the Inspector General* conducted a follow-up audit of Sarasota County Area Transit (SCAT) Bus Operations Cash Handling.

- Follow-up audits have a scope limited to the observations reported in the original audit report and subsequent corrective actions taken by responsible management.
- Reviewed any policies and procedures updated since the original audit.
- Discussed with management the steps taken to address the original audit's Opportunities for Improvement.
- Each area relating to an Opportunity for Improvement from the original audit was reviewed in order to ensure that they have been appropriately addressed.
- This report will conclude the follow-up process as it pertains to SCAT Bus Operations Cash Handling.

ORIGINAL AUDIT ISSUES AND STATUS

Open

- Sufficient departmental policies and procedures for reconciliation.
- Sufficient monitoring of reports that log vault access activity.
- Sufficient monitoring of cash variances detected by the bank.
- Timely submission of deposit documentation.

Open/Partially Completed

- Properly safeguarding of the secondary collection receptacle.
- Sufficient monitoring of when the vault is accessed with a key.

Closed

- Sufficient security camera coverage and proper control of recording equipment.
- Required supporting documentation submitted with the deposit form.
- Express Service farebox revenue properly recorded in the general ledger.



SUMMARY AND RESULTS

Background

The purpose of the November 2016 Audit of Sarasota County Area Transit (SCAT) Bus Operations Cash Handling was to evaluate the physical security of farebox receipts and the procedures for reconciling and preparing receipts for deposit.

The original audit report concluded that there were opportunities to improve compliance with the cash handling procedures and the effectiveness of controls, as detailed in the Opportunities for Improvement section of the original audit report.

Objectives

The objectives of this follow-up audit were to evaluate corrective actions taken by responsible management related to the opportunities for improvement reported on the Sarasota County Area Transit Bus Operations Cash Handling audit report, dated November, 2016. This was achieved by providing independent, objective analysis as well as reasonable assurance that the previous concerns have been addressed and appropriate corrective measures implemented.

To meet the objectives of the follow-up audit, the following procedures were performed:

- Performed inquiries of management and staff of the SCAT Administration Department.
- Obtained an understanding of changes made to the policies and procedures since the original audit report date.
- Performed an onsite visit and reviewed the physical location and coverage of the security cameras.
- Reviewed the access and controls in regards to the vault.
- Examined farebox receipts for the period of February 1, 2017 through April 30, 2017.

Overall Results

Based on the results of our follow-up audit procedures, SCAT has addressed three of the nine previous concerns and has implemented appropriate corrective action on the conditions identified in the original audit report. Six concerns from the original report have not been addressed sufficiently.

Open Conditions and Pending Corrective Action*
4. Departmental Policy and Procedures for reconciliation
5. Monitoring reports that log vault access activity
6. Monitoring of over/short detected by the bank
7. Timely submission of deposit documentation

Open/Partially Completed Conditions and Pending Corrective Action*
1. Safeguarding the secondary collection receptacle
2. Authorized vault access

Closed Conditions and Follow-Up Results*
3. Security Equipment Controls
8. Supporting documentation with deposit form
9. Express Service farebox revenue recorded in the County general ledger

**The conditions above are categorized by the current status and are numbered to correlate with the original audit report's Opportunities for Improvement.*

Although six *Opportunities for Improvement* remain open or open/partially completed, this concludes the follow-up audit process as it relates to Sarasota County Area Transit Bus Operations Cash Handling.



OPEN CONDITIONS AND PENDING CORRECTIVE ACTION

Four of the nine conditions indentified in the original report remain open and continue to require management attention.

4. Departmental Policy and Procedures for reconciliation.

Current Status, Follow-Up Audit dated August 2017:

The policy and procedure for reconciling the physical cash count to the GFI system report has been updated to reflect a 3% acceptable variance. However, there was no documented justification provided for how management arrived at this decision and no guidance on what actions to take when the variance exceeds the management determined acceptable variance.

The policy and procedures do not include processes for verifying amounts posted in the general ledger to the retained copies of deposit documentation, as is required in Accounting Policies and Procedures, 9.2, *Business Center Receipt, Balance, and Deposit of Cash*. The processes should include recording the over/short detected by the bank on the spreadsheet maintained by SCAT management. [See No. 6, Monitoring of over/short detected by bank, page 9]

Original Audit Observation, Report dated November 2016:

It was observed that the policy and procedure for reconciling the physical cash count to the GFI system report is not approved by the department director. The draft document includes an acceptable 7% variance; however, management could not provide justification as to why this is an acceptable variance. Additionally, the document does not include what to do if the variance is larger than the acceptable amount.

