



PRINCE WILLIAM COUNTY

Prince William County, Virginia Internal Audit Report: Tax Administration Division – Funds Handling

September 6, 2023





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TRANSMITTAL LETTER

September 6, 2023

The Board Audit Committee of
Prince William County, Virginia
1 County Complex Court
Prince William, Virginia 22192

Pursuant to the internal audit plan for calendar year ("CY") 2023 for Prince William County, Virginia ("County" / "PWC"), approved by the Board of County Supervisors ("BOCS"), we hereby submit the internal audit of the Tax Administration Division's funds handling process. We will be presenting this report to the Board Audit Committee of Prince William County at the next scheduled meeting on January 16, 2024.

Our report is organized into the following sections:

Executive Summary	This provides a high-level overview and summary of the observations noted in our internal audit over the Tax Administration Division's funds handling process(es).
Background	This provides an overview of the function, as well as relevant background information.
Objectives and Approach	The internal audit objectives are expanded upon in this section, as well as a review of the various phases of our approach.
Observations Matrix	This section includes a description of the observations noted during our internal audit and recommended actions, as well as Management response, including responsible party, and estimated completion date.

We would like to thank the staff and all those involved in assisting our firm with this internal audit.

Respectfully Submitted,

RSM US LLP

Internal Audit



EXECUTIVE SUMMARY

Background

The County's Tax Administration Division ("Division") within the Finance Department is responsible for collecting the majority of the County's general revenue. The Division collects eleven (11) total tax types, which may be paid through various methods (i.e., cash payment, check payment, credit card payment, etc.). Cash and check payments are inherently high-risk due to their high liquidity, susceptibility to theft, and transferability. Adequate controls over the funds handling process are critical for the County to effectively safeguard and administer taxpayer funding. Key funds handling controls include physical security (safeguarding of assets), segregation of duties (protection against intentional or unintentional misrepresentation of assets), systematic user access controls (protection of an entity's financial data), and manual controls designed to confirm that cash collected, deposited, reviewed, and reconciled is accurate. According to the County's fiscal year ("FY") ending June 30, 2023, Budget Summary, 83% of the County's \$1,483,352,034 in revenue is collected through taxes received.

Due to the number of teams working within the Division, the various tax types assessed, and the different collection processes utilized, the activities performed by the Tax Administration Division are complex. The Division also experienced multiple managerial changes since 2020, and typically has numerous vacant positions due to turnover and recruitment challenges.

Internal Audit reviewed the Division's funds handling process in a report accepted by the BOCS on August 4, 2015. In 2020, Internal Audit performed limited scope procedures within the Division as part of the *Cash Handling* internal audit (report accepted by the BOCS on July 20, 2020). As a result, Internal Audit performed subsequent procedures related to customer service and collection processes in 2021 (as part of the *Tax Administration Division* internal audit report, which was accepted by the BOCS on April 1, 2022). As part of our procedures related to this *Funds Handling* review, we tested against previously issued observations that relate to our scope. In addition, Internal Audit recently performed a physical security assessment of the two (2) collection sites within the Tax Administration Division.

Overall Summary / Highlights

The observations identified during our assessment are detailed in the pages that follow. We have assigned relative risk or value factors to each observation identified. Risk ratings are the evaluation of the severity of the concern and the potential impact on the operations of each item. There are many areas of risk to consider in determining the relative risk rating of an observation, including financial, operational, and/or compliance, as well as public perception or 'brand' risk.

Objectives and Scope

The objective of this audit was to assess the effectiveness and adequacy of key processes and control functions in place for managing the receipt, deposit, and reconciling of cash. Our testing was conducted utilizing sampling and other auditing techniques to meet our audit objectives outlined above. Procedures performed included the following, where applicable:

- Assessed adequacy of segregation of duties controls (proper segregation between duties related to custody, recording/bookkeeping, reconciliation, and authorization).
- Assessed segregation of duties related to Tax Enforcement and the potential management of related parties' tax accounts.
- Verified that reported cash amounts agree to cash receipts and reconciliations.
- Assessed the timeliness of cash deposit and posting activities to assess compliance with expectations.
- Assessed the appropriateness of accounting string codes utilized to record cash.
- Assessed the adequacy of supporting documentation and record retention practices and sufficiency for establishing an audit trail.
- Assessed the adequacy of supervisory and/or peer review of cash collections, reconciliations, and deposits.

