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

Cash Management Targeted Internal Control Review
Alcohol Beverage Services

August 30, 2023

Highlights

Why MCIA Did this Review

The Montgomery County Office of Internal Audit (MCIA) conducted a targeted internal control review (review) of the Montgomery County Government's (the County) Alcohol Beverage Services' (ABS) cash management function.

ABS is the alcohol wholesaler of beer, wine, and spirits for Montgomery County and operates 26 retail stores throughout the County and one warehouse. ABS' cash management function includes receiving, processing, and depositing related receipts, from such transactions as retail sales and vendor bulk purchases. In calendar year 2022, ABS recorded approximately $26,652,000 of cash receipts.

The review was conducted by the accounting firm SC&H Group, Inc., under contract with MCIA.

Cash Management – Targeted Internal Control Review, Alcohol Beverage Services

What MCIA Found

Alcohol Beverage Services' cash management operations includes processes and internal controls to mitigate fraud risks. However, opportunities exist to improve control design and operational effectiveness to more effectively mitigate those risks. The opportunities can be addressed by enhancing or implementing additional steps within ABS' cash management operations.

We identified five areas of improvement to strengthen controls and mitigate risks in the following areas:

1. Established and enhanced cash management policies and procedures
2. Improved segregation of duties related to cash management responsibilities
3. Enhanced formalized review procedures and document retention
4. Improved physical cash security measures
5. Improved access management review documentation

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Objectives

This report summarizes the results of a targeted internal control review (review) of Montgomery County's (the County) cash management programs and operations within Alcohol Beverage Services (ABS). The review was performed by SC&H Group, Inc. (SC&H), under contract with the Montgomery County Office of Internal Audit (MCIA).

The ABS review focused on how the County manages fraud risks associated with cash management processes such as receiving, processing, reporting, and reconciling cash transactions. The objective was to evaluate ABS's cash management internal controls for design and operational effectiveness.

Cash Management Process Background

Cash Management Types

The following was used to define the types of transactions and activities to be considered cash management for the purposes of this review:
1. Cash management includes:
    a. Receipt of cash and check payment methods (collectively, "cash").
    b. Physical handling and management of cash.
2. Cash management excludes:
    a. Transactions that bypass a department and are directed to another department, such as lockboxes, third-party vendors/contractual agreements that go directly to the County Department of Finance (Finance or County Finance) – either the Accounts Receivable (AR) section of the Controller Division or the Treasury Division (Treasury) -- and electronic payments (e.g., automated clearing house (ACH), electronic funds transfer (EFT), wires, etc.).
    b. The following specific types of transactions: grants (i.e., Federal, State, or Local funds), intergovernmental transfers, and investment income.
    c. Petty cash and credit or debit card transactions.

Alcohol Beverage Services

ABS is the alcohol wholesaler of beer, wine, and spirits for Montgomery County and operates 26 retail stores throughout the County and one warehouse. ABS employs approximately 107 career staff (full-time employees) and approximately 105 temporary (part-time) staff across the following three divisions:
1. Retail stores (26 locations)
2. Warehouse (1 location)
3. Loss Prevention

ABS's retail stores and warehouse collectively recorded approximately $26,652,000 in cash receipts in calendar year (CY) 2022 (CY - January 1, 2022, through December 31, 2022). Both retail stores and warehouse handled and processed cash receipts and were included in the review. An overview of retail and warehouse receipt types follows.

Retail

CY22 total cash receipts: $21,855,000
ABS retail manages and maintains 26 retail store locations across the County for alcohol sales to the public. It is comprised of approximately 100 career and 105 temporary staff responsible for cash management programs and operations including processing transactions, securing and recording cash, performing reconciliations, and preparing the deposits.

Retail customers consist of both the general public and licensed vendors. Only licensed vendors may make purchases with checks, while the general public is limited to either cash or credit cards. Retail stores process cash receipts in the Retail Management System (RMS) point of sale (POS) system.[1] Cashiers have the ability to process purchasing transactions, and one-time discounts or refunds when needed.

