

# Schedule of Audit Findings and Responses

## Franklin County March 4, 2014

1. **The County's internal controls over Automated Teller Machines (ATMs) and petty cash handling at the Trade, Recreation, and Agriculture Center (TRAC) were inadequate to safeguard public resources.**

### Background

TRAC is a convention center and receives annual revenue of approximately \$2.2 million. TRAC operates three ATMs from which customers withdrew \$240,740 in 2012. TRAC also has petty cash with annual expenditure activity of \$57,285 for 2012.

### Description of Condition

#### ATM machines

In our review of TRAC's processes over cash handling and reconciliations of the ATMs we found:

- The Commissioners did not authorize the cash ATMs at TRAC.
- TRAC does not have a formal policy for cash handling and reconciliation of the ATMs.
- There is a lack of segregation of duties over the cash handling of the ATMs. The Finance Manager refills the ATMs and reconciles the ATM to the bank statements and accounting system on a weekly basis. There is no independent review of the Finance Manager's activity.
- The County uses a provider that withdraws funds from the customer's account that uses the ATMs. The provider then sends the funds collected to the County and the County refills the ATMs. The County does not reconcile the provider reports of total withdrawals to the cash replenishments. Therefore, the County does not know if the provider replenished the correct amount.
- The Finance Manager does not print and retain a detailed ATM report. This report is printed directly from the ATM and lists each transaction detail. In addition, the Finance Manager has the ability to change the information in the transaction detail report. The County cannot ensure all ATM transactions and remaining ATM cash in the machine agrees to the amount deposited by the third party vendor.

## **Cash funds**

- TRAC operates a change fund of \$10,000. This fund is broken into smaller funds as needed depending on event activity at TRAC. The change fund exceeded the Commissioner's approved amount by \$10,300.
- The Commissioners did not approve TRAC's internal policy allowing temporary cash increases for change funds.
- TRAC operates a petty cash fund of \$25,000. The internal policy states withdrawals should be made from the petty cash fund. However withdrawals were made from the settlement account instead, which is holds event ticket sales.
- There is no petty cash policy establishing the proper use of the petty cash account.

## **Cause of Condition**

The County lacks policies and procedures over cash handling and reconciliation of the cash machine and petty cash accounts. County management has not made it a priority to monitor TRAC to ensure safeguarding of public funds.

## **Effect of Condition**

The County's lack of policies, internal controls and documentation retention creates a potential for County resources to be misappropriated without being detected.

## **Recommendation**

We recommend the County:

- Ensure all cash fund authorized amounts and policies are approved by the Commissioners.
- Establish policies and procedures over use and monitoring of ATM funds.
- Establish policies and procedures to reconcile the ATM to provider reports and the bank statement and accounting system.
- Ensure an adequate review of reconciliations and cash handling procedures be performed by someone other than the custodian.
- Print and retain daily detailed ATM reports and third party vendor reports for each ATM in accordance with records retention requirements.

## County's Response

- **Ensure all cash fund authorized amounts and policies are approved by the Commissioners.**
  1. TRAC management has prepared two resolutions for the County Commissioners' approval
    - a. Approval of TRAC Extra Event Change in addition to Resolution #2009-066
      - i. Attached to the resolution will be TRAC's internal policy on the handling of these funds
    - b. Approval for the use of ATM machines at the TRAC Center
      - i. Attached to the resolution will be TRAC's internal policy on ATM Refill and Reconciliation
- **Establish policies and procedures over use and monitoring of ATM funds.**
- **Establish policies and procedures to reconcile the ATM to provider reports and the bank statement and accounting system**
- **Ensure an adequate review of reconciliations and cash handling procedures be performed by someone other than the custodian**
- **Print and retain daily detailed ATM reports and third party vendor reports for each ATM in accordance with records retention requirements.**
  1. TRAC's goal, if possible, is to have a Third Party take over ownership and maintenance of the ATMs, via a Bid Process.
  2. In the meantime, it is the County and TRAC management's desire to follow the State Auditor's recommendation in policies, internal controls and document retention and has finalized TRAC's internal policy – ATM Refill & Reconciliation
    - a. This policy outlines the segregation of duties and reconciliation process based on the recommendations of the SAO.
    - b. TRAC management has also contacted Columbia Bank to remove the ability of the Finance Manger to sign checks or transfer funds within TRAC's bank accounts (Settlement, Future, Petty Cash and Franklin County RV Park) or access each ATM's individual safe that holds the Cash Cassettes. This allows the Finance Manager to be responsible for the reconciliation process for these accounts.
    - c. As per the policy, the Finance Manger, the General Manger or designee will be the witness when the ATMs are being refilled.

## **Auditor's Remarks**

We appreciate the steps the County is taking to resolve this issue. We will review the condition during our next audit.

## **Applicable Laws and Regulations**

RCW 43.09.200 states:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.

The system shall exhibit true accounts and detailed statements of funds collected, received, and expended for account of the public for any purpose whatever, and by all public officers, employees, or other persons.

The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived therefore; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction; all statements and reports made or required to be made, for the internal administration of the office to which they pertain; and all reports published or required to be published, for the information of the people regarding any and all details of the financial administration of public affairs.

*Budgeting, Accounting and Reporting System (BARS) Manual, Chapter 1, Accounting Principles and General Procedures, Section B Internal Control, states in part:*

Internal control is a process – effected by those charged with governance, management and other personnel – designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Compliance with applicable laws and regulations
- Reliability of financial reporting

Management is responsible for the government's performance, compliance and financial reporting. Therefore, the adequacy of internal control to provide reasonable assurance of achieving these objectives is also the responsibility of management.