



Cobb County...Expect the Best!

INTERNAL AUDIT DEPARTMENT

Report Number: 2013-014

***FINAL REPORT - Review of Cobb County Drug Court
Laboratory Cash Handling Procedures***

November 7, 2013

***Latona Thomas, CPA, Director
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COBB COUNTY INTERNAL AUDIT

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Director

November 7, 2013

MEMORANDUM

TO: David Hankerson, County Manager

FROM: Latona Thomas, CPA, Director 

SUBJECT: **FINAL REPORT** - Review of Cobb County Drug Court Laboratory Cash Handling Procedures

This report presents the results of our audit of cash handling procedures in the Drug Court Lab (the Lab). Our objective was to determine if controls over cash are adequate to provide reasonable assurance that all incoming cash is accounted for, and if controls are adequate to reduce the risk of or provide for the early detection of theft. We conducted this audit at the request of the Drug Court Coordinator (DCC).

Impact on the Governance of the County

The results of this audit should enhance the overall control environment of the Drug Court Lab operations. Ensuring a viable internal control environment exists is essential to meet objectives and is a proactive step to guard against waste, fraud and abuse.

The enhanced cash handling procedures will provide more protection to revenue collected by the Lab and give the County Treasurer more assurance that revenue due the County is deposited into the General Fund.

Executive Summary

This audit was performed at the request of the Drug Court Coordinator after an employee was charged with allegedly stealing from the Lab's cash drawer and bag. The DCC asked us to evaluate the cash handling procedures and recommend changes to provide better safeguards and accountability over the money processed by the Lab.

The Lab has implemented procedures to safeguard remittances collected for drug testing. Money is maintained in a locked cash drawer, cash is counted and reconciled at the end and beginning of each workday by two employees, and the amounts of issued receipts are matched to the amount of daily deposits by an independent person.

Although these processes are in place, we identified opportunities where controls could be enhanced to increase the physical security over cash, increase the accountability and accuracy of collections, and provide procedures that assign responsibility for any overages/shortages or losses.

We also made an observation concerning the lack of available evidence to support the contention that if the Lab testing is expanded, it can produce substantial net income to offset the cost of the Drug Court.

The absence of adequate controls and procedures creates an environment where fraud could take place and go undetected. Implementation of these additional procedures is necessary to ensure cash in the Drug Court Lab is handled properly and safeguarded from misappropriation.

Recommendations

We made several recommendations designed to ensure that all cash received are afforded physical safeguards, properly accounted for and deposited. We recommended the DCC require that money is kept in a locked cash bag and stored in a safe; use designated cashiers and provide exclusive control over their cash drawers; use automated reports to verify receipts and accuracy of payment information; eliminate manual receipts and use a more efficient cash receipt method; and require testing order forms from the courts to help prevent unauthorized (unpaid) testing. We also recommended that a financial analysis be conducted to support whether expanding the Lab's testing to other entities would produce additional income for the Drug Court.

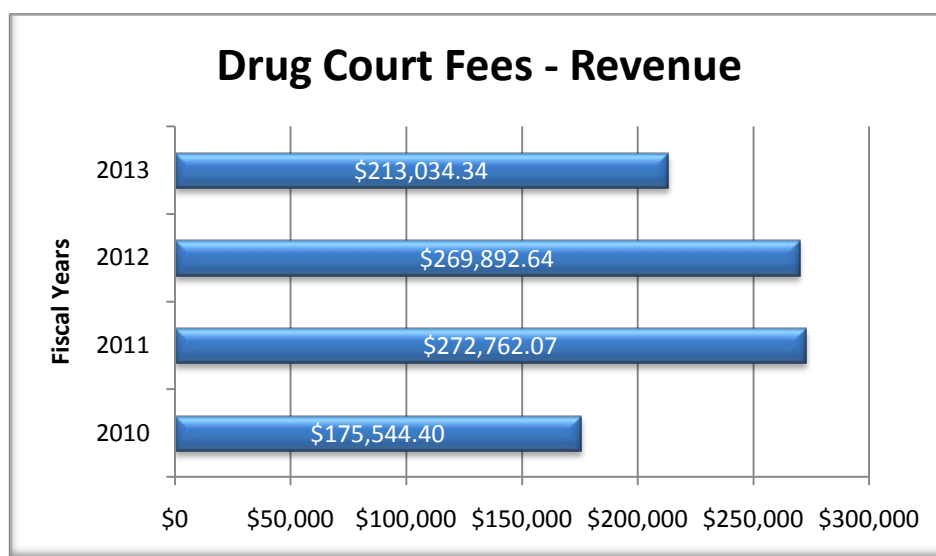
Response

The DCC agreed to all recommendations and plans to implement by December 20, 2013. The complete response to the draft report is included as Appendix VI.