Reports generated at the end of the day or following morning will reflect all transaction, markdown, and refund activity, which is reconciled initially by the employee completing their shift, and again by the store manager. Once reconciliations are complete and cash has been counted, the manager prepares the deposit before it is picked up on a daily basis by a Brinks armored car.

Warehouse

CY22 total cash receipts: $4,797,000
ABS warehouse is the centralized location for receiving, securing, and distributing bulk orders to approved County vendors. Two career staff currently have cash management handling responsibilities including processing orders, securing and recording cash, and preparing deposits. The two warehouse career staff may be responsible for both cashier and finance team responsibilities interchangeably.

ABS warehouse utilizes Oracle ERP, the County's enterprise planning and financial recordkeeping system, for receiving orders and processing cash receipts. Orders placed by vendors through the warehouse can either be picked up or delivered. Currently, all delivery orders are processed online through vendor accounts and paid via ACH. Pickup orders can be paid with cash and check at the warehouse's pickup window. Once payment has been confirmed by the warehouse cashier, the cashier stamps the invoice(s) as paid, signs, and dates. The stamped and signed invoice notifies warehouse staff that the order can then be prepared, if it has not already been, and released to the vendor.

At the end of each day, the warehouse cashier prepares a deposit slip for cash and remote scans all checks to the bank. A Brinks armored car arrives once a week to pick up any deposits that have been prepared over the past week.

Warehouse staff are also responsible for reviewing the daily-generated unmatched items (e.g., discrepancies/differences between RMS and the bank records report prepared by County Finance). Once received, staff review, reconcile, and provide feedback to Finance on how to resolve.

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[1] ABS plans to replace RMS with a new point of sale system, Dynamics 365, in CY23. However, the scope of the review was CY22, so processes, procedures, and controls relate to and reference RMS.

In CY22, ABS reinstituted a formal Loss Prevention Manager position. The Loss Prevention Manager is primarily responsible for investigating or identifying reported or recognized vulnerabilities within ABS that could lead to a loss in value. Current activities related to cash management include reviewing daily reconciliations and closely monitoring over-short amounts between daily transactions and deposits.

Scope and Methodology

The review evaluated cash receipts received during CY22. The scope focused on the cash management activity processes within the above ABS programs and operations, which included:
1. Cash Handling/Receipts: Cash collection; operation of POS systems and/or cash registers; utilization of cash boxes; making change for customers; providing receipts of purchase (paper trail); documenting transactions (payment tracking).
2. Balance and Reconcile: Hourly, shift, or daily reconciliation of sales records/receipts to cash on hand; supervisory reviews of reconciliations.
3. Cash Security: Storage of cash (e.g., on-site, in-transit); physical security; utilization of security cameras; physical (e.g., combination for a safe) and logical access (e.g., user credentials for POS systems).
4. Deposit: Preparation of deposits; transportation of deposits; deposit at bank; physical (e.g., deposit slip) or system documentation of deposit.
5. Refunds/Credits/Voids: Refunds, credits, or voids processes via POS and/or Oracle ERP; documentation and audit trail; authorization and approval (e.g., limits on amount that need approval); supervisory review of refunds, credits or voids.
6. Bank Reconciliation: Monthly reconciliation between cash records (e.g., POS system, deposit slips), the Oracle ERP system, and the bank statement/records.
7. Financial Recordkeeping: Account reconciliations; journal entries; integration with banking systems.
8. Training/Other: Policies and procedures; training materials; on the job training; communication.
9. System/User Access: Logical access to POS systems and other recordkeeping systems/tools; access rights and privileges.

In order to achieve the objectives, SC&H performed the following procedures.

The review began by conducting a fraud risk assessment (assessment) of the County's ABS programs and operations, which included the following:
1. Documenting the ABS programs and operations from end-to-end.
2. Identifying risks or scenarios that potentially could be exploited to commit fraud.
3. Identifying and overlaying the internal controls within the in-scope programs and operations.
4. Assessing the design effectiveness of the controls and the resulting residual risks that appear to remain.
5. Identifying potential gaps in the internal controls.

