



Performance Audit of
Pierce County, Washington

Phase II

Cash Management

Final Report
September 25, 1998

Prepared by:
KPMG Peat Marwick LLP

September 25, 1998

Dr. Matt Temmel
Performance Audit Coordinator
Pierce County
955 Tacoma Avenue South, Suite 302 A
Tacoma, WA 98402

Dear Dr. Temmel:

KPMG Peat Marwick LLP (KPMG) is pleased to provide Pierce County with this final report on the Phase II performance audit of Cash Management.

The cash management report addresses departmental deposit practices and highlights areas that could improve their cash controls. This assessment of the County's cash management practices and policies could not have been completed without the cooperation and support of Pierce County staff.

Thank you for allowing KPMG the opportunity to work with Pierce County on this important engagement.

Very truly yours,

KPMG Peat Marwick LLP

**Performance Audit of Pierce County
Phase II - Cash Management**

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1. EXECUTIVE SUMMARY

The Pierce County government has continued its commitment to the performance audit mandate contained in the County Charter. After the completion of the Phase I audit report in March 1998, the County's Performance Audit Committee acted swiftly to initiate Phase II performance audits that provide more detailed assessments of County departments, functional areas, and programs highlighted by KPMG's Phase I work.

This report presents issues and recommendations that have been developed during an in-depth review of Pierce County's cash management practices. To perform this task, the KPMG Performance Audit Team interviewed key Pierce County staff, analyzed financial statements, reviewed County banking agreements, and sampled deposit transaction records, and current practices.

The objectives were to determine whether:

- The County could increase revenues through the use of same day deposits.
- Identify areas where the County could improve its cash management controls.

In 1997, Pierce County collected over \$433 million in various revenues, and over \$93 million in cash receipts (including cash, checks, and credit card payments). Thirty-two different departments or programs receive these collections, which range from property tax payments to batting cage fees. The large number of collection points makes the management of cash activities an important task. Cash management is not only important from a fraud prevention and control perspective, but also in terms of revenue potential. An organization can increase its cash balances by organizing cash handling processes to achieve timely deposits.

In years past, some County departments delayed deposits for many days, or even weeks. In recent years, however, the County has made a conscious effort to improve deposit practices. During the course of the review it was apparent that many County departments have been successful in implementing the next day deposit of receipts. While this improvement should be commended, there are opportunities to increase revenue potential through the same day deposit of County collections.

The scope of this audit focused on seven Pierce County departments: Budget and Finance, County Auditor, Corrections Bureau, District Court #1 – Tacoma, District Court #2 – Gig Harbor, Parks and Recreation Services, and Planning and Land Services. Combined, these seven departments collect 94% of County cash revenues. The audit did not look at all operations in Corrections or Parks and Recreation Services, instead the study focused on the inmate trust account in Corrections and the collections at the Lakewood Community Center and Sprinker Recreation Center for Parks and Recreation Services. The recommendations in this report refer to the areas outlined above only and should not be assumed to relate to areas not included in the scope of this review.

2. INTRODUCTION

Pierce County departments collected over \$433 million in revenues in 1997. Thirty-two different departments or programs throughout the County collected these revenues, which include roughly \$94 million in cash/check collections. Given this significant level of cash, it is important that receiving and collection practices have appropriate controls to not only ensure County funds are handled correctly, but to also maximize interest earning potential.

The Pierce County Budget and Finance Policies and Procedures Manual guides the collection and deposit of these funds. This manual outlines deposit practices, control requirements, and reporting procedures for all County collections.

This performance audit provides an opportunity to identify ways in which the County can improve cash management activities and generate additional funds for County programs.

The Phase I Performance Audit

In June of 1997, the Pierce County Council selected KPMG Peat Marwick LLP (KPMG) to carry out the performance audit mandate passed by voters in November 1996. The performance audit mandate directs the County to retain outside personnel to conduct comprehensive, ongoing performance audits of County government.

In compliance with this mandate, and at the direction of the Performance Audit Committee, KPMG initiated the Phase I audit in late summer of 1997. The Phase I Audit served as a Countywide assessment and diagnostic designed to highlight areas that required further review. This report is the second of the Phase II audits, which are highly focused and detailed audits of specific programs, functions, or departments.

Phase I of the Pierce County Performance Audit was completed in March of 1998. In this audit, KPMG identified the potential for the County to enhance its interest earnings by improving cash management processes and expediting deposits of moneys received through various areas of County operations.

In May 1998, KPMG initiated this Phase II audit of the County's cash management practices designed to further examine the issues raised in the Phase I audit report.

Objectives and Scope

The objectives of this Phase II Cash Management audit are to:

- Determine whether the County could increase revenues through the use of same day deposits.
- Identify areas where the County could improve its cash handling controls.

KPMG focused its review on seven County departments, the County Auditor’s office, Budget and Finance, the Corrections Bureau, District Court #1 – Tacoma, District Court #2 – Gig Harbor, Parks and Recreation Services, and Planning and Land Services. These departments were selected based on the amount of revenues they receive and the diverse functions they perform. Exhibit 2, below, provides a breakdown of all revenues collected by the County. The departments reviewed by KPMG are shown in italics.

Exhibit 2: Total Revenues Collected by Department

Fund/Department Name	1997 Actual	Form of Payment				Departmental Percentage of Cash Revenues
		Cash/Check	EFT	Government Warrant	Journal Entry	
Assessor/Treasurer	\$ 308,406	\$ 292,085	\$ -	\$ -	\$ 16,320	< 1%
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<i>Auditor</i>	\$ 9,773,772	\$ 4,605,647	\$ -	\$ 1,189,490	\$ 3,978,635	5%
<i>Budget and Finance</i>	\$ 404,377,231	\$ 69,850,767	\$ 86,411,883	\$ 120,291,052	\$ 127,822,579	75%
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Community Services	\$ 244,728	\$ 244,728	\$ -	\$ -	\$ -	< 1%
<i>Corrections</i>	\$ 246,685	\$ 246,685	\$ -	\$ -	\$ -	< 1%
County Executive	\$ 184	\$ 184	\$ -	\$ -	\$ -	< 1%
<i>District Court #1 Tacoma</i>	\$ 3,934,219	\$ 3,934,219	\$ -	\$ -	\$ -	4%
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<i>Parks and Recreation Services</i>	\$ 2,632,060	\$ 2,621,060	\$ -	\$ -	\$ 11,000	3%
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Pierce County Fair	\$ 79,328	\$ 79,328	\$ -	\$ -	\$ -	< 1%
<i>Planning and Land Services</i>	\$ 6,475,196	\$ 6,475,196	\$ -	\$ -	\$ -	7%
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Rainier Communications	\$ 10,760	\$ 10,760	\$ -	\$ -	\$ -	< 1%
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Superior Court	\$ 428	\$ 428	\$ -	\$ -	\$ -	< 1%
Transportation Services	\$ 1,169,972	\$ 1,169,972	\$ -	\$ -	\$ -	1%
Various Courts	\$ 331,083	\$ 331,083	\$ -	\$ -	\$ -	< 1%
TOTAL COUNTY	\$ 433,215,195	\$ 93,462,829	\$ 86,411,883	\$ 121,480,542	\$ 131,859,942	100%
PERCENT OF TOTAL		22%	20%	28%	30%	

Source: Pierce County Budget and Finance Financial Reports.

