



GARLAND

INTERNAL AUDIT

Code Compliance Investigation Follow-up

August 16, 2016

Report 201642

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Overall Conclusion

IA found that there was no overages or shortages during the surprise cash count. Furthermore, IA's review of previous audit findings and recommendations indicated that all eight (8) recommendations were fully implemented.

Authorization

We have conducted a follow-up audit of the Code Compliance Investigation. This follow-up audit was conducted under the authority of Article VII, Section 5 of the Garland City Charter and in accordance with the Annual Audit Plan approved by the Garland City Council.

Objective

Our objective was to determine if previous audit recommendations from the "Code Compliance Investigation" report issued on March 16, 2015, were implemented.

Scope and Methodology

The scope of the follow-up audit was from March 16, 2015 to May 20, 2016.

In order to determine if previous recommendations were implemented, IA:

- Reviewed Finance Directive 1 – Cash Handling.
- Reviewed the Finance system to ensure change fund was returned.
- Performed a surprise cash count for the Code Compliance Department.
- Performed a gap analysis to ensure no gaps were identified.
- Inquired with the Department regarding new processes to detect gaps in transaction numbering.
- Inquired with management regarding annual user entitlement review and to ensure that access rights to the system were appropriate for each user.
- Obtained screen prints from the Code Compliance payment system to review for access rights and verify the changes in the delete function for payments.
- Compared employees listed in the Code Compliance system with active employees in the City's payroll system to ensure all employees listed in the Code Compliance system were active employees.
- Inquired with the IT Department regarding the annual user entitlement review and to determine the solution to prevent gaps in receipt numbering.

For data reliability purposes, IA determined that the system, application, database, processes and individuals involved did not change significantly from the previous audit. As a result, IA believes that data continues to be sufficiently reliable for the purposes of this report.

Background

On February 18, 2015, Internal Audit (IA) was contacted via letter by an anonymous informant who alleged various instances of fraud, waste and abuse in the Code Compliance Department. These allegations related to cash handling, the earning/use of compensatory time off, and the use of City resources at a ranch in Brownwood, TX. The results of our original investigation were distributed to the members of City Council on March 26, 2015.

The Code Compliance Department issues, inspects and regulates rental properties within the City of Garland and takes payments for single family and multifamily rental permits. The Code Compliance system is a web-based system that is being utilized to accept payments and manage rental permits. Beginning in August 2014, cash payments over \$10 are no longer accepted at the Code Compliance office, so most payments must be made by check or credit card. Occasionally, small payments of less than \$10 are taken for open record requests. Payment for code citations are paid at the Municipal Courts. Abatement fees are paid at Revenue Recovery.

Audit Follow-up

This follow-up audit was not intended to be a detailed study of every relevant system, procedure and transaction. Accordingly, the Follow-up section presented in this report may not be all-inclusive of areas where improvement might be needed.

The following results for each finding are as follows:

CASH HANDLING PROCEDURES	
CONDITION (THE WAY IT IS)	IA conducted a surprise cash count on 3/2/2015 at 1:30 p.m. and found that there was no money in the change fund drawer. According to Finance's records, Code Compliance was issued \$200 as change fund start-up money. Per discussion with the cash custodian, she brought the money to the bank to make change on 2/27/2015, but left it at her house. However, on the morning of our cash count, the cash custodian had signed a document stating that the \$200 was in her change drawer. Based on IA's follow-up on 3/3/2015, the money was returned.
RECOMMENDATION	<ol style="list-style-type: none">1. Re-evaluate the change fund at the Code Compliance Department. If the change fund is maintained:<ul style="list-style-type: none">• Determine if a smaller change fund would be appropriate since cash payments over \$10 are no longer accepted.• Follow Finance Directive 1 in relation to daily verification of change drawer funds by a supervisor.• Change drawer funds should only be used for business purposes, not for personal use.2. Investigate all gaps in the daily transaction report and investigate all deleted and/or missing receipts.
MANAGEMENT RESPONSE	Code Compliance Management concurs.
ACTION PLAN	<ol style="list-style-type: none">1. Cash/Change holdings will be eliminated. Management has limited cash transactions to \$10 or less and staff cannot accept cash over a \$20 bill. The intent of the cash drawer was for the convenience of the customer; however, since we no longer accept cash for transactions over \$10 the need for change only revolves around Public Information Requests (PIR). According to information received by the City Attorney's office, collection of fees

related to PIRs is discretionary. Fees of nominal amounts will not be collected when the customer does not have correct change. The cash fund will be eliminated and the \$200 will be deposited to account 100-1019 per instruction of the Finance Department.

2. Obtain "Receipt Gap Report" developed by Internal Audit and incorporate this report into the department's existing transaction review. It was discovered by staff that multiple persons performing simultaneous data entry may result in receipt number deletions by the Code Compliance system. This glitch was identified during testing prior to go-live years ago and developers found "code" that needed to be "turned-on" to eliminate the issue. This reoccurrence appears to be related to the same glitch and discussion is underway with IT and the current Code Compliance system vendor to make certain similar deletions do not recur as a result of this system flaw. The Receipt Gap report developed by Internal Audit will be incorporated into our current daily transaction report to department management.