Copies of this report will be sent to the managers affected by the report recommendations. Please contact me at (770) 528-2559 if you have questions or Barry Huff, Auditor-in-Charge, at (770) 528-2558.

Background

The Cobb County Superior Court opened a Drug Treatment Court on December 16, 2002. In conjunction with the Drug Court, Superior Court opened its own drug-testing laboratory and charges a testing fee to participants. The testing facility services several courts/agencies including the Drug Court, Mental Health Court, DUI¹ Court, Marietta Court Probation, and State Court Probation. The total revenue for drug testing for FY2012 was \$269,892.64 of which \$47,440.50 was collected by billing the DUI and Magistrate Courts for tests performed for DUI offenders and State Court for individuals who are indigent and could not afford drug testing. Over the first nine months of FY2013, \$190,470.34 has been collected at the drug testing facility – a monthly average of \$23,809, and an estimated daily collection of \$1,488. These totals do not include drug-testing fees included in the weekly program fee paid by Drug Court participants. The chart below shows all Lab revenue for Fiscal Years 2010-2013 as of July 10, 2013.



Source: Advantage Financial System

The Lab uses a teller window to collect money from its clients. Most clients come with an order from a Court for a lab test. The order tells the Lab who is requesting the test, what type is needed, and where to send the results (e.g. fax, phone, email). Some Courts currently do not provide their individuals with an order form to take to the Lab. In those instances, the Lab interviews the person to determine if they require a test and what type.

An under-the-counter locked drawer is used to store cash, certified checks or money orders collected for the tests. One hundred dollars is placed in the drawer at the beginning of the day to facilitate change making. When the testing fee is collected, the cashier issues a pre-numbered receipt. The cashier maintains the key to the drawer; however, the cashier can be anyone of the four employees of the drug facility. The same till is used by each person working as the cashier, and the key is passed to the person currently acting as the cashier.

¹ Driving Under the Influence.

The cash is counted at the end of the day, recounted by a second staff person, placed in an unlocked cash bag, and given to the DCC or Assistant DCC for overnight storage. The next morning, the cash is retrieved by the person serving as the cashier and recounted. The cash, minus the \$100 change-making till, is taken to the accounting teller at the Superior Court Clerk (SCC) Office where it is recounted and a receipt is issued. The sequential numbers of lab test receipts are written on the SCC receipt. Two Lab employees sign or initial the SCC receipt and forward to the DCC. An administrative assistant matches copies of the lab test receipts to the SCC receipt and notifies the DCC of any imbalances or missing receipts. Currently the DCC does not report the imbalances to the Finance Department or document the resolution of any research performed.

The Lab uses software named WinTOX® as their lab management system. Pertinent information is entered into the system about the individual, type of test and other information taken from the order form, lab test receipt, and identification of the client. The system also captures the results of the test and has the capability to calculate the price of the test and payment information. Reports are currently printed from the system monthly to identify the tests conducted for participants of the DUI Court and indigent persons appearing before the State Court. The defendants of these Courts do not pay for their testing at the lab facility; rather, the Courts are billed monthly for the cost of these tests.

Theft of Funds

On November 16, 2012, an employee of the Drug Lab was arrested for allegedly stealing drug-testing fees from the Lab's bank bag and cash drawer. Internal Audit was consulted to determine if we could assist with determining how much money may have been misappropriated. The DCC was advised that we could not accurately assess how much money was unaccounted for and who may have misappropriated the funds. However, we agreed to look at current cash handling controls and recommend improvements.

Our audit covered the current operating procedures and was performed at the Drug Court Lab facility at the Cobb County Court Building during the period July through August 2013. Detailed information on our audit objective(s), scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix III.

