

Montgomery County, Maryland
Office of the County Executive
Office of Internal Audit



Montgomery County Police Department
Cash Receipts Internal Controls

June 5, 2015

Highlights

Why MCIA Did this Audit

The Office of Internal Audit (MCIA) contracted with accounting firm SC&H to perform an independent assessment (audit) of new procedures and controls instituted by the Montgomery County Police Department (MCPD) for its processing of cash receipts and payments.

Our audit of the MCPD's controls over cash receipts was performed in two separate phases. As part of Phase I, MCIA met with MCPD to discuss the known control weaknesses and corrective actions currently being put into place. MCIA reviewed each of the existing action items and assisted to expand upon them and determine additional suggestions. Overall, MCIA and MCPD identified 19 suggested actions to enhance the internal control structure over cash receipts to include payment collection, processing, and recording. The second phase of the audit focused on evaluating (1) MCPD's remediation of the suggestions identified in Phase I, and (2) how successfully MCPD implemented them.

What MCIA Recommends

MCIA is making four recommendations to MCPD including completing the remaining Phase I action items, testing implemented controls, and coordinating with Finance and other appropriate departments on the controls and functions around cash receipts.

April 2015

Cash Receipts Internal Controls – Montgomery County Police Department

What MCIA Found

Prior to and during the MCIA review the Montgomery County Police Department (MCPD) designed and worked to improve procedures over the receipt and processing of payments. For example, MCPD implemented a training for applicable employees regarding the proper procedures for cash handling, established a process to ensure each register or lock box is balanced before turning it over to the next shift, and instituted a requirement that one person prepares the deposit and another unit verifies that the deposit amount reconciles with the cash register reports, which are maintained in a cloud based cash register system.

However, in reviewing processes at six MCPD locations, we determined various control weaknesses were still in the process of being corrected or had not been addressed. Specifically, we found weaknesses in internal controls over the following areas: (1) segregation of duties regarding the cash receipt process; (2) safeguarding of assets; (3) standardization across all MCPD locations; (4) access rights and password controls; and (5) proper/formal approval over the daily balance review and voided transactions.

MCPD has been actively working to resolve all of weaknesses it and we identified. MCPD has implemented 13 out of the 19 suggested actions since the initial phase of MCIA's review.

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Objectives

This report summarizes an audit performed by SC&H Group under a contract with the Office of Internal Audit (MCIA) to review and determine the state of the Montgomery County Police Department (MCPD) cash control environment. MCPD was in the process of redesigning and improving its processes and associated systems. MCIA's review was to ensure all weaknesses were identified and that appropriate actions were outlined to resolve and/or mitigate the associated risks. The review was performed in two phases; Phase I objectives were to assess the current state of MCPD internal controls over its cash (and other receipts) process and suggest specific actions or procedures to ensure effective controls. The primary objective of Phase II was to determine if the actions suggested or developed by MCPD were in fact implemented, to evaluate the operational effectiveness of controls over the processes around the receipt and recording of payments, and the review of controls around the ShopKeep point of sale system¹.

This internal audit was performed in accordance with consulting standards established by the American Institute of Certified Public Accountants (AICPA) and generally accepted government auditing standards (GAGAS) established by the Government Accountability Office, as appropriate. SC&H Group's proposed procedures were developed to meet the objectives stated above, and were reviewed and approved in advance by MCIA. The Phase I and Phase II procedures of the review were conducted from January 2014 to December 2014.

Background

Montgomery County Police Department

The Montgomery County Police Department (MCPD) receives payments at each of its 12 responsible locations, per Police officials. The total payments received by the departments using the new ShopKeep POS system from April 2014 through December 2014 were approximately \$1,242,000. The service and/or product requests vary based on location. During Phase I of our review, we selected six out of the 12 locations and examined the procedures around cash and other receipts. A seventh location was initially selected for review, Animal Services², but was not ultimately included, as the division was in the process of relocation to a new facility during the time in which our audit was conducted.

The following provides a summary of each of the reviewed locations. These summaries were established as a result of interviews performed at each of the locations during Phase I of the project, conducted from February 2014 through March 2014.

¹ ShopKeep is an iPad based point of sale system. The point of sale system is utilized to complete retail transactions. It is the point at which a customer makes a payment to the merchant in exchange for goods or services.

² In February 1996, Animal Control was abolished as an independent county department, and its functions were moved to the newly created Animal Services Division of the Montgomery County Police Department.

Silver Spring (Third District) & Wheaton (Fourth District) Police Stations

Montgomery County is divided into six separate police districts. For the purpose of our review, we selected two of the districts: the Third District that includes Silver Spring, and the Fourth District that includes the Wheaton area. The police stations receive customer payments for the following: accident reports/photocopy fees, and fingerprint service fees. For the districts that we selected, we documented and assessed the police stations' payment processing and cash-handling procedures and related controls.

Customer payments for documentation requests are generally received in person at the Cashier window. These requests include the following:

- **Fingerprints:** Upon the request for finger print cards, the Cashier/Police Services Assistant (PSA) requires the customer to present valid photo identification (ID) and proof of County residency. The Cashier/PSA fills out a form stating the requestor's name, date, and the number of cards being requested.
- **Accident Reports:** For all accident report requests, the Cashier/PSA requires the case number of the report in question. Once the case number is provided, the Cashier/PSA verifies that the report has been approved by the Sergeant. If the report has been approved, the request is accepted and a copy is provided to the requestor.

