MANAGEMENT AUDIT REPORT

OF THE

DEPARTMENT OF FINANCE AND ADMINISTRATIVE SERVICES

TREASURY DIVISION

PHYSICAL SECURITY

REPORT NO. 05-109

CITY OF ALBUQUERQUE
OFFICE OF INTERNAL AUDIT AND INVESTIGATIONS

Background   Treasury is a division of the Department of Finance and Administrative Services (DFAS). Although the functional areas within the Treasury Division are varied, the common objective is service to customers, safety of City monies, and integrity of financial information.

Objectives   The Objectives of our audit were to determine:

- Have Treasury employees received adequate cash handling training?
- Are employees who are in possession of keys, key cards, and access codes appropriate?
- Are employees who pick-up accounts payable and/or payroll checks so authorized?
- Does the actual change fund on hand agree with the authorized change fund?
- Are all Treasury Division receipt books accounted for?
- Have custodians/sub-custodians completed the Statement of Responsibility form?
- Are overages/shortages reasonable and monitored by Treasury management?
- Have any losses/thefts occurred recently?
- Are revenues deposited timely and accurately recorded?
- Is security equipment adequately maintained and tested?
- Are passwords to Treasury applications changed periodically and are levels of access to these applications appropriate?

Findings   The findings identified during our review include the following:

- Treasury does not reconcile its monthly over/short reports and reasons for overages and shortages are not always fully documented.

- Treasury has not recorded the first and last receipt number on hand.

- The cardholder listing for accounts payable and payroll pickup is not accurate.

- Treasury does not periodically test its security equipment.

- Combinations to safes are not routinely changed and all interactions with the vault are not recorded on the vault access log.

- Treasury employees are not subject to background checks.

- Surprise cash counts are not performed in the presence of tellers.

- The listing of imprest funds custodians is not accurate.

- Passwords are not set to expire for all users of Treasury applications on the network; the Envision user listing includes users who are no longer employed by Treasury; and the access rights to mainframe applications are not updated.

Recommendations

To address the findings noted above, we recommend the following:

- DFAS should reconcile its monthly over/short reports to the general ledger and fully document the reasons for overages and shortages.

- DFAS should record the first/last receipt numbers of receipt books on hand.

- DFAS should periodically review the accounts payable and payroll pickup cardholder listing for accuracy. HR should revise the Employee Clearance Form to ensure that ID cards are returned to Treasury.

- DFAS should periodically test its security equipment and document the results.

- DFAS should routinely change the combinations to safes and require that all employee interactions with the vault, excluding the vault teller and the vault teller backup, be recorded on the vault access log.

- Background checks should be incorporated into the hiring process.

- DFAS should perform surprise cash counts in the presence of tellers.

- DFAS should periodically review the current listing of petty cash and change fund custodians for accuracy. HR should revise the Employee Clearance Form to ensure that imprest funds are appropriately accounted for.

- DFAS should implement password change requirements for all users of Envision and Cashier for Windows. DFAS should periodically review the Envision user listing for accuracy. DFAS should periodically review the access rights of users of mainframe applications to ensure that access rights are based on current job responsibilities.

Management responses are included in the audit report.

City of Albuquerque

Office of Internal Audit and Investigations

P.O. BOX 1293 ALBUQUERQUE, NEW MEXICO 87103

October 21, 2005

Accountability in Government Oversight Committee
City of Albuquerque
Albuquerque, New Mexico

Audit: Management Audit
Treasury Division, Physical Security
Department of Finance and Administrative Services
05-109

FINAL

INTRODUCTION

The Treasury Division (Treasury) is a division of the Department of Finance and Administrative Services (DFAS). Treasury processes approximately 150,000 transactions each year. Although the functional areas within Treasury are varied, the common objective is service to customers, safety of City monies, and integrity of financial information. To accomplish this objective, Treasury attempts to:

- Properly record and control City funds;
- Encourage the appropriate accountability for cash handling in all City operations;
- Maximize the timely collection of accounts receivable;
- Maximize return on cash not needed for immediate disbursement consistent with the City's investment policy;
- Minimize costs;
- Maintain the flexibility of the City's capital financing program; and
- Administer assigned City ordinances.