Results of Review

We discussed the current controls over cash handling with employees of the drug testing facility including the DCC and her assistant. We determined that additional controls had been implemented to ensure money was properly controlled. These controls included, reconciling the receipts to the daily deposit amounts and requiring two people to count the cash at the end of each day. These additional procedures were implemented to prevent a reoccurrence of the theft. The DCC also contacted Internal Audit for assistance in evaluating current controls and to recommend any additional actions that need to be taken. Based on our survey of controls, we determined that additional actions could be taken to make sure cash handling procedures were improved. Details of the areas requiring additional improvement are listed below with suggested corrective actions.

Current Controls Can Be Improved to Reduce the Risk of, or Provide for, the Early Detection of Theft

Collection of Money

Eliminate Manual Receipts

The DCC plans to implement 'Class'² as a point-of-sale system to automate the recording of remittances received for testing. The system will eliminate the need to issue manual receipts and reconcile the receipts to the daily deposits. Using the system will automate issuing receipts and will capture information that will help in the daily end-of-day reconciliation. The system will also provide for the tracking of multiple cashier transactions and a daily transaction report for each cashier. This feature is valuable if the DCC continues to use multiple cashiers at the teller window.

In the interim or as an alternative, the Lab could use a programmable cash register to issue receipts and generate financial reports. This method would also:

- Eliminate the need to use and reconcile the manual receipt books.
- Provide another cash drawer for a cashier.
- Provide a report of remittances currently collected (X-tape report³) which facilitates the transfer of cash drawers.
- Provide an end-of-day cashier report (Z-tape report⁴).

² Class software from Active Network Communities is a recreation software solution. It is designed to help community organizations manage recreation activities more efficiently and effectively, from registration and scheduling to **point-of-sale** and memberships. Source: <http://www.activecommunities.com/class-software.htm>

³ The X-Tape report is used to provide reports of sales totals at any time of the day. Source: <http://www.learn-cash-registers.com/balance-a-cash-register.html>

⁴ The Z-Tape Report (or Z-Report) is the end-of-period report that lists a summary of sales transactions within the current sales period. The Z-Tape Report is also known as the Close Period Report and is defined as the end-of-period report that lists the counted tenders, used for reconciling a cash drawer. Included on the Z-Tape report can also be information on sales by cashier, voided transactions or no sales. Source: <http://www.orderdogpos.com/portal-1-0/10-tape-report/>

Another alternative to the manual receipt process is to use the order test form as the receipt for testing. Each participant should be required to have an order form to receive testing. If they have not been issued an order form, they should prepare a generic form for presentation to the cashier. A list of prepaid participants in the accountability courts should also be provided to the cashier for verification. The form would then be used to input information to the drug management system, stamped paid and returned to the client. Additional explanation for this procedure is provided under the section below titled 'Require an order form for all requests for testing'.

Recommendation

The Drug Court Coordinator should:

Recommendation 1: Implement the Class system as soon as possible and use the recommended cashier reports. In the interim, use a programmable cash register for processing payments or utilize the court order form as a receipt for payment for tests.

Auditee Response: We agree. We have been in contact with John Bergey and Mary Ann David for the installation process of the CLASS system 9/24/13 and again on 10/09/13. Anticipate full installation and use by 12/1/13.

Auditor Comment: In a separate audit, we determined that the County does not have the licensing capacity to allow additional installation of the Class software. Rather than buying additional licenses in the interim, Information Services is in discussions with the software vendor regarding the options available, including a system upgrade.

Require An Order Form For All Requests For Testing

The DCC estimated that 90% of test participants bring a court order form with them when they come to the Lab for testing. When no form is provided, additional staff time and effort is required to determine the type of lab test required. Some clients are directed to testing as participants in an Accountability Court Program (e.g. Drug, DUI, Mental Health Courts) or have been declared indigent by the State Court. The Lab subsequently bills the DUI and State courts for testing fees, but fees for Accountability Court participants (Drug and Mental Health) are included in their weekly fee paid to the Superior Court Clerk and there is no subsequent billing.

All persons who appear for testing should have a court order form. Participants without a form can fill out a generic request form for the cashier, and a listing of all prepaid⁵ Accountability Court participants should be provided to the cashier for verification. Having the form helps ensure only court-ordered tests are performed, provides backup documentation, and could be used as a receipt for the payment of the test. During our testing, we found one instance where the State Court would not pay for a test for an indigent person because they did not order it. Order form information could be input to the system, the form stamped paid and returned to the client as a receipt. As an alternative, a copy could be maintained, if needed, for documentation purposes.

⁵ Participants of the Accountability Court Programs pay the cost of the drug testing in their weekly program fee.