Payment is collected by the Representatives of each station at the time of the request. Payment is accepted by cash, check (money order), or credit/debit cards at the Silver Spring Station. However, credit/debit card payments are not accepted at the Wheaton Station. Further, PIN debit cards are not accepted at any station.

Evidence: Evidence is obtained by arresting Officers who seize property that is suspected of being associated with a crime. The evidence is taken to the police station where it is processed and logged into the County Evidence System (Quetel)³. All serial numbers of all bills are photocopied and kept with the case file and a Seized/Recovered Money Memo, which lists the amount of money by denomination, is completed by the Officer. A second Officer independently recounts the money and confirms the total amount detailed on the Seized/Recovered Money Memo. After the count is verified, the initial Officer compiles the cash in an evidence envelope, seals it, and signs the bag. The bag is logged into Quetel and the second Officer also initials within the system to document the count is correct. The bag is then dropped in the locked mail box.

The Police District Station Assistant⁴ (PDSA) (or authorized backup, Lieutenant or two Public Services Assistant⁵ (PSAs)) retrieves all evidence every morning by unlocking the mail box and opening the storage lockers. The evidence is transferred into the evidence room, which is secured by an electronic card reader and a unique password.

³ Quetel is the general name used by the MCPD to describe the specialized evidence management and tracking system that is used for property and evidence management. Quetel is the name of the third party vendor that created and maintains the system.

⁴ The Police District Station Assistant is a supervisor responsible for the oversight and management of the Police Services Assistants.

⁵ Police Services Assistants are non-sworn employees who perform clerical and administrative duties within a police station.

The PDSA identifies the case number in Quetel, verifies that all evidence is present, and prints a list of barcodes. The barcodes are placed on the sealed evidence and updated in Quetel. Furthermore, cash evidence is stored separately and is retrieved by the Evidence Unit⁶ for transport to the County Evidence Room where it will be held before deposit. Refer to the “Evidence Section” below for information regarding the process that follows after this point.

Records Management Section

The MCPD’s Records Management Section is responsible for maintaining, processing, and releasing accident reports, offense reports, and other public information requests for information. The Records personnel accept and process payments for various record requests, and provide photocopies of requested documents.

The customer generally makes a request at the Cashier window. The requests for a specific product include:

- Mug shots
- Digital photos
- Emergency Communications Center (ECC) tape recordings
- Finger print cards
- Incident/Accident reports

The customer is required to present valid photo identification (ID) and to complete a Report Dissemination Form, which is a paper-based form that individuals are required to complete for each report or document that they are requesting. The Report Dissemination Form includes the requestor information, requested report information, payment information, and a records review/approval section.

In addition to providing valid photo ID, there are several requirements the customer must meet in order to obtain a record. Requirements include the following:

- The requestor generally must be the victim. Exceptions include the following:
 - The requestor is submitting the request on behalf of his/her underage child, who is the victim. If this is the case, the customer must present valid photo ID and complete an Authorization for Release of Information Form.
 - The requestor is submitting the request on behalf of his/her spouse, who is the victim. If this is the case, the victim must write a request letter and the spouse must provide the letter with his/her own valid photo ID.
- Insurance agencies may request on behalf of a victim.

If the request is not approved, the customer is not provided with the requested information and the process ends. However, if the request is approved, the Cashier signs and dates the Report Dissemination Form and processes the payment.

Payment is accepted in three forms, which include cash, check (money order), or credit/debit cards. No debit cards are accepted that require a PIN, as the County does not currently have equipment to support this option. Check payments are processed by the Records Management Section via the bank product, “Deposit on Site”.

⁶ The Evidence Unit is responsible for maintaining accurate records of all incoming property and evidence (including cash), properly storing and safeguarding the evidence, and protecting the integrity of the chain of custody.

Vehicle Recovery Section

The Vehicle Recovery Section (VRS) is responsible for removing abandoned, unregistered, and junk vehicles from county roads and community neighborhoods. The VRS collects and processes payments for towing, storage and administrative fees upon the release of a vehicle. The VRS also collects auction fees from the sale of vehicles.

- **Property Collection:** The VRS accepts all authorized towed vehicles from any governmental agency within Montgomery County. Most vehicles are claimed by the vehicles' owners. In these instances, the VRS collects and processes payment for towing, storage, and administrative costs. Some vehicles go unclaimed. The unclaimed vehicles are sold at monthly County auctions. The VRS collects and processes the payments from these auction sales, as well as from propertyroom.com, for auctions of property that is removed from these unclaimed vehicles.

The VRS will also recover all bicycles within Montgomery County when reported to the unit by the public or police agencies. The recovery time will be as soon as possible, depending on the availability of VRS personnel to perform the recovery.

A customer makes a payment for the specific service at the Cashier window. Services include the following (as of July 1, 2013):

- Direct tow of an abandon/stolen vehicle to impound yard
- Complete police tow
- Incomplete tow (paid at a rate of 50% of the completed tow)
- Winching (per hour; 30 minute minimum)
- Vehicles winched and not towed (charged at the towed rate)
- Transfer to impound yard from tower's storage lot/stations
- Storage per day at tower's storage lot
- Storage per day at the impound yard

Upon the request for pick up, the Cashier requires the customer to present valid photo ID and proof of title, and complete a Vehicle Release Form (a paper-based form that is a formal request to release the vehicle to the owner or designee). The Vehicle Release Form contains information specific to the vehicle, and the owner. Exceptions for the proof of title requirement are as follows:

- The VRS may release a vehicle without a title if the vehicle displays current, valid, registration plates. The registration plates must be permanent, hard metal, issued by a Department of Motor Vehicle agency within the United States.
- The VRS may also release a vehicle without a title if the owner presents a valid registration card for the vehicle, along with proof of identification.
 - The presumption under this exemption is that the current registered owner is also the titled owner of the vehicle. Prior to release of a vehicle by registration only, the claimant will confirm to the VRS staff that he/she is the current owner.
- The VRS may also release vehicles to the lien holder (such as a bank or previous owner) upon satisfactory proof of titled security interest.
- The VRS may release vehicles to an insurance company if the insurance company submits a Liability/Hold Harmless release to the VRS and pays all related charges.

