



HARFORD COUNTY, MARYLAND

Office of the County Auditor

AUDIT OF CASH RECEIPTS CONTROLS

Report Highlights

Why We Did This Audit

This audit was conducted as part of the County Auditor's risk-based Annual Audit Plan approved by the County Council for FY2018.

What We Found

We noted that Cash Receipts controls are adequate and effective.

Report Number: 2018-A-16

Date Issued: 06/28/2018

Council Members and County Executive Glassman:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of Cash Receipts Controls. The results of that audit, our findings and recommendations for improvement are detailed in the attached report. We would like to thank the members of management for their cooperation during the audit.

The audit found the controls in place are adequate to ensure that payments are applied accurately and cash is deposited completely.

The audit team is available to respond to any questions you have regarding the attached report.

Sincerely,

Chrystal Brooks
County Auditor

cc: Mr. Robbie Sandlass, Treasurer



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REVIEW RESULTS

We have audited the County’s Cash Receipts Controls for the period of 7/1/2016 through 4/30/2018. Our opinion, based on the evidence obtained, is controls over this process are adequate and effective. The audit approach focused on testing the key controls that address management’s objectives for the process. Conclusions drawn are below.

| Risk | Expected Control | Conclusion |
|------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|
| Payments are applied incompletely or to the wrong accounts | • Interfaces between the points of payment and the various accounting systems are reviewed for complete processing | Satisfactory |
| | • Processing errors are identified and corrected in a timely fashion | Satisfactory |
| | • Voids and adjustments are supported and reviewed by supervisors. | Satisfactory |
| Cash and Checks are not deposited completely or timely. | <ul style="list-style-type: none"> • Cash is held securely • Checks are restrictively endorsed • Bank accounts are reconciled to ensure the entire deposit was received by the bank | Satisfactory Satisfactory Satisfactory |

Areas for improvement are described in the Findings and Corrective Actions section of this report. Management has been provided an opportunity to respond to this report, although none was required. Accordingly, no management response was provided.

BACKGROUND INFORMATION

PROGRAM DESCRIPTION AND KEY STATISTICS

Revenue processing is a key administrative function, for which the public should expect there to be adequate controls. Cash Receipts are initiated when payments are received for water and sewer bills, property taxes, transfer taxes, licenses, permits, and other revenue. Payment is received over-the-counter in the Treasurer’s Office, via mail, lockbox or by completing an electronic online payment.

The County uses an electronic cash register system to account for its over-the-counter receipts. The Treasurer receives payment files from the various online, credit card and lockbox receipts. There are electronic interfaces that upload each payment file to the proper accounts receivable system (e.g. Water and Sewer, Property Tax) and post the payments to individual customer accounts.

According to Harford County's fiscal year 2017 Financial Report, annual revenue totaled approximately \$657.2 million.

REVIEW OBJECTIVE, SCOPE AND METHODOLOGY

The objective of this review was to determine if controls related to Cash Receipts are adequate to ensure that payments received at the Treasurer's payment window, lockbox and online are properly applied and deposited. The scope of this review was limited to assessing the controls over payments received from taxpayers or businesses and ensuring receipts were properly applied and deposited in the County's bank account. Controls related to determining the amounts due were not considered within the scope of this audit; those processes are tested in the related revenue audits, e.g. Water and Sewer Billing, Property Tax Billing and Collection, and Parks and Recreation Revenue.

The audit focused on activity during the period of 7/1/2016 through 4/30/2018. Our audit procedures included interviewing personnel, observation and testing. Specifically, we observed the payment window operations and the daily closeout and deposit preparation processes. Since most payments are posted to customer accounts in an automated process, we confirmed those automated interfaces were completed correctly for a sample of days. Additionally, for a sample of payments, we confirmed that the payments were posted to the correct customer accounts. To ensure that voided payments were reasonable, we confirmed that support was maintained and that supervisors review the daily void reports. To ensure that the payments collected were completely deposited, we confirmed that bank deposits reflected the amounts that were captured in the register system.

Harford County management is responsible for establishing and maintaining effective internal controls. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets and compliance with applicable laws, rules and regulations are achieved. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected.

The audit was performed in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Team:

Chrystal Brooks
CPA, CIA, CGAP, CISA, CGFM, CRMA
County Auditor

Brad DeLauder, CPA
Senior Auditor