Our audit period was December 1, 2022, through April 31, 2023. Fieldwork was performed from April 2023 through August 2023.

Summary of Observation Ratings

(See page 3 for definitions)

	High	Moderate	Low
Tax Administration – Funds Handling	3	2	-

We would like to thank all County team members who assisted us throughout this internal audit.

EXECUTIVE SUMMARY (CONTINUED)

Observations Summary

Below is a summary listing of the observations that were identified during this internal audit. Detailed observations are included in the observations matrix section of the report.

Summary of Observations	
Observations	Rating
1. User Access Reviews: Mobius Financial System	High
2. User Access Reviews: RevenueOne	High
3. Employee Affiliated Tax Account Monitoring	High
4. Cash Handling and Policy Compliance	Moderate
5. Procedural Guidance within the Tax Administration Division	Moderate

Provided below are the observation risk rating definitions for the detailed observations.

Observation Risk Rating Definitions	
Rating	Definition
Low	Observation presents a low risk (i.e., impact on financial statements, internal control environment, or business operations) to the organization for the topic reviewed and/or is of low importance to business success/achievement of goals. Action should be taken within 12 months (if related to external financial reporting, must mitigate financial risk within two months unless otherwise agreed upon).
Moderate	Observation presents a moderate risk (i.e., impact on financial statements, internal control environment, or business operations) to the organization for the topic reviewed and/or is of moderate importance to business success/achievement of goals. Action should be taken within nine months (if related to external financial reporting, must mitigate financial risk within two months).
High	Observation presents a high risk (i.e., impact on financial statements, internal control environment, or business operations) to the organization for the topic reviewed and/or is of high importance to business success/achievement of goals. Action should be taken immediately, but in no case should implementation exceed six months (if related to external financial reporting, must mitigate financial risk within two months).



BACKGROUND

Funds Handling Overview

The Tax Administration Division is responsible for assessing, billing, collecting, and enforcing all County taxes, including Business License Tax and Real Estate Tax, which make up over 60% of total tax revenues. The table below depicts each of the tax types collected in FY2022 and the forecasted amount collected as of March 31, 2023 (“Q3”), according to the FY2023 Q3 Revenue and Expenditure Report.

Tax Type	FY2022 Actuals	FY2023 Forecast As of Q3
Real Property Tax	\$779,557,813	\$799,259,000
Personal Property Tax	\$255,618,918	\$278,340,000
Motor Vehicle License Tax	\$12,813,864	\$12,274,000
Local Sales Tax	\$88,000,334	\$94,000,000
Food and Beverage Tax	\$0 – New in FY23	\$35,000,000
Consumer Utility Tax	\$15,278,138	\$13,675,000
Communication Sales and Use Tax	\$12,347,160	\$12,680,000
BPOL Tax	\$32,910,130	\$29,000,000
Other Revenue	\$16,903,868	\$16,476,950
Grand Total	\$1,213,430,226	\$1,291,704,950

The eleven (11) tax types listed above may be collected through various methods (online payments through the PWC website, telephone payments utilizing credit and debit cards, mail-in check payments, and cash payments made at physical collection sites). Cash and check payments are inherently high-risk due to their high liquidity, susceptibility to theft, and transferability. Adequate controls over the funds handling process are critical for the County to effectively safeguard and administer taxpayer funding. Key funds handling controls include physical security (safeguarding of assets), segregation of duties (protection against intentional or unintentional misrepresentation of assets), systematic user access controls (protection of an entity’s financial data), and manual controls designed to confirm that cash collected, deposited, reviewed, and reconciled are accurate.

Cash and check tax payments may be made at two (2) physical collection sites, McCoart and Sudley. Customer payments are recorded in CountyOne, which refers to the combined applications of RevenueOne and CashOne. Cashier staff utilize CashOne to record individual payments, create cash receipts, close drawers, and create deposits. Armored vehicles pick up cash from the individual sites on a routine basis for deposit into the bank. Payment data from CashOne is fully integrated into RevenueOne, which is the central hub for tax administration operations and features a common user interface across tax types, integrated task processing, and audit trail history related to payments and tax accounts. RevenueOne then interfaces with Mobius, the County’s comprehensive finance, budget, human resources, and payroll system, where revenue is ultimately recorded. A reconciliation of data between RevenueOne, Wells Fargo, and Mobius is performed daily, and a reconciliation of data between RevenueOne and Mobius is performed monthly.

