



*Cobb County...Expect the Best!*

***INTERNAL AUDIT DEPARTMENT***

***Report Number: 2016-001***

***FINAL REPORT - Review of the Controls over  
Revenue Processed Through the Cobb County  
Government Service Centers***

***February 11, 2016***

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## *Table of Contents*

<b>Transmittal Letter</b> .....	Page i
<b>Background</b> .....	Page 1
<b>Results of Review</b> .....	Page 6
<b>Controls Over the Collection of Cash Need Improvement</b> .....	Page 6
Unlocked Cash Drawers .....	Page 6
<u>Recommendation 1</u> .....	Page 6
Checks not restrictively endorsed .....	Page 6
<u>Recommendation 2</u> .....	Page 7
Inadequate Safe Practices .....	Page 7
<u>Recommendation 3</u> .....	Page 7
<u>Recommendation 4</u> .....	Page 8
Inadequate Segregation of Duties and End-of-Day Balancing Procedures .....	Page 8
<u>Recommendations 5 &amp; 6</u> .....	Page 9
<u>Recommendation 7</u> .....	Page 10
<b>Controls Over the Transportation and Validation of Collected Funds Can Be Improved</b> .....	Page 9
<u>Recommendation 8</u> .....	Page 10
<u>Recommendation 9</u> .....	Page 11
<u>Recommendations 10 &amp; 11</u> .....	Page 12
<b>Physical Security Over the GSCs Needs Improvement</b> .....	Page 13
<u>Recommendation 12</u> .....	Page 14
<b>Overall Efficiencies Could Be Increased</b> .....	Page 14
Procedures need to be streamlined .....	Page 14
Policies and Procedures Manual needs to be updated .....	Page 15
GSC Level of Services Provided need to be re-evaluated .....	Page 15
Periodic Training needs to be implemented .....	Page 17
<u>Recommendations 13 &amp; 14</u> .....	Page 17
<u>Recommendations 15 &amp; 16</u> .....	Page 18

## **Appendices**

Appendix I – Detailed Objectives, Scope, and Methodology.....	Page 19
Appendix II – Abbreviations and Glossary .....	Page 20
Appendix III – Major Contributors to the Report .....	Page 21
Appendix IV – Final Report Distribution List .....	Page 22
Appendix V – Outcome Measures .....	Page 23
Appendix VI – Auditee’s Response to the Draft Report .....	Page 24



## COBB COUNTY INTERNAL AUDIT

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Director

February 11, 2016

### MEMORANDUM

**TO:** David Hankerson, County Manager

**FROM:** Latona Thomas, CPA, Director 

**SUBJECT:** **FINAL REPORT** - Review of the Controls over Revenue Processed Through the Cobb County Government Service Centers

Attached for your review is the subject final report. The objective of our audit was to determine if the controls over cash collection, allocation, transportation, and reporting at the Government Service Centers (GSCs) are adequate and in accordance with Cobb County Government regulations and requirements.

### Impact on the Governance of the County

The recommendations in this report will help improve the overall security of the facilities where the GSCs reside and ensure controls over \$17 million annual revenue collections are adequate to guard against theft and loss.

### Executive Summary

The Government Service Centers provide a convenient selection of services to Cobb County residents. On an annual basis, the GSCs collect on average, \$17 million in revenue and handle approximately 25,000 transactions for the Tax Commissioner's Office, Water System, Business License Division, State Court, Elections, Library, Cobb Community Transit (CCT), and Tax Assessor.

We determined that the GSCs are generally meeting the service level expectations of the agencies/departments they serve. GSCs have implemented numerous control activities to safeguard revenue processed; however, we identified several control weaknesses and opportunities for improvement needed to ensure adequate controls exist. Additional controls over the collection, transportation, validation, and security are needed, existing controls can be improved, and overall efficiencies gained. Some payments were not logged and/or subsequently validated by the receiving agency/department; procedures for safeguarding the cash (e.g. lock drawers, locked safe) were not always followed; segregation of duties was not always achieved in the processing of cash; end-of day balancing procedures can be improved; and the procedures for transporting some payments need to be re-evaluated. We also determined that there are some gaps in the overall security for employees and cash processed in the facilities in which the GSCs reside.

Subsequent to the issuance of the draft report, Internal Audit was asked to perform an investigation into an alleged \$235 cash shortage at the GSC East Cobb location. The investigation results revealed that an employee had committed an act of theft of \$230, prepared and distributed a fictitious financial report to conceal the theft, returned to the GSC East Cobb office after hours to replace the money, and made numerous false statements regarding the theft. The employee validated these findings during investigative interviews. As such, the employee was placed on administrative leave without pay and subsequently terminated. We were unable to validate and substantiate the source of the remaining \$5 shortage. Additional discussions regarding the internal control weaknesses are discussed in the accompanying pages.

### *Recommendations*

We made several recommendations to the GSCs Administrator in order to ensure that County assets are adequately safeguarded; allocations and reporting are complete and accurate; and transactions are posted timely. We also made recommendations to the Support Services Agency (SSA) Director and GSCs Administrator regarding an overall evaluation of security and the continued level of services to be provided. Below is a summary of recommendations. Please see 'Results of Review' section for further discussion of each.

- Develop controls to mitigate the risk of cashiers working from the same cash drawer and ensure cash drawers remain locked when not in use.
- Restrictively endorse all checks upon receipt to restrict the disposition and prevent unauthorized cashing.
- Improve procedures in the use of safes including limiting access, keeping them locked when not in use, protecting the combination, and evaluating whether they provide adequate safeguards against burglary, water and fire damage.
- Improve end-of-day balancing procedures to require the independent verification of cashier reconciliations, the use of a "cash drawer closing worksheet" to document the end-of-day count of cash, and the reporting of overages and shortages.
- Revise current procedures to require each receiving agency/department to validate and acknowledge receipt of payments.
- Increase overall efficiencies by streamlining procedures, updating and revising the policies and procedures manual, and implementing periodic training.
- Re-evaluate the current services provided and determine appropriate level of service to be provided on behalf of the respective agency/department.
- Assess the overall security of the facilities where the GSCs reside to include whether safety measures are adequate to protect assets and all employees who work at the facilities.

## Response

The GSC Administrator provided a response to our draft report and concurred with 14 of our 16 recommendations. She disagreed with Recommendation 3 to limit employee access to the safes, stating all employees need to have access at all times in case some of the items are needed or staff would have to report to a different location. Compensating controls have been implemented and are deemed adequate. The GSC Administrator also disagreed with Recommendation 6, which included the development of compensating controls to mitigate the risk of cashiers working from the same drawer, stating they only have one cash register in each Center and every employee needs to work from the same drawer. While we understand the difficulties associated with implementing controls within small offices, we still believe proper segregation of duties to be an effective control measure. As such, the GSC assumes the risk of theft or loss until an adequate control activity is implemented.

Subsequent to the issuance of the draft report, the Support Services Agency Director position was vacated. In the interim, each Support Services department or office is reporting directly to the County Manager. Consequently, all outstanding corrective actions will be incorporated into a monthly status report and discussed with the County Manager until fully implemented and/or an acceptable level of risk identified. The complete responses to the draft report are included in Appendix VI. We will perform follow-up corrective actions in six months. Please contact me at (770)528-2559, if you have questions, or Andrea Clayton at (770) 528-2558.