The functional areas within Treasury include:

- Administration and Budget;

- Audit and Collection;
- Business Registration and Compliance;
- Cash Management;
- Customer and Teller Service; and
- Debt Management

AUDIT OBJECTIVES

The Objectives of our audit were to determine:

- Have Treasury employees received adequate cash handling training as required by Administrative Instruction No. 2-2 Credit, Collections and Accounts Receivable Policy and No. 2-6 To Provide a Comprehensive Training Program in Cash-Handling Procedures for all Employees Involved with Handling City Monies?

- Are employees who are in possession of keys, key cards, and access codes appropriate?

- Are employees who pick-up accounts payable and/or payroll checks so authorized?

- Does the actual change fund on hand agree with the authorized change fund?

- Are all Treasury Division receipt books accounted for?

- Have custodians/sub-custodians completed the Statement of Responsibility form?

- Are overages/shortages reasonable and monitored by Treasury management?

- Have any losses/thefts occurred recently as addressed within Administrative Instruction No. 2-4 Mysterious Disappearance of City Monies Resulting from Burglary, Loss, Theft and/or Employee Dishonesty, Including Counterfeit Currency, Forged Checks and/or Cash Imprest Funds?

- Are revenues deposited timely and accurately recorded as required by Administrative Instruction No. 2-2 Credit, Collections and Accounts Receivable Policy and 2-8 Handling and Deposit of Public Monies?

- Is security equipment adequately maintained and tested?

- Are passwords to Treasury applications changed periodically and are levels of access to these applications appropriate?

SCOPE

Our audit did not include an examination of all the functions, activities, and transactions of Treasury. Our audit test work was limited to physical security measures in place during fiscal year (FY) 2005.

This report and its conclusions are based on information taken from a sample of transactions and do not purport to represent an examination of all related transactions and activities. The audit report is based on our examination of Treasury's activities through the completion of fieldwork, August 11, 2005, and does not reflect events or accounting entries after that date.

The audit was conducted in accordance with Government Auditing Standards, except Standard 3.49, requiring an external quality control review.

METHODOLOGY

Samples were selected using both judgmental sampling and random sampling techniques, and included the following:

- Reviewed the cash handling training records for all Treasury employees.

- Reviewed the rosters for the two rooms at Treasury that are secured by key cards. Reviewed the February 2005 access logs for the two rooms at Treasury that are secured by key cards.

- Reviewed all manual key holders who have keys to Treasury.

- Inquired about individuals who know the access codes to the two doors at Treasury secured by access code.

- Judgmentally selected and reviewed ten individuals included on the manual listing of individuals authorized to pick-up accounts payable and payroll checks. Judgmentally selected and reviewed ten individuals included on the March 25, 2005 payroll distribution signature log.

- Performed a surprise cash count at Treasury's main cash site on April 12, 2005, and performed a surprise cash count at the Plaza Del Sol annex on April 19, 2005.

- Reviewed all cash and refuse bag receipt books secured in Treasury's vault.

- Reviewed the Custodian/Sub-Custodian Statement of Responsibility forms for all Treasury employees.

- Judgmentally selected and reviewed Treasury's over/short monthly reports for January and February 2005.

- Inquired of Treasury management and tellers about any recent losses/thefts.

- Judgmentally selected five days in February 2005 and reviewed the corresponding receipts for Treasury's main cash site. Judgmentally selected two days in February 2005 and reviewed the corresponding receipts for the Plaza Del Sol annex.

- Inquired about existing maintenance agreements covering Treasury's security equipment. Inquired about periodic testing of the security equipment.

- Inquired about the principal mainframe and network applications used by Treasury. Reviewed Treasury personnel who have access to these applications. Reviewed the access rights of Treasury personnel who have access to these applications.

FINDINGS

The following findings concern areas that we believe would be improved by the implementation of the related recommendations.

1. DFAS SHOULD RECONCILE ITS MONTHLY OVER/SHORT REPORTS TO THE GENERAL LEDGER AND FULLY DOCUMENT THE REASONS FOR OVERAGES/SHORTAGES ON THE DAILY OVER AND SHORT REPORTS.

   Treasury's Cash Handling Manual states that "Overages and shortages are monitored monthly and are subject to strict review by staff, to determine training needs, disciplinary actions, and/or any other action required by the City."

   We compared Treasury's monthly over/short reports for January and February 2005 to the general ledger. During our review, we noted one entry equaling $5 that was posted to the general ledger on January 21, 2005, but was not included on Treasury's monthly over/short report. Per inquiry, Treasury is not reconciling its records to the general ledger. As a result, the postings to the general ledger do not always agree with Treasury's records.

