



**FULTON
COUNTY**

**FULTON COUNTY, GEORGIA
OFFICE OF THE COUNTY AUDITOR
FOLLOW-UP AUDIT OF STATE COURT TREASURY
DIVISION'S CASH HANDLING PROCEDURES**

September 12, 2019

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INTRODUCTION

The Office of the County Auditor conducted a follow-up audit on the Cash Handling procedures of the State Court Treasury Division. The audit was conducted to determine if adequate measures were taken to resolve the findings and the recommendations addressed in our prior audit report dated December 16, 2016.

BACKGROUND

State Court operates under the laws of the State of Georgia to govern all criminal cases below the grade of felony. State Court also presides over all civil actions regardless of the amount of controversy. These civil actions include attachments, garnishments, proceedings against tenants, foreclosures and all other actions in which jurisdiction is not in the Superior Court. The criminal and civil cases are governed by ten (10) state court judges including the Chief Judge.

The State Court Administrator is appointed by and serves at the pleasure of the State Court Judges. The State Court Administrator assists the Chief Judge and is responsible for all administrative and executive operations of State Court. The duties of the clerk include managing the executive and financial functions of State Court. The State Court Treasury Division is responsible for collecting funds for all fines and fees assessed by the division.

OBJECTIVE

The objectives of the audit were to determine if adequate measures were taken to resolve the findings and the recommendations addressed, and to evaluate the State Court Treasury Division's corrective action plan and any supporting documentation to validate the Department's progress at it relates to the cash handling procedures.

SCOPE

The scope for this audit is January 1, 2018 – December 31, 2018.

METHODOLOGY

We conducted this audit in accordance with *Generally Accepted Government Auditing Standards* (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

To achieve our audit objectives, we performed the following audit procedures:

- Conducted interviews with key staff to determine if the established processes and procedures related to cash handling are being executed properly;
- Determine if internal controls have been implemented properly;

- Performed walkthroughs to observe key processes related to the financial operations, while ensuring proper segregation of duties;
- Selected a sample of transactions to test the effectiveness of the internal controls;
- Reviewed financial reports and supporting documentation to ensure proper financial reporting; and
- Assessed the capabilities of the Odyssey Financial Management System to determine whether State Court is using the system to its full capacity.

As a result, we were able to determine the statuses of implementation for the Department’s corrective actions. The status of implementation for the Department’s corrective actions are detailed below.

STATUS OF CORRECTIVE ACTION PLAN

In response to the audit of the State Court’s Cash Handling procedures, completed on December 16, 2016, the State Court Treasury Division submitted a detailed corrective action plan to address eleven (11) findings. Based on our review, we determined five (5) recommendations were implemented, five (5) recommendations were partially implemented and one (1) recommendation was not implemented. The status of implementation for the Department’s corrective actions are detailed below. Table 1 summarizes the implementation status of each finding.

We classified the Department’s implementation status as follows:

- **Implemented** – The Department has fully implemented the recommendation.
- **Partially Implemented** – The Department has partially implemented the recommendation.
- **In Progress** – The Department intends to fully implement the recommendation.
- **Not Implemented** – The Department has not implemented the recommendation.

Table 1

	Findings	Recommendation	Corrective Action Plan	Current Status
1	Lack of Segregation of Duties Implemented	State Court management should ensure all financial duties are properly segregated. Additionally, proper compensating controls should be implemented if segregation of duties is not feasible, such as increased monitoring and supervisory reviews	The Director of Administration and Court Services will oversee the cross-training, while moving towards 100% segregation of duties. Revised duties and responsibilities will be distributed to staff during year end reviews.	Management has redistributed job descriptions to staff to ensure duties are properly segregated for all cash collection, daily deposits, check issuance and bank reconciliations. Additionally, increased monitoring, supervisory reviews and approvals have been put in place.