BACKGROUND (CONTINUED)

Segregation of Duties

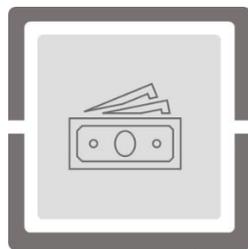
Segregation of duties is a key internal control intended to minimize the occurrence of errors or fraud by confirming that no employee has the ability to both perpetrate and conceal errors or fraud in the normal course of their duties. For segregation of duties to be effective, there needs to be an adequate division of responsibilities among those who perform accounting procedures or control activities and those who handle funds. In general, the flow of transaction processing and related activities should be designed so that the work of one individual is either independent of, or serves to check on, the work of another. Such arrangements reduce the risk of undetected error and limit opportunities to misappropriate funds or conceal intentional misstatements in the financial statements. To minimize the potential for mistakes and/or misappropriation of cash, cash handling functions shall be segregated. Separate individuals shall conduct authority, recordkeeping, custody, and reconciliation of cash.

Custody: Custody responsibility is assigned to the individual responsible for physically holding and collecting cash and cash equivalents. This person is typically the cashier and is also charged with maintaining the cash register's "floating" balance of \$100. In an ideal environment, employees who accept cash are not assigned duties related to invoice creation, updating accounts receivable records, or updating general ledger records.

Depositing: Depositing refers to the creation of the deposit slip and transport of collected cash to the safe or bank. This individual may also perform a supervisory review of the collections made by the cashier and should review that the "floating" cash register balance has been maintained by the cashier.

Reconciliation: Reconciliation is performed by a reconciler responsible for comparing collections per the bank statement, RevenueOne/CashOne, and Mobius. This individual should not have physical access to cash.

Reporting and Recordkeeping: Reporting and recordkeeping activities include the recording of transactions and any related adjustments or corrections into the Mobius financial system. This individual should not have physical access to cash.



Custody 



Depositing 



Reconciling 



Reporting 

OBJECTIVES AND APPROACH

Objectives

The objective of this internal audit was to assess the effectiveness and adequacy of key processes and control functions in place for managing the receipt, deposit, and reconciling of cash (including bank reconciliations). Our procedures encompassed a review of cash handling throughout the Division's cash collection and handling sites, including the collection of cash related to fees, permits, and licenses. The scope period was from December 1, 2022 through April 31, 2023.

Approach

Our audit approach consisted of the following phases:

Understanding and Documentation of the Process

This phase consisted primarily of inquiry and walkthroughs to obtain an understanding of the current operating policies and procedures, monitoring functions, and control structures as they relate to the processes within our scope. The following was performed as part of this phase:

- Obtained and reviewed any documented policies and procedures related to the function, as well as relevant state and County regulations, reporting, and any other relevant information.
- Conducted interviews and walkthroughs with key personnel to obtain a detailed understanding of operating policies and procedures, roles, and responsibilities within the Division.
- Gained an understanding of procedures as they relate to the processes within scope.
- Developed a work plan for the evaluation of the operating effectiveness of procedures and controls based on the information obtained through interviews, walkthroughs, and preliminary review of documentation.

Evaluation of the Process and Controls Design and Testing of Operating Effectiveness

The purpose of this phase was to evaluate the design of key processes and controls and test compliance and internal controls for operating effectiveness based on our understanding of the processes obtained during the first phase. We utilized sampling and other auditing techniques to meet our audit objectives outlined above. Our testing procedures included, but were not limited to:

- Assessed adequacy of segregation of duties controls (proper segregation between duties related to custody, recording/bookkeeping, reconciliation, and authorization).
- Assessed segregation of duties related to Tax Enforcement and the potential management of related parties' tax accounts.
- Verified that reported cash amounts agree to cash receipts and reconciliations.
- Assessed the timeliness of cash deposit and posting activities to assess compliance with expectations.
- Assessed the appropriateness of accounting string codes utilized to record cash.
- Assessed the adequacy of supporting documentation and record retention practices and sufficiency for establishing an audit trail.
- Assessed the adequacy of supervisory and/or peer review of cash collections, reconciliations, and deposits.