If the request is approved, the Cashier signs and dates the Vehicle Release Form, evidencing approval and processes the payment. However, if the request is not approved, the vehicle is not released to the customer.

- **PropertyRoom.com:** PropertyRoom.com is an online auction site that facilitates the sale of unclaimed evidence and property. The VRS is notified when a case is closed and the associated evidence may be returned to the owner, transferred to police use, scrapped, or sold. Items that are unclaimed and are determined to have value are transferred to propertyroom.com for auction.

The items are located in a designated storage trailer and are assigned a barcode. A corresponding barcode is applied to the propertyroom.com manifest which lists the product's stock keeping unit number (SKU), description, case ID, serial number (when applicable), and an agency reference number.

Upon the sale of the items, propertyroom.com sends a check to Montgomery County, which is addressed to the Sergeant of the Evidence Unit. The Evidence Unit ensures the amount of the check is correct by logging into propertyroom.com to print a description of all items sold. The check and list of items sold is forwarded to Management and Budget Division.

- **Auction:** Live auctions are held on the fourth Saturday of each month. The auctions are open to the public. All customers who wish to bid on cars must register and receive a bidder number to participate in the auctions.

After being awarded the winning bid, the customer brings the winning form and his/her identification to the Cashier. The Cashier enters the winning amount into the cash register and asks for form of payment. A separate cash register is utilized for auction payments.

Payment is accepted in three forms: cash, check (money order), or credit cards. No debit cards are accepted that require a PIN.

False Alarm Reduction Section

The False Alarm Reduction Section (FARS) of the Police Department was created to administer the County's alarm law. The main function of the FARS is to reduce the number of false alarms to which police respond each year. The FARS licenses alarm companies, registers alarm users, send notifications of false alarms, and bills for excessive false alarms to alarm users. FARS also ensures that appropriate inspections and upgrades of alarm systems occur. Further, FARS handles informal appeals regarding the false designation of alarm activations.

On a daily basis, an employee within the FARS team logs into the False Alarm Tracking and Billing⁷ (FATB) database. The FATB system will generate renewal notices for all residential and non-residential customers whose alarm registrations are up for renewal, as well as alarm companies whose County registrations require renewal. The FATB system will also generate residential and non-residential notices of false alarm activations. The FARS team prints the renewal and false alarm notices and mails them to customers on a daily basis.

- **Customer Payments:** Customer payments are generally received through the mail; however, FARS does accept cash payment in person and credit card payments over the phone. Typical services include the following:
 - Alarm Company Registration, and Renewal fee
 - Alarm User Reinstatement fee
 - Residential and Nonresidential Registration fee

⁷ The False Alarm Tracking and Billing (FATB) database is a system used by FARS to track and manage all residential and non-residential alarm registrations within the County. FATB also tracks instances of false alarms and generates invoices related to false alarm activations. FATB also tracks and manages alarm companies that are registered to operate within the County.

- Residential and Nonresidential Renewal fee
- Nonresidential False Alarm fee
- Residential False Alarm fee

Evidence Unit

The Evidence Unit is responsible for maintaining accurate records of all incoming property and evidence (including cash), properly storing and safeguarding the evidence, and protecting the integrity of the chain of custody.

- **Receipt & Storage:** Evidence is obtained by arresting Officers who seize property that is suspected of being associated with a crime. The evidence is taken to the police station or evidence collection point where it is processed.

The items are transported to police department's Public Safety Headquarters (PSHQ) building located on Edison Park, where the items are scanned and put in storage. High risk items (e.g., guns, drugs, currency, items removed from packaging for propertyroom.com, etc.) are stored in a special storage area that requires an access card to enter and is under video surveillance. Additionally, two representatives of the Evidence Unit are required to be present whenever currency is being retrieved from, or stored in, the high risk storage area. The Evidence Unit is notified when a case is closed and the evidence may be returned, transferred to police use, scrapped, or sold.

- **Scrap Metal:** When a case is purged (removed) and the evidence cannot be sold at auction, the evidence is examined to determine if it can be sold as scrap metal. Typical items include, but are not limited to, safes, grow lamps, and ammunition storage cases.

When it is determined that there are enough items to be scrapped, two members of the Evidence Unit load the items onto a truck to be transported to the destruction center. The same two members transport the items on the truck to the center. The Evidence Unit members receive the cash payment from a privately owned metal recycling facility to include a receipt for the scrap metal and return to the Evidence Unit. The money and receipt are provided to the Management and Budget Department for processing and deposit.

- **Cash Forfeiture:** Cash is retrieved from the Evidence locations (stations, labs, family crimes, major crimes, special investigations, and forensics) by the Evidence Unit team members. The cash is brought to PSHQ, scanned, and placed in a safe in the secure room located in the high risk storage area section. Only the Evidence Unit team members have the combination to the safe. The cash record is updated in Quetel to reflect the current location.