The identification of potential residual risks and gaps in the control environment allows the County to focus corrective actions on additional or re-designed controls that need to be implemented to address any elevated risk situations.

SC&H performed the following procedures to complete the assessment.

Fraud Risk Assessment and Test Plan Development
SC&H conducted departmental interviews and performed documentation review to identify potential cash management fraud risks/schemes and scenarios. Based on these analyses, SC&H formulated a plan to test internal controls identified during the risk assessment, and test ABS' controls, policies, and procedures.

Fieldwork

Fieldwork consisted of testing the operational design and/or effectiveness of internal controls identified during the assessment. Since the review focused on transactions processed during CY22, processes and controls specific to RMS and Oracle ERP were included in the review. SC&H prepared a document request listing information needed to satisfy the testing steps developed in the test plan, including populations required to select samples for which additional information was selected. The following includes additional details regarding sample selections and test procedures.

Sample Selections
Sample selections were made utilizing a population of cash receipt transactions provided by ABS. SC&H utilized judgmental and random selection methods for sampling. For the population of retail cash receipt transactions, SC&H performed data analytics to identify specific retail stores to test from the total population of 26 retail stores across the County. Based on the analysis, SC&H selected samples from six retail store locations to perform test procedures. Additionally, SC&H performed user access related review procedures for both RMS and Oracle ERP.

Internal Controls Testing
The operational effectiveness of the control activities identified and detailed within the test plan were tested.
1. Retail and Warehouse Cash Receipts: Obtained supporting documentation to determine the accuracy and completeness of the daily transactions, deposit amounts, and evidence of review and sign-off by applicable supervisory personnel.
2. Daily Reconciliations: Obtained supporting documentation with the appropriate supporting research and resolution of identified discrepancies, as applicable.
3. Physical, System, and User Access Reviews:
   a. Obtained and reviewed supporting documentation to determine appropriate physical badge and logical system access for applicable ABS employees.
   b. Requested evidence of prior periodic physical badge and user access reviews (e.g., applicable software system access) performed by ABS.

Supplemental Test Procedures
SC&H evaluated and reconciled documented ABS cash management internal controls with related department-level and County level policies and procedures (i.e., the County's Finance Accounts Receivable Policy (Finance AR Policy)). This consisted of evaluating ABS policies and procedures to the identified cash management sub-processes (e.g., cash handling/receipts,

balancing, and reconciliation, etc.) for completeness as well as alignment with the Finance AR Policy.

<u>Validation</u>
The preliminary test results were compiled and presented to ABS Management and the IA Manager.

Findings and Recommendations

<u>Results</u>

We appreciate the assistance and cooperation from ABS during this review. Their effort, cooperation, and coordination throughout was crucial to obtain test documentation based on the numerous sample sizes and locations involved.

Overall, the ABS cash management function is dynamic, consisting of large volumes of cash transactions being processed daily by multiple cashiers and across multiple locations. Based on the review procedures, the ABS cash management function appears to have certain control activities designed to mitigate fraud risks.

Findings and opportunities for ABS to improve its cash management operations and internal controls are provided below. These findings are categorized by functional area, and the recommendations are presented to help strengthen the design and operational effectiveness of internal controls within the operations.

The review was limited to a sample of transactions from a sample of retail locations and the warehouse. However, multiple exceptions/gaps were identified throughout the review procedures, including control design and operational exceptions. While some exceptions may appear as "one off" and/or minor in nature, their frequency (and potential extrapolation across additional transactions and locations) presents overall risk that control procedures to mitigate fraudulent activity are not effectively and/or consistently performed across ABS. MCIA recommends ABS take action to address the following findings and mitigate risks of fraudulent cash activity. Further, ABS should include the Loss Prevention Manager/team during its process to evaluate, respond, and address findings.