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	Findings	Recommendation	Corrective Action Plan	Current Status
2	Lack of Management Oversight Partially Implemented	State Court management should ensure financial reports are properly reviewed and approved. In addition, management should ensure staff is knowledgeable of all assigned duties and functions and receives sufficient training to complete assigned tasks	State Court will implement management review and approval as a part of their financial reporting process. Management has redistributed job descriptions to staff to ensure they are knowledgeable of all assigned duties and functions.	Management has implemented new policies and procedures to include management review and approval of all financial activity. However, several bank reconciliations were not signed or approved by management. In addition, management has redistributed job descriptions to staff to outline all assigned duties and job functions.
3	Failure to Prepare Bank Reconciliations Implemented	State Court management should ensure timely reconciliations are performed and reviewed monthly for all State court accounts. Additionally, management should ensure that any discrepancies are investigated and reconciled timely in order to provide accurate financial information.	State Court will implement new processes to ensure reconciliations are completed timely and are being reviewed on a monthly basis. Additionally, management will investigate discrepancies in order to provide accurate financial information.	State Court has incorporated the use of the Odyssey Financial Management system to ensure reconciliations are completed monthly and reviewed by management. Additionally, management submitted supporting documentation for all discrepancies in order to ensure all financial information is accurate.
4	Failure to Deposit Funds Timely Implemented	All funds collected should be deposited in a timely manner. In addition, management should ensure that all funds are maintained in the required bank accounts.	All funds will be deposited in a timely manner. Management will ensure all funds are maintained in the required bank accounts.	All funds are being deposited within 24 hours or the next Brinks pick up day. Funds are being maintained in their prospective bank accounts.
5	Lack of Written Cash Handling Procedures Implemented	Management should continue to finalize the detailed written policies and procedures regarding cash handling and other financial activity, which include internal controls for key functions. All employees should be made fully aware of fraud policies and the importance of ethical behavior. Management should also monitor implemented procedures on an on-going basis to determine the necessity for revisions.	Management will continue to finalize the written policies and procedures regarding cash handling and other financial activity, which include internal controls for key functions. Treasury division employees will be advised of fraud policies and the importance of ethical behavior. Management will also monitor implemented procedures on an on-going basis to determine the necessity for revisions.	Management has developed and trained staff on the new Standard Operating Procedures for cash handling and all other financial operations. The management team is monitoring procedures on an on-going basis to determine the necessity for revisions.

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	Findings	Recommendation	Corrective Action Plan	Current Status
6	Lack of Automated Processes Partially Implemented	State Court should make efforts to establish an automated process to include the use of Odyssey. In the interim, management should implement necessary controls that include proper reviews of manual entries prior to financial reporting in order to ensure accuracy.	Management has worked with Odyssey representatives to ensure all reports are useful and provide State Court's Treasury Division the data needed to complete timely reconciliations.	Management is currently working with Odyssey representatives to ensure all reports are useful. During our review, we noted Odyssey is not compatible with all accounts and manual reconciliations are being completed, using Quick Books for four (4) accounts.
7	Limited Use of the Odyssey Financial Management System Partially Implemented	State Court Treasury Division should explore and utilize the full capabilities of the system in order to implement necessary procedures to efficiently capture daily activity, perform monthly preparation of bank reconciliations and additional financial activities. Management should also prepare the necessary procedures and establish management reviews to ensure manually produced data is accurate and reliable.	State Court is working with Fulton County IT and Odyssey representatives to complete a full assessment of system inadequacies and to make all necessary adjustments to implement an automated financial system.	Management is currently working with Odyssey representatives to ensure all reports are accurate and useful.
8	Checks Not Properly Safeguarded Partially Implemented	All checks should be properly secured and kept in a locked cabinet or safe until they are ready to be processed. Procedures should be implemented for adequately handling returned checks in a timely and efficient manner.	After checks are printed, they will be secured in a locked cabinet until they are ready to be issued. A process has been put in place to handle returned checks in a timely and efficient manner.	Printed checks are being kept in a locked cabinet until they are ready to be issued. The process put in place to handle returned checks written by State Court is currently in progress, pending the execution of the escheatment period. Checks are being held until they're claimed or reach the (5) five year escheatment period.
9	Untimely Recovery of Returned Checks Not Implemented	State Court management should continue their efforts to ensure that all amounts related to returned checks and bank fees are recovered in a timely manner. In addition, management should establish a systemic method for tracking returned checks to ensure that the necessary fees were collected for all filed cases.	Additional internal controls have been implemented to ensure that all legal efforts are made to collect outstanding fees.	Returned checks and fees are not being recovered timely. Failure to recover returned checks and fees could result in the loss of funds to State Court.