Deposit slips are filled out for each sealed bag. An armored car service (Loomis) retrieves the money on hand and corresponding deposit slips to deposit at the bank twice a week. The deposit slips are compared to the Montgomery County Police Department Escrow Transfer Report (from Quetel), and when the amounts agree two team members sign and date the Transfer Report. The Loomis courier signs the log to note that the deposit is being picked up and is escorted by the Evidence Unit team members to the armored car. The money is then transported to the bank and deposited.

- **PropertyRoom.com:** Items that are determined to have value will be transferred to propertyroom.com for auction. The items are located in storage, unpackaged, and are assigned a barcode for propertyroom.com by two members of the Evidence Unit team. A corresponding barcode is applied to the propertyroom.com manifest which lists the product's stock keeping unit number (SKU), description, case ID, serial number (when applicable) and

an agency reference number. The location of the items in the Quetel evidence management system is updated to "Auction". PropertyRoom.com retrieves the items monthly from the Evidence Unit and transports and stores the items for auction.

On a monthly basis, propertyroom.com sends two checks to the Evidence Unit Sergeant (one for the Evidence Unit and one for VRS). The Evidence Unit ensures the amount of the check is correct by logging into propertyroom.com to print a description of all items sold. The check and list of items sold is forwarded to Management and Budget Division. The check summary, which shows the list of items that sold, the amount of the check, and the location number where the items were picked up are provided to the Management and Budget Division.

Scope and Methodology

Cash Control Scope and Methodology

SC&H reviewed six of the 12 MCPD facilities. The six facilities are:

- The Evidence Unit;
- The False Alarm Reduction Section (FARS);
- The Vehicle Recovery Section (VRS);
- The Records Management Section;
- The Silver Spring police station (Third District); and,
- The Wheaton police station (Fourth District).

During Phase I, we met with the individuals at each facility to discuss and walk through the receipt process. The Animal Services Division was initially selected as part of the review, but was ultimately not included, as the facility was in the process of relocating at the time the review was being performed.

During Phase I of the review, we interviewed key personnel at each location to understand and document the processes regarding payment (e.g., cash, check, and credit card) receipts. Specifically, we inquired about the processes for collection and handling, processing, authorization, recording, and reconciling of all payments received. During the site visits, we observed and documented the payment receipt activities to further understand each of the processes and their associated controls. Throughout the interview and walkthrough procedures, we obtained process-related documentation to gain clarity regarding the type of information that was prepared and reported during the payment receipt process.

Based on our observations and discussions, we documented the location's processes including preparing a process-level flowchart. We incorporated the detailed steps regarding each location's payment receipt process, and related sub-processes (during the time of the interviews). The flowcharts provided visualizations to aid in understanding the flow of each process and the steps involved, from beginning to end. Within each flowchart, we documented and identified risks related to the payment receipt functions. For each risk, we also documented identified control(s) to mitigate the risk. For any instances where a control was not identified, we documented a gap/weakness.

We also reviewed corrective actions/enhancements (both planned and recently implemented) that were specific to the MCPD locations included in the scope of our review, and applicable to the MCPD at an overall organizational level. Further, we reviewed internal assessments (both planned and completed) that were being performed by the MCPD to improve its own internal controls. These additional factors were considered as we performed our reviews and concluded on control weaknesses that would be mitigated by the MCPD's implementation of corrective actions in response to weaknesses that they previously identified.

During Phase II, we revisited the Wheaton police station, the Records Management Section, and the False Alarm Reduction Section. At each of the follow-up location visits, we were accompanied by the MCPD Sergeant, Evidence Unit. We interviewed individuals to discuss the implementation of our suggestions that resulted from the Phase I findings, and determined whether the identified weaknesses had been adequately addressed, based on those inquiries and observations. Based on the results of these discussions, we updated our findings to reflect the current state of each observation and corresponding recommendation. Where relevant, we obtained supporting documentation as evidence that the weakness had been adequately addressed. Findings and observations were documented and discussed with MCPD management.

We also performed a review of ShopKeep by observing MCPD current practices. We determined that the practices observed, if consistently followed, appeared to provide sufficient controls based on industry standards for credit card procedures. We also attended a meeting conducted by MCPD Sergeant, Evidence Unit and attended by Montgomery County IT and Finance to discuss the ShopKeep system, its security, and the status of the system review being performed by another firm. However, it should be noted that the County was still in the process of drafting formal policies and procedures, specifically around the payment Card Industry Data Security Standard (PCI-DSS). We have no comment on these policies and procedures under development.

Findings

Below is a summary of the findings and the associated suggested control improvements identified during Phase I of the review. The current status of all suggestions is also stated below, which was reviewed and evaluated during Phase II. The current status was determined per observation and discussion with the Evidence Unit Sergeant and Administrative Specialist, as well as through limited testing. The limited testing was completed to evidence the control effectiveness of the remediated actions put in place as of August 31, 2014. To date, MCPD has implemented 13 of the 19 suggestions. The remaining six items are in process and MCPD is actively working to implement them.

Item 1

Locations: Police Station: 3D; Police Station: 4D; Records Management Section and Vehicle Recovery Section

Observation/Finding: Cash receipt duties are not properly segregated. Process representatives perform one or more conflicting cash functions (e.g., payment receipt, handling,

recording, depositing, and reconciling). As a result, there is the potential for mishandled and/or stolen funds.

Suggestion: The functions of payment receipt, recording, depositing, and reconciling should be properly segregated to lessen the likelihood of mishandled and/or stolen funds.

