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Department of Administration Cash Receipts Postings

Internal Audit Section Report No. 2022-01

March 21, 2022

The Department of Administration (DOA) Internal Audit Section (IAS) completed IAS Report No. 2022-01, DOA Cash Receipts Postings.

Reason for Audit

This audit was initiated as part of the IAS' calendar year 2021 Audit Plan.

The audit objective was to determine whether controls over cash receipts processing are in place and functioning appropriately to ensure that cash collections are safeguarded, deposited in a timely manner, and accurately recorded in the general ledger. The period of our review encompassed October 1, 2019 through September 30, 2021.

Results of Audit

Based on the Internal Audit Section's assessment, the audit team noted the following:

- There is a need for updated standard operating procedures to ensure that internal controls exist in the validation of cash receipts in each shift, verification of whether cash receipts are accurate and detect erroneous receipts, recording and reconciliation of deposits, confirmation of whether cash receipts are accurately recorded to the general ledger, and system updates and control.
- Although cashiers' reports noted a verifier, the cashiers' daily cash count lacked a secondary review.
- While the overall amount received by cashiers reconciled with their cash and check counts, the DOA and DRT TPS remained inaccurate for tested deposit days as cashiers noted the payments erroneously.
- In October 2017, DOA created the TPS clearing account to account for the variance between the bank deposits made by the Treasurer of Guam and the receipts noted in the AS400 system. As of September 2021, the TPS clearing account noted a negative balance of \$77,081.
- Based on the accounting processes, utility collections were not accurately posted to the AS400 system. Instead, the AS400 system only captures fees collected from utility agencies as determined by their agreements in place.
- To avoid an overstatement of tax revenues, reversals as a result of bounced checks on tax accounts were not posted to the DOA AS400 system.
- Lastly, there is a need for a mechanism to automatically flag unposted transactions for monitoring and reporting purposes.

Conclusion and Recommendations

The DOA Division of Account's internal controls could be designed more effectively to ensure that standard operating procedures related to cash receipts and postings are updated and implemented for staff accountability, cash receipt verification processes are enhanced, and monitoring mechanisms are put in place to ensure that all cash receipt postings are captured in the system.

As a result of this audit, the audit team made 9 recommendations to DOA Division of Accounts Management to improve processes moving forward. The DOA Division of Accounts Management have acknowledged the recommendations and have designed improvement actions to address them.

The full report has been prepared solely for the use of DOA Management. The information in the full report is deemed confidential and not for public distribution.