Finding 1: Misalignment with County Policies and Procedures and Lack of Departmental Procedures

<u>Background</u>
County Finance AR developed and updated the County's AR Policy as of April 1, 2020. The purpose of the policy is to ensure best practices are followed for the activities relating to the County's accounts receivable function and collection of County cash receipts. The policy includes sections related to cash management operations, including:
   1. Receiving Payments
   2. Making Timely Receipt Deposits
   3. Automated Financial Systems and Interfaces
   4. Internal Controls and Documentation
   5. Training Employees Who Work with Finances

Finding 1: Misalignment with County Policies and Procedures and Lack of Departmental Procedures

Further, Section 5 (*Receiving Payments*) of the AR Policy requires that "Each department should have a set of written procedures that describes the proper steps for: interacting with Customers, receiving cash at a Point of Sales (POS), and for receiving payments through the mail or electronically…"

Finding

Warehouse

ABS warehouse does not have formal and documented warehouse-specific policies, standard operating procedures, or trainings for cashiers or ABS Finance staff.

Retail

SC&H requested and reviewed the policies and procedures provided by ABS retail. The documentation provided did not include comprehensive, formal policies, procedures, or trainings related to the cash management sub-processes identified during this review. Missing procedures included cash security, refunds/credits/voids, bank reconciliations, and financial recordkeeping. As a result, SC&H was unable to completely reconcile/map the ABS retail policies and procedures to the Finance AR Policy to ensure that controls and processes required by the AR Policy are documented within the ABS policies and procedures.

Risks

Lack of complete policies and procedures that align with Countywide requirements could negatively impact:
1. The establishment and performance of necessary activities performed consistently, efficiently, and effectively in a controlled and timely manner.
2. The ability to perform critical activities in the absence of the primary users.

Recommendation 1.1

ABS should develop/update policies, procedures, and trainings to formally document and introduce cash management processes for both retail and warehouse locations, as required in the AR Policy. Further, these ABS policies and procedures should be consistent and align with County policies and procedures.

ABS should ensure going forward that any changes in County policies are reflected in ABS policies, procedures, and trainings; and should periodically review the ABS policies, procedures, and trainings to ensure alignment with County policies, including with the implementation of the new point of sale system, Dynamics 365.

For example, the policies, procedures, and training documents could include, but not necessarily be limited to the following:
1. Documenting roles and responsibilities, tools, and resources for cash management processes, such as cash handling and processing, reconciling, and preparing the deposit.
2. Documenting roles and responsibilities, timing expectations, and applicable escalation and management reviews for the unmatched report and unreconciled transactions.
3. Documenting the data upload/integration processes, reviews, research, and resolution, such as data upload errors, between RMS and Oracle ERP.
4. Identifying system and process owners for the RMS and Oracle ERP data upload/integration.

Finding 1: Misalignment with County Policies and Procedures and Lack of Departmental Procedures

    5. Documenting scenarios, guidelines, roles, and responsibilities for processing refunds/credits/voids transactions.

Recommendation 1.2

ABS may first focus on developing, communicating, and enforcing specific tasks and control functions (either currently in place or new) while finalizing criteria from "**Recommendation 1.1**". Specific procedures may include, but are not necessarily limited to:

1. Daily tender summary reconciliations between cash collected and total transactions, performed by managers/supervisors.
2. Over-Short reporting, research, and resolution activities performed by retail managers/supervisors and the Loss Prevention team.
3. Streamlined and enhanced document retention procedures for required daily tender summaries and cash register transaction tapes.

This may help mitigate some level of risk while more comprehensive measures are implemented to address this finding.

Recommendation 1.3

ABS manages cash in multiple locations across its retail stores and warehouse. ABS should ensure its policies and procedures, including but not limited those addressed in "**Recommendations 1.1 and 1.2**", are enforced and clearly, completely, and periodically communicated to all ABS staff responsible for cash management operations. This could include, but not necessarily be limited to the following:

1. Prepare and administer departmental training programs that provide guidance on how to manage/handle cash, the importance of proper handling, and risks resulting from mishandling.
    a. Trainings should be administered to all ABS staff responsible for cash management operations at least during onboarding and periodically (e.g., annually and when procedural changes are made). Staff should be required to evidence their attendance, which is then maintained by ABS management.
    b. Trainings should align with ABS's revised cash management policy and procedural documentation (see **Recommendation 1.1 and 1.2**).
    c. Training material should be made readily available to all ABS staff responsible for cash management operations (e.g., included with policy and procedural documentation).
    d. ABS should periodically review training material, update if necessary, disseminate revisions, and conduct trainings that focus on changes.
2. Provide periodic messaging of departmental and County related cash management policies, procedures, and related guidance/publications. Further, ABS should consider requiring affirmations from ABS staff responsible for cash management operations to include, but not necessarily be limited to the following:
    a. They are aware of the policies, procedures, etc.
    b. They will adhere to the policies, procedures, etc.