Recommendation

The Drug Court Coordinator should:

Recommendation 2: Develop a generic drug test request form for persons who are not provided a court-ordered form. Use the form to evaluate and confirm whether a drug test is required, to input information into the WinTOX® system and possibly as a receipt for payment, if feasible.

Auditee Response: We agree. Effective October 28, any person that does not produce a court or probation order form will be required to complete a generic drug test request form. The form will contain the person's name, ordering agency, price of test, and receipt number. This form will be kept in the laboratory files and can be used as a second cross reference.

The WinTox system does have a new feature to record payments. This feature is being tested right now with the developer and Drug Court office. Currently the payment can be entered in the system but it is unclear which report that information is recorded. Anticipated resolution with software company, Integrated Management Solutions is 11/1/13.

End-of-Day Reconciliation

Use A Wintox Report To Verify Pricing Data And Revenue Collected

The current lab management software (WinTOX) has the capability to compute the cost of and record whether payment was made for each test performed in the Lab. Updating and compiling this information in the system will give the Lab the capability to create a report that lists all the tests performed for the day and match it to the end-of-day (EOD) cashier reconciliation information. The match will help verify the accuracy of pricing information entered for the tests and confirm the amount of remittances received for the day. Discrepancies noted should be resolved and reported. Verifying the accuracy of the pricing input to the system will help ensure the accuracy of the invoice reports sent to the DUI and State courts for billing purposes.

We were unable to perform the testing necessary to generate the report; however, we saw similar reports for billing purposes and we believe that the report described above can be created using different criteria.

Recommendation

The Drug Court Coordinator should:

Recommendation 3: Design a report within the WinTOX system to provide a listing of all drug tests requested for the day. This report should list the person tested, the type of test requested, the amount collected for each test and a total collected for all tests. The report should be matched to the cashier(s) daily report to verify the accuracy of the cash count(s).

Auditee Response: We agree. As stated in Recommendation 2, we are working with the software company to produce amount collected data in a report form. Currently, a Daily Log report can be run, detailing the person tested, ordering agency, and test ordered.

Investigate And Document Imbalances Between Manual Receipt Calculations And Deposits

The WinTOX daily report will identify any discrepancies between remittances received and costs of tests input to the system. However, in the interim, continue matching manual receipts to daily deposit receipts and investigate and resolve any discrepancies noted. Currently, no actions have been taken for discrepancies identified. According to cash handling procedures, all imbalances should be reported on Overage/Shortage Reports to the Finance Department.

Recommendation

The Drug Court Coordinator should:

Recommendation 4: Develop procedures for investigating and documenting the resolution of imbalances between the manual receipts and the daily deposit totals. Report all unresolved overages and shortages to the Finance Department and Superior Court Administrator.

Auditee Response: We agree. Internal Audit provided us with a standardized overage/shortage report both in digital and manual format. We have been using the manual form and attach it to the daily clerk's receipt for documentation. We find that the manual form works best when counting the end of day money manually. A written policy will be completed by 11/1/13. *[Last sentence edited for clarity by Internal Audit.]*

Use A Cashier Reconciliation Form (Cash Drawer Closing Worksheet) To Document The Counting Of Remittances

We noted that no standard form was used to document the counting of money from the cash drawer. The Lab currently uses a piece of paper or 'Post-It' notes to record the cash count. The cash handling manual recommends that a closing worksheet be used to document currency when the cash drawer is counted. The form formally documents the count and provides the ability for the cashier and verifier to attest its accuracy. The form can also be used to reconcile any discrepancies prior to the deposit of money with the SCC's accounting office.

Recommendation

The Drug Court Coordinator should:

Recommendation 5: Instruct cashiers to use a closing worksheet to document balancing of the cash drawer in compliance with the County's cash handling manual.

Auditee Response: We agree. We discussed in response 4 with timeline.

Physical Security Controls

Use a Lockable Cash Bag and Safe

Cash is stored in an unlocked bag inside the DCC or the Assistant DCC desk when not in the cash drawer. When not in the locked cash drawer, a cashier's cash should be stored in a lockable/sealable bag which limits access to selected individuals (i.e. the cashier and coordinator(s)). The key or combination to the bag should be kept by the cashier and designated backup. Keeping money in the bag ensures the chain of custody of the money and limits the individuals who could be responsible if shortages are detected.