	Findings	Recommendation	Corrective Action Plan	Current Status
10	Failure to Comply with State Regulated Escheatment Process Partially Implemented	All applicable federal, state and local laws should be utilized as guidelines to establish written policies and procedures including the treatment of unclaimed funds. Management should continue efforts to ensure a monthly review is performed on all unclaimed and outstanding checks to ensure adherence to State regulations.	State Court management has implemented a process to reprint and resend checks that were not disbursed from 2013-2017. These checks will be released in phases based upon the initial disbursement year. Management has added an escheatment policy to their Standard Operating Procedures; thereby, escheating any checks retained for 5 years or longer.	State Court management is currently working on the first phase of disbursements for 2013. This will consist of re-issuing all checks that were not claimed nor disbursed. The subsequent months are to follow. A date has not been identified, as to when the disbursements will take place. Management is working to ensure the original data is accurate before moving forward.
11	Delay in Release of Funds for Abandoned Motor Vehicles Implemented	Magistrate and State Court Management should develop an efficient method of ensuring AMV payments are released timely and follow provisions set by the State.	While overseeing the Abandoned Motor Vehicles process, State Court did not execute any disbursements without a judge's Order. This policy was implemented as a result of numerous fraudulent filings and external investigations, led by the Department of Revenue, as a result of these findings.	As of January 2016, State Court is no longer responsible for this process. This process has been transferred to Magistrate Court.

AUDIT CONCERNS AND RECOMMENDATIONS

AUDIT CONCERN 1 – Untimely Recovery of Returned Checks

An effective method for handling returned checks should include maintaining a detailed record or log of returned checks and following up with the remitter immediately upon notification of returned check payments. During our audit, we noted nineteen (19) checks totaling \$6,447.66, were received in the State Court Treasury Division and were later returned by the bank. The Treasury Division put a system in place to assist with decreasing the number of returned checks, which was outsourced to another division within State Court. While a system has been implemented there was an eight (8) month delay from the date the check was returned, to the date a notification letter was mailed to the remitter. Therefore, outstanding checks and fees are not being recovered timely. In addition, there was no log between the two (2) divisions to track the status of the returned checks. The delay in processing and lack of efficiency can be attributed to a lack of communication as to the expectation of how to properly execute this process. Failure to properly track and recover funds could result in the loss of funds to State Court.

Recommendation

The Office of the County Auditor recommends State Court management continue their efforts to ensure all amounts related to returned checks and bank fees are recovered in a timely manner. In addition, management should establish a systemic method for tracking returned checks to ensure the necessary fees were collected for all filed cases.

AUDIT CONCERN 2 – Manual Search for Outstanding Items in Odyssey

Effective automated controls include reliability and availability of electronically reported data. During our audit, we noted management is currently working with Odyssey representatives to ensure all reports are accurate and useful; however, the printed monthly bank reconciliation report does not display outstanding items. It was determined, Odyssey does not have the capability to show outstanding items with the reconciliation report. Additionally, it was noted that a date range has to be selected in order to view any outstanding items in the reconciliation module however, the outstanding items are not included on the printed Odyssey monthly bank reconciliation. Due to the limited use of the system, the ability to perform accurate reconciliations and produce reliable data derived from the system is lessened.

Recommendation

The Office of the County Auditor recommends the State Court Treasury Division consult with Odyssey representatives to integrate the outstanding items with the bank reconciliations. Thereby, producing one report, displaying all reconciled items; including outstanding checks and deposits, with an as of date selection. Management should implement necessary controls that include proper reviews of financial data, to ensure data is accurate, reliable, and inclusive of all reconciling items prior to financial reporting.

AUDIT CONCERN 3 – Failure to Indicate Management Review and Approval

Proper internal controls require the financial reporting process to include supervisory review and approval of financial documents. Although, we noted that management has implemented review and approval procedures, we noted monthly bank reconciliations did not indicate management review and approval in seven (7) instances. The seven (7) instances where bank reconciliations did not appear to be reviewed and approved was attributed to an oversight by management. The failure to indicate management review of financial reporting documents increases risk of errors and inaccurate financial reporting.

Recommendation

Management review is essential in preventing financial reporting errors; therefore, we recommend State Court management ensure financial reports are properly reviewed and approved on an ongoing basis.

CONCLUSION

Our audit revealed that the Department had three (3) concerns in reference to the untimely recovery of returned checks, manual search for outstanding items in Odyssey and lack of management oversight. We will continue to monitor the implementation of the corrective action plan for the State Court Cash Handling Procedures Audit.

Please provide a written response to this follow-up review within ten (10) business days. Be sure to address the written response to Anthony Nicks, County Auditor. The written response should be submitted through the County Manager's Office and to Stacy Jones, Assistant Audit Manager in the Office of the County Auditor at stacy.jones@fultoncountyga.gov. We would like to thank management and staff for their timely cooperation and assistance during this audit. The distribution of this report is reserved for the executive management of Fulton County and the Board of Commissioners.