Accounting Policies and Procedures, 9.2, *Business Center Receipt, Balance, and Deposit of Cash*, procedures for Business Center, number 12, states that business centers are to, “Verify the amount posted to IFAS agrees to the pink copy of the **Banks Deposit Slip** and to the **Receipt for Deposit of County Funds**. Notify the Finance Department immediately of any discrepancies.” Management advised that their processes do not include verification that the amount posted to the general ledger agrees with the retained copies of the bank deposit slip and the RFDCF.

Original Recommendations, Report dated November 2016:

To ensure safeguarding of the County's assets, the policy and procedure for reconciliation processes should be reviewed and approved by the departmental director. As the draft document is being reviewed, management should document the basis for the 7% variance standard. Additionally, procedures should include verification of deposits to the general ledger, in accordance with Accounting Policies and Procedures, 9.2 *Business Center Receipts, Balance, and Deposit of Cash*.

Management Action Plan:

To comply with Sarasota County Accounting Policies and Procedures, 9.2 and 9.6, relevant SCAT staff was trained and the guidelines in section 9.6 are in effect. The previously identified percentage variances are no longer in effect.

5. Monitoring reports that log vault access activity

Current Status, Follow-Up Audit dated August 2017:

During the review, it was stated by SCAT Management that the system generated logging reports were not received until March 2017 due to technical issues. Per Facilities Maintenance and Information Technology, the server housing the software that provides the data crashed in early spring of 2017. As a result, all logging reports prior to February 21, 2017 are unattainable. Backups of the data were not maintained.

The logging reports from February 21, 2017 through June 5, 2017 were reviewed with the following items noted:

- There were seven instances where the door to the vault was left open for longer than 10 minutes (one for 37 minutes and another for two hours). The Fiscal Manager advised that these occurrences were not investigated.
- There were six instances where an unrecognized card was scanned at the vault. Per the Fiscal Manager, unrecognized cards are the primary reason these reports are reviewed. Supporting documentation indicating that the scans were investigated was provided for only one of these instances.

Original Audit Observation, Report dated November 2016:

The auditor was provided with a system generated logging report showing activity for accessing the vault. The report covered the period of January 1, 2016, to July 31, 2016.

It was observed that eighty-eight (88) days of logging activity was not included on the report. Facilities and Fleet Management, who are charged with badge access security, advised that they experienced server issues when they moved their office. It appears that the problem with the lack of logs was undetected until the report was requested, indicating that access activity is not regularly reviewed. The days where logging activity was not recorded include:

January 12 (1 day)
February 9 (1 day)
March 23-24 and 28-29 (4 days)
April 20-26 and 28-30 (10 days)
May 1-10 and 24-30 (17 days)
June 2-5, 7-20, and 24-30 (25 days), and
July 1-7 and 9-31 (30 days).

Original Recommendations, Report dated November 2016:

To ensure the safeguarding of County assets, the vault access activity log should be reviewed on a regular basis. Unacceptable or questionable activity should be investigated by management.

Management Action Plan:

To ensure the safeguarding of County assets, the vault access activity log is now reviewed monthly in accordance with SOP #212.

6. Monitoring of over/short detected by the bank

Current Status, Follow-Up Audit dated August 2017:

Procedures have not been updated to record the overages and shortages detected and reported by the bank. [See No. 4, Departmental Policy and Procedures for reconciliation, page 5] The auditor observed in testing deposit documentation from February 1, 2017 through April 30, 2017, that there were 36 instances of shortages ranging between \$0.04 and \$101.46 and thirteen instances of overages ranging between \$0.01 and \$98.81 detected by the bank and recorded in the general ledger. Only one of these instances was recorded on the spreadsheet maintained by SCAT management.

Original Audit Observation, Report dated November 2016:

The Comptroller validates bank deposits to the secure online bank portal on a daily basis. In the process, overages and shortages detected and reported by the bank are shown as adjustments on the RFDCFs and recorded in the general ledger. The reconciliation worksheet maintained by SCAT includes a column for recording this information, but no data was observed for fiscal year 2016. The auditor observed in testing farebox receipts for July 2016, four (4) instances of over/short detected by the bank for the currency deposits (one shortage of \$75.00 and three overages totaling \$4.00) and fifteen instances for the coin deposits (twelve shortages totaling \$17.29 and three overages totaling \$1.76).