## *Background*

The Government Service Centers (GSCs) were established in 1988 to provide convenient and efficient quality customer service to residents, businesses, and visitors in Cobb County. The six primary services provided by these centers include Business License Renewals, Water System Bill Payments, Cobb County Vehicle Tag Renewals, Property Tax Payments, State Court Clerk Traffic Violation Payments, and Cobb Community Transit (CCT) Ticket Sales. They also provide the following additional services: postage stamp sales, community meeting room accommodations, library book returns, voter registration assistance, homestead exemption application assistance, notary services, real and other property returns, and are a source for various other general County information.

There are two locations to serve County stakeholders – East Cobb and South Cobb. Each location is staffed with three full-time employees with office hours from 9 a.m. to 6 p.m. A Police Precinct, Fire and Emergency Service Station, and a full service Tax Commissioner Tag & Title Office are housed at both locations. The buildings remain open at all times, which allow customers to utilize the community meeting rooms, drop off water payments, and return library books.

### *PRIMARY SERVICES*

#### *Cobb County Business License Renewals*

Only Business License Renewals are accepted at GSCs, along with payments in the form of cash, checks, and money orders. The staff at the GSCs have read-only access, so they only provide customers with the amount owed and ensure the paperwork is complete. All new applicants are referred to the County's Business License Division; however, GSCs do assist the prospective business with a significant portion of the application process to include the calculation of the required fees and any penalties and interest, if applicable. In addition, a pre-established list of Business License Renewals must be referred directly to the Business License Division, due to the nature and type of application. All renewal applications and related payments are transported via County Mail Services courier. Systems utilized for processing or research include the Tax Assessor website, County Street Index book, and GRATIS<sup>1</sup>.

#### *Cobb County Water System Billing Collection*

Water System payments are accepted in the form of cash and checks only. If the customer does not provide the bill, GSCs utilize the CIS<sup>2</sup> Primary System to retrieve account information and print the needed information. Customer payments are not posted by GSCs' staff. As such, all late payments must be made directly at the Water System to avoid service interruption. Payments collected are transported via County Mail Services courier.

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<sup>1</sup> GRATIS (Georgia Registration and Title Information System) is used to access a database containing motor vehicle certificates of title and tag registration records.

<sup>2</sup> CIS Primary (Banner Water System) is used to retrieve account information for water system customers.

### *Cobb County Vehicle Tag Renewals*

GSCs staff only process vehicle tag renewals, which have no change in owner, vehicle, or address. All other vehicle tag services are referred to the Tag & Title Office onsite. Payments are accepted in the form of cash, checks, money orders, and credit cards. Renewals and fees are input into GRATIS and decals are printed in the GSCs offices. At the end of the day, revenue collected and related transaction reports are delivered to the Tag & Title Office onsite.

As of November 2014, a kiosk for annual tag renewals was placed at the South Cobb location, allowing customers to renew up to 10 vehicles in one transaction. The tag decals are immediately dispensed if the insurance and emissions are electronically submitted and there are no changes to the information currently on file.

### *Cobb County Property Tax Collection*

GSCs staff perform the same functions as the Tax Commissioner's Office except for processing payments in the system. Property tax payments are collected in the form of cash, checks and money orders. If the customer does not provide the property tax bill, GSCs utilize the RECO<sup>3</sup> and EZ-Scan<sup>4</sup> systems to retrieve account information and print the required information. Property tax payments with a levy code are only accepted upon verbal approval from the Tax Commissioner's Office via telephone. All other payments are posted directly by GSCs staff and taken to the Tag & Title Office on-site once per day. In addition, specific end-of-the day reports are submitted electronically to the Tax Commissioner's Office via email.

### *State Court Clerk Traffic Violations*

Customers may submit payments for Cobb County State Court citations by money order only at GSCs. No log is maintained, and the money orders are placed in a pre-printed State Court envelope that notes the person's name, citation number, and court date. These envelopes are assembled, placed in a bag, and transported by the County Mail Services courier to the County mailroom for subsequent retrieval by a State Court employee. Citation payments are due to the State Court Clerk's Office by the court date, but the GSCs provide no guarantee of delivery date.

### *Cobb County Transit (CCT) Ticket Sales*

Customers may purchase CCT tickets at GSCs; however, only a limited quantity is maintained on hand. All ticket inventory and sales transactions are input directly into Advantage Financial<sup>5</sup> by GSCs staff. A physical inventory count is conducted daily on CCT tickets; funds are deposited weekly.

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<sup>3</sup> RECO (Revenue Collections System) is a comprehensive cashiering system used by the GSC to process property tax payments.

<sup>4</sup> EZ-Scan is a data and image management tool that is used to view and print documents associated with property tax transactions.

<sup>5</sup> The County's financial system.



## ***ADDITIONAL SERVICES***

### ***Postage Stamp Sales***

Postage stamps are available for purchase at GSCs. They are purchased on consignment<sup>6</sup> and then resold to customers. GSCs staff collects the funds from sales, physically deposits into the County's General Fund account on a weekly basis, and posts the cash receipt into Advantage Financial after the deposit is made. Physical inventories are conducted daily. We noted no additions to the postage stamps inventory since fiscal year (FY) 2013

### ***Meeting Room Accommodations***

GSCs provide meeting rooms for community, civic, and non-profit groups. Rooms may be reserved up to three months in advance with a \$40 refundable deposit and must include an executed contract. These rooms are available for use from 7 a.m. - 10 p.m. with the exception of Sundays and Holidays. A refund is processed through the County's financial system provided the reserving party adheres to the conditions of the contract and the rules and regulations for the use of the facility. The GSCs Administrator and Supervisor determine if the deposit will be refunded after the meetings have been held. We noted standing reservations as far back as 1990.

### ***Cobb County Library Book Returns***

Books returned to the GSCs are delivered to the Switzer Library location via County Mail Services courier. The books are scanned once they are received at the library, at which time fines are generated, if warranted.

### ***Voter Registration Services***

Assistance in completing the State of Georgia application for Voter Registration is also provided by the GSCs. Once the application is completed and collected, a copy of the resident's ID is included in an envelope provided and forwarded to the Elections Department via the County Mail Services courier for processing.

### ***Exemption Applications***

GSCs staff provides assistance in completing and submitting the Cobb County Homestead Exemption, Cobb County School Tax Exemption, and State Senior Citizens Exemption applications. Assistance can also include researching information from the Tax Commissioner system and Clerk of Superior Court website; validating required supporting documents; making the necessary copies; and forwarding the completed application to the Tax Commissioner's office to be processed. A copy of the application and related documents are also retained on file at the respective GSCs locations. All exemption applications are couriered to the Tax Commissioner's office via County Mail Services courier.

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<sup>6</sup> Stamps are purchased in advance using general fund dollars and posted to a balance sheet account in Advantage Financial. This account is then offset by sales of postage stamps by GSCs staff.