Status: *Implemented*

Per discussion, the functions have been segregated as outlined below:

Payment Receipt – PDSA/Counter

Recording – PDSA/Counter

Depositing – Cashier Manager/ Supervisor

Reconciling – Evidence Unit

Item 2

Locations: Police Station: 3D

Observation/Finding: Even when locked the register can be opened by pressing a button on the bottom of the register.

Suggestion: All registers should be properly secured to limit access to only properly approved individuals.

Status: *In Process*

Per discussion, with the implementation of the ShopKeep system, new registers were purchased. Therefore, the issue with the button on the bottom of the register has been eliminated. Concerning properly securing registers, this is still in process. Locks have been installed to secure the iPad to the register and DGS will also be assisting to bolt the registers down. MCPD will report on status of this when a confirmed completion date has been established.

Item 3

Locations: Vehicle Recovery Section

Observation/Finding: Evidence is not logged into Quetel referencing the description and case number.

Suggestion: As evidence is received it should be entered into the Quetel system referencing the description of the item(s) and related case number.

Status: *In Process*

Per discussion and limited testing, all property is currently logged onto the manifest for propertyroom.com and all items are inventoried prior to an auction. Each item is not currently logged into Quetel. Currently, only larger items which cannot be stored by the stations (i.e. generators, motorcycles, tools w/ gasoline, etc.) are logged into Quetel.

MCPD is currently training VRS employees to use the Quetel system to ensure the input and tracking of evidence/property is completed. The training is expected to be completed by July 2015. Per discussion, the need to get all items logged into Quetel is understood and MCPD is working towards this as the ultimate outcome.

We obtained the VRS Property Intake Report out of Quetel from June 2014 through December 2014 and noted 22 records input. The report primarily evidences bicycles that were recovered.

Item 4

Locations: Vehicle Recovery Section

Observation/Finding: There is no log to monitor who enters the evidence trailer and the time of entry.

Suggestion: A log should be implemented and maintained to monitor who is accessing the evidence trailer.

Status: *Implemented*

Per observation, a log is maintained recording entrance and exit of the evidence trailer.

We obtained a copy of the log from 7/24/2014 to 11/15/2014. The log details date, name, time in, time out, case number, and items involved. Based on review, the log is being properly maintained for entry into and out of the evidence trailer. We did note two instances where no sign out date was completed and one line where a case number was missing from the entry. However, the implementation of the log has been completed.

Item 5

Locations: Vehicle Recovery Section

Observation/Finding: Vehicles are searched for evidence in an area that is accessible to employee vehicles.

Suggestion: Vehicles should be searched for evidence in an area separate from employee vehicles. Alternatively, cameras could be installed to monitor and help ensure evidence is not handled incorrectly.

Status: *Implemented*

Per discussion, employees are no longer permitted to park beyond the gate where the evidence is maintained. Employees are required to utilize their ID Badge to gain access to the gated area.

Item 6

Locations: Vehicle Recovery Section

Observation/Finding: Individuals do not have unique user codes for the register.

Suggestion: All individuals should be assigned unique user codes allowing the ability to trace transactions to specific individuals.

Status: *Implemented*

Per discussion, the ShopKeep system assigns a unique user code to provide the transparency into those employees who are entering transactions within the system.

Item 7

Locations: Police Station: 3D; Police Station: 4D; Evidence Unit Section; False Alarm Reduction Section; Records Management Section; Vehicle Recovery Section

Observation/Finding: There is a lack of standardized policies and procedures throughout the County Police locations. As a result, payment handling functions may be inconsistent from location to location. In addition, there is a risk that certain required, and critical, functions are not performed at certain locations.

Suggestion: Standardized payment handling policies and procedures should be developed and distributed throughout the MCPD to ensure consistent operations.

Status: *In Process*

Per discussion, standard operating procedures for non-sworn personnel have been drafted but not formally implemented. Standard operation procedures for sworn personnel will be implemented during the next bargaining period, in which negotiations will take place between the County Management and employees to discuss and define the conditions of employment (wages, working hours, etc.).

Item 8

Locations: Police Station: 3D; Police Station: 4D; Records Management Section; Vehicle Recovery Section

Observation/Finding: The cash register is not physically secured to its location. As a result, there is a risk that the cash holding mechanism can be easily removed.

Suggestion: All registers should be physically secured to limit the possibility of theft.

Status: *Implemented*

Per discussion, the cable lock system has been installed on all ShopKeep terminals for each location, which includes 6 district stations, Animal Services Division, Vehicle Recovery Section, and Records Management Section.

Item 9

Locations: Police Station: 3D; Police Station: 4D; Records Management Section; Vehicle Recovery Section

Observation/Finding: No cameras exist to monitor Cashier activity. The lack of monitoring and accountability results in an increased risk of theft.

Suggestion: Cameras should be installed and monitored to reduce the risk of theft.

Status: *In Process*

Cameras have been installed at Animal Services and Police Station: 1D and 3D. The installation at the remaining locations will be completed by the end of the 2015 fiscal year.

Currently, the Sergeant of the Evidence Unit accompanies the IT Team to the locations and indicates where the cameras need to be installed.

Item 10

Locations: Police Station: 3D; Police Station: 4D; Records Management Section; Vehicle Recovery Section

Observation/Finding: Authorized approval is not required for voided transactions. As a result, there is an opportunity to misappropriate cash with the appearance of a voided transaction.

Suggestion: All voided transactions should require the approval of an individual separate from the individual processing the void.

Status: *In Process*

Through testing, it was determined that there is no clear evidence to demonstrate the dual review and approval for voided transactions.

