



**Tax Collector Audit 2014 – Collection and Remittance of City Funds
- #754
Executive Summary**

Why CAO Did This Review

Pursuant to Section 102.118 of the Municipal Code, each of the constitutional officers is to be audited by the Council Auditor’s Office at least once every five years. The Tax Collector Audit was performed to meet the requirement of Section 102.118.

What CAO Recommends

We recommend that Branch Operations should immediately communicate to the Tax Collector’s Administrative Services area (who handles IT related functions) when an employee is terminated so that the employee’s access to any Tax Collector systems can be changed to an inactive status.

We recommend that the Tax Collector’s Office request from the City’s Chief Financial Officer (CFO) a waiver of the City policy regarding the return of cash to customers when a payment by check is more than the amount owed.

We recommend that the employees follow and the branch managers enforce the policies regarding employee checks cashing. We also recommend that the Tax Collector’s Office create a log of all personal checks cashed.

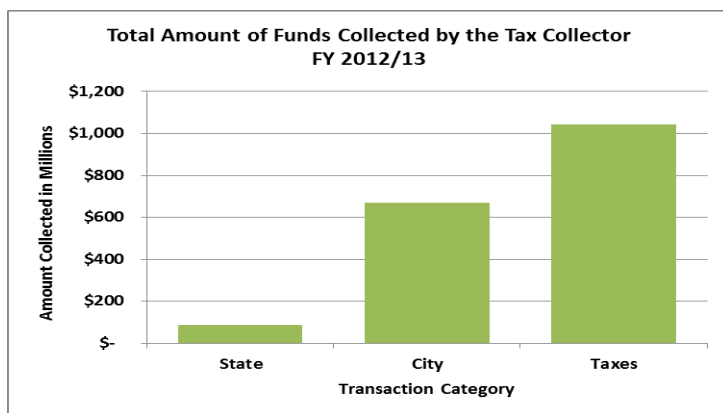
What CAO Found

We found that the Tax Collector’s Office did remit all taxes and user fees to the City of Jacksonville in a timely manner.

We also found that controls were in place regarding payments received by the Tax Collector’s Office and cash was handled and safeguarded in accordance with the City’s Cash Receipts Policy. However, we did note some minor violations of Tax Collector and City Policies.

More specifically:

- Some former employees still had access rights to the Tax Collector’s receipts system.
- The Tax Collector allows for cash back if a customer paid with a check if the cash back amount is less than \$10. This is a violation of City Policy.
- Tax Collector employees who cashed checks at the branches did not obtain proper branch manager approval in a few instances, cashed checks over \$50, and cashed more than one check per pay period – all in violation of Tax Collector Policy.





Council Auditor's Office

Tax Collector's Office – Collections and Remittance of City Funds

April 17, 2014

Report #754

Released on: September 30, 2014

EXECUTIVE SUMMARY

AUDIT REPORT #754

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OFFICE OF THE COUNCIL AUDITOR
Suite 200, St. James Building



April 17, 2014

Report #754

Honorable Members of the City Council
City of Jacksonville

INTRODUCTION

Pursuant to Section 102.118 of the Municipal Code, each of the constitutional officers is to be audited by the Council Auditor's Office at least once every five years. The Tax Collector Audit was performed to meet the requirement of Section 102.118.

Per Section 11.01 of the City's Municipal Code, the Duval County Tax Collector's Office is responsible for the collection of all taxes, fees, and service charges due to the City of Jacksonville. Tax Collector Operations are funded by transaction fees received from the State and the various taxing authorities or agencies, along with a contribution from the City's General Fund.

Ten Tax Collector Branches (nine full service and one limited service) throughout the County provide various services to citizens such as tax collections, a range of license renewals and vehicle title services. Payments are made by citizens, processed by Revenue Collectors and then deposited into a bank account for distribution to the appropriate agency. In addition to providing services to citizens, branches process City transactions such as the Jacksonville Public Library deposits, Public Parking collections and Animal Care and Control collections. The majority of the City transactions are handled by the Yates Branch located downtown.

STATEMENT OF OBJECTIVES

The objectives of the audit were as follows:

1. To determine whether the Tax Collector's Office remitted all taxes and user fees to the City of Jacksonville in a timely manner.
2. To determine whether controls were in place regarding payments received by the Tax Collector's Office and if cash was handled and safeguarded in accordance with the City's Cash Receipts Policy.

STATEMENT OF SCOPE AND METHODOLOGY

The audit scope period was October 1, 2012 through September 30, 2013.