Original Recommendations, Report dated November 2016:

To enhance oversight of the deposit process, management should monitor the overages and shortages detected by the bank and recorded to the general ledger.

Management Action Plan:

To ensure oversight of the deposit process and monitor for overages/shortages, SCAT fiscal staff is following Sarasota County Accounting Policies and Procedures Chapter 9.6 Cash Over and Short.

7. Timely submission of deposit documentation

Current Status, Follow-Up Audit dated August 2017:

All Receipts for Deposit of County Funds (this test included all sources of revenue for SCAT) from May 1, 2017 through July 17, 2017 were reviewed to determine the timeliness of preparation and submittal to the Comptroller. A total of 231 deposits were reviewed with the following issues noted:

- 13 instances where deposit documentation was submitted between five and eight days after the deposit was validated by the bank.
- 26 instances where deposit documentation was submitted either three or four days after the deposit was validated by the bank.
- 45 instances where deposit documentation was submitted two days after the deposit was validated by the bank.

It appears that Receipts for Deposit of County Funds (RFDCFs) are not being submitted the next business day as required by the *Accounting Policies and Procedures 9.2 Business Center Receipt, Balance and Deposit of Cash*.

Original Audit Observation, Report dated November 2016:

Accounting Policies and Procedures 9.2 Business Center Receipt, Balance, and Deposit of Cash requires business centers to prepare a RFDCF no later than the next business day and to submit the form, along with the yellow copy of the Bank Deposit Slip and supporting documents to the Comptroller.

The Comptroller is responsible for reviewing bank deposits via the bank's secure online portal and for posting deposit information to the general ledger. The RFDCFs submitted by SCAT are used for posting data to the general ledger.

The auditor was provided a system report by the Comptroller listing all RFDCFs received by the Comptroller from SCAT Administration for May 1, 2016, through July 31, 2016. The data included the date when the documents were received by the Comptroller and the date when the corresponding deposits were observed on the bank transaction data. It was observed that for the total 242 RFDCFs included on the report, there were seventy instances where the data showed that the documents were received at least three working days after the deposit was observed on the online bank transaction data. Of these seventy instances, twenty-seven showed seven working days or more between the two dates.

Untimely submission of deposit information results in untimely posting to the general ledger and is not compliant with the Clerk of the Court and County Comptroller Accounting Policy and Procedure.

Original Recommendations, Report dated November 2016:

To ensure compliance with Accounting Policies and Procedures, RFDCFs should be submitted to the Comptroller by the next business day as required.

Management Action Plan:

To comply with Sarasota County Accounting Policies and Procedures 9.2, daily deposits are submitted to Clerk Finance.



OPEN/PARTIALLY COMPLETED CONDITIONS AND PENDING CORRECTIVE ACTION

Two of the nine conditions identified in the original report were partially addressed, but remain open and require additional management attention.

1. Safeguarding of the secondary collection receptacle

Current Status, Follow-Up Audit dated August 2017:

Procedures have been modified so that the key to access the secondary collection receptacle is now kept in a locked box that requires two keys to open. However, the auditor observed while onsite that the secondary collection receptacle remains located in an open work bay in the maintenance garage with no security cameras in the area.

Original Audit Observation, Report dated November 2016:

A secondary collection receptacle is available for use when the primary collection receptacle is not functional for emptying the monies from the cash boxes, as can happen when the primary collection receptacle becomes jammed.

The auditor observed that the secondary collection receptacle is stored in an open work bay in the maintenance garage, with no security cameras in the area. Additionally, the secondary collection receptacle is not under dual control, as the auditor observed it took only one individual's key to access.

Original Recommendations, Report dated November 2016:

To ensure proper safeguarding of County assets, the secondary collection receptacle should be stored in a secure area that requires dual control procedures. Installation of security cameras in the area should be considered.

Management Action Plan:

Video cameras were installed in the maintenance bay on September 19, 2017 to safeguard the alternate cash storage equipment. The Clerk's office has verified the installation took place and that the camera feed is working correctly.