Per discussion and observation, a Voids>Returns line has been added to the Daily Records Front Counter Receipt Form to include the number of transactions, total amount and a reason/brief description for the return/void as of December 2014. The Supervisor at each location will

have the register receipts when preparing the deposit, and will acknowledge review of the return/voids by signing off on the completed Form. Also, the Evidence Unit will continue to run a report for each location and request an explanation. The name of the person from the Evidence Unit who reviews the voids/returns will be inserted at the top of the excel report generated out of ShopKeep to detail all return/void transactions. This will evidence the dual approval for all returns/voids entered into the system.

Item 11

Locations: Police Station: 4D

Observation/Finding: The check's deposit stamp contains two bank accounts. As a result, there may be confusion with regards to where the payment receipts need to be deposited.

Suggestion: Deposit stamps should be updated to reflect only the current bank utilized for deposits.

Status: *Implemented*

Per discussion, deposit stamps have been updated to reflect only the current bank utilized for deposits (PNC Bank).

Item 12

Locations: Records Management Section; Vehicle Recovery Section

Observation/Finding: The combination to the location's safe is not changed on a periodic basis. As a result, there is a risk that inappropriate personnel may obtain the combination and gain access to the funds.

Suggestion: The safe combinations should be periodically changed to limit the possibility of unauthorized access.

Status: *Implemented*

Per discussion, the safe combinations will be changed at least annually or when there is a change in personnel. A contracted locksmith for Montgomery County randomly identifies a new combination and completes the safe change. The new combination is then provided to the Supervisor.

Item 13

Locations: Police Station: 3D; Police Station: 4D; Records Management Section

Observation/Finding: User codes for the point of sale system do not expire. In addition, users are not required to change their user codes on a periodic basis. Unauthorized access to cash can result in an increased risk of theft.

Suggestion: User codes should expire at pre-determined intervals requiring the users to change their codes. Parameters should be implemented to limit the recycling of previously used codes.

Status: *Implemented*

Per discussion and observation, this is a system limitation of the ShopKeep system.

As a mitigating control, per discussion with the Evidence Unit Sergeant, the ShopKeep system administrator, which is currently the Evidence Unit, performs a review each week to ensure each employee register assignment and location is reasonable.

Item 14

Locations: Records Management Section

Observation/Finding: All Cashiers have been granted Manager access authorization levels within the ShopKeep point of sale system, which allows them access to open and close the shift for the register where they are assigned. As a result, there is an increased risk of theft.

Suggestion: Access levels within the ShopKeep system should be granted based on the responsibilities of the user. Access levels should be periodically reviewed and updated.

Status: *Implemented*

Per discussion, managerial access is required for job performance. As a compensating control, back office system access is limited and monthly audits are being conducted by the ShopKeep system administrators, which is currently the Evidence Unit.

Item 15

Locations: Records Management Section; Vehicle Recovery Section

Observation/Finding: No formal approval is evidenced for researching and approving variances between ShopKeep and the Deposit Verification. As a result, there are risks of incompletely and inaccurately processed transactions and theft.

Suggestion: All variances should be properly documented and evidence approval by the appropriate authority.

Status: *Implemented*

Per discussion, the Evidence Unit will notify the Lieutenant and the Station is responsible for investigating the difference. Once completed, the Station sends supporting documentation to evidence the reason and/or resolution for the variance. If the Evidence Unit does not receive a response the item is escalated to Management & Budget to follow up and determine appropriate action/next steps.

We requested a sample of differences to review and ensure the process was operating effectively. However, it was noted that no difference had been identified.

Item 16

Locations: Records Management Section

Observation/Finding: Cashiers do not date the Daily Records Front Counter Receipts Form to evidence timeliness of the review. Lack of a timely review (or evidence of a timely review) can increase the risk that issues with cash balances are not be identified and resolved in a timely manner.

Suggestion: Daily Records Front Counter Receipt Forms should be dated to evidence the timeliness of review.

Status: *Implemented*

Per discussion, the Daily Records Front Counter Receipt Forms are dated to evidence the timeliness of review.

Through limited testing, we selected a sample of three dates and verified the Daily Records Front Counter Receipts were appropriately signed off and dated to evidence review.

Item 17

Locations: Police Station: 3D; Police Station: 4D; Records Management Section

Observation/Finding: No formal approval is evidenced for the Cashier Manager's daily balance review. As a result, there is a risk that the review was not adequately performed (or not performed at all), increasing the opportunity for missing cash and/or incompletely/inaccurately recorded transactions.

Suggestion: All daily balance reviews should be formally documented to evidence the completion of this critical control.

Status: *Implemented*

Per discussion, all daily balance reviews are formally documented (signed and dated by preparer and reviewer) to evidence the completion of this critical control.

Through limited testing, we selected a sample of eight dates covering all three locations and confirmed each of the daily balance reviews was reviewed as evidenced by the "Verified by" sign-off.

Item 18

Locations: Records Management Section

Observation/Finding: The Cashier Manager does not date the Deposit Verification Sheet to evidence timeliness of the review. Lack of a timely review (or evidence of a timely review) can increase the risk that issues with cash balances are not identified and resolved in a timely manner.

Suggestion: The Deposit Verification Sheets should be dated to evidence timely review by the Cashier Manager.

Status: *Implemented*

Per discussion, the Deposit Verification Sheets are dated to evidence timely review by the Cashier Manager.