   Treasury's Cash Handling Manual states that "When a shortage exists in a change fund, the shortage report will be completed showing the date and amount of shortage, and an explanation to the best of the custodian's knowledge of how it occurred."

   While no significant overages/shortages were noted during our review of the monthly over/short reports for January and February 2005, we did note three unusual overages/shortages.   To   obtain   additional   details   concerning   these   unusual

overages/shortages, we reviewed the daily over and short reports and inquired of Treasury management. Although Treasury management provided additional details, we could not determine the reason(s) for these overages and shortages by reviewing the daily over and short reports alone. Treasury personnel are not always taking advantage of the space allotted on the daily over and short reports to fully document overages and shortages. As a result, if overages and shortages are not adequately documented at the time of occurrence, it may prove difficult for the tellers to recall the exact reasons for these overages and shortages if questioned at a later date.

RECOMMENDATION

DFAS Treasury Division should reconcile its monthly over/short reports to the general ledger to ensure that overages and shortages are correctly posted to the general ledger.

DFAS Treasury Division should fully document the reasons for overages and shortages on the daily over and short reports if known.

EXECUTIVE RESPONSE FROM DFAS

"DFAS concurs with the recommendation. Treasury Division reconciles its over/short reports and retains related documentation on a daily basis when transactional packets are verified. The incident reported was an isolated instance in which the over/short did not get posted to Treasury's internal report. An amendment to the teller procedures will be added by the end of October that states, 'All over/short reports must be reviewed and signed off by management for content, accuracy and detail before transactional packets are verified and prior to entering into the general ledger.' All over/short amounts are entered into Over/Short Monthly Report (Internal Treasury report) that will be provided to the Treasurer at the end of each month for review and approval."

2. <u>DFAS SHOULD RECORD THE FIRST AND LAST NUMBER OF RECEIPTS ON HAND</u>.

The Treasury's <u>Cash Handling Manual</u> states that a "Periodic <u>inventory of all receipt books</u> on hand are required. The beginning and ending numbers should be logged so that receipt books on hand can be reconciled with inventory records."

We recorded the receipt numbers for both the current cash receipt books and the current refuse bag receipt books secured in the vault. However, because Treasury does not record the

first and last receipt numbers on hand, we could not determine if all receipt books are present and accounted for. As a result, if an unauthorized individual obtains a receipt book, he/she may use those receipts to demand refunds for fictitious payments for goods/services.

RECOMMENDATION

In accordance with the Treasury's Cash Handling Manual, DFAS should record the first and last receipt numbers of the receipt books on hand to ensure that all receipt books are accounted for. In addition, DFAS should take a periodic inventory of the receipt books on hand to ensure that all are accounted for.

EXECUTIVE RESPONSE FROM DFAS

"DFAS concurs with the recommendation. Treasury Division utilizes receipt books for the sale of refuse bags and for collecting monies for business registrations at special events. Treasury Division has completed an inventory of all receipt books within the vault. All receipt books have been inventoried, logged, filed and stored inside the Treasury main vault. Employees will have to log out and log in receipt books. The log is maintained on a 'master' spreadsheet and will be updated on a quarterly basis."

3. DFAS SHOULD ENSURE THE CURRENT LISTING OF CARDHOLDERS AUTHORIZED TO PICK-UP ACCOUNTS PAYABLE AND/OR PAYROLL CHECKS IS ACCURATE.

Treasury's Cash Handling Manual states that employees receive authorization from their respective department directors to pick-up accounts payable and payroll checks. Employees are issued either a red, blue or yellow card depending upon the authorization granted by their respective department directors.

Treasury's Cash Handling Manual also states that "the City's formal policy has been to limit the handling of public money to City employees."

We reviewed the *authorized cardholder (manual) listing* as of April 14, 2005 and judgmentally selected ten individuals for review. We attempted to verify that these ten individuals are current employees, have not transferred to another Department/Division, and have a completed authorization form on file with Treasury. During our review, we noted the following:

- Two of the ten individuals selected have transferred to another Department/Division, but are still listed as a cardholder under their old Department/Division on the most recent electronic cardholder listing provided by Treasury.

