



Charles County, Maryland

Internal Audit Office

AUDIT OF PLANNING and GROWTH MANAGEMENT RECEIPTS: CASH MANAGEMENT

Report Number:
2023-PGM-002

Report Date:
11/15/2023

Fiscal and Administrative Services Acting Director, Internal Audit Oversight Committee, County Administrator & Deputy County Administrator:

In accordance with the Internal Audit Charter, SOP# CPCAD.04.001, the Internal Audit Office (IAO) performed an audit of the Department of Planning and Growth Management Receipts: Cash Management Function from 1/01/2022 through 09/30/2022. This audit was conducted as part of the IAO's risk-based Annual Audit Plan approved by the Internal Audit Oversight Committee for FY23. Internal Audits are designed to add value and improve operations.

The audit's objectives were to: **1.** Determine if the internal controls for cash receipts are adequately designed and operating effectively. **2.** Ensure monthly bank reconciliation between cash records, the Munis enterprise resource planning system and bank statement/records are completed. **3.** Determine if daily reconciliations between the various reports utilized from the EnerGov software and appropriate cash receipts records are completed. **4.** Trace cash receipts from the cash receipts journal to the bank statement and respective General Ledger accounts. **5.** Determine the scope/value of fee transactions generated monthly through the PGM division. **6.** Search for value added recommendations and suggestions for improved operations.

The results of the audit, findings, and recommendations are detailed in this final report. DRPT Management was provided with an opportunity to respond to the findings and recommendations and their responses are included. Also included in this report are the results from the IAO's 6-month follow-up to determine the status on the implementation of recommendations and observations presented.

Sincerely,
Johnnie Coleman, Senior Internal Auditor

CONCLUSIONS

Based on evidence gathered and interviews performed pursuant to the cash handling process for PGM Receipts, the IAO determined that the overall effectiveness of the Cash Management operation of PGM receipts is **UNSATISFACTORY**.



**Internal Audit Report
Cash Management – Review of
Planning and Growth Management
Receipts**

11/15/2023

**Internal Auditor
Johnnie Coleman**

Cash Management – Review of Planning and Growth Management Receipts	
Finding #1 / Risk / High	Internal Audit Recommendations
<p><i>Bank reconciliations are not current on the General Fund Bank Account used to accept payments for PGM and various other County activities. Deposits to this account are made in various forms including cash, check, credit cards, wire transfer and ACH transactions.</i></p> <p><i>Fraud Risk</i></p> <p><i>Operational Risk</i></p>	<p><i>Bank reconciliations for this account should be completed regularly, no exceptions. Due to the extremely large number of transactions flowing through this account and to assist with ease of reconciliation. IA recommends daily reconciliations and considering separate bank accounts for some of the different types of transactions. The Chief of Accounting advised that completion of reconciliations is a priority.</i></p> <p><i>Bank Reconciliations are an essential internal control tool and are necessary in preventing and detecting fraud.</i></p> <p><i>Bank reconciliations help to identify accounting and bank errors by providing explanations for differences between accounting record's cash balances and the bank balance position per the bank statement.</i></p>
<p>Management Response: <i>We have had some challenges with completion of bank reconciliations however we continue to reconcile individual processes daily. We continue to prioritize completion of monthly reconciliation relating to the General Fund Checking account. Although we are not current, progress has been made toward our goal. We anticipate being current by:</i></p>	

Cash Management – Review of Planning and Growth Management Receipts	
Finding #2 / Risk / Medium	Internal Audit Recommendations
<p><i>Accounting Staff reverses an electronic posting of PGM credit card payments daily. This manual reversal entry process posts the payment amount to a credit card receivable account for a day (sometimes 2) then reverses the manual entry from the same account.</i></p> <p><i>Human Error</i></p>	<p><i>Consider allowing the electronic entry to be the final entry. The timing difference in IA’s opinion is not sufficient to make time consuming manual entries that also increases the possibility for errors.</i></p> <p><i>Manually reversing and re-posting of payments received in an automated format creates risk as the manual entries could be posted incorrectly or mistakenly forgotten.</i></p>
<p>Management Response: <i>Systematic restraints prevent implementation of this recommendation at this time.</i></p>	

Cash Management – Review of Planning and Growth Management Receipts	
Finding #3 / Risk / Medium	Internal Audit Recommendations
<p><i>The cash handling procedure used by the Treasury needs to be revised to the current procedures used by the department. Procedures do not reflect use of Tyler Cashiering software.</i></p> <p><i>Policies and Procedures Risk</i></p>	<p><i>Procedures should be updated to reflect the current process. The Chief of Treasury indicated the procedures are being updated to include any changes to the process since the last update.</i></p> <p><i>Written procedures reduce errors, increase efficiency, and produce guidelines for resolving issues.</i></p>
<p>Management Response: <i>Procedures will be updated to include current processes and provided to IA upon completion.</i></p>	