Note: Departments in italics were reviewed by KPMG. Funds that are collected via two payment types were split 50-50 between the two types (example: \$100 received by cash and EFT would be shown as \$50 for each type).

Together, the departments reviewed by KPMG collect 94% off all cash revenues in the County. It should be noted that the audit did not look at all operations in the Corrections Bureau or Parks and Recreation Services, instead the study focused on the inmate trust

account in Corrections and the collections at the Lakewood Community Center and Sprinker Recreation Center for Parks and Recreation Services.

As directed by the Performance Audit Committee, this study does not include an analysis of the County's investment practices. Due to the exclusion of this analysis, KPMG anticipated a reduction in the potential cash management cost savings as estimated in the Phase I audit report.

Phase II Approach and Methodology

In order to conduct the detailed review of the County's cash management practices, KPMG gathered information from a variety of sources using several approaches and methodologies, including:

- **Performance Audit Standards**

In the execution of the performance audit, KPMG followed generally accepted government auditing standards as set forth in the General Accounting Offices' Government Standards "Yellow Book."

- **Structured Interviews with Key Management and Staff**

KPMG interviewed key management and staff in the Auditor's Office, Budget and Finance, District Courts #1 and #2, Corrections Bureau, Parks and Recreation Services, and Planning and Land Services to understand the structure, job responsibilities, and cash handling procedures in each functional area. These interviews permitted a top-down understanding of the various cash handling business and operating environments, the levels of automation throughout, and issues or constraints faced by the departments.

- **Review of Financial Statements, Cash Records, and Other Documents**

KPMG reviewed County financial statements, daily cash collection records, operating procedures and mandates, and previous County and State produced reports on cash collections and handling processes. Additionally, KPMG reviewed the County's banking agreement with Key Bank to understand restrictions on interest earnings.

- **Cash and Deposit Process Review**

KPMG sampled and analyzed the current practices in each audit area, including cash handling and deposit controls and procedures, to determine areas with the greatest potential for improvement and/or efficiency savings.

Phase II Performance Audit Constraints and Limitations

Constraints and limitations present special factors that should be considered in the interpretation of audit results. Key considerations include:

- The controls-review has centered on general systems and procedures used by the County within its cash management activities. The State Auditor, as well as the County's Internal Auditor, is currently reviewing many of the departments audited by KPMG. Because both the Internal and State Auditor's focus mainly on accounting controls, KPMG did not perform a detailed controls review of all areas.
- KPMG's review covered 94% of all cash collections in the County. KPMG's assessment of these areas may not be applicable to the remaining 6% of collections.
- Potential cost savings, cost avoidances or revenues are estimated conservatively, based on best-available data. Savings may overlap, and true net savings may vary from estimates.
- KPMG performed direct observations and walk-throughs, and collected data, records, and documents from Pierce County staff. While these sources of information were reviewed for reasonableness and checked against other financial documents, it was not within the scope of the audit to validate all secondary sources of information.

Other constraints and limitations may be noted throughout the report as necessary.

Report Organization

The report is organized as follows:

1. **Executive Summary** – highlights key issues and opportunities regarding Pierce County's Cash Management operations, while briefly listing the audit recommendations.
2. **Introduction** – provides an overview of cash handling operations, and describes the performance audit mandate, Phase I audit results, and the scope, objectives, and methodologies used in conducting the audit. It also presents study limitations and constraints that should be considered in interpreting the results of this report.
3. **Deposit Practices** – provides a discussion of current deposit practices at each of the seven audited areas. The section includes three issues and recommendations related to cash deposits.
4. **Cash Controls** – discusses where the County could improve its cash handling controls and provides three recommendations to mitigate these areas of concern.

Appendix A – provides Pierce County's responses to the recommendations in this report.

Appendix B – includes KPMG's comments to the responses provided by Pierce County.

While this audit did note control weaknesses, a detailed control review was not conducted. The State Auditor and the County Internal Auditors have recently, or are in the process of, completing control reviews of many of the areas covered in this review. For a detailed analysis of control weaknesses, please see reports produced by these two groups.

Further, as directed by the Performance Audit Committee, this study does not include an analysis of the County's investment practices. Due to the exclusion of this analysis, KPMG anticipated a reduction in the potential cash management cost savings as estimated in the Phase I audit report.

While the report that follows contains a number of specific recommendations, the key results of the Cash Management performance audit are as follows:

- **The County has an opportunity to increase interest revenues by modifying banking practices.**
The County is currently depositing all licensing collections into a non-interest bearing account. KPMG's review of State and County laws and regulations found that there is currently no mandate that prohibits the deposit of licensing funds into an interest bearing account. These deposits, which totaled \$118 million in 1997 and included roughly \$2.7 million in County funds, remain in this account for two to six days, resulting in lost interest to County taxpayers of \$27,000 to \$42,000 annually.

The Auditor's Office may also experience three to four day delays in processing over \$20 million in mailed in licensing fees, resulting in an annual loss of interest revenue of between \$7,800 to \$10,500.

- **The County has an opportunity to increase interest revenues by modifying depositing practices.**
Although County departments are making deposits in a "timely" manner, the same day deposit of revenues at the Auditor's office, Budget and Finance, District Court #1, and Planning and Land Services, could result in significant increases in revenue for the County. While these departments normally make deposits the day following cash collections, by performing late-afternoon reconciliations of cashier reports the County could attain the same day deposit of funds, and realize an increase in annual interest earnings of between \$8,300 and \$9,000 (these savings are not included in the figures provided above).
- **Planning and Land Services may eliminate some control weaknesses through the purchase of a new permit system and additional oversight.**
The current permit system used by Planning and Land Services (PALS) allows counter technicians to modify fees to expedite application and permit processing. PALS should consider instituting a weekly supervisory review of all fee modifications to mitigate the potential for inappropriate fee modification.