Recommendation 1.4

Once **Recommendations 1.1 – 1.3** are addressed, ABS should consider conducting periodic site audits to help enforce and evaluate policy, procedural, and control adherence. This may include testing sampled transactions and procedures for compliance with documented requirements.

Finding 2: Segregation of Duties Limitations

Background
SC&H conducted process interviews and walkthroughs to understand and document ABS' cash management programs, operations, and risks. During the procedures, SC&H evaluated for segregation of duties limitations within cash management operations.

The principle of segregation of duties is based on shared responsibilities of a key process that disperses the critical functions of that process to more than one person or department. Without this separation in key processes, fraud and error risks are far less manageable.[2]

County Finance AR developed and updated the County's AR Policy as of April 1, 2020. The purpose of the policy is to ensure best practices are followed for the activities relating to the County's accounts receivable function and collection of County cash receipts. The policy includes sections related to cash management operations, including:
1. Receiving Payments
2. Making Timely Receipt Deposits
3. Automated Financial Systems and Interfaces
4. Internal Controls and Documentation
5. Training Employees Who Work with Finances

AR Policy Section 12, (*Internal Controls and Documentation)* requires that "County departments and offices which engage in Revenue Activities must ensure appropriate internal controls including segregation of duties…"

Finding
The following segregation of duties limitations were identified. In these instances, multiple cash management functions are performed by the same person/people:
1. Retail: A retail cashier may be responsible for collecting the payment, securing cash, performing the cash balance and reconciliation, and preparing the deposit.
2. Warehouse:
    a. A single warehouse cashier may be responsible for preparing the order, collecting payment, recording payment, securing cash, and preparing the deposit.
    b. ABS warehouse does not have any formal process in place to have an independent employee or supervisor perform a second count and sign off of end of day cash balance, prior to the cash being secured and the deposit being prepared.

Risks
1. Segregation of duties limitations/inappropriate allowable access rights/duties could increase fraud-related risks and activities including theft.
2. Not having consistent, complete, and effectively performed procedures to monitor and control instances where segregation of duties limitations may exist could increase fraud-related risks and activities including theft.

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[2] https://us.aicpa.org/interestareas/informationtechnology/resources/value-strategy-through-segregation-of-duties

Finding 2: Segregation of Duties Limitations

Recommendation 2
ABS should correct the segregation of duties limitations identified above, and periodically reassess whether new or similar limitations have developed. Any new or similar limitations should be corrected.

Potential mitigation steps could include incorporating additional personnel and/or implementing other preventive and detective procedures/controls. For instance:
1. Include additional retail and warehouse team members in the recording and reconciling of transactions, preparation of the deposit, and reviewing the mismatch report. This may help reduce the opportunity for inappropriate cash activities performed by a single employee.
2. Perform frequent/periodic reviews/audits surrounding cash management programs and operations. This may help increase the oversight and monitoring of activities performed by a single person in situations where additional team members cannot be incorporated into a process. This recommendation is also included in **Recommendation 1.4**.