To further enhance physical security over cash, all money should be maintained in a safe. Placing the money in a safe makes it more secure and reduces the likelihood of theft. The knowledge of the combination or location of the key to the safe should be limited to authorized personnel only.

Recommendations

The Drug Court Coordinator should:

Recommendation 6: Obtain lockable cash bag(s) to store cashier money.

Auditee Response: We agree. Have placed an order for lockable cash bag with our office product vendor.

Recommendation 7: Obtain a safe for storing cash when not in use by the cashier(s). Limit the knowledge of the combination or key to the DCC or the assistant. A backup copy of the combination or key should be stored with the Superior Court Administrator's office.

Auditee Response: We agree. We have placed an order for a small cash safe with our office product vendor. We will follow the recommendation of maintaining a key/combination with only the Drug Court Administrator, Drug Court Coordinator, Drug Court Executive Assistant, and Court Administrator.

Other Control Enhancements

Formally Request A Till Advance

The Lab has a \$100 change making till that was created by retaining \$100 from remittances collected. The current till should be submitted to Finance as revenue and a change making till advance requested from the Finance Department where a record of the advance is maintained and a custodian is designated and held accountable for the money. Any shortages, overages or losses that affect the till balance should be reported to the Finance Department and appropriate actions taken to reestablish the correct till amount.

Recommendation

The Superior Court Administrator should:

Recommendation 8: Complete a request for a change-making advance and follow the Finance Department's instruction on how to journalize the current \$100 till amount.

Auditee Response: We agree. The request has been sent to the Finance Director, Jim Pehrson via email on October 11, 2013.

Protect Wintox Payment Information Against Misuse

To ensure the integrity of the WinTOX payment information, the system should be set up so that payment information cannot be altered by cashiers without proper authorization and any changes made can be detected (i.e. audit trail). The DCC has the ability to set up the user profiles and limit access to payment information. If possible, the cashier should only be allowed to input payment information, which would prevent cashiers and other cash handlers from manipulating payment information to cover up misappropriations. The DCC should also periodically review any audit trail information to validate any changes made to payment information. All changes should be analyzed to determine if properly authorized. All unauthorized modifications should be investigated and resolved.

Recommendation

The Drug Court Coordinator should:

Recommendation 9: Review WinTOX user profiles and modify where necessary to ensure the profiles are set up correctly to prevent unauthorized persons from altering payment information. If audit trail information is available, periodically determine the validity of any changes to payment information.

Auditee Response: We agree. Kristie Garrett, Drug Court Coordinator will audit all WinTox user profiles and identify users rights according to login roles. Only Mrs. Garrett and Lab Manager, Adrienne Bowen will have “Role with all permissions”. Only these two staff members will have the ability to edit orders that will include payment information, Effective November 1, 2013. Mrs. Garrett will also follow up with the software developers of WinTox to identify if an audit trail of editing is possible within the system.

Auditor Comment: If the Lab Manager will have permission to alter payment information, she should not accept and/or enter payment information into the system. This is necessary to provide a proper separation of duties control over the processing of payments.

Designate A Primary And Backup Cashier

Currently, a part-time employee is the primary cashier for collecting fees from clients for drug testing. When that employee is busy or leaves for the day, another employee in the Lab assumes the cashier duties. There is no formal transfer of funds for the cashier drawer and the key to the drawer is given to the subsequent cashier.

Accounting and assigning responsibility for any overage or shortage is difficult or impossible when multiple people have access to the same cashier drawer. In order to attain that level of accountability, the DCC ideally should have one primary cashier and one or more backup cashier(s). Each cashier has access to a till that is assigned to them and they are fully accountable for the integrity of the beginning till balance and any money they collect from clients of the drug testing lab. If the workload requires, multiple cashiers could be designated who have their own beginning till that they have exclusive access to. If another employee has to take over the cashier duties, a formal accounting and transfer of the funds should take place to document the amount of money being transferred. If separate cash drawers or transfer of responsibility controls are not implemented, the DCC must assume the risk of not being able to hold individual staff accountable for any overages or shortages.

The EOD closing procedures should be followed by each cashier collecting money. Once 'Class' is implemented, a cashier report can be generated for each cashier and used for the reconciliation process. Money collected by each cashier should be matched to the WinTOX daily report for accuracy and balancing.