Further, the current permit system creates the potential for clients/applicants to receive applications and permits without paying the fees due. The implementation of a new permit system, which is currently being considered by PALS, should include a cashiering module to ensure all payments are made prior to application/permit issue.

The separate permit and cashiering systems also lead to additional work for the PALS accountant. A new permit system should reduce the time spent by the accountant on these activities, and allow PALS to reallocate between \$4,000 and \$5,000 worth of the accountant's time to other areas annually.

■ **Certain departments are violating County policy by allowing a single staff member to perform all functions in the accounting cycle.**

The Budget and Finance Policy and Procedures manual states that “an individual who handles cash receipts and prepares deposits should not also be responsible for: the delivery of deposits to the bank, the preparation or approval of bank account reconciliations, or cash disbursements.” However, these operations are not appropriately segregated at District Court #1, District Court #2, and the business licensing function at the County Auditor's office. The County could mitigate this control weakness, without the need for additional staff, by implementing a periodic monitoring system at the District Courts and by expanding the use of the Landtrak software used at the Auditor's office to include business licenses.

■ **Continued diligence is merited in managing the \$1.8 million in over 90-day-old account receivables.**

While the accounting for all accounts receivable is centralized at the Budget and Finance main office, individual departments have been given the responsibility for collection follow-up activity. Grant revenues which represent 50% of these past due receivables are booked as receivables on the date they are approved, thereby somewhat overstating the level of over-90-day receivables. In other areas, the County is pursuing more aggressive collections of Juvenile Court/Detention payments, and fees assessed to gambling establishments. Continued effort in this collection effort, as well as coordination with State and Federal agencies may be merited to improve the timeliness of cash receipts. Further work to encourage grantors to use electronic fund transfers will also help to expedite the receipt of grant funds and the ultimate impact on interest revenues.

In the report that follows, KPMG presents detailed analysis of Pierce County's current cash operations and compares them against best practices and industry and County standards. Exhibit 1 summarizes KPMG's recommendations of this report and the potential savings that could occur through the implementation of these recommendations. Exhibit 1 is intended to serve as an implementation guide for report recommendations.

- Short term refers to activities to be initiated within six months and may continue past that time.
- Mid term refers to activities to be initiated within six months to one year and may continue past that time
- Long Term refers to activities that will be initiated past one year from the time of this report.

Exhibit 1: Summary of Audit Recommendations

Rec. #	Recommendation	Minimum Annual Savings	Maximum Annual Savings	5-Year Minimum	5-Year Maximum	Time Frame
3.1	The licensing trust account should be renegotiated as a part of the overall County banking agreement to generate interest earnings.	\$27,000	\$ 42,000	\$135,000	\$ 210,000	Short Term
3.2	The County Auditor should work with the postmaster to arrange given mail delivery or pickup times early in the morning each day to reduce the delay in depositing mailed payments.	\$7,800	\$10,500	\$39,000	\$52,500	Short Term
3.3	Implement process changes to expedite the handling of cash receipts to achieve same day deposit of funds.	\$8,300	\$9,000	\$41,500	\$45,000	Short Term
4.1	The County should implement systems and methods to improve oversight and monitoring of cash accounting and reconciliation processes.					Mid Term
4.2	Planning and Land Services should institute controls changes to include weekly spot checks on fee adjustment transactions. PALS should ensure that future permit systems integrate permit and cashiering functions and support reconciliation of accounting and cashiering reports.					Mid Term
4.3	County departments should monitor their receivables and supply Budget and Finance with a list of uncollectible receivables once per month. Continued diligence is recommended in collecting past due receivables and expediting, as feasible, grant payments through improved use of technology.					Short Term
	TOTAL	\$43,100	\$61,500	\$215,500	\$307,500	

Source: KPMG Performance Audit, August 1998.

2. INTRODUCTION

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- **Cash and Deposit Process Review**

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Appendix A – provides Pierce County's responses to the recommendations in this report.

Appendix B – includes KPMG's comments to the responses provided by Pierce County.

3. DEPOSIT PRACTICES

This section of the report examines selected depositing practices among County operations.

Evaluating the County's Depositing Practices

In years past, many Pierce County departments delayed deposits for many days or even weeks at a time. However, the County has significantly improved depositing practices to more effectively leverage taxpayer moneys. The County's deposit policy states "all receipts should be deposited intact on a timely basis (preferably daily)." While many departments are now depositing funds on the day following receipt, the County has further opportunities to realize additional revenues by depositing funds on the same day received.

KPMG examined whether County departments were depositing funds consistent with its stated County's policy, and where process improvements could be implemented to achieve the same day deposit of collections. This review was two-fold.

- 1) KPMG reviewed the cash collection, reconciliation, and deposit practices at seven County departments that represent, in total, 94% of all cash collecting operations in the County. These included:
 - Budget and Finance
 - Corrections Bureau
 - County Auditor
 - District Court #1 – Tacoma
 - District Court #2 – Gig Harbor
 - Parks and Recreation Services
 - Planning and Land Services
- 2) KPMG reviewed the County's banking agreement with Key Bank to examine the processing restrictions on interest earnings.

The County's banking agreement is currently being renegotiated, the current contract allows the County to receive interest on deposits made prior to 5:00 p.m. Monday through Thursday, and 5:30 p.m. on Fridays. According to the contract, all deposits made prior to these times are credited to the County's account on the same day. The County should be commended for negotiating this agreement, which allows the County to maximize interest revenues.

The one restriction of note in the banking agreement is that the Bank requires a 10% reserve level, and therefore does not pay interest on 10% of the funds deposited.

Issue 3.1: The County is missing an opportunity to earn interest on licensing fees collected through the Auditor's office.

The County Auditor is responsible for collecting vehicle and vessel license fees on behalf of the State of Washington. The Auditor also is responsible to collect County recording, marriage license, and business license fees. In total, the Auditor's office collected \$4.6 million in County cash revenues in 1997. In addition to the County revenues, the licensing unit collected over \$114 million in revenues for the State of Washington, typically through licensing subagents. In total, the Auditor annually collects over \$118 million in fees.