Finding 3: Limited Formalized Review Procedures and Incomplete Documentation Retention

Background
ABS performs multiple control activities throughout its programs and operations designed to mitigate inherent risks related to cash transactions. These include preventive and detective control activities within the following cash management sub-processes:
1. Cash handling/receipts
2. Balance and reconcile
3. Cash security
4. Deposit
5. Refunds/credits/voids
6. Bank reconciliation
7. Financial recordkeeping
8. Training/other
9. System/user access

The April 1, 2020, AR Policy referenced above, states, in Section 5 (*Receiving Payments*), that "departments handling cash, whether in the form of coin and currency, check payments, or credit card payments, must follow appropriate procedures to properly safeguard financial assets (as described in Section 12)." AR Policy Section 12 *(Internal Controls and Documentation)*, references and provides the link for procedure templates available on AR's website for departments' use in developing their specific procedures. The Cash Receipts and Deposit Procedures Template includes:
1. Section on Alignment with Required Policies, notes that "Receipts are logged, either electronically or manually, at the time cash is received."
2. Section on Receiving Payments from Customers, notes that for both In-Person and Mailed Customer Payments, "cashier records the customer payment….by manually entering the customer payment on a paper log on Excel spreadsheet showing the amount paid, date, cashier receiving the payment, receipt number and service or product delivered; or by keying the amount received into a point-of-sale system."

Finding 3: Limited Formalized Review Procedures and Incomplete Documentation Retention

Finding

SC&H tested various control activity types throughout the programs and operations to evaluate their operational effectiveness. Based on the test procedures performed, the following exceptions were identified, organized by program/operation:

Retail
1. 112 instances within samples: Transaction documentation did not include complete signoffs by the preparer (e.g., cashier) and reviewer (e.g., retail manager).
2. 107 instances within samples: Transaction documentation did not include complete signoffs by the reviewer (e.g., retail manager).
3. 10 samples: Transaction documentation could not be provided.
4. 192 instances within samples: Transaction documentation was incomplete (e.g., cash register transaction summary tapes, return transaction support, copies of the daily sales tender summaries, and deposit slip copies were not included in the sample documentation provided).
5. 3 samples: Transaction documentation did not include appropriate refund support or support provided was incomplete.

Warehouse
6. 3 instances within samples: Transaction documentation did not include complete signoffs by the preparer (e.g., warehouse cashier).
7. 13 instances within samples: Transaction documentation was incomplete (e.g., check copies, copies of customer invoices, or batch system upload sheets) or could not be provided.
8. 25 samples: Original copies of the sampled invoices with original stamps and signoffs had already been archived and were not provided. SC&H received reproduced copies that did not include stamp or sign-off evidence.
9. 1 transaction: Daily Mismatch Reports reviewed by the warehouse Finance Manager contained transactions that were aged or remained unresolved for the entire scope period of the review (CY22).

Risks
1. Lack of consistently 1) maintained and completed documentation to support and justify transaction activity and balances and 2) approved documentation to justify and support completeness, accuracy, and validity of activities could result in:
    a. Opportunities to mishandle and/or steal cash
    b. Unauthorized and invalid transactions
    c. Incomplete and inaccurate reporting information
    d. Operational error and management oversight
    e. Inefficient use of resources, due to the time needed to perform related research activities
2. Lack of timely resolution and consistent and detailed support and explanation to justify account reconciliation variances could lead to opportunities for:
    a. Inappropriate and unauthorized transactions
    b. Account misclassifications
3. Ineffectively designed and operationally ineffective internal controls could increase the risk of incorrect financial information and fraud-related risks.

Finding 3: Limited Formalized Review Procedures and Incomplete Documentation Retention

Recommendation 3.1

ABS should ensure that required review and documentation procedures for the identified cash management programs and operations are documented, communicated, and enforced.

Potential control design enhancements could include additional tracking mechanisms and oversight/monitoring of cash transactions. For example, the requirements and procedures should include criteria such as:

1. Threshold amounts that require additional review/investigation, justification, and approval.
2. Review requirements to determine who needs to formally review, approve, and sign-off based on procedure type (e.g., cash balancing), reconciliation type, threshold amounts, variances, etc.
3. Incorporating additional oversight and monitoring by Loss Prevention and supervisory personnel, including performing periodic audits to ensure documentation is complete, accurate, and retained.

For instance:

1. Retail could consider the following:
   a. Ensuring a second team member is present when the morning reconciliation is performed and deposits are prepared, and/or
   b. Creating a checklist to log the morning reconciliation activities performed, including such data points as, signature from who performed the reconciliation, all amounts, the date, and any additional employees present.
2. Warehouse could consider the following:
   a. Scanning and maintaining electronic copies of all final and completed transaction support documentation for future reference or investigations.
   b. Developing/updating formal document retention procedures to ensure documentation can be easily accessed for an appropriate amount of time before being archived.