2. Authorized vault access

Current Status, Follow-Up Audit dated August 2017:

A listing of all employees with authorized identification card access to the vault was obtained and compared to a listing of active SCAT employees obtained from Human Resources. All individuals with authorized identification card access to the vault were current and active employees.

SCAT has created a log to track when employees are granted access to the vault with a manual key. During the review, it was noted that the employees being granted access were not signing the log.

Original Audit Observation, Report dated November 2016:

To support the departmental dual-control requirement for cash-handling activities, the system is set up to necessitate two authorized employees to swipe their identification cards in order to gain access to the vault. The auditor was provided with a system report listing persons with authorized identification card access as of July 29, 2016. Two temporary employees, who were terminated March 24, 2016 and February 2, 2016, were included on the July 29, 2016 system report. This was brought to the attention of the SCAT Fiscal Manager, who immediately took action to have access removed.

When the automated card system is inoperable, a manual key system is in place. Management advised that although it takes only one person to access the vault with a key, no log is maintained of who was present and why it was necessary to access with a key.

Original Recommendations, Report dated November 2016:

To ensure the safeguarding of County assets, procedures should be developed and implemented for removal of card access to the vault immediately upon termination of the employee or when the employee no longer needs access to perform their job. A manual log of when the vault is opened a key should be maintained and include signatures of the two persons present, date and time, and the reason for key access.

Management Action Plan:

Management reviews and monitors a system generated report by General Services monthly, along with log for key access procedure in accordance with SOP # 212.



CLOSED CONDITIONS AND FOLLOW-UP RESULTS

3. Security equipment controls

Current Status, Follow-Up Audit dated August 2017:

SCAT has repositioned the security cameras in the vault where farebox receipts are counted. During an onsite visit, it was observed that the cameras appeared to have full and unobstructed view of all areas where money would be handled.

During the onsite visit, it was also observed that the storage cabinet containing the camera recording equipment is kept locked and access limited to authorized personnel.

Original Audit Observation, Report dated November 2016:

The auditor observed four security cameras within the vault where farebox receipts are counted and prepared for deposit. One camera was located above the table where currency is separated, counted, and prepared for deposit. In reviewing camera footage, it was observed that this camera did not provide full coverage of one of the two individuals handling and processing currency.

While onsite July 25, 2016, it was noted that the storage cabinet in the vault where the camera recording equipment is located was unlocked with the cabinet door open. This could allow for the equipment to be inappropriately disconnected, preventing the storage or recording of vault activities.

Original Recommendations, Report dated November 2016:

To ensure the safeguarding of County assets management should:

- Evaluate coverage provided by the camera system and ensure that blind spots where cash is handled are eliminated, and
- Require that the storage cabinet containing the camera recording equipment be locked at all times and limit access to authorized personnel.

8. Supporting documentation with deposit form

Current Status, Follow-Up Audit dated August 2017:

All RFDCFs and related deposit documentation submitted for processing from February 1, 2017 through April 30, 2017 were reviewed. It was observed that in all instances, the system generated GFI report was included as supporting documentation for farebox receipts.

Original Audit Observation, Report dated November 2016:

Per Accounting Policy and Procedures, 9.2 *Business Center Receipt, Balance, and Deposit of Cash*, departments may generate a summary of the day's receipt activity using a system generated report of the day's activity. Additionally, departments are to submit supporting documents with the RFDCF and yellow copy of the bank deposit slip.

In testing farebox receipts for July 2016, it was observed that no system-generated reports were included with the deposit documentation submitted to the Comptroller. The SCAT Fiscal Manager generates a report from the GFI system daily that shows total daily farebox receipts; however, this report is not included with the prepared deposit as supporting documentation.

Original Recommendations, Report dated November 2016:

To ensure compliance with Accounting Policies and Procedures, supporting documentation submitted with the RFDCFs should include the system-generated GFI report.

9. Express Service farebox revenue recorded in the County general ledger

Current Status, Follow-Up Audit dated August 2017:

Procedures were updated to include generating a daily system report that is specific to revenues collected on buses that run the express service routes. This report is used to record cash receipts for express services on the RFDCF, replacing the previous method of allocating receipts based on the number of buses.

Audit testing for the month of March 2017 concluded that the process is functioning as intended.