- For one of the ten individuals selected, we reviewed the manual cardholder listing, which indicated that this individual was issued a red card which authorizes the cardholder to pick-up both accounts payable and payroll checks. However, per review of the corresponding authorization form, this individual should have been issued a blue card which authorizes the cardholder to pick-up payroll checks only.

- Three of the ten individuals selected are no longer employed by the City, but they are still listed as a cardholder on the most recent electronic cardholder listing provided by Treasury.

- Treasury management indicated that they maintain the most recent electronic cardholder listing by Department/Division, and that they do not maintain one electronic file that includes all cardholders. Therefore, we combined Treasury's records into one electronic file that includes all cardholders. During our review, we noted card numbers that appear to have been issued to multiple individuals, and cardholders who appear to have been issued more than one card.

- Treasury management also indicated that multiple employees within Treasury may add individuals to the manual cardholder listing. However, per our review, the listing does not include a column to document who added individuals to the listing.

We also reviewed the *signature log* for March 25, 2005 and judgmentally selected ten individuals to review. We attempted to verify that these ten individuals are current employees, have not transferred to another Department/Division, have a completed authorization form on file with Treasury, and that Treasury checks IDs when employees pick up accounts payable and/or payroll checks. During our review, we noted the following:

- For two of the ten individuals who picked-up payroll checks, no authorization form was available.

- We contacted the individuals sampled, and four of the ten individuals sampled indicated that Treasury staff does not normally check their employee ID cards when they pick up checks.

- One of the ten individuals who picked-up payroll checks is a former employee of the City, who entered early retirement on September 1, 2004. Although she currently works for the City, she is paid by an outside employment agency.

- For one of the ten individuals who picked-up payroll checks, the Department/Division noted on the authorization form on file did not agree with the two Departments/Divisions that this employee signed for on the signature log.

- The ID card numbers were not consistently documented on the signature log.

We also reviewed the Employee Clearance Form, which documents property returned to the City by employees who are either terminating employment with the City or who are transferring to another department at the City. The Human Resources Department is responsible for the Clearance Form. We noted that this form does not include a line item for ID cards issued by the Treasury Division, and that it does not require Treasury sign-off.

Treasury is relying on the Departments/Divisions to ensure the cardholder listing is up-to-date. Treasury is not reviewing the cardholder listing to ensure the accuracy of the listing. As a result, the cardholder listing is not accurate and the potential exists for distribution of accounts payable and payroll checks to unauthorized individuals.

RECOMMENDATION

The DFAS should consider the following recommendations to enhance internal controls over the accounts payable and payroll pick-up process:

- In addition to the semi-annual verifications by Departments/Divisions, Treasury management should periodically review the authorized cardholder listing for terminated employees, employees who have transferred to other Departments/Divisions, cardholders who have been issued more than one card, and card numbers that have been issued to more than one employee.

- Treasury management should ensure that authorization forms are available for all currently authorized cardholders.

- Treasury management should periodically compare the authorized cardholder listing against the authorization forms to ensure that cardholders have been issued the appropriate red, blue, or yellow card.

- The signature log should list the authorized cardholders and card numbers for each Department/Division, and Treasury staff should visually match the identification cards presented by employees against the cardholders and card numbers noted on the signature log.

- The manual cardholder listing should include a column to document which Treasury employee added a new cardholder to the list.

The Human Resources Department should consider revising the Employee Clearance Form to include ID cards issued by the Treasury Division. Either the Treasury Division should sign the Employee Clearance Form or the Human Resources Department should notify the Treasury Division when the ID card issued by the Treasury Division line item is marked "YES" on the Employee Clearance Form. Ensuring that ID cards are returned to the Treasury Division will allow the Treasury Division to update its authorized cardholder listing.

EXECUTIVE RESPONSE FROM DFAS

"DFAS concurs with this recommendation. A semi-annual management verification was completed in September 2005. As a result, Treasury Division updated its files to reflect only those individuals authorized. The authorized employee listing is used each time payroll checks are issued.

A recently developed report of financial ID cards addresses staff turnover. The report also eliminates potential duplication of card numbers. Temporary city employees are eligible to pick up checks provided they have attended cash handling class and are currently certified."

EXECUTIVE RESPONSE FROM HUMAN RESOURCES DEPARTMENT

"HRD concurs and will work with DFAS to revise the Employee Clearance Form by December 31, 2005."