Currently, all moneys collected by the licensing unit are deposited the day following collection into a non-interest bearing trust account. These funds remain in the account until the State electronically withdraws its portion of the fees and the County transfers its portion to the main Budget and Finance account. Auditor's office staff indicated that the State generally sweeps the account two to three days following the original collection of the fees. In addition, the licensing unit does not transfer the County's portion of these moneys to the main interest bearing account until the third day following the original collection. County records indicate that the County funds are typically not posted into the main Budget and Finance interest-bearing account for four to six days following the date of collection.

The lack of an interest bearing account results in significant lost interest to the taxpayers of Pierce County. Although the majority of interest would be accumulated on State funds, no State or County law or regulation appears to prohibit the use of an interest bearing account for the deposit of licensing fees. It is possible that the State would require the County to turn over all or part of these earnings for use by the State Department of Licensing. If this is the case, the additional revenue will be realized by the State and not the County, but still benefit the Pierce County taxpayer.

Recommendation 3.1: The licensing trust account should be negotiated as part of the overall County banking arrangement to generate interest earnings.

By depositing all licensing funds into an interest bearing account, the County can increase its interest revenue by between \$30,000 and \$45,000 annually. Key Bank does not currently charge fees for the licensing trust account. A switch to an interest bearing account could result in additional banking charges. KPMG estimates that if additional fees are charged, they should not exceed \$3,000 annually. Therefore, net revenues would total \$27,000 to \$42,000 annually.

Issue 3.2: Vehicle and vessel fees received through the mail are not deposited the same day received.

Although the mail usually arrives in the mid- to late-afternoon, Auditor's staff indicated that delivery times are not very consistent. This late delivery makes it necessary for licensing staff to open the mail the following morning, beginning at 8:00 a.m. Further, Auditor staff indicated that, at best, checks are not processed until two days following the original receipt. Therefore, these transactions are not deposited into the licensing trust account until at least three to four days after receipt.

In addition to the mail delay, the person responsible for processing mail receipts has other responsibilities that do not allow him to input all payments received on a given day. This contributes to the additional processing delays. According to deposit and cashing report records, mail payments account for 50% of all collections made by Auditor's licensing unit, or roughly \$20 million in 1997. The three to four day-delay in depositing these funds results in an annual loss of interest revenue of about \$7,800 to \$10,500.

Recommendation 3.2: The County Auditor should work with the postmaster to arrange given mail delivery or pickup times early in the morning each day to reduce the delay in depositing mailed payments.

By establishing agreements with the postmaster, the Auditor should be able to receive all mail by 8:00 a.m. Staff members could then open and enter all mail transactions on the same day received. A priority should be given to process all transactions on the same day. Implementing these recommendations could yield the County between \$7,800 to \$10,500 annually in increased interest revenue (this does not include the additional revenue noted in previous recommendations).

Issue 3.3: County processes in various areas can be improved to expedite the handling and depositing of funds to enhance interest earnings.

KPMG identified opportunities to enhance interest earnings through changing cash handling and depositing processes in various County operations surveyed.

■ **Cash and check collections by Budget and Finance are not deposited the same day received.**

Budget and Finance staff members are responsible for handling over 75% of County cash transactions. At the downtown Budget and Finance office, the cashiers generally balance starting at 2:00 p.m. As a general rule, cash and checks are deposited on the day after receipt with the exception of checks greater than \$10,000. These large

checks are deposited on the same day received to maximize interest revenue. When possible, cashiers also make “same day” deposits on Fridays preceding three-day weekends. Although the bank will accept deposits until 5:00 or 5:30 p.m. depending on the day of week, the armored car picks up deposits from Budget and Finance at 3:00 p.m.

The main reason cited for the one-day delay in deposits is the policy of reconciling property tax receipts the morning following collection. Budget and Finance cashiers stated that they prefer to reconcile prior to submitting the deposit, thus leading to the next day deposit of most funds.

In addition to the two cashiers at the main Budget and Finance office, one to two cashiers, depending on the time of year, collect payments at the County Annex. These cashiers generally deposit all funds on the same day received. These deposits, along with those made at the downtown location, are made directly to the main County Key Bank account.

While Budget and Finance meets the County’s deposit criteria, additional earnings could be obtained if all of the receipts at the downtown office were deposited on the same day. According to Budget and Finance estimates, \$44.5 million annually is not deposited on the same day received. The one-day delay in depositing these funds results in \$5,600 of lost interest annually.

Cashiers at the Annex already deposit on the same day, and the downtown cashiers could easily accomplish same day deposit. This may require renegotiating the pick up time with the armored-car-company. Particular emphasis should be given to ensuring same day deposits for significant cash receipt areas, such as the Auditor and Budget and Finance.

- **Exception payments for property taxes of between \$10,000 and \$25,000 are not deposited on the same day received.**

The County outsources the collection of mail-in property tax and sewer payments to Retail Lockbox. On a daily basis, Retail Lockbox picks the mail up from the post office, processes it, and completes deposits. Payments that require exception processing, those checks that do not match the amount due for example, are forwarded to Budget and Finance for their handling. Exception payments of greater than \$25,000, however, are deposited by Retail Lockbox into a suspense account, and the paperwork is forwarded to Budget and Finance for processing. The County may be able to increase interest earning by lowering the deposit limit from \$25,000 to \$10,000.

■ **The County’s portion of vehicle and vessel fees collected by subagents is not deposited on the same day received.**

In 1997, licensing subagents collected about 65% of the licensing transactions annually or a total of \$1.8 million in County funds. Licensing Subagents send the County a check for the County’s fees on the day following receipt. These checks are sent via overnight mail or by courier to the County, resulting in the receipt of checks the day after receipt. The funds are then deposited into the licensing trust fund and transferred to the County interest bearing account four to six days following original receipt.

The State vehicle licensing computer system reports the amount of County funds collected by the subagents. The County could use this information to electronically sweep the subagent accounts daily into an interest bearing account. This would result in increased revenues of between \$700 and \$1,100 annually.

■ **Recording fees collected by the Auditor are not deposited the same day received.**

Recording cashiers do not reconcile their daily receipts until approximately 4:30 p.m., generally after the doors are closed to the public. Moneys are then placed in a safe, and deposits are prepared the following morning. By not depositing recording fees on the same day received, the County is foregoing roughly \$200 in interest annually.

If the County were to arrange for “draw-down” accounts, the County would be able to draw the necessary amount on the same day the titles are recorded, resulting in an increase of revenue of \$200 per year. The title companies could place funds in the accounts periodically based on their needs.