For Objective 1, we randomly selected one day from each month during our audit scope period. We obtained the Tax Collector transaction reports for the days selected. We then pulled all the Tax Collector transactions from FAMIS for the days that were selected and compared the transaction date to the date in which the transactions are processed and posted in FAMIS, the City's accounting system, to ensure that all Tax Collector transactions for the days selected were recorded in FAMIS in a reasonable time period (not to exceed 3 days). We chose all of the transactions from the Tax Collector transaction reports with cash receipt numbers (CR) from each day. We compared the date that those CRs were created to the date in which the Tax Collector processed those transactions for the sample chosen to ensure that the transactions were processed in a reasonable amount of time (3 days or less).

For Objective 2, we selected the three busiest branches (Yates, Hogan's Corner, and Cedar Hills) and one branch at random (Neptune Beach). We observed the opening procedures, daily operations, and closing procedures for each of the branches selected. We also interviewed key personnel at each branch about their daily roles and responsibilities. We reviewed the Tax Collector policies and procedures for collections and branch operations and noted minor violations of these procedures based on observations and discussions. We reviewed a sample of the bank reconciliations for the Tax Collector's collections account. We obtained a list of all employee check cashing transactions during our scope period. For the checks that were \$50 and under, we selected a random sample and reviewed a copy of the check in the Tax Collector's receipts system to ensure that branch manager approval was obtained and that the person cashing the check was an employee of the Tax Collector's Office. We investigated any checks from the list obtained that were over \$50.

REPORT FORMAT

Our report is structured to identify Internal Control Weaknesses, Audit Findings, and Opportunities for Improvement as they relate to our audit objectives. Internal control is a process implemented by management to provide reasonable assurance that they achieve their objectives in relation to the effectiveness and efficiency of operations and compliance with applicable laws and regulations. An Internal Control Weakness is therefore defined as either a defect in the design or operation of the internal controls or is an area in which there are currently no internal controls in place to ensure that objectives are met. An Audit Finding is an instance where management has established internal controls and procedures, but responsible parties are not operating in compliance with the established controls and procedures. An Opportunity for Improvement is a suggestion that we believe could enhance operations.

STATEMENT OF AUDITING STANDARDS

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate 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.

AUDITEE RESPONSES

Responses from the auditee have been inserted after the respective finding and recommendation. We received these responses from the Tax Collector's Office, via Michael Corrigan, Tax Collector in a memorandum dated August 11, 2014.

AUDIT CONCLUSIONS

By Objective

1. The Tax Collector's Office remitted all taxes and user fees to the City of Jacksonville in a timely manner. No findings were noted during our audit period.
2. Controls were in place regarding payments received by the Tax Collector's Office and cash was handled and safeguarded in accordance with the City's Cash Receipts Policy. However, we did note some access rights issues, along with a couple of minor violations of the City's Cash Policy and the Tax Collector's Policies.

AUDIT OBJECTIVE #1

To determine whether the Tax Collector's Office remitted all taxes and user fees to the City of Jacksonville in a timely manner.

We had no findings related to Audit Objective #1. Therefore, it appears that the Tax Collector's Office did remit all taxes and user fees to the City of Jacksonville in a timely manner.

AUDIT OBJECTIVE #2

To determine whether controls were in place regarding payments received by the Tax Collector's Office and if cash was handled and safeguarded in accordance with the City's Cash Receipts Policy.

Internal Control Weakness 2-1 *System Access Rights*

During our testing, we discovered the following issues with system access rights:

- We found 70 users that still had access rights to the Tax Collector's receipts system even though they were no longer employed by the Tax Collector. Also, the Tax Collector did not have a written policy for terminating access rights for terminated employees.

- During our system testing, we discovered that the Tax Collector’s Chief Financial Officer (CFO) has administrator access to the receipts system. Administrator access allows a person total access to the system to make any changes.
- We also discovered a Tax Collector Branch Supervisor has ADMIN2 access (below an administrator) in the Tax Collector’s receipts system. ADMIN2 Access appears to be traditionally reserved for the higher level Branch Operations Managers.

Recommendation to Internal Control Weakness 2-1

We recommend that:

- The Tax Collector create a policy regarding termination of access rights for users who are no longer employed by the Tax Collector. We also recommend that Branch Operations immediately communicate to the Tax Collector’s Administrative Services area (who handles IT related functions) when an employee is terminated so that the employee can be changed to an inactive status. The Administrative Services area should periodically review active users for inactivity in the system to assist in identifying persons who are no longer employees.
- The Tax Collector’s Office management review the need for administrator access to the cash receipts system for the CFO.
- Branch Operations communicates with the Administrative Services area when an employee changes positions in the Office. We also recommend that the Tax Collector’s Administrative Services staff periodically review Administrator level access rights to ensure that they are still needed for those employees.