Recommendation

The Drug Court Coordinator should:

Recommendation 10: Evaluate the Lab's workflow and if possible, designate one person as the primary cashier. Ideally, that person should be the only cashier and have exclusive access to the cash drawer. If workflow demands, designate two primary cashiers who work from their own cash drawer. Other employees can be used as backup cashiers; however, a formal transfer of the cash drawer contents should be documented when a backup takes responsibility for funds. The Superior Court Administrator should formally request an additional change making till if two cashiers are needed.

Auditee Response: We agree. Two separate cash drawers have been obtained and two separate official tills have been requested from Finance. Effective November 1, 2013, only one employee at a time will be assigned to a cash drawer as cashier. A second drawer will be assigned to a separate employee as a backup cashier on that shift. Only the assigned employee will be allowed to handle the money from that drawer at all times during the shift. If the backup cashier is needed at anytime during that shift, all cash handling policies will be followed to document the transfer of cash drawer contents.

Auditor Comment: If the backup cashier has a separate till, there's no need to transfer cash drawer contents. The backup cashier will use their own till and balance their drawer at the end of day using a separate cashier report generated from the Class System.

Periodically Verify The Wholeness Of The Change-Making Advance

As the custodian of the advance, the DCC is responsible for ensuring that the amount of the advance is maintained and any shortages or overages are timely reported to the Finance Department. The DCC should periodically document the unannounced verification of the change-making till advance.

Recommendation

The Drug Court Coordinator should:

Recommendation 11: Periodically perform and document an unannounced count of the till advance(s).

Auditee Response: We agree. The Drug Court Coordinator will perform an unannounced till advance audit twice a week and document findings. Any unbalanced findings will be immediately investigated and action taken will be documented. Effective November 1, 2013.

Revise Current Cash Handling Procedures

The current Lab cash handling policy document should be updated to reflect any procedural changes agreed to be implemented. Documentation organizes your procedures and helps ensure all employees perform a process in the same manner. It provides a means for employees to look up answers instead of asking co-workers or developing new procedures. In addition, it acts as a protection during audits, helping to pinpoint any actions taken against policy.

Recommendations

The Drug Court Coordinator should:

Recommendation 12: Update the Drug Court Lab's cash handling policy, incorporating all current and proposed procedures for cash handling. The updated policy should be given to all cash handling employees and a written record of their receipt and review should be maintained.

In conclusion, implementation of these additional cash handling provisions is essential to ensure that the money processed in the Lab is fully accounted for. If not implemented, the Lab is vulnerable to further misappropriations that can go undetected or, if identified, cannot be attributed to any particular employee.

Auditee Response: We agree. All department cash handling policies will be updated according to the responses discussed. The Drug Court coordinator will review the new policies with the Court Administrator and then review with all employees impacted. Effective November 29, 2013.

Other Audit Observation

Evaluate The Current Lab Pricing Structure for Adequacy To Make The Drug Court Self-Sufficient

During our interview with the DCC, we noted that there might be future discussions to expand the Lab's services. Specifically, the DCC believes the Lab is able to provide its services at a competitive rate to a number of external groups and organizations and increase its overall revenue-earning potential.

If the Lab desires to expand its services, an analysis should be performed to support this contention. A financial forecasting model needs to be developed which will illustrate the potential income that can be generated by the Lab under certain scenarios. The model should take into consideration factors such as the market, costs, pricing, and capacity. The results can be the basis for management decisions to expand the Lab's capacity to service other entities and generate more income. The Lab also needs this type of analysis to justify the price points of current testing fees.

We were unable to obtain any written justification for the current fee structure or any documented financial model that would support whether expanding the Lab capacity to include testing for other entities would provide the expected increase in the Lab's income stream. This type of analysis is needed to provide a basis for making a decision on expansion.

Recommendations

The Drug Court Administrator should:

Recommendation 13: Develop a pricing and revenue forecast model for the Drug Court Lab to evaluate whether the expansion of the Lab's capability to service other entities will provide additional net income to fund the Drug Court program.

Auditee Response: We agree. The Drug Court Coordinator will work with the Finance Department to produce a forecast model. Effective December 20, 2013.

Detailed Objective(s), Scope, and Methodology

We conducted this review at the request of the Drug Court Coordinator. Our audit survey covered an analysis of current cash handling procedures and financial information of the Drug Court and Lab. Our audit survey, conducted in July and August 2013, was sufficient to render a conclusion on the adequacy of the cash handling procedures and did not require additional audit fieldwork.