Original Audit Observation, Report dated November 2016:

The auditor observed that there are two bank deposit slips and two RFDCF forms completed for each daily deposit processed for pick up by the armored car service. This is due to the bank requesting that the currency be deposited separately from the coins. The RFDCF is formatted to automatically allocate ninety percent (90%) of the total currency and coin receipts to the general ledger account for fixed route services, while the remaining ten percent (10%) is allocated to the general ledger account for express route services. It appears that the ten percent (10%) allocation was determined based on the number of buses in the total fleet that are assigned to express route services.

During testing of July 2016 farebox receipts, the auditor requested a GFI report for the express routes for that month. This report showed total revenue of \$2,495.57, while the corresponding general ledger account showed \$9,046.58, which is 362.5% higher than actual receipts per the GFI system report. The allocation method used for reporting farebox receipts on the RFDCF does not accurately reflect activity.

Original Recommendations, Report dated November 2016:

To ensure that appropriate general ledger recording occurs, revenue posted to the general ledger for express bus services should be based on actual receipts.





APPENDIX A

Following is the original *Audit of Sarasota County Area Transit Bus Operations Cash Handling* dated November 2016.

AUDIT OF SARASOTA COUNTY AREA TRANSIT BUS OPERATIONS CASH HANDLING

November 2016

Karen E. Rushing
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EXECUTIVE SUMMARY

As part of the Annual Audit Plan, the Clerk of Circuit Court and County Comptroller's Internal Audit Department and Office of the Inspector General conducted an independent audit of Sarasota County Area Transit Bus Operations Cash Handling.

- Internal Audit obtained an understanding of the security and cash handling processes related to farebox receipts.
- Internal Audit reviewed departmental policies and procedures related to cash handling of farebox receipts.
- Compliance with Accounting Policies and Procedures related to timeliness of preparing deposits and timeliness of deposits with supporting documentation submitted to the Clerk of the Court and County Comptroller were tested during audit field work.
- Identified opportunities for improvement.

OPPORTUNITIES FOR IMPROVEMENT

Internal Control ~ Safeguarding of Assets

- Safeguarding of secondary receptacle for emptying cash boxes
- Authorized vault access for terminated employees
- Security cameras and related equipment

Internal Control ~ Inadequate Policies and Procedures

- Policy and procedures for processing farebox receipts for deposit

Internal Control ~ Lack of Monitoring

- Reports that log vault access activity
- Monitor overages/shortages detected by the bank

Non-compliance with Accounting Policies and Procedures

- Timeliness of submission of deposit documentation for posting to the County general ledger
- Supporting documentation submitted with deposit form

Financial ~ Inaccurate Financial Reporting

- Allocation method for reporting express bus services receipts



BACKGROUND AND OBJECTIVES

The Clerk of the Circuit Court and County Comptroller's *Internal Audit Department and Office of the Inspector General* has completed an audit of the Sarasota County Area Transit Bus Operations Cash Handling. The audit was planned and conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing (Standards)*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The purpose of the audit was to:

- Evaluate the physical security of farebox receipts, and
- Evaluate the processes for processing, preparing for deposit, and reconciling farebox receipts in order to ensure compliance with applicable policies and procedures.

Background

Sarasota County Area Transit (SCAT) is responsible for administering, providing, and maintaining the public transportation system in Sarasota County. As reported in the fiscal year 2015 County Comprehensive Annual Financial Report, SCAT maintains 24 fixed-line bus routes serviced by 64 buses, para-transit services with 32 buses, and a commuter (express) bus service with eight buses. Payment for para-transit services are made in advance, while riders of the fixed-route and express services may purchase bus passes at various locations throughout the County or they may pay cash fares when boarding.

Cash fares are processed by the computerized GFI Genworth (GFI) farebox by the bus operator selecting the appropriate fare rate from a keypad on the farebox. If the fare is less than the cash presented for payment, a change pass is generated for the rider. At the end of the day, an electronic probe is placed on the side of the farebox in each bus. The electronic probe downloads transaction data from the farebox, including revenues, and when the download is completed, the cash box within the farebox is automatically unlocked. The cash box is taken to the location of the collection receptacle where it is emptied. The cash is at no time accessible to the operator. After all buses are probed and the cash boxes are emptied, the data stored on the probe is uploaded into the main GFI computer system.