### *Notary Services*

Notary services are free to all customers at GSCs. Per to GSCs Administrator, staff are required to have notary public certification; however, we only found the written requirement in the GSCs Administrator job description<sup>7</sup>. Personnel are reimbursed the cost of the fees<sup>8</sup> to acquire and maintain current certificates, and the certificates expire every four years.

### *Real and Other Property Returns*

Real property, business personal property, marine personal and aircraft personal returns may be filed at the GSC by the person owning the property or by their agent or attorney. These returns are accepted January 1 – April 1 of each year. Once the customer has completed the respective application, it is copied, logged and sent to the Tax Assessor's office via interoffice mail the next business day. Copies of the applications and related documents are maintained at the GSCs office.

### *General Office Information*

GSCs also serve as a 'one-stop' source that provides an assortment of information on County services that are offered to accommodate residents. The information may be conveyed verbally and/or in the distribution of publications and brochures. Some services include, but are not limited to, County maps, planning and zoning information, County facility and service locations, and other general County information.

### *FY2014 Revenue Collections for Primary Services*

The revenue collected from Business License Payments, Water System Bill Payments, Vehicle Tag Renewal Payments, Property Tax Payments, State Court Clerk Traffic Violation Payments, and CCT Ticket Sales are dispersed and deposited by the appropriate agency/department. The GSCs staff deposits all revenue received from CCT ticket sales, postage stamps, and meeting room deposits, and posts the corresponding cash receipts to the respective accounts in Advantage Financial. To the left is a chart breakdown of the revenue collected for FY2014 primary services only by service type.

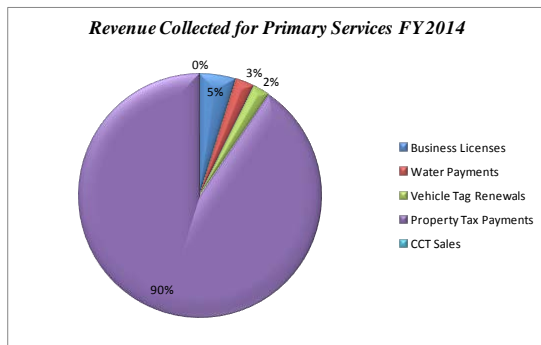


Chart 1 - Source: GSCs FY2014 Annual Report of Transactions/Amounts. [NOTE: Traffic Violation Payments are not included because the information was not readily available.]

In Tables 1 and 2 below are FY2014 primary services presented by GSC location.

FY2014 Primary Services (Dollars) by GSC Location		
Agency/Department	East	South
Business License Payments	\$578,089	\$269,702
Water Payments	\$144,871	\$297,134
Vehicle Tag Renewals	\$78,610	\$321,171
Property Tax Payments	\$11,346,675	\$4,702,769
State Court Violations	0 <sup>a</sup>	0 <sup>a</sup>
CCT Sales	\$450	\$2,369
<b>Totals</b>	<b>\$12,148,695</b>	<b>\$5,593,145</b>

FY2014 Primary Services (Transactions) by GSC Location		
Agency/Department	East	South
Business License Payments	2,128	1,057
Water Payments	2,467	6,327
Vehicle Tag Renewals	729	3,942
Property Tax	3,911	4,018
State Court Violations	33	1 <sup>a</sup>
CCT Sales	14	60
<b>Totals</b>	<b>9,282</b>	<b>15,405</b>

Tables 1 and 2 – Source: GSCs FY2014 Annual Report of Transactions/Amounts. <sup>a</sup>Supporting documentation not maintained.

<sup>7</sup> Source: Human Resources Department Class Specifications.

<sup>8</sup> Most recent renewal cost was \$37, plus the cost of notary seal stamp, if necessary.

### *Five-year History of Primary Services*

Property Tax payments account for approximately 31% of the GSCs transactions, but 90% of the average revenue amounts collected over the five-year period FY2010-2014. Below are summary tables of GSCs transactions and amounts for the most recent five-year history of primary services.

GSCs Five-Year History of Revenues Collected for Primary Services							
	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13<sup>a</sup></u>	<u>FY14</u>	Five-Year <u>Totals<sup>a1</sup></u>	<u>Averages<sup>a2</sup></u>
Business License	\$447,931	\$380,569	\$396,178	\$1,100,449	\$847,791	\$3,172,918	\$634,584
Water Payments	\$515,950	\$506,222	\$633,256	\$3,377,842	\$442,005	\$5,475,275	\$1,095,055
Vehicle Tag Renewal	\$526,472	\$434,996	\$445,865	\$383,830	\$399,781	\$2,190,944	\$438,189
Property Tax	\$16,542,747	\$15,777,600	\$13,609,848	\$14,508,850	\$16,049,444	\$76,488,489	\$15,297,698
State Court Violations <sup>b</sup>	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CCT Sales	<u>\$5,632</u>	<u>\$5,804</u>	<u>\$3,798</u>	<u>\$4,323</u>	<u>\$2,819</u>	<u>\$22,376</u>	<u>\$4,475</u>
<b>Totals</b>	<b><u>\$18,038,732</u></b>	<b><u>\$17,105,191</u></b>	<b><u>\$15,088,945</u></b>	<b><u>\$19,375,293</u></b>	<b><u>\$17,741,840</u></b>	<b><u>\$87,350,001</u></b>	<b><u>\$17,470,000</u></b>

GSCs Five-Year History of Transactions Processed for Primary Services							
	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	Five-Year <u>Totals</u>	<u>Averages<sup>a3</sup></u>
Business License	3,130	2,451	2,395	4,346	3,185	15,507	3,101
Water Payments	10,450	9,639	9,937	9,568	8,794	48,388	9,678
Vehicle Tag Renewal	5,433	4,163	3,899	3,680	4,671	21,846	4,369
Property Tax	7,796	7,606	7,368	7,650	7,929	38,349	7,670
State Court Violations	74	63	35	31	34	237	47
CCT Sales	<u>128</u>	<u>132</u>	<u>87</u>	<u>91</u>	<u>74</u>	<u>512</u>	<u>102</u>
<b>Totals</b>	<b><u>27,011</u></b>	<b><u>24,054</u></b>	<b><u>23,721</u></b>	<b><u>25,366</u></b>	<b><u>24,687</u></b>	<b><u>124,839</u></b>	<b><u>24,968</u></b>

<sup>a, a1, a2, a3</sup> Totals are off one digit due to rounding

<sup>b</sup> Unable to determine amount because logs are not maintained

Table 1 - Source: GSC Annual Reports of Transactions/Amounts for FY2010-FY2014.

Our audit period covered GSCs transactions during the first six months of FY2015. Historical data, where applicable, is shown for informational purposes only. 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*

Our overall objective was to determine if the controls over cash collection, allocation, transportation, and reporting at the Government Service Centers (GSCs) were adequate and in accordance with Cobb County Government regulations and requirements. Adequate controls and safeguards need to be in place to ensure revenue processed through these centers is protected against waste, fraud and abuse.