Through limited testing, we selected a sample of three days (9/19/2014, 10/10/2014 and 10/31/2014) for testing and noted that the 9/19 and 10/10 deposits were appropriately dated; however, the 10/31 sample was incorrectly dated to state the deposit was performed on 10/11/2014. Therefore, we followed up with the Administrative Specialist and through discussion it was determined that the deposit actually occurred on 11/6/14 not 10/11/14 as noted on the Deposit Verification Sheet. Therefore, we concluded that the deposit occurred within a reasonable time period but that the Deposit Verification Sheet was incorrectly completed.

Item 19

Locations: Records Management Section

Observation/Finding: The Records Management Section does not provide the Department of Finance, Treasury Division with receipt support generated from the ShopKeep point of sale system. As a result, the MCPD and Finance don't have the ability to determine if all deposits are correctly made.

Suggestion: When submitting payment receipt support to another department (e.g., Finance), all relevant source documentation should be provided to justify the validity and completeness of receipts.

Status: In Process

Per discussion, all payment receipt support is centrally maintained and forwarded to the Finance Accounts Receivable Section weekly for all payments except credit cards which are forwarded monthly. Copies of all support are centrally maintained should questions arise in the future.

Through additional discussion, it was noted that Finance Accounts Receivable did not originally require copies of the ShopKeep documentation as the bank system printouts, along with validated deposit slips and transmittal sheets received, provided the information required to reconcile to the amounts that were deposited in the bank. In addition, the Evidence Unit has begun performing a review/reconciliation of entries into ShopKeep, Oracle⁸, and the bank confirmations to ensure all deposits are accurately captured.

The MCPD performs an independent review to ensure all receipts/transactions are properly booked into the financial system. As such, the Finance Accounts Receivable Section should continue completing a monthly reconciliation to ensure the amounts book in the financial system agree to the bank activity.

Recommendations to the Chief, MCPD

1. Continue to work on effectively implementing the remaining six actions MCPD planned and our additional suggested actions. Completed action target dates should be established and tracked for each of the actions listed below. This will help ensure a proper control environment is in place over the cash and other receipt process.
 - a. Item 2: All registers should be properly secured to limit access to only properly approved individuals.
 - b. Item 3: As evidence is received it should be entered into the Quetel system referencing the description of the item(s) and related case number.
 - c. Item 7: Standardized payment handling policies and procedures should be developed and distributed throughout the MCPD to ensure consistent operations.
 - d. Item 9: Cameras should be installed and monitored to reduce the risk of theft.
 - e. Item 10: All voided transactions should require the approval of an individual separate from the individual processing the void.
 - f. Item 19: When submitting payment receipt support to another department (e.g., Finance), all relevant source documentation should be provided to justify the validity and completeness of receipts.
2. Develop and implement a plan to test the remediated actions to ensure that the new controls are operating as intended and are in fact reducing previously identified risks.

⁸ Oracle is the County's Enterprise Resource Planning system

3. Establish a formal policy and process with the Department of Finance, to ensure the amounts entered into ShopKeep are accurately captured and booked in Oracle and agree to the bank activity.
4. To continuously enhance the controls and functions involved in the cash receipts process for MCPD, coordinate with and seek advice from Finance and any other impacted departments regarding matters such as:
 - a. Creating and maintaining relevant policies/procedures that impact multiple departments, and
 - b. Communicating any significant changes within departments that can impact the other departments.

Comments and MCIA Evaluation

We provided the Montgomery County Police Department and the Department of Finance with a draft of this report for formal review and comment on April 30, 2015. We obtained a response from Finance on May 15, 2015 and MCPD on May 28, 2015. The Department of Finance stated that it concurred with all of the report recommendations (See Appendix A for Finance's response). MCPD also concurred with the report recommendations and has since implemented or is in the process of implementing the suggested control improvements (See Appendix B for MCPD's response).

Appendix A – Department of Finance Formal Comments



Isiah Leggett
County Executive

Joseph F. Beach
Director

DEPARTMENT OF FINANCE

MEMORANDUM

May 14, 2015

TO: Bill Broglie, Internal Audit Manager
Office of the County Executive

FROM: Joseph F. Beach, Director
Department of Finance

SUBJECT: Formal Comments on Draft Report: Cash Receipts Internal Controls –
Montgomery County Police Department dated April 30, 2015

The draft audit report referenced above contains recommendations relating to Police Department coordination with the Department of Finance on policies and procedures relating to cash receipt internal controls. Attached please find the Department of Finance formal response to this draft audit report.

If you, or the audit firm working with you, have any questions relating to the attached, please contact Karen Q. Hawkins, Chief Operating Officer, at 240-777-8828, or Lenny Moore, Controller, at 240-777-8802.

Attachment

cc: Joe Freiburger, Director, SC&H
Karen Q. Hawkins, Chief Operating Officer, Department of Finance
Lenny Moore, Controller, Department of Finance
Heidi Metzger, Accounts Receivable Manager, Department of Finance

**Finance Response to Recommendations
Montgomery County Police Department
Cash Receipts Internal Controls Audit
Dated April 30, 2015**

Recommendation:

1. (f) Item 19: When submitting payment receipt support to another department (e.g., Finance), all relevant source documentation should be provided to justify the validity and completeness of receipts.

Finance Response:

The Finance Department concurs with this recommendation, which has been implemented.

The Accounts Receivable Section of the Finance Department is now receiving all relevant source documentation, including the ShopKeep system report, bank deposit printouts, and a summary reconciliation for the Animal Services ShopKeep system, for all receipts that are entered in the Oracle Receivables module.

Recommendation:

3. Establish a formal policy and process with the Department of Finance to ensure the amounts entered into ShopKeep are accurately captured and booked in Oracle and agree to the bank activity.

Finance Response:

The Finance Department concurs with this recommendation.