Our objective was to determine if controls over cash are adequate to provide reasonable assurance that all incoming cash is accounted for, and controls are adequate to reduce the risk of or provide for the early detection of theft.

In order to accomplish this objective, we performed the following steps:

1. Discussed the operations of the drug facility with the DCCs.
2. Performed a walk-through of the cash handling process with the cashier and drug technicians.
3. Developed a cash-flow diagram of the current processing.
4. Discussed the capabilities of their computer system (Wintox) with coordinators and vendor to determine its capability to capture and report payment information.
5. Spoke with the DCC and IT liaison about plans to implement additional systems and controls to monitor the cash.
6. Reviewed the financial records to determine the amount of money collected by the facility.
7. Discussed the Lab's financial position with Finance Department personnel.

Abbreviations and Glossary

DCC	Drug Court Coordinator
DUI	Driving Under the Influence
EOD	End-of-Day
SCC	Superior Court Clerk
WinTOX®	Toxicology Data Management Software used to manage the data collected, donor sample results and reporting.

Major Contributors to the Report

Latona Thomas, CPA, Director, Internal Audit Department
Barry Huff, Auditor-in-Charge

Report Distribution

Tom Charron, Superior Court Administrator
Kristie Garrett, Drug Court Coordinator, Superior Court
James Pehrson, CPA, Finance Director/Comptroller

Outcome Measure

This appendix presents detailed information on the measurable impact that our recommended corrective action(s) will have on County governance. This benefit will be incorporated into our annual report to the BOC, Audit Committee, and County Manager.

Type and Value of Outcome Measure:

- Revenue Protection – Potential: Controls over \$250,000 of estimated yearly revenue is enhanced by the implementation of the suggested recommendations. (See pages 3-10).

Methodology Used to Measure the Reported Benefit:

We extracted from Advantage Financial the revenue for FY2010 to FY2013 as of July 10, 2013. Total FY2013 income was projected by adding three months of average income to the nine-month total extracted from Advantage Financial.

Auditee Response




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DATE: October 21, 2013

TO: Latona Thomas, CPA, Manager, Internal Audit
Barry Huff, Staff Auditor, Internal Audit

FROM: Thomas Charron, Superior Court Administrator 

SUBJECT: Response to the Internal Audit Division's Draft Report – Review of Cobb County Drug Court Laboratory Cash Handling Procedures

This memo is in response to the subject report dated September 10, 2013. The review determined the Lab has implemented procedures to safeguard remittances collected for drug testing; however, you identified opportunities where controls could be enhanced to increase the physical security over cash, increase the accountability and accuracy of collections, and provide procedures that assign responsibility for any overages/shortages or losses.

You made several recommendations and our response to those recommendations are provided below.

Recommendations

The Drug Court Coordinator should:

Recommendation 1: Implement the Class system as soon as possible and use the recommended cashier reports. In the interim, use a programmable cash register for processing payments or utilize the court order form as a receipt for payment for tests.

Response: *We Agree. We have been in contact with John Bergey and Mary Ann David for the installation process of the CLASS system on 9/24/13 and again on 10/09/13. Anticipate full installation and use by 12/1/13.*

Recommendation 2: Develop a generic drug test request form for persons who are not provided a court-ordered form. Use the form to evaluate and confirm whether a drug test is required, to input information into the WinTOX® system and possibly as a receipt for payment, if feasible.

Response: *We Agree. Effective October 28, any person that does not produce a court or probation order form will be required to complete a generic drug test request form. The form will contain the person's name, ordering agency, price of test, and receipt number. This form will be kept in the laboratory files and can be used as a second cross reference.*

The WinTox system does have a new feature to record payments. This feature is being tested right now with the developer and Drug Court office. Currently the payment can be entered in the system but it is unclear which report that information is recorded. Anticipated resolution with software company, Integrated Management Solutions is 11/1/13.

Recommendation 3: Design a report within the WinTOX system to provide a listing of all drug tests requested for the day. This report should list the person tested, the type of test requested, the amount collected for each test and a total collected for all tests. The report should be matched to the cashier(s) daily report to verify the accuracy of the cash count(s).

Response: *We Agree. As stated in Recommendation 2, we are working with the software company to produce amount collected data in a report form. Currently a Daily Log report can be run, detailing the person tested, ordering agency, and test ordered.*

Recommendation 4: Develop procedures for investigating and documenting the resolution of imbalances between the manual receipts and the daily deposit totals. Report all unresolved overages and shortages to the Finance Department and Superior Court Administrator.