The GSCs provide a convenient service for the citizens of Cobb County by collecting approximately \$17 million<sup>9</sup> in payments for Business License Renewals, Water System Payments, Vehicle Tag Renewals, Property Taxes, CCT Ticket Sales and other services. We also observed GSCs employees providing quality assistance to citizens who needed to conduct business with the County. The GSCs have several control activities for receiving, allocating, transporting and reporting these payments to the appropriate agency/department. Although these procedures exist, we identified several areas where additional controls over cash collection, transportation, validation, and security are needed, existing controls can be improved, and overall efficiencies gained.

### ***Controls Over the Collection of Cash Need Improvement***

We performed onsite observations of daily processes, tested transactions processed by the GSCs, conducted interviews, performed unannounced cash verifications, and evaluated security over cash collections. Controls over cash collections could be improved to minimize the risk of loss to the County.

#### **Unlocked cash drawers**

We observed that payments collected for Vehicle Tag Renewals and Property Taxes were maintained in unlocked drawers while not in use throughout the day. Although the drawers had locks installed, for which all employees had a key, the lock option was not utilized during the day. Adequate safeguard controls dictate that collections should be held in a secure manner until deposited or transferred to another department. At a minimum, the drawers where money is stored should be locked at all times when not in use to prevent theft or misappropriation.

#### ***Recommendation***

The Government Service Centers Administrator should:

**Recommendation 1:** Ensure that all cashier drawers remain locked when not in use.

**Auditee Response:** **Concur.** Implemented on Wednesday, December 2, 2015. All cash drawers not in use are locked in a drawer at the counter or locked in the safe.

#### **Checks not restrictively endorsed**

Checks received for Business License transactions were not restrictively endorsed when received. All checks should be restrictively endorsed at the time of receipt to prevent diversion and unauthorized cashing. In addition, the delayed time between collections to deposit could increase this risk of loss. See Page 10 for further discussion regarding the transportation of Business License collections.

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<sup>9</sup> See Page 5 for five-year history. State Court Clerk payment amounts are not maintained and thus, not included.

## **Recommendation**

The Government Service Centers Administrator should:

**Recommendation 2:** Coordinate with the Business License Division, obtain a deposit stamp, and revise procedures to restrictively endorse all Business License checks upon receipt.

**Auditee Response:** **Concur.** Spoke with one of the Business License Auditors in the Business License office on December 2, 2015. He spoke with a Finance Division Manager in Finance the same day. An endorsement stamp was ordered for each center. They came in on December 16, 2015 and we have been using them on each Business License check since that day.

## **Inadequate Safe Practices**

We determined that the safes were unlocked during the day and were accessible to all employees. Cash for change making and petty cash purposes is stored in the safes during the day and all remittances collected during the day that are not transferred to the related agency are stored in the safes overnight. All employees know the combinations to the safes and the safe at one location is mounted on wheels making it more susceptible to theft.

Good cash management practices require that the safes remain locked when not in use and the combinations to the safes are limited to key personnel. Management should maintain the combinations and disclose to other personnel in an emergency. Keeping the safes locked helps prevent theft and limiting the persons with access to the safes narrows the culpability in the event of a theft or loss.

## **Recommendations**

The Government Service Centers Administrator should:

**Recommendation 3:** Limit safe access to selected employees and change procedures to require the safes to remain locked when not in use. Combinations should also be changed periodically and with all changes in personnel.

**Auditee Response:** **Disagree.** I do not see any way this recommendation could be possible; although the entire staff will continue to explore different options. All CCT tickets, reserve funds and cash drawers when not in use are kept in the locked safe. All employees need to have access at all times in case some of these items are needed or staff would have to report to another center. The safe we currently have does not permit the combination to be changed. The Administrator is currently exploring options for a new safe. The safe has remained locked all day since December 2, 2015. All cash will be counted daily by one employee and then be verified by another employee. Cash log sheets will be kept daily and filed. Administrator (East)/Public Services Supervisor (South) will perform random unannounced verification of all cash on hand.

**Additional Internal Auditor Comment:** We understand the difficulties with a small staff and deem the compensating controls to verify all funds, maintain the proper documentation daily, and perform random unannounced verifications of all funds on hand acceptable. However, the inability to change the combination is not adequate. In the absence of an Agency Director, monthly status reports should be submitted to the County Manager until the appropriate corrective action is fully implemented. Monthly status reports should also include a validation of daily counts and the results of the unannounced verifications of all funds.

**Recommendation 4:** Ensure that all safes are properly mounted to the floor or other permanent structure.

**Auditee Response:** **Concur.** The South Cobb Center has a more secure safe however the safe at East is not as secure. Property Management has taken the wheels off the safe at East. Administrator has put in a work order with Property Management to have East's safe bolted to the ground (01/29/2016). The Purchasing Supervisor in Purchasing is currently trying to find a new one through Purchasing/Surplus Items.

**Additional Internal Auditor Comment:** The Administrator should initiate discussions with the County Manager and/or Finance regarding the specific needs. In the absence of an Agency Director, monthly status reports should be submitted to the County Manager until the appropriate corrective action is fully implemented.

### **Inadequate Segregation of Duties and End-of-Day Balancing Procedures**

We observed the end-of-day balancing and reconciliation process and determined that the reconciliation of the cash drawers was not conducted by someone independent of the collection process; the reconciliation of the receipts to the cash reports was not independently verified in all instances; all GSCs staff operate from the same cash drawers; and overage/shortage policies were not followed.

Best practices require that different persons handle the different phases of cash handling collection, reconciling and depositing. GSCs policies and procedures manual requires an independent verification of collections as well. Working from the same cash drawer also makes the ability to identify discrepancies difficult, if not impossible. Segregation of duties is essential to enhance accountability and reduce the risk of error or fraud. In a smaller office, it may not be feasible to segregate all of the cash-related duties; therefore, the office should implement compensating controls to mitigate the risk.

In addition, County policy requires that an 'Over (Short)' report be completed regardless of the amount and submitted to the Finance Department along with any revenue report submitted. During our unannounced verification of the cash, we found one instance of an overage, which should have been reported to Finance but rather was returned to the bank as a potential miscount.

We also found no written guidance regarding overages and shortages. The use of a cash drawer closing worksheet is a more efficient and accurate way of documenting collections and aids in the identification of discrepancies, if any.

Cashiers are to report overage/shortages to Finance and not resolve the imbalances by other means. Independent verification of reconciliations helps identify imbalances and ensure they are reported so management is aware and can take appropriate actions such as additional training or reassignment of the employee.

Subsequent to the issuance of the draft report, Internal Audit was asked to perform an investigation into an alleged \$235 cash shortage at the GSC East Cobb location. We performed a complete cash count of all change fund tills, petty cash advances, and other cash amounts collected; interviewed all GSC East Cobb staff individually; assessed the impact of any changes to control activities; analyzed supporting transaction documents; and observed the camera angles available for review, if needed.



The investigation results revealed that an employee had committed an act of theft of \$230, prepared and distributed a fictitious financial report to conceal the theft, returned to the GSC East Cobb office after hours to replace the money, and made numerous false statements regarding the theft. The employee validated these findings during investigative interviews. As such, the employee was placed on administrative leave without pay and subsequently terminated. We were unable to validate and substantiate the source of the remaining \$5 shortage.