Recommendation 3.2

ABS should ensure all procedural and control additions and revisions are:

1. Aligned with criteria outlined in the County's AR Policy.
2. Clearly and completely documented and communicated to ABS staff responsible for cash management operations.
3. Consistent across all retail locations.
4. Consistent between retail locations and the warehouse where applicable and feasible.
5. Enforced according to their established criteria and requirements.

Refer to **Recommendations 1.1 – 1.4** for additional details on documenting procedural and control updates.

Finding 4: Physical Cash Security Limitations

Background

Physical cash security measures, such as security cameras, drop box safes, and combination safes can help mitigate and/or prevent the risk of fraud, theft, or loss of cash and checks. ABS facilities utilize a combination of these physical security measures across its 26 retail stores and its warehouse.

Finding 4: Physical Cash Security Limitations

SC&H conducted process interviews and walkthroughs to understand and document ABS' cash management programs, operations, and risks. During the procedures, controls designed to mitigate those risks were identified. In instances where controls did not appear to be designed to suitably mitigate risks, a design gap was documented.

Finding
We have communicated separately to ABS specific cash security design gaps so that these gaps can be addressed as part of the corrective actions being taken by ABS in response to the recommendation below.

Recommendation 4
ABS should address the security gaps identified during this review and separately communicated to ABS.

Finding 5: Limited Access Management Review Procedures and Documentation

Background
Within Administrative Procedure (AP) 6-7, Information Security (the County's policy and procedure document on computing assets and infrastructure policy and procedure) the following processes have been documented:

- Chapter 1 Information System Access
  - Section 1.1.10: Review User and Information System accounts for compliance with account management requirements at least annually.
  - Section 1.3.2: Reviews of the privileged accounts must be performed annually to validate the need for such privileges.
- Chapter 11 Physical and Environmental Protection
  - Section 11.1.4: Review the access list detailing authorized facility access by individuals annually.

SC&H inquired with ABS regarding the periodic documented user access and physical badge access reviews completed during the scope period. Per discussion, the reviews should have included a review of physical badge/key access, and applicable software system access (e.g., Oracle ERP and RMS).

Finding
SC&H tested physical badge access and system user access reviews for both retail and warehouse locations to evaluate their operational effectiveness. Based on the test procedures performed, the following exceptions were identified:
1. Documentation could not be produced to verify the system user access reviews for RMS had been performed during the scope period, as was initially communicated, in order to verify compliance with AP 6-7.
2. While reviewing the active RMS users listing provided by ABS, SC&H identified five employees with multiple active login IDs.
3. RMS does not require ABS employees to update or change system passwords on a periodic basis.

Finding 5: Limited Access Management Review Procedures and Documentation

Risks
    1. Lack of a formalized process that documents the requirements for periodic user access review may result in lapses and/or breaches to critical systems and sensitive areas.
    2. Failure to perform a periodic user access review could result in unauthorized access and successful attacks, including but not limited to, denial of service attacks, ransomware attacks, manipulation of data, fraudulent activities, and theft of money and assets.
 	
Recommendation 5
ABS should regularly perform and retain documentation for the user access reviews to verify compliance with AP 6-7, that user access is appropriate for systems and physical locations deemed critical and/or sensitive to ABS processes. User access reviews should record the authorized personnel reviewing the user listing, the date of review, and any necessary actions needed to ensure unauthorized users have their access disabled and/or removed.
 	
Further, ABS should consider developing/updating and retaining documentation for RMS related to requests for access for individuals, including evidence of any related trainings and agreements that are created and necessary to be granted access.
 	
With the planned implementation of the Dynamics 365 retail POS system, ABS should consider implementing a schedule for periodic password changes.

Comments and MCIA Evaluation

The draft final report was shared with Alcohol Beverage Services for its review and comment. ABS advised MCIA that it agreed with the findings and recommendations and had no additional comments on the report.