




Office of the City Manager

INFORMATION CALENDAR

May 22, 2007

To: Honorable Mayor and  
Members of the City Council

From:  Phil Kamlarz, City Manager

Submitted by: Robert Hicks, Acting Director, Finance Department

Subject: Treasury Cash Receipts/Cash Handling Audit – Status Report

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, April 19, 2005, and December 13, 2005. This report provides a current update on the only outstanding item. Another progress report will be delivered to Council no later than May 2008.

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](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: <http://www.cityofberkeley.info/auditor/currentaudits.htm> for the complete details of this recommendation.

**Status:** Not implemented. FUNDS\$ does not offer a comprehensive view of user access, due to its security structure. In addition, there are job functions that require incompatible authorization and a comprehensive and automated method is not available at this time. Any modifications to system feature will need to be evaluated and will require dedicated resources in both Finance and Information Technology (IT).

To mitigate this internal control deficiency, Finance and IT organized user access functions into logical, functional groups. User groups in the Cash Receipts module have been reorganized to limit inappropriate FUNDS\$ access to Cash Receipts functions. But the same effort cannot be effectively implemented in other applications, because of the HTE security structure.

#### 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.

#### POSSIBLE FUTURE ACTION

As part of an on-going effort, Finance and Information Technology will continue to review and explore alternative procedures and solutions, to improve the management of user access changes and to ensure proper cash handling controls are in place and being practiced. The degree to which this will be effective depends largely on available tools, system security changes adopted by HTE financial enterprise system, and monitoring procedures for authorizing user access.

#### FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

No fiscal impacts.

#### CONTACT PERSON

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