


Office of the City Manager

INFORMATION CALENDAR

October 19, 2004

To: Honorable Mayor and
Members of the City Council

From:  Phil Kamlarz, City Manager

Subject: Treasury Cash Receipts/Cash Handling Audit – Status Report (CF26-04)

INTRODUCTION

At the request of the City Manager and Finance Director, the City Auditor's Office conducted an audit of cash receipts/cash handling in the Finance Department's Treasury Division in March 2002. The purpose of the audit was to review procedures related to the receipt, handling, safeguarding, and depositing of cash and cash equivalents within the Treasury.

The Auditor's report was submitted to Council on September 17, 2002, and the Finance Department provided status reports on September 16, 2003 and March 23, 2004. This report provides an update on the status of the only outstanding recommendation contained in the Audit report:

Excessive/unnecessary authorization to FUNDS applications. The complete Treasury Cash Receipts/Cash Handling Audit, can be found on the City's website at:

<http://www.cityofberkeley.info/auditor/currentaudits.htm>, and the previous updates can be found at: http://www.cityofberkeley.info/citycouncil/agenda_main.htm.

CURRENT SITUATION AND ITS EFFECTS

The Treasury has successfully implemented or responded to all of the recommendations in the original Audit, with the sole exception of those recommendations under Finding 3.1, related to system access. These recommendations are part of a larger scale project, will take additional time to implement, and are constrained by system characteristics. Resolution of this recommendation requires further long-term action by the Departments of Finance and Information Technology, and system access issues will continue to be addressed through other venues.

Finding 3: Excessive/Unnecessary Authorization to FUNDS Applications.

Recommendation 3.1:

Design and implement written policies and procedures that will effectively limit HTE staff and City employees' FUNDS access to only the FUNDS modules, and only the functions and applications in each module, that they need to perform their assigned duties. If FUNDS access can't be limited to provide for adequate segregation of duties, other compensating controls must be put in place and documented.

Status: Partially implemented. The Cash Receipts module access has been strengthened and inappropriate FUNDS\$ access has been eliminated for the Treasury and Customer Service staff; and cash receipt user access has been reorganized with improved efficiency and security citywide.

However, a system of effectively detecting and removing incompatible authorization cannot be implemented at this time and a comprehensive view of the user access functions is not possible. Alternative procedures to stabilize user access changes were explored but a complete solution could not be developed at this time due to the current HTE security structure. While HTE is expected to improve this structure somewhat in their next release, it is unlikely that the problem will be entirely resolved. Meanwhile, a joint Finance/IT team will address the problem by carefully organizing user groups, and implement monitoring mechanisms to detect when group access has changed. While this will not entirely resolve all the security concerns identified in the audit, it will provide a significant advance in being able to better manage the complexities of HTE user access. An update on this situation will be provided by December 31, 2004.

BACKGROUND

The Treasury in the Finance Department is the recipient of all cash, checks, and credit card payments made to City departments, and has responsibility for ensuring these payments are accurately and efficiently deposited to City bank accounts. The Treasury is also responsible for ensuring these payments agree with the relevant modules of FUNDS\$, the City's financial system.

POSSIBLE FUTURE ACTION

As part of an on-going effort, Finance and Information Technology will continue to review alternative procedures to effectively obtain a comprehensive view of user access functions and improve the management of user access changes to ensure proper cash handling controls are in place and being practiced. The degree to which this will be effective depends on both vendor demands and system constraints of the HTE financial enterprise system. A report to Council will be provided by December 31, 2004.

FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

No fiscal impacts.

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