■ **Cash and check collections by District Court #1 are not deposited the same day received.**

District Court #1, located at the County-City Building in downtown Tacoma, collected \$6.7 million in parking and traffic fines, filling fees, and garnishments in 1997, \$3.9 million of which was retained by the County. Cashiers at the County-City building and at the Hosmer facility process these funds over the counter as well as through the mail. These funds are received entirely in cash (which includes cash, checks, and credit cards).

According to District Court #1 staff, the reconciliation of receipts and the preparation of deposits take approximately one hour (although times do vary from day to day, staff stated that one hour is the normal processing time). Thus, if the cashiers were to complete a mid-day close at 3:00 p.m., the accountant could have the deposit

prepared in time for same day deposit. By attaining a same day deposit, the County could realize additional revenues of between \$500 and \$700 annually. It would be necessary to coordinate the mid-day cashier closes to limit any disruption to the public.

■ **District Court #1 does not forward deposit checks to Budget and Finance until two to five days following the collection date.**

District Court #1 deposits all collections into a trust account at Key Bank separate from the main Budget and Finance account. Each day, remittance checks equal to the County's percentage of District Court #1 collections, are prepared daily and placed in the County's mail system for delivery to Budget and Finance. County records indicate that Budget and Finance does not receive the funds until between two and five days after the initial collection.

Based on the differential between investment earnings (5.6%) and interest earnings (5.12%), the County loses approximately 0.5% interest per year by not transferring funds to the main account on the same day collections are received. This results in a loss of \$150 annually based on total 1997 revenue collections of \$3.93 million.

The remittance amounts for Budget and Finance should be transferred directly from the District Court #1 Key Bank trust account to the Key Bank main account on the same day received.

■ **District Court #2 collections are transferred to the main Budget and Finance account only once per month.**

District Court #2, much like the other three District Courts in the County, collects various court related fees, including traffic fines, filing fees, and court awarded penalties. This court processes over \$424,000 in cash annually.

While District Court #2 meets the County's deposit policies by depositing the day after payments are received, additional earnings could be obtained if the receipts were to be transferred to the County's main account more than once monthly. This would allow the County to invest the funds more rapidly and earn the higher rate of interest.

The accountant for District Court #2 should transfer funds at least weekly to the Key Bank main account. A computer software program calculates the amount of the transfer and, therefore, it would take very little additional time to accomplish three additional transfers each month. While this would only result in an additional \$100 annually to the County (based on the interest differential between the bank and

investments on \$424,000 collected annually), it would increase cash controls over District Court #2 receipts.

■ **Operational factors limit the ability of Parks and Recreation staff to deposit funds on the same day received.**

Parks and Recreation Services collects fees for a wide range of services, including the rental of facilities, batting cage, ice rink, and golf course user fees, and Little League dues. The cashier at the Lakewood Community Center (LCC) and Sprinker Recreation Center (SRC) reconciles daily receipts at the end of each day. The following morning, the LCC and SRC accountants prepare the deposits and verify the cashiers' reconciliation. Given that most of Parks and Recreation fees are collected in evening events or on weekends, it appears that these depositing practices are consistent with the intent of a "same day depositing" practice. Parks and Recreation managers indicate that they make either multiple daily deposits or weekend deposits when merited.

■ **Cash and check collections by Planning and Land Services are not deposited the same day received.**

The Planning and Land Services (PALS) Development Center, located at the County Annex, is responsible for issuing all building and land use applications and permits and collecting the associated fees. In 1997, PALS collected a total of \$6.5 million, all of which was cash. These fees pass through a single cash register and are balanced daily by the PALS accountant.

Given the time noted by staff to complete the reconciliations and prepare the deposit, the accountant could have the deposit ready to go to the bank by 4:15 p.m. if the cashier were to perform a partial close at 3:30 p.m. The armored car currently picks up between 2:00 and 4:00 p.m. from the Auditor's office. Based on the amounts of cash from PALS, the County Auditor, and the Assessor Treasurer, the county should be able to arrange for a later pickup by armored car resulting in a "same day" deposit. Such a process change would increase interest revenue to the County by between \$1,000 and \$1,125 annually.

The mid-day reconciliation should be designed in such a way to avoid significant customer disruption. Whenever possible, a second cashier should receive funds while the main cashier is reconciling the days receipts, a process which normally takes roughly ten minutes.

Recommendation 3.3: Implement process changes to expedite the handling of cash receipts to achieve same day deposit of funds.

As discussed above, various processes throughout the County can be improved with the goal of enhancing interest earnings. Overall, these actions would result in increased interest earnings of between \$8,300 and \$9,000. Recommended actions are:

- Budget and Finance should consider depositing all receipts on the same day received.
- Budget and Finance should consider requiring Retail Lockbox to deposit all exception checks of \$10,000 or more on the same day.
- The County administration should work with the Auditor's office to provide the appropriate technology to allow the subagent accounts to be transferred daily to interest bearing County accounts.
- The County Auditor should work with the County's administration and the title companies to arrange for "draw-down" accounts which would have minimum balances based on the title companies' activity.
- The District Court #1 cashiers should complete a mid-day register reconciliation at 3:00 p.m.
- The remittance amounts for Budget and Finance should be transferred directly from the District Court #1 Key Bank trust account to the Key Bank main account on the same day received.
- The accountant for District Court #2 should transfer funds at least weekly to the Key Bank main account.
- The Planning and Land Services cashier should complete a mid-day register reconciliation at 3:30 p.m.

4. CASH CONTROLS

This section of the report examines the cash control practices among the cash handling operations surveyed.

Ongoing Cash Controls Assessments

The State Auditor is currently conducting, or has recently completed, detailed control audits of many of the departments reviewed by KPMG. Given this controls review, in addition to recent reviews conducted by the County's internal auditor, KPMG did not conduct a detailed review of control practices. During the course of the audit, however, KPMG did note a few areas where the County could improve its cash handling controls. For further information on control weaknesses, please refer to recent reports by the State and Internal Auditors.

Both the County internal auditors and the State Auditor have recently reviewed the cash operations at the Corrections Bureau. In order to prevent duplicate effort, KPMG did not perform a detailed review of the Corrections Bureau. The Corrections accountant informed KPMG that the Bureau was in the process of training new staff in an attempt to implement the recommendations made by the State Auditor. It appears that the recommendations made by both the State and internal auditors are valid and the efforts to meet the recommendations should be continued.