Proper segregation of duties, end-of-day balancing procedures, and other control activities discussed throughout this report are needed to eliminate or reduce to an acceptable level, the risk of theft, loss, or misappropriation.

## ***Recommendations***

The Government Service Centers Administrator should:

**Recommendation 5:** Ensure that all overages and shortage are documented and reported to the Office of Finance and Economic Development as required.

**Auditee Response:** **Concur.** All overages and shortages will be documented and reported to the Office of Finance and Economic Development as required. A GAX1 document will be created in the Advantage Financial system on a rotation system so that all employees are familiar with the process. This process will start immediately.

**Additional Internal Auditor Comment:** The Administrator should also ensure each employee is properly trained. All overages and shortages should be identified, documented, and validated during closing procedures by closing employees. In the absence of an Agency Director, monthly status reports should be submitted to the County Manager and include an ongoing summary of results.

**Recommendation 6:** Develop compensating controls to mitigate the risk of cashiers working from the same drawer, to include all reconciliation and deposit processes.

**Auditee Response:** **Disagree.** In theory this would be a great practice. We only have one cash register in each Center and every employee needs to work from that same drawer. There are two alternate drawers at South (two work stations) and three alternate drawers at East (three work stations) these also need to be accessible by all employees. Effective February 1, 2016, all monies will be counted and verified by two different employees each day using the Cash Drawer Closing Worksheet.

**Additional Internal Auditor Comment:** The daily cash count and verification of all funds is an acceptable compensating control in the interim, but each cashier should have a lockable cash drawer and till. The GSCs Administrator should also explore the various point-of-sale systems utilized throughout the County and coordinate with other County departments that effectively utilize this function. In the absence of an Agency Director, monthly status reports should be submitted to the County Manager until the appropriate corrective action is fully implemented. As such, the GSCs Administrator assumes the risk of theft or loss and the inability to determine the source.

**Recommendation 7:** Require the use of a ‘Cash Drawer Closing Worksheet’ in end-of-day processes to document the count and verification of all revenue collected.

**Auditee Response:** Concur. We have converted the Cash Drawer Closing Worksheet from the Cash Handling Handbook into an Excel worksheet which will make it easier for us to use. All cash drawers will be counted and verified using this worksheet effective January 14, 2016.

## ***Controls Over the Transportation and Validation of Collected Funds Can Be Improved***

We reviewed a random sample of seven days of transactions (789 transactions totaling \$168,393) for the period October 1, 2014, through March 31, 2015, to determine if the payments were allocated properly, timely routed to the respective department/agency, and subsequently verified. Controls over the transportation and validation of collected funds were generally adequate, but we found several opportunities for improvement.

### ***Water System and Business License Payments***

Water System and Business License payments are both transported using the County’s Mail Services courier, but our tests showed inconsistencies in delivery. Both Water System and Business License payments were picked up from GSCs on the day after collection at the GSCs. Water System payments are delivered on the same day as picked up from GSCs; Business License payments were stored overnight at the mail facility and delivered to the Business License Office the following day by a different mailroom courier. Initial discussions indicated that the payments were maintained in a lockable drawer overnight but during our onsite visit, we found the drawer unlocked and the key to the drawer was readily available to all mailroom employees. Leaving the unsecured payments at the mail facility overnight increases the probability that the funds can be lost or stolen.

We discussed our findings with the manager of mailroom operations and changes to the Mail Services courier routes were implemented. Payments for Business Licenses would no longer be stored at the mailroom but delivered directly to the Business License office on the same day as picked up from the GSCs locations.

In addition, we noted that the Water System log sheet included a validation signature on the top page of the package. Because each log sheet is summarized and totaled individually, we were unable to determine if the signature represented validation of the complete content package. The validation process needs to be clarified to provide for greater accountability.

## ***Recommendation***

The Government Service Centers Administrator should:

**Recommendation 8:** Revise its current validation process to ensure each individual log sheet is signed by the person attesting to receipt of the content package or include a summary page with applicable narrative and signature as evidence. If the contents are not validated immediately upon receipt, a disclaimer should be included.



**Auditee Response:** **Concur.** All log sheets are signed on the front and if there is cash involved the cash sheet on the back of the log is also signed. This process was implemented on January 4, 2016. Administrator spoke with the Accounting Manager from the Tax Commissioner's office, one of the Business License Compliance officers from the Business License office and the Contract Project Manager from the Water Department.

**Additional Internal Auditor Comment:** The process is adequate for the Tax Commissioner's office; however, the GSCs Administrator needs to ensure that the Business License Division and Water System acknowledges the signature as validation of the complete package. The absence of such acknowledgement eliminates the County's ability to identify the source of any discrepancies. In the absence of an Agency Director, monthly status reports should be submitted to the County Manager until the appropriate corrective action is fully implemented.

#### *Tax Commissioner Payments (Motor Vehicle, Property Taxes)*

Tax Commissioner payments are hand delivered to the onsite Tag & Title Office on the same day received<sup>10</sup> by the GSCs; however, no documentation was maintained to validate receipt of the funds by the Tax Commissioner's office. GSCs' current practice is to place all Tax Commissioner remittances in a locked bank bag along with the supporting computer reports and deliver the bag to the Tax Commissioner's office where an employee receives the bag without verification of the contents nor documentation to support the receipt of funds. We also noted no subsequent validation receipt obtained by GSCs.

In order to provide proper accountability over the payments collected by the GSCs, the receiving agency/department should validate the accuracy of any reports and money received. An employee should count the money received, compare it to the accompanying report, sign, and provide a receipt to the GSCs employee who delivered the money. Providing an accountability trail for the money as it changes hands helps in the investigation of any losses or thefts that could occur.

#### **Recommendation**

The Government Service Centers Administrator should:

**Recommendation 9:** Coordinate with the Tax Commissioner's office and develop procedures for Tag & Title employees in the satellite offices to verify/confirm payments when received, provide a transfer of responsibility document as proof of receipt, and/or provide a subsequent validation receipt to Government Service Centers staff.

**Auditee Response:** **Concur.** By 5pm each business day all money collected for the Tax Commissioner's office (tag/property tax) is taken to the Tag office in each location and signed as received by a Tag office employee (no attesting as to contents just receipt). It is then picked up from the Tag office by a Cobb County Sheriff and taken to the Tax Commissioner's office. All money sent to the Tax Commissioner's office is accompanied by two sets of log sheets. Whoever opens the locked bags at the Tax Commissioner's office has to sign each log sheet and the cash sheet (if cash is received) verifying all monies are accounted for and then they send it back to us in that same locked bag. This process was implemented on January 4, 2016.

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<sup>10</sup> Tax Commissioner payments received after 4:45pm each day are locked in GSC safe and included with the subsequent day's transactions.

### *State Court Clerk Traffic Violation Payments*

Additional controls are needed to ensure payments to the State Court Clerk's office are accounted for and validated. According to GSCs staff, State Court payments are picked up and delivered to the mail facility via County Mail Services courier the day after collection at GSCs. Payments are then held overnight for pick up by a State Court Clerk employee the following morning. We were unable to validate this assertion as no logs or other documentation was maintained. These payments are collected and distributed without receiving any validation or acknowledgement by the State Court Clerk's office.