Reporting

At the conclusion of this internal audit, we summarized our findings into this report. We have reviewed the results with the appropriate Management personnel and have incorporated Management responses into this report.



OBSERVATIONS MATRIX

Observation	1. User Access Reviews: Mobius Financial System
<p style="text-align: center;">High</p>	<p>A user access review (“UAR”) confirms access privileges to systems and applications are properly aligned with job responsibilities and that access to key functions are properly segregated. UARs are detective controls that enforce the principle of least privilege, an information security concept that states that users should only have access to the data and applications required for their assigned tasks.</p> <p>Through discussion with Management, we noted that significant turnover has occurred throughout the County, including in teams responsible for system access. These staffing challenges have impacted Management’s ability to timely and consistently perform user access reviews. During our review, we noted the following issues related to the Mobius Financial System:</p> <ul style="list-style-type: none"> • A user access review of the Mobius financial system has not been performed since its implementation in July of 2021. • There is currently no documented standard operating procedure or written guidance to define the methodology for performing a UAR (i.e., when a UAR should occur, who is responsible for generating the user listings, how are the listings disseminated and reviewed, how are changes made, and how the changes to access are confirmed). • Upon review of the user roles currently utilized, we noted that in addition to the out-of-the-box roles from the service provider, the County has also created customized County-specific roles. However, over 95 roles that are currently utilized (both out-of-the-box roles and custom roles) do not contain a definition that would describe the types of actions and data a user assigned to that role can access or edit. Without adequately defined user roles, an effective UAR cannot be performed. • Given the limited role definitions, it is not possible to fully review the appropriateness of access. However, we sampled six (6) of the 5,539 total Mobius users and found at least one (1) user was assigned roles that were not aligned with their current job responsibilities. This user was provisioned roles aligned with a previously held position in the Adult Detention Center, which were never decommissioned when the employee transferred worksites. • Controls related to Mobius access impact operations throughout the County; approximately 65 of the total 5,539 Mobius users work within the Tax Administration Division. <p>Defining user roles and conducting regular reviews are pivotal controls to prevent and detect inappropriate or excessive user access. The current gaps in the UAR process heighten the County's risk of unnecessary or inappropriate access remaining unidentified, which in turn increases the potential for errors or fraudulent activities.</p>
<p>Recommendation</p>	<p>We recommend Management take the following actions:</p> <ul style="list-style-type: none"> • Formally develop a Standard Operating Procedures (“SOPs”) for performing the UAR on a periodic basis, at least annually, for all key systems; • Work with the Department of Information Technology (“DoIT”) to build a library of all user roles, including definitions of the customized Prince William County roles; • Once roles are defined, review all user access assignments to identify any that are not aligned with job duties and make the necessary changes; and • Retain evidence of the UAR performance, results, and Management's review, and repeat the process at least annually.



OBSERVATIONS MATRIX (CONTINUED)

Observation	1. User Access Reviews: Mobius Financial System (Continued)
Management Action Plan	<p>Response: Prior to July 2021, user access reviews (UAR) of the Mobius Financial system were performed by Finance’s Financial Systems Services team. After this date, this task was transferred to DoIT. DoIT is planning to resume the yearly UAR in May 2024, in advance of the start of the next fiscal year and after all phases of the Mobius applications are “live” (expected by May 2024).</p> <p>Responsible Party: DoIT</p> <p>Estimated Completion Date: May 2024</p>



OBSERVATIONS MATRIX (CONTINUED)