In response to observations made by KPMG in the Phase I Performance Audit, the County Auditor has made recent improvements in cash controls. A new, high quality safe was purchased in 1998 to provide an added degree of safety over cash receipts; a new computer system was implemented to facilitate cash reconciliation; and closed circuit video cameras were installed to provide safety to cashiers. It should be noted that the State Auditor has recently completed a review of the Auditor's office and will soon issue a report. For additional information on Auditor controls, please refer to the upcoming State Auditor report.

Issue 4.1: Monitoring and oversight in several County cash receiving operations could be improved to ensure accurate and appropriate processing.

KPMG's fieldwork in various County operations revealed that accounting and reconciliation processes are not appropriately segregated, nor have appropriate oversight or monitoring. These include Business License cashiering, and cashiering functions at District Court #1 and District Court #2.

- **The business license cashier within the County Auditor’s office performs all accounting functions in the section.**

The business license cashier issues all business licenses, collects payments for these licenses, prepares the receipt, and determines the applicable fees. In addition, the cashier prepares and submits the deposit and prepares the Miscellaneous Transmittal and Receipt report (MTAR) for Budget and Finance.

This system is inconsistent with standard accounting practices and County policies. The Auditor has indicated the Landtrak system could be expanded to support business license transactions and reporting. However, business-license fees barely pay for the level of effort required to collect them. While the accounting functions for processing these fees merits improvement, it may be beneficial for the County to examine the overall cost effectiveness of administering this licensing function.

All business licensing deposits should be made through the Auditor’s deposit system and the amounts should be included in the single MTAR sent by the Auditor’s office to Budget and Finance. The manager of this section should develop written procedures to monitor the activities of the business license cashier.

- **The District Court #1 accountant reconciles the daily cash tills from all of the cashiers, prepares the daily deposits, requests and submits the remittance checks to Budget and Finance, and reconciles the bank statements to court records.**

The court accountant currently performs all reconciliation and funds transfers for District Court #1. This action violates standard accounting practices and the Budget and Finance Policy and Procedures Manual. The Manual states that “an individual who handles cash receipts and prepares deposits should not also be responsible for: the delivery of deposits to the bank, the preparation or approval of bank account reconciliations, or cash disbursements.”

The current system presents an opportunity for one member of the staff to effectively control the records and handle the receipts for the entire court function, much of which is in the form of cash. This further establishes the potential for fraudulent activity and lost funds.

District Court #1 maintains it lacks sufficient staff to implement an appropriate separation of duties. Based on KPMG’s review, the accountant appears to be very capable in performing responsibilities, and management believes the accountant is appropriately supervised. The accountant's work is currently checked by the supervisor periodically, and management does not believe there have been any losses.

- **The District Court #2 accountant performs all of the functions of the cashiering process.**

In 1997, District Court #2 collected a total of \$424,000, all of which was cash. The District Court #2 accountant currently performs all functions in the accounting process. Although there are four other cashiers, on any given day the accountant can collect over the counter cash payments and apply the payments to the corresponding cases. In addition, the accountant reconciles receipts to computer daily reports, prepares the daily deposit, and delivers the deposit to the bank. Finally, at month end, the accountant reconciles deposits to the monthly bank statement, prepares the Miscellaneous Transmittal and Receipt (MTAR) for Budget and Finance, assigns accounts to collection agencies, and signs checks on the account.

County policy states, “an individual who handles cash receipts and prepares deposits should not also be responsible for: the delivery of deposits to the bank, the preparation or approval of bank account reconciliation, or cash disbursements.” In addition, the current situation presents the opportunity for one member of the staff to effectively control the records and handle the receipts, much of which is in the form of cash, presenting the potential for undetected error or fraud.

District Court #2 cites a lack of available staff as the reason for the failure to implement an appropriate separation of duties. In fact, of the four cashiers other than the accountant, only one is assigned as a full-time cashier.

Recommendation 4.1: The County should implement systems and methods to improve oversight and monitoring of cash accounting and reconciliation processes.

In addition to the monitoring system, the Court should document the system oversight requirements. This should include changes in the following areas:

- The Auditor should extend the Landtrak software to include business licensing to improve accounting and reporting of business license transactions, but should also continue to examine the cost benefit of business license processes.
- District Court #1 should implement a periodic monitoring system to accomplish the separation of duties without additional staff.
- District Court #2 should implement a periodic monitoring system to accomplish the separation of duties without additional staff.

Issue 4.2: Several aspects of Planning and Land Services cash management practices and systems could be improved to ensure better controls over cash transactions.

■ **Planning and Land Services counter technicians are able to modify fees without the approval of a supervisor.**

The Planning and Land Services (PALS) unit through the issuance and enforcement of various permits generally regulates land use. PALS technicians enter permit application data into a software system called DCIS. Although the computer program automatically calculates all applicable fees, technicians are able to modify the fees through an adjustment process that is not necessarily reviewed or approved by a supervisor.

While there are a number of established policies and procedures regarding fee modifications, at the time of KPMG's review, no formal review system was in place to ensure that the technicians did not change the fees for the benefit of any applicants. Therefore, the possibility exists that an applicant could pay less than the application and/or permit normally requires.

Since the application must be reviewed by other employees of PALS and staff from other departments prior to a final permit being issued, management believes any adjustments made by the technician will be appropriately scrutinized prior to a permit being issued.

By initiating weekly reviews, PALS could significantly increase the level of control over fee changes with only a minor increase in supervisory workload. To minimize the increase in workload, instead of checking all adjustments, supervisors should spot check a number of adjustments to determine if a particular counter technician is incorrectly modifying fees.

■ **Applicants are provided with the printed application or permit prior to making necessary payments to the cashier.**

The DCIS system requires that all transactions show the minimum amount as paid or it will not issue the application or permit. Since the DCIS system is not integrated with the cashiering system, technicians must input the minimum due for the application or permit as being paid in order to print the completed application or permit.

With this system, the potential exists for an applicant to receive a permit without first paying the cashier the related fees. This violates standard management practices that require all fees to be collected prior to the issuance of the application or permit.

To mitigate this potential, the PALS accountant daily reconciles the payments received by the cashier with the total amounts notes as paid by the DCIS system. Therefore, if someone did not pay for a permit, it should be identified the following day.

It should be noted that PALS is currently considering the purchase of a new permit system.

A new system with cashiering capabilities will allow the cashier to collect the minimum fees due and issue the permit or application subsequent to that collection. This would eliminate the potential for an applicant to receive a completed permit without paying the amounts due.

■ **The use of a cashiering system separate from the PALS DCIS system results in additional work for the department's accountant.**

The PALS accountant reconciles all payments the day after they are received. To perform this function, the accountant must reconcile information from the DCIS daily report with the cash register receipts. Since the reports are from separate systems and each individual fee is identified separately on the DCIS report, this reconciliation takes approximately 1.0 to 1.5 hours per day for the accountant.