In fact, State Court Clerk's office was unaware that payments were being collected at the GSCs as no source documentation was included. There needs to be an accountability trail to ensure that payments are received by the State Court Clerk's office for processing. Lost or misplaced traffic violation payments resulting in untimely posting could result in adverse circumstances for the payer (e.g. arrest or warrants issued.)

### ***Recommendation***

The Government Service Centers Administrator should:

**Recommendation 10:** Coordinate with the State Court Clerk's office and develop a log to record payments received for State Court traffic violation payments. Procedures should also be developed for State Court Clerk employees to verify/confirm payments when received and provide a signed document as proof of receipt.

**Auditee Response:** **Concur.** Administrator will contact by phone the person that receives the payments we collect. We will determine whether or not our services are needed. If they would like for us to continue to accept payments on their behalf the Administrator along with the representative from the State Court Clerk's office will determine how to best take care of this business. If we continue to use the Mail Room courier the payment will accompany a log similar to the ones created for our other services and have to be signed off on by a State Court Clerk employee. This plan will be implemented by March 1, 2016.

### *Other Payments*

Weekly, GSCs personnel are responsible for transporting the proceeds from the sale of postage stamps, transit tickets, and meeting room deposits to the bank without an armed escort. On a daily basis, the Tax Commissioner's office has a deputy sheriff transport their cash to their respective destinations. A similar function is needed to ensure the safe transportation of deposits made by GSCs employees. Collections that are currently transported by the County's Mail Services courier should also be re-evaluated. A secured escort or alternative could reduce the risk of potential theft or issues.

### ***Recommendation***

The Government Service Centers Administrator, in connection with the Support Services Agency Director, should:

**Recommendation 11:** Determine if a secured escort or armored car service is available to assist in the transportation of deposits to the bank and other Government Service Centers payments. If not, other options should be explored to eliminate or minimize the risk.

**Auditee Response:** **Concur.** In the absence of an Agency Director, Administrator will need to speak with the County Manager about this recommendation on February 4, 2016 while in the status meeting Internal Audit. I don't feel that an escort is needed on our weekly bank trips. However, I do feel that we need to address the Mail Room courier's safety in transporting Water bill payments and Business License payments.

**Additional Internal Auditor Comment:** In the absence of an anticipated completion date, continuous discussions and monthly status reports should be submitted to the County Manager until the appropriate corrective action is fully implemented and an acceptable level of risk is identified.

### ***Physical Security Over the GSCs Needs Improvement***

The GSCs handle a large volume of cash, which increases the risk of loss or theft. The need for solid physical safeguards is imperative not only to protect cash but also to protect the people on the premises. Several factors need to be considered to ensure the overall security of the GSCs facilities. Some of the areas we observed that need to be addressed are below.

Although there is a police precinct located in each building, there is no consistent presence of police personnel at all times. The GSCs are open until 6 p.m. and without the continued police presence or other security measures, the vulnerability to theft increases during various timeframes.

For the convenience of some customers, the GSCs have an after-hours deposit slot where payments are made for next day processing. These payments are stored in a night depository styled security box and were initially believed to be unsecured overnight. Subsequent to the issuance of our draft report, we were able to observe the lockable drop containers and deemed them adequate to secure after hour payments.

The buildings are also open 24 hours to the public so they may access the car tag kiosk (GSC South) or utilize meeting rooms. There are no County employees monitoring the activities of the facility at designated times.

A County Mail Services courier transports various GSCs collections. No security is provided the vehicle or driver while money is in transit or left in the car during other scheduled mail stops. See 'Controls Over the Transportation and Validation of Collected Funds Can Be Improved' on Page 10 for further discussion.

Remittances collected during the day, the cashier cash tills and petty cash are secured overnight in locked safes within the GSCs. Although the County does not have standards for the type of safe to use for cash storage, at a minimum, the safe should provide adequate protection against burglary, fire and water damage.

The safes at the GSCs appear to be of adequate size to deter burglary; however, one safe at the East Cobb location is mounted on wheels that make it more susceptible to theft. Additional physical security control measures are needed to minimize or eliminate the risk of loss or damage to County assets.

## ***Recommendation***

The Government Service Centers Administrator, in connection with the Support Services Agency Director, should:

**Recommendation 12:** Assess the current security measures for the buildings and staff and include all agencies housed within the buildings in the discussions. Consideration should be given to:

- Ongoing monitoring of cameras and alarm systems; and
- Obtaining safes that provide adequate safeguard against burglary, water and fire damage.

**Auditee Response:** **Concur.** In the absence of an Agency Director, I will need to speak with the County Manager about this recommendation in my meeting with him and Internal Audit on February 4, 2016. Both Centers have cameras located both outside and inside the building however, they are not in good working order nor are they monitored. The drop boxes located in the hallway are already secured and always have been. Administrator is currently looking at different options for a more secure safe for our East Cobb location including having the Purchasing Manager from Purchasing keeping an eye out for one from Surplus.

**Additional Internal Auditor Comment:** In the absence of an anticipated completion date and an Agency Director, continuous discussions and monthly status reports should be submitted to the County Manager until the appropriate corrective action is fully implemented and an acceptable level of risk is identified.

## ***Overall Efficiencies Could Be Increased***

During our review of the GSCs processes and procedures, we determined that some overall efficiencies could be increased by streamlining current procedures; updating policies and procedures manual to reflect current practices; re-evaluating the level of services currently provided; and implementing periodic training.

### **Procedures need to be streamlined**

We observed and it was noted in the procedures manual that a number of copies are maintained by GSCs to support various transactions. The number of copies and staff time needed to produce, process, file, and maintain are inefficient and voluminous. Scanning documents into an electronic format or into the County's electronic content management system will reduce the amount of paper currently used, reduce the GSCs supplies budget, reduce staff time required for processing, and result in an overall cost savings.

We also observed several other procedures where automation could increase overall efficiencies. A number of GSCs procedures (i.e. logs, reporting tools, etc.) are manually intensive and could be streamlined. GSCs also do not maintain logs of traffic violation payments, library book returns, voter registration applications, and notary services. GSCs staff should evaluate the resources needed to transition to scanning documents and coordinate with Information Services staff to determine automation tools currently available or that can be implemented in a cost-effective manner.

### **Policies and Procedures Manual needs to be updated**

We found that the GSCs policies and procedures manual needs to be updated to reflect current practices and remove those processes they no longer perform. For example, the manual discusses what to do with homestead applications for the City of Marietta; however, that process was discontinued a couple of years ago. In addition, the collection of State Court Clerk traffic violation payments is not reflected in the manual. The manual should be updated as often as changes are implemented.

We also noted that the GSCs manual included print screens of sensitive customer information and critical safety information. In addition, check copies with customer name, address, and bank account information, and the safe combination location is reflected in the manual. Information kept in this format increases the risk that an unauthorized person can gain access. The safe combination location should be given verbally and the secure location changed as needed.

