



Office of the City Manager

INFORMATION CALENDAR

December 13, 2005

To: Honorable Mayor and
Members of the City Council

From: *PK* Phil Kamlarz, City Manager

Submitted by: Fran David, Director, Finance Department

Subject: Treasury Cash Receipts/Cash Handling Audit – Status Report (*CF 19-05*)

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, March 23, 2004, October 19, 2004 and April 19, 2005. This report updates the status of the only recommendation, which was for Finance and Information Technology, that remains outstanding in the Audit report: Excessive/unnecessary authorization to FUNDS applications. This issue is also being considered in the context of a larger report on outstanding Audit findings and recommendations, to be submitted at a later date. Finance will provide a status report on the implementation of this recommendation by December 2006.

The complete Treasury Cash Receipts/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 successfully implemented or responded to all of the recommendations in the September 2002 Audit by March 2004, with the sole exception of recommendation 3.1, for Finding 3.1, which is related to system access. Implementation of this recommendation is part of a larger scale project, including assessment of the changes in the recently installed FUNDS upgrade (from our vendor HTE), and the recommendation's resolution requires additional action by the Departments of Finance and Information Technology. In the meantime, system access issues will continue to be addressed in other ways.

Finding 3: Excessive/Unnecessary Authorization to FUNDS Applications.

Recommendation 3.1: Design, write and implement policies and procedures that will effectively limit City employee FUNDS access to only the FUNDS modules, and only the functions and

applications in each module, that they need to perform their assigned duties. Once these procedures are developed they should be referenced in an update to the existing Administrative Regulation (AR) 2.6. (See <http://www.cityofberkeley.info/auditor/currentaudits.htm> for the complete details of this recommendation.)

Status: Partially implemented. The Cash Receipts module access has been strengthened and inappropriate FUNDS\$ access to Cash Receipts has been eliminated for Treasury and Customer Service staff. Cash Receipt user access has been reorganized with improved efficiency and security Citywide.

The process of effectively detecting and removing incompatible authorization remains largely a manual effort. Automated methods to stabilize user access changes were explored but a comprehensive software solution is not feasible due to the HTE security structure. This deficiency is being mitigated as much as possible through the organization of users into logical, functional groups. As HTE enhances its software in the future, further improvements from HTE and Information Technology (IT) may be possible.

Since the strategy for FUNDS\$ security affects all modules, all users and a variety of processes, this recommendation will be addressed by IT as part of its FUNDS\$ management and improvements. Finance will identify the functions, and staff who carry them out, which need to be segregated.

BACKGROUND

The Treasury, which is part of 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. FUNDS\$

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 vendor demands and system constraints of the HTE financial enterprise system, as well as monitoring procedures for authorizing user access.

FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

No fiscal impacts.

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