Daily, SCAT Fiscal Management personnel count and prepare the cash for deposit. Prepared deposits are picked up daily by an armored car service. The GFI system report is generated that

shows the total farebox receipts, which is reconciled to the total prepared cash deposits. *Receipt for Deposit of County Funds* (RFDCF) forms are prepared and submitted to the Clerk of the Court and County Comptroller (Comptroller) for recording to the County general ledger.

Per the County general ledger, farebox revenues for the fixed route services totaled \$1,263,281 in fiscal year 2015 and \$938,337 in fiscal year 2016, through July 31. For express route services, farebox revenues were recorded as \$73,053 for fiscal year 2015 and \$76,085 for fiscal year 2016, through July 31.

Objectives, Scope and Methodology

The objectives of this audit were to determine if SCAT's internal controls related to farebox receipts are operating effectively and if they are in compliance with Accounting Policies and Procedures.

To meet the objective of the audit, the procedures performed included, but were not limited to, the following:

- Conducted inquires of management and staff of the SCAT Administration Department.
- Observed and evaluated security related to farebox receipts.
- Reviewed departmental policies and procedures related to farebox receipts.
- Tested farebox receipts for the month of July 2016.
- Identified opportunities for improvement.



OPPORTUNITIES FOR IMPROVEMENT AND MANAGEMENT RESPONSES

The audit disclosed certain policies, procedures, and/or practices that could be improved. The audit was neither designed nor intended to be a detailed study of every relevant system, procedure, or transaction. As a result of the audit, observations and recommendations identified below are related to *Standards*:

- (Standard 2120.A1) Risk exposures related to the organization's operations, particularly the safeguarding of assets, and
- (Standard 2130.A1) Adequacy and effectiveness of controls, particularly the reliability and integrity of financial information, the effectiveness and efficiency of operations, and the safeguarding of assets.

The *Opportunities for Improvement* presented in this report may not be all-inclusive of areas where improvement may be needed. There were nine (9) *Opportunities for Improvement* identified as a result of the audit:

- 1. Safeguarding of the secondary collection receptacle**
- 2. Authorized vault access**
- 3. Security equipment controls**
- 4. Departmental Policy and Procedures for reconciliation**
- 5. Monitoring reports that log vault access activity**
- 6. Monitoring of over/short detected by the bank**
- 7. Timely submission of deposit documentation**
- 8. Supporting documentation with deposit form**
- 9. Express Service farebox revenue recorded in the County general ledger**

1. Safeguarding of the secondary collection receptacle

Observation

A secondary collection receptacle is available for use when the primary collection receptacle is not functional for emptying the monies from the cash boxes, as can happen when the primary collection receptacle becomes jammed.

The auditor observed that the secondary collection receptacle is stored in an open work bay in the maintenance garage, with no security cameras in the area. Additionally, the secondary collection receptacle is not under dual control, as the auditor observed it took only one individual's key to access.

Recommendation

To ensure proper safeguarding of County assets, the secondary collection receptacle should be stored in a secure area that requires dual control procedures. Installation of security cameras in the area should be considered.

Management Response

The secondary vault, located in maintenance garage, is now under dual control. The vault key has been placed in key cabinet, which requires dual control to access.

A request has been submitted to General Services to supply us with a plan for the installation of a camera to monitor area where vault is stored. Expected date of implementation is November 30, 2016.

2. Authorized vault access

Observation

To support the departmental dual-control requirement for cash-handling activities, the system is set up to necessitate two authorized employees to swipe their identification cards in order to gain access to the vault. The auditor was provided with a system report listing persons with authorized identification card access as of July 29, 2016. Two temporary employees, who were terminated March 24, 2016 and February 2, 2016, were included on the July 29, 2016 system report. This was brought to the attention of the SCAT Fiscal Manager, who immediately took action to have access removed.

When the automated card system is inoperable, a manual key system is in place. Management advised that although it takes only one person to access the vault with a key, no log is maintained of who was present and why it was necessary to access with a key.

Recommendation

To ensure the safeguarding of County assets, procedures should be developed and implemented for removal of card access to the vault immediately upon termination of the employee or when the employee no longer needs access to perform their job. A manual log of when the vault is opened a key should be maintained and include signatures of the two persons present, date and time, and the reason for key access.