Policies and procedures are important to ensure employees understand what is expected of them and it details how the organization should operate; therefore, as changes are implemented, they should be documented.

### **GSCs Level of Services Provided needs to be re-evaluated**

We interviewed various personnel of agencies/departments for which the GSCs perform services to determine their expectations regarding the level of service that should be provided. We compared their expectations to the level of service actually provided by GSCs and found general consistency. We did note a few areas that need to be re-evaluated for consistency with expectations. Two offices were not aware of the GSCs services performed – the Library and State Court. GSCs employees were also processing late payments for the Water System in conflict with their manual and established expectations. In addition, we found several areas that need to be re-evaluated for current effectiveness and appropriateness.

#### ***Return of Library Books***

As a service to the community, the GSCs receive library books for return. The mail courier picks up the books during their daily visits to the GSCs and includes the books in their mail runs to the library on the next day. Library staff was not aware that the GSCs were performing this service but expressed no objections. Over a five-year period, the GSCs collected on average 245 books that were transported to the library. GSCs Administrator needs to coordinate with Library staff, develop written policies and/or guidelines to govern this process, and update their policies and procedures manual accordingly.

#### ***State Court Traffic Violation Payments***

Over a five-year period, an average of 50 traffic violation payments were received annually. The State Court Clerk's office was unaware that the GSCs were collecting these payments because the payments are included in interoffice mail envelopes and transported to the mailroom by the courier. On the next day, a State Court employee picks up the mail from the mailroom with no indication as to the originator.

Although the GSCs maintain a count of the payments received, they do not create a transaction record of the payer, amount, nor the date due. See Page 12 for discussion on processing of State Court payments and recommendation.

### *Water System Payments*

Past due water bill payments are required to be directed to the Water System office to ensure timely payment posting and prevent service interruption. Our test of 427 water bill payments processed by the GSCs showed that 94 (22%) were past the due date but still collected by GSCs staff. Per GSCs management, the Water System is notified prior to any late payments collected; however, we noted no documentation to support this assertion. GSCs collection of past due payments and the delayed posting could cause a customer's service to be interrupted.

GSCs should coordinate with the Water System to re-assess the current practice, develop written policies and/or guidelines to govern this process, and update their policies and procedures manual accordingly.

### **Other Services**

#### *Postage Stamps*

GSCs perform two additional services that need to be evaluated for effectiveness. As indicated in the background section, GSCs purchase and resale postage stamps. Over the five-year period FY2010-FY2014, the average number of postage stamp books sold annually was 205. We found no additions to postage stamps inventory since FY2013 and noted several surrounding facilities where stamps are sold. The sale of postage stamps is not a service performed on behalf of any agency/department and should be evaluated.

#### *Notary Services*

We also found the GSCs provide notary services at no cost to customers, even if not in connection with an established service performed. No data was readily available on the number of transactions. In addition, all GSCs staff are currently required to obtain the notary service certification; however, we noted no written requirements. Notary services are used in providing some services (i.e. Business License Renewals, Tax Commissioner Affidavits, etc.); however, no data was readily available to determine the reasonableness. GSCs management should assess the need for notary service certification, evaluate whether to continue this service, and document accordingly.

#### *Other Areas*

In other instances, we observed that the GSCs staff maintains copies of all documents they process, including sensitive information. Documentation to support the current and prior fiscal year transactions are maintained on file at the GSC. At the end of the fiscal year, documentation outside of this retention period are transported via the County's Mail Services courier to the Office of Finance and Economic Development and shredded.

Maintaining these documents is a duplication of efforts and may increase the risk of sensitive information being maintained in multiple locations. In addition, there is no documented evidence to support the complete shredding of information.

We also noted that the GSCs manual provides guidance to inform Business License customers that renewed licenses will be mailed within ten business days. We were unable to determine the reasonableness of this guidance. GSCs management needs to coordinate with the Business License Division Manager to ensure continued appropriateness and revise accordingly, if deemed necessary.



The meeting room contract process needs to be revised to address long-term, continuous use. We found a number of executed contracts from as far back as 1995 with meeting room deposits accounted for accordingly. These represent groups that utilize the meeting rooms on a continuous basis. Clarification should be provided regarding how to handle continuous use contracts versus one-time use and the contracts modified, if needed.

Based on the issues indicated above, GSCs should review its current practices with all the agencies/departments for which it performs services, discuss any changes needed, and periodically re-evaluate the level of service expectations at least annually.

### **Periodic Training Needs to be Implemented**

During our research and the interviews with agency/departments personnel, we discovered that GSCs staff was using materials that are no longer used by the primary service provider. For instance, GSCs staff utilizes pre-printed envelopes for the State Court Clerk traffic violations that were discontinued a few years ago. In other instances, GSCs staff provides services inconsistent with the level of service expectations by the primary service provider. Periodic training with the various agencies/departments with the primary service providers could eliminate or reduce inconsistencies and ensure the GSCs are operating in accordance with what is expected.

## **Recommendations**

The Government Service Centers Administrator should:

**Recommendation 13:** Coordinate with the Water System and discuss whether the procedure to direct late payments to the main office is still required. Final decisions should be documented and included in the GSCs policies and procedures manual.

**Auditee Response:** Concur. Administrator spoke with Contract Project Manager from the Water department on January 15, 2016. She informed me that she would have to speak with the Water Department Deputy Director and then they would get me something in writing about the policy they would like the Government Service Centers to follow regarding late payments. According to the Water Department we can take late payments as long as we have actually cleared it with a representative from the Water Department and the customer's service has not been interrupted. The Administrator will follow up with the Water department to ensure we have written documentation regarding this policy before the February 4<sup>th</sup> meeting. The Procedures Manual will be updated accordingly ASAP.

**Additional Internal Auditor Comment:** In the absence of an Agency Director, monthly status reports should be submitted to the County Manager until the appropriate corrective action is fully implemented.

**Recommendation 14:** Update the policies and procedures manual to include all changes addressed and as deemed necessary.

**Auditee Response:** Concur. The Policies and Procedures manual will be updated by Administrator as soon as possible. The expected completion date will be April 30, 2016.

The Government Service Centers Administrator, in connection with the Support Services Agency Director should:

**Recommendation 15:** Coordinate with all primary service providers, evaluate the level of services currently provided, document accordingly, periodically re-perform this process, and include applicable training as needed.

**Auditee Response:** Concur. We are constantly in touch with the departments with whom we do work to assess our level of service and procedures they would like for us to follow.

**Additional Internal Auditor Comment:** Meetings with the respective primary service providers should be scheduled, the levels of service discussed, excerpts from the procedures manual reviewed and validated, and the outcomes documented and presented to the County Manager. Attendees should include a representative from the GSC South location, and Internal Audit consulting services can be made available to assist and provide guidance, as needed. In the absence of an Agency Director, monthly status reports should be submitted to the County Manager until the appropriate corrective action is fully implemented.