A detailed computer system should provide for an easy reconciliation between the application and cashiering functions. Due to the lack of a cashiering module on the DCIS system, two sets of systems must be balanced to each other for accounting purposes.

This capability would allow the accountant to review the fees and payments received by using the software program to reconcile and highlight any differences. This would likely reduce the time spent on this reconciliation by 0.75 to 1.0 hours daily, allowing the accountant to perform other functions. Based on the accountant's salary (assumed to total \$42,000 including benefits), the County spends \$4,000 to \$5,000 annually to have this necessary reconciliation performed manually. If the new system were to allow for this function, the County could use the above savings to apply the accountant's skills in other areas.

Recommendation 4.2: Planning and Land Services should institute controls changes to include weekly spot checks on fee adjustment transactions. PALS should ensure that future permit systems integrate permit and cashiering functions and support reconciliation of accounting and cashiering reports.

Issue 4.3: The County has instituted practices to manage accounts receivable and expedite payments.

The County has centralized the accounting for accounts-receivable for all departments. Each department is responsible for creating the billing for amounts due and notifying Budget and Finance of the particulars for inclusion in the accounts receivable system. A listing of all receivables is maintained at Budget and Finance, and collections are supposed to be made by Budget and Finance. Occasionally the departments receive payment that may be forwarded to Budget and Finance or deposited directly with notification to Budget and Finance. However, all collection follow-up activity is the responsibility of the individual department.

The County provides the record keeping and also gives the departments options as to collection agencies should that be necessary. As of the August 7, 1998 Accounts Receivable Activity Report, the total outstanding receivables for the County was \$4,906,692. Of this amount, \$1.8 million is over 90 days old

Several key areas of outstanding receivables are of note:

- Property Taxes comprise a major portion of past due receivables, however, the penalties on outstanding property taxes are considerable and significantly offset any loss in interest.
- Juvenile Court/Detention had a total of \$688,113 in outstanding receivables. The County has stated that it is difficult to collect these funds due to the low income of many of the parents. However, the Juvenile Probation program is pursuing collections on these accounts.
- Grant funds represent nearly half of all over 90-day old receivables, totaling \$977,000 as of August 1998. However, since grants are “booked” as receivables on the date they are approved, this past due status may be misleading. The largest grant receivable amounts are found within the Human Services Grants (\$481,000) and Roads Fund Grants (\$321,000). While the County does not have direct control over the payment of these funds, the County may wish to work with State and Federal Agencies to expedite the receipt of these grant funds, where possible, to maximize interest revenues, and expand the use of electronic fund transfer, where possible.
- Election fees assessed on special district elections cannot be collected until the districts are established and have moneys to pay for these election proceedings. These receivables were over \$117,000 in August 1998.

- Gambling fees had a total of over \$144,000 in outstanding receivables in August 1998. The County is pursuing more aggressive collection of these accounts.

Standard business practices require that receivables be collected as soon as possible and that long-term outstanding receivables be turned over to collection agencies or written off. As cited above, various factors may contribute to over 90 day past due receivables. Improved communication and training in collections may help to expedite some payments. The use of electronic fund transfer technology may also help to expedite payment.

Additionally standard accounting practices require that uncollectible funds be written off to provide a more accurate picture of actual revenues. Otherwise it is possible to overstate County assets thereby impacting the reporting of the County's fiscal situation. While the degree of uncollectible receivables does not appear great enough to significantly impact fiscal planning, the County may wish to improve these practices to ensure that problems do not arise in the future.

Recommendation 4.3: County departments should monitor their receivables and supply Budget and Finance with a list of uncollectible receivables once per month. Continued diligence is recommended in collecting past due receivables and expediting, as feasible, grant payments through improved use of technology.

Recently, Budget and Finance contacted the departments requesting an update and action on receivable status and collection. This action will be followed-up annually to attempt to collect or write-off receivables. This change is a commendable step. The County should expand this program, however, by requiring all departments to notify Budget and Finance monthly of the status of all outstanding receivables. This will allow the County to write-off uncollectible debt and more appropriately report its fiscal status.

In addition, the County should continue its practice of sending outstanding Juvenile receivables to collection and pursuing the collection of gambling-establishment fees. Finally, the County should work with State and Federal Agencies to expedite the receipt of grant moneys to maximize interest revenues for the County.

APPENDIX A – PIERCE COUNTY RESPONSE TO RECOMMENDATIONS

This appendix contains Pierce County responses to the recommendations made in this report.

Responses received from Budget and Finance, District Court #1, and District Court #2 are provided in this section. Parks and Recreation Services and the Corrections Bureau indicated that no changes were necessary to the final report. At the time the report was produced, comments had not been received from the Auditor’s Office or Planning and Land Services.



Pierce County

Budget and Finance Department

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(253) 798-7450 • FAX (253) 798-6699

PATRICK KENNEY
Executive Director of Administration

September 23, 1998

To: Robert O'Neill, KPMG Project Director

From: Patrick Kenney, Executive Director of Administration

Re: **Cash Management Performance Audit: Final Report Draft**

Recommendation 3.4:

Budget and Finance should consider depositing all receipts on the same day received.
We concur and we have implemented their recommendation.

Budget and Finance should consider requiring Retail Lockbox to deposit all exception checks of \$10,000 or more on the same day.
We concur and have implemented their recommendation.

cc: M. Temmel

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Accounting • Budget
Revenue • General Services
Purchasing • Fleet





September 17, 1998

MEMORANDUM:

TO: Robert O'Neill, KPMG Project Director

FROM: Mike Kilborn, Court Administrator

RE: Cash Management Performance Audit: Final Report Draft

As requested, stated below are the Court's opinions regarding the recommendations directly affecting the Court.

Recommendation 3.4: Implement process changes to expedite the handling of cash receipts to achieve same day deposit of funds.

The District Court #1 cashiers should complete a mid-day register reconciliation at 3:00 p.m.

Partially Concur: Public service is paramount to the Court and ensuring a high standard of public service may preclude cashiers from reconciling at a predetermined time each day. Additionally, a costly custom armored transport schedule would be required to achieve same day deposit. For these reasons, a mid-day reconciliation would create inefficiencies that may negate the nominal \$500 to \$700 annual benefit.

The remittance amounts for Budget and Finance should be transferred directly from the District Court #1 Key Bank trust account to the Key Bank main account on the same day received.