Response: *We Agree. Internal Audit provided us with a standardized overage/shortage report both in digital and manual format. We have been using the manual form and attach it to the daily clerk's receipt for documentation. We find that the manual form works best when counting the end of day money manually. A written policy and not be formulated to follow this and will be complete by 11/1/13.*

Recommendation 5: Instruct cashiers to use a closing worksheet to document balancing of the cash drawer in compliance with the County's cash handling manual.

Response: *We Agree. We discussed in response 4 with timeline.*

Recommendation 6: Obtain lockable cash bag(s) to store cashier money.

Response: *We Agree. Have placed an order for lockable cash bag with our office product vendor.*

Recommendation 7: Obtain a safe for storing cash when not in use by the cashier(s). Limit the knowledge of the combination or key to the DCC or the assistant. A backup copy of the combination or key should be stored with the Superior Court Administrator's office.

Response: *We Agree. We have placed an order for a small cash safe with our office product vendor. We will follow the recommendation of maintaining a key/combination with only the Drug Court Administrator, Drug Court Coordinator, Drug Court Executive Assistant, and Court Administrator.*

Recommendation 8: The Superior Court Administrator should complete a request for a change-making advance and follow the Finance Department's instruction on how to journalize the current \$100 till amount.

Response: *We Agree. The Request has been sent to the Finance Director, Jim Pehrson via email on October 11, 2013.*

Recommendation 9: The Drug Court Coordinator should review WinTOX user profiles and modify where necessary to ensure the profiles are set up correctly to prevent unauthorized persons from altering payment information. If audit trail information is available, periodically determine the validity of any changes to payment information.

Response: *We Agree. Kristie Garrett, Drug Court Coordinator will audit all WinTox user profiles and identify users rights according to login roles. Only Mrs. Garrett and Lab Manager, Adrienne Bowen will have "Role with all permissions". Only these two staff members will have the ability to edit orders that will include payment information, Effective November 1, 2013. Mrs. Garrett will also follow up with the software developers of WinTox to identify if an audit trail of editing is possible within the system.*

Recommendation 10: Evaluate the Lab's workflow and if possible, designate one person as the primary cashier. Ideally, that person should be the only cashier and have exclusive access to the cash drawer. If workflow demands, designate two primary cashiers who work from their own cash drawer. Other employees can be used as backup cashiers; however, a formal transfer of the cash drawer contents should be documented when a backup takes responsibility for funds. The Superior Court Administrator should formally request an additional change making till if two cashiers are needed.

Response: *We Agree. Two separate cash drawers have been obtained and two separate official tills have been requested from Finance. Effective November 1, 2013, only one employee at a time will be assigned to a cash drawer as cashier. A second drawer will be assigned to a separate employee as a backup cashier on that shift. Only the assigned employee will be allowed to handle the money from that drawer at all times during the shift. If the backup cashier is needed at anytime during the shift, all cash handling policies will be followed to document the transfer of cash drawer contents.*

Recommendation 11: Periodically perform and document an unannounced count of the till advance(s).

Response: *We Agree. The Drug Court Coordinator will perform an unannounced till advance audit twice week and document findings. Any unbalanced findings will be immediately investigated and action taken will be documented. Effective November 1, 2013*

Recommendation 12: Update the Drug Court Lab's cash handling policy, incorporating all current and proposed procedures for cash handling. The updated policy should be given to all cash handling employees and a written record of their receipt and review should be maintained.

In conclusion, implementation of these additional cash handling provisions are essential to ensure that the money processed in the Lab is fully accounted for. If not implemented, the Lab is vulnerable to further misappropriations that can go undetected or, if identified, cannot be attributed to any particular employee.

Response: *We Agree. All department cash handling policies will be updated according to the responses discussed. The Drug Court Coordinator will review the new policies with The Court Administrator and then review with all employees impacted. Effective November 29, 2013.*

Recommendation 13: Develop a pricing and revenue forecast model for the Drug Court Lab to evaluate whether the expansion of the Lab's capability to service other entities will provide additional net income to fund the Drug Court program.

Response: *We Agree. The Drug Court Coordinator will work with the Finance Department to produce a forecast model. Effective December 20, 2013.*