Observation	2. Access Reviews: RevenueOne
<p style="text-align: center;">High</p>	<p>As stated in Observation 1, a user access review (“UAR”) confirms access privileges to systems and applications are properly aligned with job responsibilities and that access to key functions are properly segregated. UARs are detective controls that enforce the principle of least privilege, an information security concept that states that users should only have access to the data and applications required for their assigned tasks.</p> <p>Through discussion with Management, we noted that significant turnover has occurred throughout the Tax Administration Division, including in teams responsible for system access. These staffing challenges have impacted Management’s ability to timely and consistently perform UARs. During our review, we noted the following issues related to RevenueOne user access:</p> <ul style="list-style-type: none"> • A UAR was performed in 2022. However, upon review of the documentation, it is unclear if all permission groups were reviewed, as the documentation contains several comments and notations that suggest the UAR was not finalized and questions remained outstanding. • There is currently no documented standard operating procedure (“SOP”) or written guidance to define the methodology for performing a UAR (i.e., when a UAR should occur, who is responsible for generating the user listings, how are the listings disseminated and reviewed, how are changes made, and how the changes to access are confirmed). • We sampled 6 of the 113 total RevenueOne users and found that at least one user was assigned roles that were not aligned with their current job responsibilities. This user was provisioned roles aligned with the Cashier and Supervisor job descriptions, which, through discussion with Management, were not appropriate roles based on their role as a Principal Fiscal Analyst. <p>Conducting regular UARs is a pivotal control to prevent and detect inappropriate or excessive user access. The current gaps in the UAR process heighten the County’s risk of unnecessary or inappropriate access remaining unidentified, which in turn increases the potential for errors or fraudulent activities.</p>
<p>Recommendation</p>	<p>We recommend Management take the following actions:</p> <ul style="list-style-type: none"> • Formally develop an SOP for performing the UAR on a periodic basis, at least annually, for all key systems; • Once roles are defined, review all user access assignments to identify any that are not aligned with job duties and make the necessary changes; and • Retain evidence of the UAR performance, results, and Management’s review, and repeat the process at least annually.



OBSERVATIONS MATRIX (CONTINUED)

Observation	2. Access Reviews: RevenueOne (Continued)
Management Action Plan	<p>Response: Management acknowledges the need to improve the monitoring of RevenueOne user access and agrees with the recommendations. An additional Business Analyst FTE was recently added to the Business System Team in Tax Administration and the position is currently in the process of being filled through the County’s recruitment process.</p> <p>Responsible Party: Business Systems Manager, Deputy Assistant Director, and Assistant Director of Finance for Tax Administration</p> <p>Estimated Completion Date:</p> <ul style="list-style-type: none">• SOP for performing the UAR: January 31, 2024• Review all user access assignments: Completed• Retain evidence of the UAR performance and results – annually and ongoing

OBSERVATIONS MATRIX (CONTINUED)

Observation	3. Employee Affiliated Tax Account Monitoring
<p style="text-align: center;">High</p>	<p>The County has established a process requiring Tax Administration employees to complete "Employee Affiliated Tax Account Certification" forms to prevent potential conflicts of interest related to accessing or managing their own tax accounts or those of their family members. Management then uses this information to manually oversee account activity and pinpoint potential issues. However, our review revealed gaps in the completion, updating, and monitoring of these forms, which could lead to potential conflicts of interest. During our review, we noted the following issues:</p> <ul style="list-style-type: none"> • 13 of 25 samples (52%) did not have evidence of a completed Employee Affiliated Tax Account Certification form. • Completion of the Employee Affiliated Tax Account Certification form is required once upon initial hire, but there is no subsequent request for updated information. Significant life events that could affect tax accounts, such as starting a business or getting married, are not captured. • The review of account activity by Management, which aims to detect changes in tax accounts that could be conflicts of interest, hasn't taken place in at least a year. Additionally, there's no process to document these reviews. <p>Without a consistent process to document and update conflicts of interest and without regular monitoring of account activities, there's a risk that employees might make unauthorized changes. This can include altering payment plans, amounts due, or enforcement actions on their accounts or those of family members, undermining the tax administration process's integrity.</p>
<p>Recommendation</p>	<p>We recommend the following:</p> <ul style="list-style-type: none"> • Tax Administration should reinforce the importance and expectations of the Employee Affiliated Tax Account Certification form and designate an individual responsible for collecting, retaining, and monitoring these forms. Further, to confirm that information remains accurate and up-to-date, existing employees should review their form annually and provide Management with any updates. • Employees should be required to submit changes to their form throughout the year, as needed. • The Business Systems team in Tax Administration should consider implementing a systematic block of all related party accounts, based on the information disclosed on the Employee Affiliated Tax Account Certification forms. Such a proactive measure can prevent Tax Administration employees from accessing potentially conflicting accounts from the outset, potentially eliminating the need for Management's retrospective manual review of account activities. If this is not a feasible solution, Management should designate an individual responsible for performing a manual review at least monthly. This individual should document the completed review along with any action items. • Lastly, the County should consider additional measures to identify inappropriate account activity. This may include implementing a random audit of employee changes, reviewing payment addresses for coordinated activity, etc.