4. <u>DFAS SHOULD PERIODICALLY TEST ITS SECURITY EQUIPMENT</u>.

The Treasury's <u>Cash Handling Manual</u> discusses the security of cash, including a "Security systems review on a regular schedule and appropriate measures taken to insure functionality of systems. Review includes improvement of existing systems, and installation of new systems when needed."

Treasury management indicated they are in the process of upgrading their security equipment. Treasury management stated they plan to test their security equipment quarterly once all the upgrades are complete, but they are not currently routinely testing the existing security equipment. As a result, if this security equipment is not periodically tested, it may not perform satisfactorily during emergencies.

RECOMMENDATION

DFAS should periodically test its security equipment and document the results.

EXECUTIVE RESPONSE FROM DFAS

"DFAS concurs with this recommendation. Treasury Division will perform a quarterly test on security equipment and results will be logged in a file located inside the vault room."

5. DFAS SHOULD ROUTINELY CHANGE COMBINATIONS TO SAFES AND LOG ALL INTERACTIONS WITH THE VAULT EXCEPT THOSE BY THE VAULT TELLER AND THE VAULT TELLER BACKUP.

Sawyer's Internal Auditing, fourth edition, addresses detailed internal control standards, including access to and accountability for resources and records standards, and states that "Access is to be limited to authorized individuals, some who are accountable for the custody and use of resources and others who maintain the records. This aspect should be periodically verified by comparing physical and recorded amounts."

During the preliminary phase of the audit, Treasury management indicated that combinations to safes are typically changed only after the occurrence of significant events, such as the termination of employees. Combinations are not changed on a routine basis. As a result, if an unauthorized individual obtains the combinations to the safes, he/she may be able to steal cash/checks.

Also, during the preliminary phase of the audit, Treasury management indicated that entries are made on the vault access log only when opening and closing the vault for the day. The Vault Teller and, in the absence of the Vault Teller, the Vault Teller's back-up, access the vault most often. Other Treasury staff, including the Treasury Supervisor, access the vault less frequently. The vault is accessed continuously throughout the day and Treasury believes that it is inefficient to record all employee interactions with the vault. However, if a discrepancy exists between the cash/checks that should be on hand and cash/checks actually on hand, it may prove more difficult to investigate the discrepancy.

RECOMMENDATION

DFAS should routinely change the combinations to safes.

DFAS should require that all employee interactions with the vault, excluding the vault teller and the vault teller backup, be recorded on the vault access log.

EXECUTIVE RESPONSE FROM DFAS

"DFAS concurs with the recommendation. Treasury Division recently purchased a digital numerical combination lock which allows senior management to change the combination without having to utilize a locksmith. A second digital numerical combination for main vault door is on order and will be installed in October.

A vault access log has been placed outside the vault door for recording employee entrance and a security camera is also positioned to record access and provide additional security."

6. DFAS SHOULD INCORPORATE BACKGROUND CHECKS INTO THE HIRING PROCESS FOR TREASURY EMPLOYEES.

Sawyer's Internal Auditing, fourth edition, addresses general internal control standards, including integrity and competence standards, and states that "Those involved in the operation of internal controls should have a level of professional and personal integrity and competence adequate to operate the controls so as to achieve the internal control objectives."

During the preliminary phase of the audit, Treasury management indicated that Treasury employees are not subject to background checks.

Treasury management is in favor of conducting background checks of prospective employees, but this has not been implemented to date. A possible explanation for not performing background checks is cost. However, due to the security sensitive nature of Treasury's activities, performing background checks would allow Treasury to evaluate if a prospective employee has a criminal history before making the offer of employment. Without the background checks, Treasury is susceptible to hiring employees who do not meet bonding criteria.

RECOMMENDATION

Due to the security sensitive nature of Treasury's operations, background checks should be incorporated into the hiring process.

EXECUTIVE RESPONSE FROM DFAS

"DFAS concurs. The department will pursue this recommendation with HRD and the Legal Department to determine the appropriate type of pre-employment screening."

7. DFAS SHOULD PERFORM SURPRISE CASH COUNTS IN THE PRESENCE OF TELLERS.

Sawyer's Internal Auditing, fourth edition, addresses general internal control standards, including monitoring control standards, and detailed control standards, including documentation standards as follows:

> Managers are to continually monitor the output of the control systems and to take appropriate action on deviations that warrant such action.

