

AUDIT OF PLANNING DIVISION REVENUE

AUDIT REPORT

Report by the
Office of the County Comptroller

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County Comptroller

County Audit Division

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AUDIT OF PLANNING DIVISION REVENUE

The Planning Division is responsible for encouraging the use of natural resources and the appropriate growth and development of the County consistent with the Growth Management Policy and the public interest. Fifty-seven positions were authorized for the Division during fiscal year 1999-2000.

May 2000
Report No. 290

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May 31, 2000

Mel Martinez, County Chairman
And
Board of County Commissioners

We have conducted an audit of the Planning Division's revenue. The audit was limited to verifying collections to deposits and examining internal controls over collections to ensure compliance with administrative regulations. The period audited was January 1, 1998 through August 31, 1999.

Responses to our Recommendations for Improvement were received from the County Administrator and are incorporated herein.

We appreciate the cooperation of the personnel of the Planning Division during the course of the audit.

Martha O. Haynie, CPA
County Comptroller

c: Ajit Lalchandani, County Administrator
Bruce McClendon, Director, Growth Management and
Environmental Resources Department
David Heath, Manager, Planning Division

EXECUTIVE SUMMARY

Executive Summary

We have conducted an audit of the revenue collection procedures of the Orange County Planning Division. The audit was limited to verifying collections to deposits and examining internal controls over collections to ensure compliance with administrative regulations. The audit period was January 1, 1998 through August 31, 1999. Areas for improvement are noted below:

Thirty percent of the receipts (from number sequences used by the Division during the audit period) could not be located and were not traced to a deposit. Additionally, all three copies of 57 receipts marked "void" were not presented for audit. All of the transactions involved map and publication sales and not comprehensive policy plan applications.

Portions of more than one receipt book were used to collect revenue without completing an individual book. As many as four different receipt books were used in a month. Completing a receipt book before starting a new one assists in timely detection of misappropriated funds.

Revenues were deposited more than five business days after receipt nearly one-half of the time. Delays as long as 202 days between the receipt date and date of deposit were noted.

Sixty-four percent of all receipts were not reported on a Classification of Receipts (COR) form within five business days. Delays as long as one-year were noted between receipt dates and the dates of CORs.

We could not verify that the correct fee was collected for 82 percent of a sample of transactions because the receipts documenting the sales contained incomplete item descriptions and quantities.

A supervisor does not approve transactions voided by clerical personnel.

There was no reconciliation of revenues received to revenues deposited by an individual independent of the collection process.

The Division concurred with all of the recommendations and has instituted steps to correct the problems noted.

ACTION PLAN

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Action Plan

NO.	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS		RECOMMENDATIONS
	CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED	
1.						We Recommend the Planning Division performs the following:
A)	X			COMPLETED		Exercise greater care to ensure that all receipts are remitted for deposit or, if voided, all three parts of the receipt are retained together.
B)	X			COMPLETED		Complete each receipt book in its entirety before using another receipt book. Receipt books not in use should be adequately secured.
C)	X			COMPLETED		Deposit revenue and prepare the COR weekly or daily when receipts exceed \$200.00.
D)	X			COMPLETED		Include an adequate description on receipts (e.g. types and quantities of maps and policy plan amendment numbers) of products and services sold.
E)	X			COMPLETED		Establish a policy and procedures requiring that both the clerk and a supervisor sign receipts used to void transactions.
F)	X			COMPLETED		Assign an employee independent of the collection process to periodically reconcile collections to deposits.

INTRODUCTION

Background

The Planning Division (Division) is responsible for encouraging the use of natural resources and the appropriate growth and development of the County consistent with the Growth Management Policy and the public interest. During fiscal years 1997-98 and 1998-99, collections for the Division were over \$76,000 and \$96,000, respectively. Collections largely consist of map and publication sales of fewer than ten dollars as well as \$2100 comprehensive policy plan amendment application fees. Fifty-seven positions have been authorized for the Division during fiscal year 1999-2000.

The Finance and Accounting Department notified County Audit in August 1999 that the Division was not timely submitting revenue and supporting documentation.

**Scope, Objectives,
and Methodology**

The audit was limited to verifying collections to deposits and examining internal controls over collections to ensure compliance with administrative regulations. The audit period was January 1, 1998 through August 31, 1999. The audit objectives were as follows:

- A) To ensure that all collections recorded as received by the Division during the audit period were deposited in compliance with administrative regulations.
- B) To evaluate the effectiveness of the Planning Division's internal controls over the collection, processing, deposit and safeguarding of revenue.

To ensure that all map and publication sales as well as comprehensive policy plan amendment fees were deposited in compliance with administrative regulations, we reconciled receipts issued to the Division during the audit period to receipts deposited. We also selected a sample of transactions to verify that the correct charge per the County Fee Directory was collected.