OBSERVATIONS MATRIX (CONTINUED)

Observation	3. Employee Affiliated Tax Account Monitoring (Continued)
Management Action Plan	<p>Response: Due to staffing turnover of a key lead position in Tax Administration, these provisions were not routinely enforced and a review was not systematically performed. Tax Administration acknowledges the need for monitoring Employee Affiliated Tax Account Certification form and agrees with the recommendations.</p> <p>Responsible Party: Tax Administration Manager for Taxpayer Services, Deputy Assistant Director, and Assistant Director of Finance for Tax Administration</p> <p>Estimated Completion Date:</p> <ul style="list-style-type: none">• Designate an individual responsible for collecting, retaining, and monitoring the Employee Affiliated Tax Account Certification forms: Implemented December 1, 2023• Annual review and update of affiliated accounts forms by employees: To be completed by June 30th of every year• Designate an individual responsible for performing a manual review at least monthly, and document the completed review along with any action items: Implemented December 1, 2023



OBSERVATIONS MATRIX (CONTINUED)

Observation	4. Cash Handling and Policy Compliance
<p>Moderate</p>	<p>In our review of adherence to the <i>Cash Handling and Cash Management</i> Policy, we identified issues related to cash audit documentation and the timely recognition of revenue:</p> <ul style="list-style-type: none"> • Cash Audit Documentation: Cash audits are currently performed twice each day at each of the two (2) taxpayer collection sites; once in the morning and once at business closing. The purpose of a cash audit log is to verify the count and amount of cash within each register and to identify any cash overages or shortages. The cashier signs off on the log, which is then recounted and reviewed by a supervisor. However, we noted that the cash audit logs are currently completed in Microsoft Excel, and the sign-offs are documented by typing the name of the cashier and the reviewing supervisor. These typed signatures can be easily copied by copying and pasting, or by retyping the signature in the desired font. Without utilizing digital certificates or signatures, which are available in Microsoft tools and encrypt files to prevent unauthorized editing, the cash audit logs could be tampered with or recreated with false information to conceal cash shortages. • Timely Recognition of Revenue: Through discussion with Management, we noted that revenues are expected to be posted to the Mobius Financial System within two (2) days of receipt. However, we noted four (4) transactions, or 16% of our sample selections, were deposited into Mobius greater than two (2) days from the payment date. Timely posting to Mobius is critical to recognizing revenue in the appropriate period and creating accurate financial reports. It is important to note that this issue was also identified in the 2022 <i>Tax Administration Division</i> internal audit report. During the 2022 audit, however, deposits were made, on average, 10.2 business days following the payment date. During this audit, deposits were made, on average, 1.5 business day late. <p>Cash handling is an inherently high-risk function for any organization. Maintaining an effective control environment is essential to reduce opportunities for fraud, detect human errors, and improve the accuracy of reporting financial information to constituents and regulatory authorities.</p>
<p>Recommendation</p>	<p>We recommend the following:</p> <ul style="list-style-type: none"> • The County should explore the possibility of automating the cash audit log process via the CashOne system. If integration with CashOne isn't viable, consider adopting digital signatures within Microsoft tools to enhance document security and deter tampering. • The Tax Administration Division should reinforce expectations related to the timeliness of revenue recognition and enforcement of existing standard operating procedures.



OBSERVATIONS MATRIX (CONTINUED)

Observation	4. Cash Handling and Policy Compliance (Continued)
Management Action Plan	<p>Response: Tax Administration will reach out to the system vendor (Avenity) to automate the cash audit via Cash One and also automate cash postings to Mobius. If this is not feasible, management will create a Daily Cash Audit logs as a PDF with Electronic Signatures to ensure document security, improve accuracy, and reduce opportunities for fraud.</p> <p>The delays in posting to Mobius were due to staff shortages and busy times. Front Counter have three (3) Fiscal Specialists, (2- McCoart office 1- Sudley office) who assist taxpayers at the front counter, as well as prepare deposits in Supervisor’s absence. When one Fiscal Specialist is on leave, Mobius postings will be completed by the other two Fiscal Specialists.</p> <p>Responsible Party: Tax Administration Manager for Taxpayer Services, Business Systems Manager, Deputy Assistant Director, and Assistant Director of Finance for Tax Administration</p> <p>Estimated Completion Date:</p> <ul style="list-style-type: none">• Reach out to the system vendor (Avenity) to automate the cash audit via Cash One and automated cash postings to Mobius: November 30, 2023• Create a Daily Cash Audit logs as a PDF with Electronic Signatures to ensure document security, improve accuracy, and reduce opportunities for fraud: January 31, 2024