> The structure, all transactions, and significant events are to be clearly documented. Such documentation is to be readily available.

During the preliminary phase of the audit, Treasury management indicated that surprise cash counts are typically performed after hours and not in the presence of the appropriate teller. Also, surprise cash counts are not documented.

Surprise cash counts are typically performed after hours because Treasury management is often too busy during the day to perform such cash counts. However, if surprise cash counts are not performed in the presence of tellers and discrepancies are discovered between the cash on hand and the cash register report, the tellers may argue that the individual who performed the surprise cash count took the money.

RECOMMENDATION

To ensure that monies are appropriately accounted for, DFAS should perform surprise cash counts in the presence of the appropriate teller. Also, DFAS should document surprise cash counts.

EXECUTIVE RESPONSE FROM DFAS

"DFAS concurs with the recommendation. Treasury Division will be implementing on a quarterly basis, surprise cash counts on all tellers. The

surprise cash counts will be conducted by the vault person with the teller present. In the absence of the teller, two management individuals will perform the counts. A status report will be provided to the DFAS Director within five business days following each surprise cash count. An amendment to the vault/teller procedures will be added to include these modifications by the end of October, 2005."

8. <u>DFAS SHOULD ENSURE THE LISTING OF IMPREST FUNDS CUSTODIANS IS ACCURATE</u>.

Treasury's <u>Cash Handling Manual</u> states that a custodian's supervisor "will immediately notify the Treasury Division when transfer or termination of imprest funds at least two weeks prior to departure of the custodian."

Using Treasury's listing of petty cash and change fund custodians, we selected twenty custodians and verified the employment status of each custodian and the amount of each petty cash/change fund. During our review, we noted the following:

- Although five of the twenty individuals selected for review are current employees, they are not employed by the Department/Division noted on Treasury's listing;

- One of the twenty individuals selected for review is not currently employed by the City. This individual went into early retirement on December 26, 2003.

- For two of the twenty individuals selected for review, the amount verified by the custodians did not agree with Treasury's listing;

- Although one of the twenty individuals selected for review is a current employee of the Department/Division noted on Treasury's listing, this individual indicated that she is no longer a custodian;

- One of the twenty individuals selected for review did not respond to our inquiries.

- For ten of the twenty individuals selected for review, no exceptions were noted. We verified that these individuals were current employees at the date of fieldwork and the custodians verified the amounts of the petty cash/change funds.

We also reviewed the Employee Clearance Form and noted that it does include the following line item – Petty Cash Reconciled. However, the Clearance Form does not include a line item for change funds, and it does not require Treasury sign-off.

Treasury relies on City Departments/Divisions to verify the accuracy of Treasury's petty cash and change fund custodian listing. As a result, Treasury's petty cash and change fund custodian listing is not accurate.

RECOMMENDATION

In addition to the semi-annual management verification reports distributed by Treasury citywide, the DFAS should also periodically review the current listing of petty cash and change fund custodians, including any supporting documentation such as the Custodian Statement of Responsibility forms, to verify the accuracy of the listing.

The Human Resources Department should consider revising the Employee Clearance Form. The current Employee Clearance Form does include the following line item for petty cash – Petty Cash Reconciled; however, the Human Resources Department should consider revising this line item to ensure that both petty cash and change funds are either returned to the Treasury Division or appropriately assigned to a new custodian. Either the Treasury Division should sign the Employee Clearance Form or the Human Resources Department should notify the Treasury Division when the petty cash/change fund line item is marked "YES" on the Employee Clearance Form. Notifying the Treasury Division of changes to the imprest funds custodians will allow the Treasury to update its custodian listing.

EXECUTIVE RESPONSE FROM DFAS

"DFAS concurs with the recommendation. The Treasury Division completed a semi-annual management verification in September 2005. As a result, the Division updated its files to reflect the correct value of imprest funds assigned to City departments and authorized custodians."

EXECUTIVE RESPONSE FROM HUMAN RESOURCES DEPARTMENT

"HRD concurs and will work with DFAS to revise the Employee Clearance Form by December 31, 2005."

9. <u>DFAS SHOULD REASSESS ITS DATA SECURITY CONTROLS, INCLUDING
    PASSWORD CHANGE REQUIREMENTS, REMOVAL OF AUTHORIZED USERS,
    AND UPDATING OF ACCESS RIGHTS</u>.