**IMPLEMENTATION
DATE**

1. March 30, 2015
2. ASAP based on IT and Code Compliance system vendor delivery

FOLLOW-UP

1. IA performed a surprise cash count on March 20, 2016 and found that the department followed Finance Directive 1 – Cash Handling. Additionally, IA reviewed the general ledger and confirmed that the petty cash previously noted was returned to Accounts Payable and the department eliminated its cash/change holdings.
 2. IA used an intermediary software to extract transactions from the Code Compliance payment system since March 16, 2015, and performed a gap analysis of transaction numbers. No gaps were found in our review. IA's inquiries with and reports provided by the Department indicated that they continually review transactions daily for gaps.
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IMPLEMENTATION

1. Fully Implemented.
 2. Fully Implemented.
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CODE COMPLIANCE PAYMENT SYSTEM

CONDITION (THE WAY IT IS)

It was determined that 18 individuals had administrative rights to delete payment information within Code Compliance system. Four of these individuals have either been terminated or transferred to another department.

During the course of our review (10/1/2013 – 3/6/2015), IA found 76 gaps in record numbers. IA's review of a sample of 47 (see Sampling Methodology on page 7) records revealed the following:

- 31 had been manually deleted by Code Department users. Transactions were deleted when payment information had been incorrectly entered by the Code Compliance employee. Sufficient review of these deleted receipts was not occurring, so we are unable to confirm if all of these deletes were appropriate.
- 7 had been changed or backdated by Code Department users, resulting in missing receipt numbers.
- 9 had no record. The IT department worked with the system support vendor and determined that the code which generates the receipt number does not verify if a receipt number has already been assigned. This may result in a gap in receipt number.

RECOMMENDATION

Code Compliance Management should:

1. Consider using the system's functionality to 'deactivate' records in order to maintain a more accurate audit trail of all system transactions. In the interim, access to the 'delete' function should be restricted to necessary individuals.
2. Inform the IT department when individuals no longer need access to the system due to transfer or termination.

IT Department should:

1. Work with the Code Compliance system support vendor to ensure that system-related gaps in receipt number do not occur in the future.
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2. Ensure that the Code Compliance system be added to IT's Annual User Entitlement Review.
 3. Deactivate all individuals who are no longer employed within the Code Compliance Department.

**MANAGEMENT
RESPONSE**

Code Compliance Management Concur.

IT Management Concur.

ACTION PLAN

Code Compliance Action Plan:

1. Limit "delete" rights to certain staff members. Code Compliance system audit features track every action of Code Compliance system users, including delete functionality. As a result of the audit, Code Compliance management was informed the "delete" function removes the original receipt number from the sequence although the user action is tracked. Once this was brought to our attention, delete rights were severed from all users with the exception of one designated employee. Moving forward, the delete process will not be utilized.
 2. Modify processes to "deactivate records" in lieu of deletion and limit access to this process based on user need. Research conducted as a result of the audit revealed a "deactivate" function that Code Compliance staff was unaware existed. According to what we know at this time, this "deactivate" function maintains the original receipt number that can be tracked on the "back end" of the software.
 3. Remove access of unnecessary persons to Code Compliance system by utilizing a report obtained by Internal Audit relating to security access. IT has created a new report at the request of Internal Audit and the report is now under review by Code Compliance management. Persons that no longer need access to Code Compliance system will be severed from the system.
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IT Action Plan:

1. A Code (solution) has already been written and will be implemented on the next update for SF/MF module in Code Compliance system. This is scheduled for Friday at noon dependent upon SF/MF signoff on testing.
2. This is in our new monitoring application and will be a part of the Annual User Entitlement Review to be released in May 2015.
3. All employees no longer in code were removed except one, due to departmental need.

**IMPLEMENTATION
DATE**

Code Compliance Implementation Date:

1. Immediately
2. ASAP based on IT and Code Compliance system vendor delivery
3. April 6, 2015

IT Implementation Date:

1. 3/27/2015 - Pending Code Department approval
2. May 2015
3. 3/23/2015

FOLLOW-UP

Code Compliance:

1. IA reviewed access rights in the Code Compliance system to ensure the delete function was limited to specified users. Furthermore, IA reviewed screens of a user with access to delete and a user without access to delete to ensure that capabilities were limited according to management's action plan. IA's gap analysis indicated that no deleted transactions were found.
 2. IA's review of employees listed as users in comparison to active employees listed in the City's payroll system indicated that no terminated employees were presently
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listed as active in the Code Compliance system.

3. IA's inquiry with Code Compliance management indicated that employees listed in the User Entitlement Review report were reasonable.

IT Department:

1. IA's inquiry with IT indicated that the solution applied to the Code Compliance system to prevent gaps was to limit access to the delete function to only those individuals specified by management.
2. IA's review of IT's SharePoint site confirmed that the Code Compliance system had been added to the annual user entitlement reviews and inquiries with management indicated that the new report had been issued to them for review.
3. As stated earlier, no exceptions were found when IA compared the annual user entitlement review report to active employees listed in the City's payroll system.

IMPLEMENTATION Code Compliance:

1. Fully Implemented.
2. Fully Implemented.
3. Fully Implemented.

IT:

1. Fully Implemented.
 2. Fully Implemented.
 3. Fully Implemented.
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