OBSERVATIONS MATRIX (CONTINUED)

Observation	5. Procedural Guidance within the Tax Administration Division
<p>Moderate</p>	<p>In our review of the policies and procedures within the Tax Administration Division, we noted that while policies are in place, there are certain gaps in comprehensive procedural guidance. This lack of detailed guidance can hinder day-to-day operations and potentially lead to inconsistencies in the application of policies.</p> <p>We noted the following issues:</p> <ul style="list-style-type: none"> • Deadlines and Prioritization of Tax Enforcement Activities <ul style="list-style-type: none"> ○ The <i>Tax Administration Collections Manual</i> defines the minimum number of days that must pass prior to sending taxpayer communications and enforcement actions, but there is no defined “maximum” to indicate when a collector is overdue in sending documentation to taxpayers. ○ Guidance on task prioritization, such as tax type, delinquency age, or collection action type, is limited. • Primary and Backup Responsibilities <ul style="list-style-type: none"> ○ While a backup is designated for the Fiscal Specialist, backups for other essential functions are not documented, which is crucial for business continuity. • Physical Security Procedure <ul style="list-style-type: none"> ○ Procedures detailing safe combination changes, site opening and closing, key assignments, and cash transfers between employees or to/from the safe are absent. • Mail-In Payments <ul style="list-style-type: none"> ○ The <i>Tax Administration Cash Handling Policy</i> mentions the immediate processing of mail containing checks but doesn't specify authorized personnel, recording methods, or deposit procedures. • Policy Review and Revision: <ul style="list-style-type: none"> ○ The County's <i>Cash Handling and Cash Management Policy and Procedure</i> document has not been updated since its inception in August 2017. This document is owned by the County's Treasury. Without periodically reviewing and, if necessary, revising key SOPs, guidance may become outdated. <p>Similar observations were previously reported as part of the <i>Internal Audit Report – Cash Handling</i>, issued in June 2020, and the <i>Tax Administration Division</i> internal audit report, issued on July 19, 2022. However, since those audits, a number of improvements have been made to existing procedural documents, which were last revised in December 2022. Based on our discussions with Management, we understand remediation actions are in progress through the development of a new procedural document.</p> <p>Complete, clear, and concise policies and procedures improve an entities training, auditability, and contingency plans which leads to greater operational performance with reduced risk of error and inconsistency in key operational processes.</p>
<p>Recommendation</p>	<p>We recommend the Tax Administration Division continue to enhance existing policies to provide additional procedural guidance related to the aforementioned processes. We recommend the Division formally review each policy and procedure, in accordance with the County's Meta Policy, so that policies and procedures remain up-to-date with current operational practices.</p>



OBSERVATIONS MATRIX (CONTINUED)

Observation	5. Procedural Guidance within the Tax Administration Division (Continued)
Management Action Plan	<p>Response: The new Tax Enforcement Manager began in June 2023 and has been focused on evaluating the needs of the Enforcement team and will incorporate developing guidelines for task prioritization. Tax Administration has taken action to update procedural documents including making it a current FY goal for managers and supervisors, and assigning the development and maintenance of policies and procedures to a newly created “Taxpayer Attention and Advocacy” team to ensure policies and procedures are kept up to date and communicated to staff in a timely manner. The Technical Writer for Tax Administration is currently updating policies and procedures to include backup responsibilities, physical procedures, and mail in payments. The Tax Administration will work with Treasury Management to ensure up-to-date policies for Cash Handling.</p> <p>Responsible Party: Tax Enforcement Manager, Taxpayer Attention and Advocacy manager, Deputy Assistant Director, Assistant Director of Finance for Tax Administration, and Assistant Director of Finance for Treasury Management</p> <p>Estimated Completion Date:</p> <ul style="list-style-type: none">• <i>Tax Administration Collections Manual</i> review and update: June 30, 2024• Physical security and mail in payments procedures: June 30, 2024• <i>Cash Handling and Cash Management Policy and Procedure</i> document review and update: April 30, 2024• Primary and Backup Responsibilities assignments: June 30, 2024



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