Finally, we contacted Division personnel responsible for coordinating comprehensive policy plan amendment applications and determined the population of applications

INTRODUCTION



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filed for the period. Payment for each application was traced to deposit.

To evaluate the effectiveness of the Planning Division's internal controls over the collection, processing, deposit and safeguarding of revenue, we reviewed the Division's internal control system to determine whether it is adequate to prevent a reoccurrence of the situation noted by the Finance and Accounting Department.

Overall Evaluation

In our opinion, the Division's internal controls over revenue were not adequate. Areas for improvement were noted herein.

RECOMMENDATIONS FOR IMPROVEMENT

1. The Planning Division's Internal Controls Over Revenue Collection Should Be Strengthened

During our audit of the Planning Division's revenue, we noted the following:

- A) Thirty percent (328 of 1086) of the receipts (from number sequences used by the Division during the audit period) could not be located and were not traced to a deposit. Additionally, all three copies of 57 receipts marked "void" were not presented for audit. All of the transactions involved map and publication sales and not comprehensive policy plan applications. As a result, we could not be assured that all collections were deposited. The receipts not located could have represented bona-fide transactions and, in the case of the voided receipts, revenue could have been collected, receipts discarded or marked "void" and monies not remitted to the County. A good business practice to help verify that all monies received have been deposited is the retention of documents supporting collections.
- B) Portions of several receipt books were used to receipt and record revenue without completing an individual book. As many as four different receipt books were used in a month. A receipt book should be finished before another sequence is started. If a misappropriation were to occur, the use of multiple receipt sequences and books might hinder the detection and recovery of funds in a timely manner.
- C) Administrative Regulation 6.03.03 requires that revenue is deposited daily if collections exceed \$200 or within five business days. Additionally, a COR summarizing collections should be prepared within the same period. Analysis of a sample of transactions noted that revenue was deposited more than five business days after receipt in 48 percent (29 of 60) of the items sampled. Delays as long as 202 days between the receipt date and date of deposit were noted.

Sixty-four percent (690 of 1086) of all receipts were not reported on a COR within five business days. Delays as long as 372 days were noted between receipt dates and the dates of CORs. If revenue is not timely processed, the potential exists that monies can be lost or misappropriated. Additionally, the County may lose revenue if customer checks are voided and refused by issuing banks. Further, interest income is lost.

- D) The Division charges fees for maps, publications and policy plan applications listed in the County Fee Directory. We could not verify that the correct fee was collected for 82 percent (49 of 60) of a sample of transactions because the receipts documenting the sales contained incomplete item descriptions and quantities. If sales are not adequately documented, management cannot verify that revenues have been received for all the products and services the County has provided.
- E) A supervisor does not approve transactions voided by clerical personnel. Without an independent verification of a voided transaction's validity, revenue could be collected, "void" written on the receipt, and monies not remitted to the County.
- F) There was no reconciliation of revenues received to revenues deposited by an individual independent of the collection process. A good internal control to ensure that all monies collected have been deposited is the periodic comparison of records supporting collections to records documenting deposits.

We Recommend the Planning Division performs the following:

RECOMMENDATIONS FOR IMPROVEMENT



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- A) Exercise greater care to ensure that all receipts are remitted for deposit or, if voided, all three parts of the receipt are retained together.
- B) Complete each receipt book in its entirety before using another receipt book. Receipt books not in use should be adequately secured.
- C) Deposit revenue and prepare a COR weekly or daily when receipts exceed \$200.00.
- D) Include an adequate description on receipts (e.g. types and quantities of maps and policy plan amendment numbers) of products and services sold.
- E) Establish a policy and procedures requiring that both the clerk and a supervisor sign receipts used to void transactions.
- F) Assign an employee independent of the collection process to periodically reconcile collections to deposits.

Management's Response:

The Planning Division has implemented written procedures and guidelines to assure consistency and accuracy in performing the following:

- A) Exercising greater care to ensure that all receipts are remitted for deposit or if voided, all three parts of the receipt are retained together.
- B) Each receipt book is completed entirely before using another receipt book. Receipt books that are not in use are secured adequately.
- C) Deposit revenue and classification of receipts are prepared daily and/or weekly when receipts exceed \$200.

**RECOMMENDATIONS
FOR IMPROVEMENT**



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- D) Adequate description of products and/or services is provided on all receipts that include the types and quantities of each.
- E) Policy and procedures have been implemented requiring the administrative specialist and supervisor sign receipts on voided transactions.
- F) The Assistant to the Department Director has been assigned the responsibility of periodically reconciling collections to deposits.