    <u>Sawyer's Internal Auditing</u>, fourth edition, states:

        An effective data security system should provide assurance that:

        ▪   Only authorized users have access to data.

        ▪   The level of access is appropriate to the need.

        ▪   Modifications to data are accompanied by a complete audit trail.

        ▪   Unauthorized access is denied and the attempt is reported.

    During our review of the software applications used by Treasury, we noted the following:

    ▪   Passwords do not expire for Envision, the software application that is used for permits
        and that is administered by Treasury and Environmental Health Department personnel.
        Administrator level passwords do not expire for Cashier for Windows, the POS system
        that is used to process cash receipts and that is administered by Treasury personnel.
        Administrators have not implemented password change requirements as a matter of
        convenience to employees. However, if unauthorized individuals obtain passwords to
        these systems, they may be able to view confidential information, create fictitious
        information, or delete existing information.

    ▪   Three of the users on the Envision user listing are not currently employed by the City.
        However, these IDs are still assigned to a user group. One of the users on the Envision
        user listing is a current employee, but has transferred to a department outside of Treasury.
        However, this ID is still assigned to a user group. These users have not been removed
        from the user listing because of concerns over the loss of data. Per Treasury management,
        although transactions will not be removed, the details about the user who entered these
        transactions, including notes, will be removed if that user is removed from the system.
        However, Treasury and Environmental Health Department personnel believe these users
        can be removed from their assigned user groups and can be prevented from accessing the
        system without causing the loss of data. If the users who have left Treasury are not
        removed from their assigned user groups they may be able to view confidential
        information, create fictitious information, or delete existing information.

    ▪   During our review of the access rights to the mainframe applications, we noted that one
        employee had update access within the Utility Billing System. We inquired of Treasury

management, who indicated that this employee recently transferred to Treasury from the Water Utility Department. Therefore, this employee's access had not been reviewed and adjusted from update access to read only access to reflect her new position at Treasury. If access rights are not reviewed when job responsibilities change, users may have higher levels of access than necessary and thus may be able to engage in inappropriate activities.

RECOMMENDATION

DFAS should implement password change requirements for all users of Envision and Cashier for Windows.

DFAS should periodically review the Envision user listing to ensure that user IDs of individuals who are no longer employed by Treasury are removed from assigned user groups.

DFAS should periodically review the access rights of users of mainframe applications to ensure that access rights are based on current job responsibilities.

EXECUTIVE RESPONSE FROM DFAS

"DFAS concurs with the recommendation. Application password change requirements have been in place for the cashiers, but this functionality was not available on Envision. The Envision vendor recently provided a way to implement password changes. The cashiers will be required to change passwords every 30 days. In addition, division management will perform a semi-annual review of users and their access rights on Treasury systems to ensure they are appropriate."

CONCLUSION

Although Treasury has developed and implemented numerous controls to safeguard the City's assets, we believe the City's assets will be further protected with the implementation of the above recommendations. Among the recommendations noted above, DFAS should ensure that the accounts payable and payroll cardholder listing and the imprest funds custodian listing are accurate. The accuracy of these listings helps ensure that payroll and accounts payable checks are distributed only to authorized employees, and that responsibility can be assigned to custodians of the City's imprest funds. Also, the DFAS should routinely test the Treasury's security equipment. The functionality of the security equipment is critical to protecting the City's assets during emergencies. The DFAS should also consider background checks for prospective Treasury employees. Treasury is the City's banker and processes approximately one hundred and

fifty thousand transactions each year. Therefore, it is important to determine if criminal histories exist for potential employees during the hiring process. Finally, DFAS should ensure that passwords are set to expire for all users of Treasury applications, that the Envision user listing is accurate, and that access rights to mainframe applications agree to the users' current job responsibilities. Today, personal computing and computer networks are commonplace and organizations must adequately safeguard the electronic information that is created, processed and stored on these systems. Therefore, it is critical that passwords expire, that user listings are accurate, and that access rights are updated when responsibilities change.

We appreciate the cooperation of Treasury staff during the audit.

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Principal Auditor

REVIEWED

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Audit Supervisor

APPROVED: **APPROVED FOR PUBLICATION:**

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Carmen Kavelman, CPA, CISA, CGAP   Chairperson, Accountability in Government
Acting Director,   Oversight Committee
Office of Internal Audit and Investigations