Tax Collector Response to Internal Control Weakness 2-1

Agree Disagree Partially Agree

- *The Tax Collector agrees with the recommendation and has implemented a procedure to ensure all access is terminated for users who are no longer employed by the Tax Collector. The Tax Collector’s Office followed City policy and completed the Separation Notification form for all employees and sent it the appropriate parties. One of those parties is ITD who disabled the former employee’s access to the City of Jacksonville’s network and as a result they would not have the ability to log into the Tax Collector’s system.*

- *To have the necessary coverage when other employees with administrator access are unavailable, it is necessary for the CFO to have administrator access to the receipt system. The risk of the CFO having administrator access is reduced as the receipt system logs all activity and these audit logs can be reviewed by our Compliance Officer at any time.*
- *The Tax Collector agrees with the recommendation and will implement a procedure to ensure all access is reviewed and appropriate.*

Finding 2 – 1 *Cash Back*

Sometimes customers write checks for a transaction before they visit a branch to pay in person. If the customer inadvertently writes the check for the wrong amount, but the check is written for less than \$10 in excess of the fee owed, the Tax Collector’s Office clerk would give cash back rather than processing a refund check. The Tax Collector’s Cash Receipts Handling policy states that “Cash may only be returned in the amount of \$10.00 or less when a payment by check (personal, company, or cashiers) is more than the amount owed.” However, this is in violation of the City’s Cash Receipts policy that states that when accepting checks, “Cash is not allowed to be returned when payment is more than the obligation to the City. Cash should not be given back as change to a customer for a personal check, company check or cashier’s check.”

Recommendation to Finding 2 – 1

We recommend that the Tax Collector’s Office request from the City’s CFO a waiver of the City policy regarding the return of cash to customers when the payment by check is more than the amount owed. This will eliminate the policy violation.

Tax Collector Response to Finding 2 – 1

Agree Disagree Partially Agree

- *The Tax Collector’s Office will seek a waiver from the City’s CFO regarding the return of cash to customers when the payment by check is more than the amount owed.*

Finding 2 – 2 *Employee Checks*

The Tax Collector’s Office allows its employees to cash personal checks at the branches under certain guidelines. During our testing, we found the following which are violations of the policy:

- Eighteen checks were over \$50 that were cashed by Tax Collector employees. This is in violation of the policy which states that employees may only cash checks of \$50 or less.
- Out of the 43 checks cashed by Tax Collector employees included in our sample, six checks did not have branch manager approval on the check as required by the check cashing policy.
- Two checks were cashed in the same pay period by a Branch Operations Manager which violates the check cashing policy that states employees may only cash one check per pay period.

Employees not getting branch manager approval for cashing a personal check may lead to the other violations of check cashing policies such as cashing checks over \$50 or cashing more than one check per pay period.

Recommendation to Finding 2 – 2

We recommend that the employees follow and the branch managers enforce the policies regarding employees obtaining managerial approval as evidenced by the manager’s initials when cashing a personal check. We also recommend that the Tax Collector’s Office create a log of all personal checks cashed by listing the name of the employee, their employee ID number, the check number, the check amount, and a full signature by the branch manager indicating approval of the check to be cashed. This will ensure legible approval by the branch manager and can be easily identifiable in case any problems arise.

Tax Collector Response to Finding 2 – 2

Agree Disagree Partially Agree

- *The Tax Collector agrees with this finding and will implement a procedure that will ensure that the policy is adhered to by all employees.*

Opportunity for Improvement 2-1 *Unused User Codes*

During our system testing, we discovered 15 user codes for personnel who use the Tax Collector’s receipts system on an infrequent basis (their passwords had not been changed within the previous 90 days of testing). We also found three unused user codes for three current employees (they had alternate user codes).

Recommendation to Opportunity for Improvement 2-1

We recommend that the Tax Collector’s management and Administrative Services area review those user codes to see if access is really needed. If so, they could create another user group just for those infrequent users.

Tax Collector Response to Opportunity for Improvement 2-1

Agree Disagree Partially Agree

To provide the best customer service to the citizens of Duval County, during peak times we utilize all available personnel to serve the public. In order to do this expeditiously, these employees need to have access to the cash receipt system. These personnel include senior staff members who work infrequently in our Branch locations. We will discuss with the cash receipts system vendor regarding the creation of another user group for these individuals and will weigh the cost versus the benefits prior to making any changes to the system.

We appreciate the assistance and cooperation we received from Tax Collector's Office throughout the course of this audit.

Respectfully submitted,

Kirk A. Sherman, CPA
Council Auditor

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