Concur

Factual Information:

The Final Draft, page 3-6, contains statements which indicate District Court #1 does not forward deposit checks for two to five days. This does not accurately reflect the Court's current practices. Current practices are more accurately reflected in the Draft Report dated 8/26/98, page 3-3. Remittance checks are prepared daily and placed in the County's mail system.



Recommendation 3.4: The County should implement systems and methods to improve oversight and monitoring of cash accounting and reconciliation processes.

District Court #1 should implement a periodic monitoring system to accomplish the separation of duties without additional staff.

Partially Concur: The Court is subject to annual audits conducted by both the County's Internal Auditor and the State Auditor's Office. Neither of which has produced findings of inadequate internal controls. The Court feels that a monitoring system is in place and has recently implemented organizational changes which have provided for further separation of duties.



September 18, 1998

TO: Robert O'Neill, KPMG Project Director
FROM: Bonnie Medley, Administrator, Pierce County District Court No. Two
SUBJECT: Cash Management Performance Audit Response

In response to the Performance Audit recommendations, our court has the following responses:

Recommendation 3.4: Implement process changes to expedite the handling of cash receipts to achieve same day deposit of funds.

Recommended action: The accountant for District Court #2 should transfer funds at least weekly to the Key Bank main account.

Department Position: Concur

Recommendation 4.1: The County should implement systems and methods to improve oversight and monitoring of cash accounting and reconciliation processes.

Recommended action: District Court #2 should implement a periodic monitoring system to accomplish the separation of duties without additional staff.

Department Position: Partially Concur

District Court No. Two employs three Legal Process Assistants II (LPA II) governed by a union contract. Based on their job description and pay range, they do not have the responsibility nor authority for daily accounting functions of the Court. This responsibility falls under the job description and higher pay range of a LPA III. Since the Court does not employ a LPA III and does not have the financial means for promoting an LPA II to this level, all accounting functions fall under the responsibility of the Court Administrator. These functions are closely monitored by Budget and Finance on a monthly basis and by the State Auditor on an annual basis.

While it may be feasible for the Court Administrator to refrain from receipting payments and concentrate on the depositing and reconciliation functions only, this may decrease the level of customer service we now provide our constituents.



APPENDIX B – KPMG'S COMMENTS REGARDING PIERCE COUNTY RESPONSE TO RECOMMENDATIONS

KPMG has reviewed Pierce County's response to the Cash Management Performance Audit Report. Based on the County's response, KPMG made changes to the report as explained in this appendix.

Budget and Finance

No changes were made to the report based on the response received from Budget and Finance.

District Court #1

Based on the District Court #1 response, dated September 17, 1998, KPMG made the following modification to the report:

1. "The Final Draft, page 3-6, contains statements which indicate District Court #1 does not forward deposit checks for two to five days. This does not accurately reflect the County's current practices."

The factual information in the report was revised to more accurately reflect the current practices in District Court #1.

District Court #2

No changes were made to the report based on the response received from District Court #2.

Response from Planning and Land Services

Pierce County's Department of Planning and Land Services (PALS) responded late to the draft report, and the response did not make it into KPMG's final report of September 25, 1998. The response from PALS appears below as an addendum to the report. KPMG did not have an opportunity to comment on this response.



September 24, 1998

To: KPMG Project Director
attn: Robert O'Neill
955 Tacoma Ave S.
Tacoma, Wa 98402

From: Chuck Kleeberg, Director PALS

Re: Cash Management Performance Audit: Final Report Draft

In reviewing the final draft, dtd September 25, 1998, I have reviewed the audit findings and recommendations and provide the following coordinated response. There appear to be no substantial changes in the final draft that would change our previous responses to your memo of August 31, 1998. Therefore I have resubmitted the responses in the format you have requested.

Cash and check collections by Planning and Land Services are not deposited the same day received. (Page 3-7, draft final report)

Do Not Concur

Response: Cash reconciliation occurs at the end of the business day. The actual balancing and comparison between the cash register and the computer processing system (DCIS) is accomplished the following day by the department accountant. The total time involved in the ring out and preparation for the cash drawer for the following days business is approximately 10-15 minutes during which no transactions can occur. This will result in 10-20% of the daily intake to be held over until the following day anyway. Thus the 100% increase in interest revenue as a result of this change in procedure would be somewhat less. This hardly seems to be cost effective when comparing \$900-1000 to the total PALS revenue of \$6.4+million. The inconvenience to our customers would not warrant this minimal increase. Also with the need for either a second cash drawer or an additional \$400 start up for the new day would also reduce the additional revenue.

Issue 4.2: Several aspects of Planning and Land Services cash management practices and systems could be improved to ensure better controls over cash transactions.

Planning and Land Services counter technicians are able to modify fees without the approval of a supervisor.

Partially Concur



Response: There are several Department policies and procedures for modifying fees based on the application process. Counter Technicians are trained to accomplish the necessary modifications to fees in accordance with these procedures. These adjustments are not common place and are usually accompanied by a review by the cashier during payment collection. A supervisory review of every adjustment would affect the process time. Spot checking would be an appropriate approach to determine if there is any concern.

Applicants are provided with the printed application or permit prior to making necessary payments to the cashier.

Do Not Concur

Response: Standard operation procedure has the counter technician taking the completed application or permit to the cashier for ring up and then receiving payment from the applicant before giving the applicant a receipt and validated copies of the application or permit. Seldom is the applicant allowed to take all of the application or permit prior to the counter technician receiving payment. Even when the applicant goes to the cashier it is without the completed documents that must be validated by the cashier. To complete the computer process portion of the transaction, payments must be entered into the data base before acceptance of the application or issuance of the permit. Since there is no intertie between the cash register and the computer, these two processes are independent.

The process of selecting a new permit processing system has also identified a need to inter-tie the cash register process with the computer application process. This combination could minimize the concerns now encountered with independent systems. The new system could also provide adequate reporting processes that would reduce the reconciliation required by the accountant.

The use of a cashiering system separate from the PALS DCIS system results in additional work for the department's accountant.

Concur

A cashiering module on the present computer processing system or as a part of the new permit computer system would indeed reduce the accounting reconciliation time. This function is being pursued as a part of a proposed new permit system to replace the existing DCIS.

Recommendation 4.2: Planning and Land Services should institute controls changes to include weekly spot checks on fee adjustment transactions and systems that will integrate permit systems with cashiering functions, and support reconciliation of accounting and cashiering functions.

Concur