



INTERNAL AUDIT REPORT

DATE: July 13, 2018

TO: Jim Gray, Mayor

CC: Sally Hamilton, Chief Administrative Officer
Glenn Brown, Deputy Chief Administrative Officer
Aldona Valicenti, Chief Information Officer
William O'Mara, Commissioner of Finance & Administration
Phyllis Cooper, Director of Accounting
Rusty Cook, Director of Revenue
Monica Conrad, Director of Parks & Recreation
Susan Straub, Communications Director
Urban County Council
Internal Audit Board

FROM: Bruce Sahli, CIA, CFE, Director of Internal Audit
Chris Ensslin, CIA, CFE, CGAP, Deputy Director of Internal Audit

RE: US Bank Card Audit

Background

LFUCG Golf Courses, Extended School Program, Parks Rental and the Division of Revenue are merchants that accept credit card payments for goods and services provided for the convenience of their customers. Those four areas had 83,488 credit card transactions totaling \$3,666,586 that were processed through US Bank using point of sale equipment connected to a phone line in fiscal year 2017.



Scope and Objectives

The general control objectives for the audit were to provide reasonable assurance that:

- Controls are in place to provide reasonable assurance that bank card funds are credited to the LFUCG bank accounts in an accurate and timely manner
- Applicable policies and regulations are adhered to
- Management oversight is effective
- Credit card batches are complete and provide reasonable assurance of accurate credit card transactions

Audit results are based on observations, inquiries, transaction examinations, and the examination of other audit evidence and provide reasonable, but not absolute, assurance controls are in place and effective. In addition, effective controls in place during an audit may subsequently become ineffective as a result of technology changes or reduced standards of performance on the part of management.

The scope of our audit included transactions from July 1, 2016 through June 30, 2017.

Statement of Auditing Standards

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

Audit Opinion

In our opinion, the controls and procedures provided reasonable assurance that the general control objectives were being met. Opportunities to improve controls are included in the Summary of Audit Findings.



Priority Rating Process

To assist management in its evaluation, the findings have been assigned a qualitative assessment of the need for corrective action. Each item is assessed a high, moderate, or low priority as follows:

High - Represents a finding requiring immediate action by management to mitigate risks and/or costs associated with the process being audited.

Moderate – Represents a finding requiring timely action by management to mitigate risks and/or costs associated with the process being audited.

Low - Represents a finding for consideration by management for correction or implementation associated with the process being audited.

SUMMARY OF AUDIT FINDINGS

Finding #1: Lack of Timely Reconciliations

Priority Rating: High

Condition:

During fieldwork, the Accountant Senior informed us that they are typically behind two to three months on the Concentration Account Reconciliations.

Effect:

The absence of a timely reconciliation process could lead to inaccurate balances and errors or irregularities being undiscovered for several months.

Recommendation:

All reconciliations should be completed in a timely manner. The completion of reconciliations on a monthly basis is the usual standard noted in accounting sources.

Director of Accounting Response:

PeopleSoft upgrade will include bank reconciliation in order to improve audit logs and improve timeliness on monthly reviews.



Commissioner of Finance & Administration Response:

It is our intention to conduct bank reconciliations on a regular, timely basis.

Finding #2: Lack of Timely Journal Entries**Priority Rating: High****Condition:**

Journal Entries for Parks revenue for the period of October 2016 – June 2017 were completed at year end closing.

Effect:

Lack of timely Journal Entries could lead to inaccurate balances and errors or irregularities being undiscovered for several months.

Recommendation:

Journal Entries should be completed at the time reconciliations are completed.

Director of Accounting Response:

Journal entries are only completed annually to allow the accountant to thoroughly review transactions in order to ensure the entries are required. The PeopleSoft upgrade should eliminate the requirement.

Commissioner of Finance & Administration Response:

It is our intention to post entries on a regular and timely basis.