The Accounts Receivable Section is now receiving reconciliations prepared by the Police Department of the ShopKeep System to the bank deposits; this information accompanies the applicable transmittal sheet and supporting receipt information. This information provided by the Police Department is used by Accounts Receivable to ensure that the receipts entered into Oracle agree to the bank activity and the ShopKeep system at the transaction level as well as the bank deposit level. Finance will continue to work with Police to further formalize these policies and processes. The monthly bank reconciliation process conducted by the Finance Department identifies any deposits that do not have receipts recorded in the Oracle system, for appropriate follow up and resolution by Finance with the Police Department.

Recommendation:

4. To continuously enhance the controls and functions involved in the cash receipts process for MCPD, coordinate with and seek advice from Finance and any other impacted departments regarding matters such as:
 - a. Creating and maintaining relevant policies/procedures that impact multiple departments, and
 - b. Communicating any significant changes within departments that can impact the other departments.

Finance Response:

The Finance Department concurs with this recommendation.

Finance Department personnel are currently working with the Police Animal Services Division to develop policies and procedures for the on-line registration payment system. We will be available to work with and assist the Police Department on new initiatives as they are developed. The Finance Department is also in the process of creating formal enterprise wide policies and procedures for departmental guidance for all cash receipts processes.

Appendix B – Montgomery County Police Department Formal Comments



DEPARTMENT OF POLICE

Isiah Leggett
County Executive

J. Thomas Manger
Chief of Police

May 28, 2015

TO: William Broglie, Internal Audit Manager
Office of Internal Audit

FROM: J. Thomas Manger
Chief of Police

SUBJECT: Police Cash Receipts Internal Controls Audit

The Department has reviewed the *Montgomery County Police Department Cash Receipts Internal Controls* audit report completed by SC&H. I thank the Office of Internal Audit, the Department of Finance, and SC&H for their work and recommendations throughout this project.

Since this report's completion, the Department has worked toward implementing the following recommendations and will continue to work toward implementing each of the remaining items. If you have any questions regarding this response, please contact Sergeant Bruce Cole at [240-773-5247](tel:240-773-5247) or by e-mail at Bruce.Cole@MontgomeryCountyMD.gov.

Recommendation:

1. Continue to work on effectively implementing the remaining six actions MCPD planned and our additional suggested actions. Completed action target dates should be established and tracked for each of the actions listed below. This will help ensure a proper control environment is in place over the cash and other receipt process.

Police Response:

The Department of Police concurs with this recommendation and is in the process of implementing the remaining items.

Recommendation:

- 1a. Item 2: All registers should be properly secured to limit access only to properly approved individuals.

Police Response:

The Department of Police concurs with this recommendation. With the implementation of a new cash-register system, the registers and iPads were secured to the counter at each location during March 2015.

- continued -
Office of the Chief of Police

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www.montgomerycountymd.gov • www.mymcpnews.com • MCPDChief@montgomerycountymd.gov

montgomerycountymd.gov/311  301-251-4850 TTY

Recommendation:

- 1b Item 3: As evidence is received it should be entered into the Quetel system referencing the description of the item(s) and related case number.

Police Response:

The Department of Police concurs with this recommendation and is in the process of implementation. It should be noted that the terms evidence and property are interchangeable within our Department. In this context, Item 3 is referring to property recovered from vehicles that are towed to our Vehicle Recovery Section (VRS) and not actual evidence relating to crimes. This recovered property is a source of revenue at auction.

Recommendation:

- 1c. Item 7: Standardized payment-handling policies and procedures should be developed and distributed throughout the MCPD to ensure consistent operations.

Police Response:

The Department of Police concurs with this recommendation and is in the process of implementation.

Recommendation:

- 1d. Item 9: Cameras should be installed and monitored to reduce the risk of theft.

Police Response:

The Department of Police concurs with this recommendation and is in the process of implementation.

Recommendation:

- 1e. Item 10: All voided transactions should require the approval of an individual separate from the individual processing the void.

Police Response:

The Department of Police concurs with this recommendation and has implemented this process. All voids and returns processed through our point-of-sale system require a notification to a supervisor. The supervisor must approve the transactions and forward all supporting documentation to the administrators of the point-of-sale system.

Recommendation:

- 1f. Item 19: When submitting payment receipt support to another department (e.g., Finance), all relevant source documentation should be provided to justify the validity and completeness of receipts.

Police Response:

The Department of Police concurs with this recommendation and has implemented this process. Currently our staff provides all required documentation and we will continue to work closely with the Department of Finance to ensure accountability and accurate reporting of the Department's revenue.

Recommendation:

2. Develop and implement a plan to test the remediated actions to ensure that the new controls are operating as intended and are in fact reducing previously identified risks.

Police Response:

The Department of Police concurs with this recommendation and is in the process of implementation.

Recommendation:

3. Establish a formal policy and process with the Department of Finance to ensure the amounts entered into ShopKeep are accurately captured and booked in Oracle and agree to the bank activity.

Police Response:

The Department of Police concurs with this recommendation and is in the process of implementation.

Recommendation:

4. To continuously enhance the controls and functions involved in the cash-receipts process for MCPD, coordinate with and seek advice from Finance and any other impacted departments regarding matters such as:
 - a. Creating and maintaining relevant policies/procedures that impact multiple departments, and
 - b. Communicating any significant changes within departments that can impact the other departments.

Police Response:

The Department of Police concurs with this recommendation.

#

JTM:mam
c: Chief Reynolds/Management Services Bureau
Sgt. Cole/Evidence Unit