Management Response

The County's employment agency is responsible for collecting badges when temporary assignments end, going forward they will also be responsible for informing Human Resources to turn off badge access. Additionally, the Fiscal Manager will email General Services to turn off vault access and remove name from list.

An Excel spreadsheet has been created containing the following information:

- Employee Name
- Date and Time accessing vault
- Reason for accessing vault
- Signatures of personnel accessing vault (dual signatures required)

This manual log (spreadsheet) will be maintained and stored in the Maintenance Manager's office to be completed immediately after using key to access the vault.

Expected date of implementation is November 30, 2016.

3. Security equipment controls

Observation

The auditor observed four security cameras within the vault where farebox receipts are counted and prepared for deposit. One camera was located above the table where currency is separated, counted, and prepared for deposit. In reviewing camera footage, it was observed that this camera did not provide full coverage of one of the two individuals handling and processing currency.

While onsite July 25, 2016, it was noted that the storage cabinet in the vault where the camera recording equipment is located was unlocked with the cabinet door open. This could allow for the equipment to be inappropriately disconnected, preventing the storage or recording of vault activities.

Recommendation

To ensure the safeguarding of County assets management should:

- Evaluate coverage provided by the camera system and ensure that blind spots where cash is handled are eliminated, and
- Require that the storage cabinet containing the camera recording equipment be locked at all times and limit access to authorized personnel.

Management Response

A request has been submitted to General Services for the repositioning and/or adjustment of the cameras in the current vault room. Expected date of implementation is November 30, 2016.

The recording equipment cabinet has been locked and can only be accessed by authorized supervisors.

4. Departmental Policy and Procedures for reconciliation

Observation

It was observed that the policy and procedure for reconciling the physical cash count to the GFI system report is not approved by the department director. The draft document includes an acceptable 7% variance; however, management could not provide justification as to why this is an acceptable variance. Additionally, the document does not include what to do if the variance is larger than the acceptable amount.

Accounting Policies and Procedures, 9.2, *Business Center Receipt, Balance, and Deposit of Cash*, procedures for Business Center, number 12, states that business centers are to, "Verify the amount posted to IFAS agrees to the pink copy of the **Banks Deposit Slip** and to the **Receipt for Deposit of County Funds**. Notify the Finance Department immediately of any discrepancies." Management advised that their processes do not include verification that the amount posted to the general ledger agrees with the retained copies of the bank deposit slip and the RFDCF.

Recommendation

To ensure safeguarding of the County's assets, the policy and procedure for reconciliation processes should be reviewed and approved by the departmental director. As the draft document is being reviewed, management should document the basis for the 7% variance standard. Additionally, procedures should include verification of deposits to the general ledger, in accordance with Accounting Policies and Procedures, 9.2 *Business Center Receipts, Balance, and Deposit of Cash*.

Management Response

An SOP has been revised, and approved by the department director, to reflect a 3% variance as determined acceptable by management; also included in SOP is action to be taken when variance is larger than the acceptable percentage.

Fiscal Manager will verify that amounts posted to GL accounts, by the Finance Department, are consistent with Bank Deposit Slip and Receipt for Deposit of County Funds. Verification of allocation between fixed and express routes service will also be examined to ensure they are posted to correct general ledger account. Expected date of implementation is November 30, 2016.

5. Monitoring reports that log vault access activity

Observation

The auditor was provided with a system generated logging report showing activity for accessing the vault. The report covered the period of January 1, 2016, to July 31, 2016.

It was observed that eighty-eight (88) days of logging activity was not included on the report. Facilities and Fleet Management, who are charged with badge access security, advised that they experienced server issues when they moved their office. It appears that the problem with the lack of logs was undetected until the report was requested, indicating that access activity is not regularly reviewed. The days where logging activity was not recorded include:

January 12 (1 day)
February 9 (1 day)
March 23-24 and 28-29 (4 days)
April 20-26 and 28-30 (10 days)
May 1-10 and 24-30 (17 days)
June 2-5, 7-20, and 24-30 (25 days), and
July 1-7 and 9-31 (30 days).

Recommendation

To ensure the safeguarding of County assets, the vault access activity log should be reviewed on a regular basis. Unacceptable or questionable activity should be investigated by management.

Management Response

General Services will begin transmitting system generated logging report to Fiscal Manager monthly for review. Date of implementation is November 30, 2016.

6. Monitoring of over/short detected by the bank

Observation

The Comptroller validates bank deposits to the secure online bank portal on a daily basis. In the process, overages and shortages detected and reported by the bank are shown as adjustments on the RFDCFs and recorded in the general ledger. The reconciliation worksheet maintained by SCAT includes a column for recording this information, but no data was observed for fiscal year 2016. The auditor observed in testing farebox receipts for July 2016, four (4) instances of over/short detected by the bank for the currency deposits (one shortage of \$75.00 and three overages totaling \$4.00) and fifteen instances for the coin deposits (twelve shortages totaling \$17.29 and three overages totaling \$1.76).

Recommendation

To enhance oversight of the deposit process, management should monitor the overages and shortages detected by the bank and recorded to the general ledger.

Management Response

Data is now being entered in appropriate column on the reconciliation worksheet by Fiscal Specialist, when received from Finance Department; and monitored by Fiscal Manager.

7. Timely submission of deposit documentation

Observation

Accounting Policies and Procedures 9.2 *Business Center Receipt, Balance, and Deposit of Cash* requires business centers to prepare a RFDCF no later than the next business day and to submit the form, along with the yellow copy of the Bank Deposit Slip and supporting documents to the Comptroller.

The Comptroller is responsible for reviewing bank deposits via the bank's secure online portal and for posting deposit information to the general ledger. The RFDCFs submitted by SCAT are used for posting data to the general ledger.

The auditor was provided a system report by the Comptroller listing all RFDCFs received by the Comptroller from SCAT Administration for May 1, 2016, through July 31, 2016. The data included the date when the documents were received by the Comptroller and the date when the corresponding deposits were observed on the bank transaction data. It was observed that for the total 242 RFDCFs included on the report, there were seventy instances where the data showed that the documents were received at least three working days after the deposit was observed on the online bank transaction data. Of these seventy instances, twenty-seven showed seven working days or more between the two dates.

Untimely submission of deposit information results in untimely posting to the general ledger and is not compliant with the Clerk of the Court and County Comptroller Accounting Policy and Procedure.

Recommendation

To ensure compliance with Accounting Policies and Procedures, RFDCFs should be submitted to the Comptroller by the next business day as required.

Management Response

RFDCFs are now prepared immediately upon completion of counting cash in the vault and submitted no later than next business day as required.

8. Supporting documentation with deposit form

Observation

Per Accounting Policy and Procedures, 9.2 *Business Center Receipt, Balance, and Deposit of Cash*, departments may generate a summary of the day's receipt activity using a system-generated report of the day's activity. Additionally, departments are to submit supporting documents with the RFDCF and yellow copy of the bank deposit slip.

In testing farebox receipts for July 2016, it was observed that no system-generated reports were included with the deposit documentation submitted to the Comptroller. The SCAT Fiscal Manager generates a report from the GFI system daily that shows total daily farebox receipts; however, this report is not included with the prepared deposit as supporting documentation.

Recommendation

To ensure compliance with Accounting Policies and Procedures, supporting documentation submitted with the RFDCFs should include the system-generated GFI report.

Management Response

GFI Report is now submitted with RFCDs.

9. Express Service farebox revenue recorded in the County general ledger

Observation

The auditor observed that there are two bank deposit slips and two RFDCF forms completed for each daily deposit processed for pick up by the armored car service. This is due to the bank requesting that the currency be deposited separately from the coins. The RFDCF is formatted to automatically allocate ninety percent (90%) of the total currency and coin receipts to the general ledger account for fixed route services, while the remaining ten percent (10%) is allocated to the general ledger account for express route services. It appears that the ten percent (10%) allocation was determined based on the number of buses in the total fleet that are assigned to express route services.

During testing of July 2016 farebox receipts, the auditor requested a GFI report for the express routes for that month. This report showed total revenue of \$2,495.57, while the corresponding general ledger account showed \$9,046.58, which is 362.5% higher than actual receipts per the GFI system report. The allocation method used for reporting farebox receipts on the RFDCF does not accurately reflect activity.

Recommendation

To ensure that appropriate general ledger recording occurs, revenue posted to the general ledger for express bus services should be based on actual receipts.

Management Response

RFDCF will now be allocated to express bus based on actual revenue received using the Daily Route Summary GFI Report to obtain these totals.

Implementation date of November 30, 2016, is based on the effective date of the revised express bus route schedule.