**Recommendation 16:** Assess the current level of services provided by GSCs and determine if any changes are warranted.

**Auditee Response:** Concur. I feel all of the services we provide should be assessed routinely. The level of service of the Government Service Centers is unsurpassed in Customer Service with the public and for the departments with which we do work; as proven by the numerous positive comment cards we receive. Although some services are deemed “unnecessary”; our customers definitely disagree. Our meeting room rentals, postage stamp sales and CCT sales and the convenience of being able to purchase them in this office are commented on in a positive way numerous times a week. We are both a Customer Service Center for the County and for the citizens of Cobb County. I don’t feel any service we can provide is too much to ask. Administrator will initiate phone conversations with the departments involved to assess these services no later than February 29, 2016.

**Additional Internal Auditor Comment:** In the absence of an anticipated completion date and an Agency Director, continuous discussions and monthly status reports should be submitted to the County Manager until the appropriate corrective action is fully implemented and the current level of services identified.



### *Detailed Objectives, Scope, and Methodology*

We conducted this review as part of our annual audit plan. Our audit period covered transactions from October 1, 2014 through March 31, 2015 (the first six months of FY15.)

Our overall objective was to determine if the controls over cash collection, allocation, transportation, and reporting were adequate and in accordance with Cobb County Government regulations and requirements.

In order to accomplish this overall objective, we performed the following sub-objectives:

- I. Determined if funds were adequately secured from the time received until they were transferred or deposited by GSCs.
  - A. Observed that funds were secured once they are collected.
  - B. Ensured checks and money orders were restrictively endorsed upon receipt.
  - C. Performed unannounced till verifications.
  - D. Observed the daily close for vehicle renewals and property taxes.
  - E. Observed the daily close for funds transported by mail services.
- II. Determined if funds were properly allocated to the respective agencies/departments, etc.
  - A. For Cash Transactions:
    1. Assessed the level of service provided for Water System, Business Licenses, Property Taxes, and Vehicle Tag Renewals.
    2. Tested 5% of business day transactions over the last six months of FY2015 (October 2014-March 2015).
    3. Obtained Meeting Room contracts for days selected to test.
    4. Looked for evidence of reports at the respective agency/department.
  - B. For Non-Cash Transactions:
    1. Assessed the level of service provided for library book returns, voter registrations, homestead exemption applications, State Court Clerk traffic violation payments, and notary and general services.
- III. Determined if funds were properly secured during transportation.
  - A. Conducted interviews with the Mail Service Couriers.
  - B. Judgmentally selected and observed the security of GSCs collections.
  - C. Determined the length of time it took Water System, Business License, and State Court violations payments to arrive at those locations.
- IV. Determined if reporting was adequate.
  - A. Reviewed the monthly reports for days selected to sample for accuracy.
  - B. Reviewed the GSCs annual report for reasonableness.

*Abbreviations and Glossary*

GSCs	Government Service Centers
CCT	Cobb Community Transit
GRATIS	Georgia Registration and Title Information System
RECO	Revenue Collection System
DOT	Department of Transportation
FY	Fiscal Year

*Major Contributors to the Report*

Latona Thomas, CPA, Internal Audit Director  
Andrea Clayton, Auditor-in-Charge  
Barry Huff, Review Auditor

*Final Report Distribution List*

Kathy Davis, Government Services Administrator  
Jim Pehrson, Comptroller/Director, Office of Finance and Economic Development  
Calandra Miller, Support Service Agency Administration  
Cobb County Audit Committee  
Internal Audit Department File

**PRIMARY and OTHER SERVICE PROVIDERS**

Carla Jackson, Tax Commissioner  
Angie Davis, Clerk of State Court  
Dana Johnson, Community Development Agency Director  
Steve McCullers, Water System Agency Director  
Jim Wilgus, Interim Transportation Agency Director  
Jackie McMorris, Public Services Agency Director  
Janine Eveler, Elections Director

### *Outcome Measures*

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

#### **Type and Value of Outcome Measure:**

- Increased Safeguards of Assets/Protection of Resources – Actual; Recommendations, when implemented, will provide additional security over cash collections and employee capital. (See Pages 6-18).

#### **Methodology Used to Measure the Reported Benefit:**

We analyzed the five-year annual collections for GSCs and found the average to be approximately \$17 million. In addition, we identified weaknesses in the collection, transportation, validation, and overall physical security.

#### **Type and Value of Outcome Measure:**

- Reliability of Information – Actual; Recommendations, when implemented, will provide assurance of the completeness and accuracy of cash collections and other financial data. (See Pages 6-18).

#### **Methodology Used to Measure the Reported Benefit:**

We found instances where GSCs transactions were not subsequently validated by the primary service provider, inadequate segregation of duties exists, along with other security weaknesses.

#### **Type and Value of Outcome Measure:**

- Efficient Use of Resources – Potential; Recommendations, when implemented, will increase the efficiency of GSCs services and provide costs savings. (See Pages 14-18).

#### **Methodology Used to Measure the Reported Benefit:**

We found instances where GSCs services can be streamlined and/or eliminated. In addition, automating transactions may reduce the paper required for copying documents and thus result in an overall cost savings to GSCs operations.

## *Auditee's Response*



### COBB COUNTY GOVERNMENT SERVICES ADMINISTRATION

4400 Lower Roswell Road  
Marietta, Georgia 30068  
(770) 499-4447 • fax: (770) 499-4409

Kathryn H. Davis  
Administrator

DATE: February 2, 2016

TO: Latona Thomas, CPA, Director, Internal Audit  
Andrea Clayton, Internal Audit

FROM: Kathy Davis, Government Services Administrator *KJD*

SUBJECT: Response to the Internal Audit Draft Report – Review of the Controls over  
Revenue Processed Through the Cobb County Government Service Centers

This memo is in response to the subject report dated November 30, 2015. You identified opportunities to improve the overall security of the facilities where the Government Service Centers reside and ensure controls over \$17 million annual revenue collections are adequate to guard against theft and loss. You made several recommendations, our response to those recommendations are below.

#### ***Recommendation***

The Government Service Centers Administrator should:

**Recommendation 1:** Ensure that all cashier drawers remain locked when not in use.

#### ***Response:***

Concur – Implemented on Wednesday, December 2, 2015. All cash drawers not in use are locked in a drawer at the counter or locked in the safe.

#### ***Recommendation***

The Government Service Centers Administrator should:

**Recommendation 2:** Coordinate with the Business License Division, obtain a deposit stamp, and revise procedures to restrictively endorse all Business License checks upon receipt.

#### ***Response:***

Concur – Spoke with one of the Business License Auditors in the Business License office on December 2, 2015. He spoke with a Finance Division Manager in Finance the same day. An endorsement stamp was ordered for each center. They came in on December 16, 2015 and we have been using them on each Business License check since that day.

#### ***Recommendations***

The Government Service Centers Administrator should:

**Recommendation 3:** Limit safe access to selected employees and change procedures to require the safes to remain locked when not in use. Combinations should also be changed periodically and with all changes in personnel.

***Response:***

Disagree. I do not see any way this recommendation could be possible; although the entire staff will continue to explore different options. All CCT tickets, reserve funds and cash drawers when not in use are kept in the locked safe. All employees need to have access at all times in case some of these items are needed or staff would have to report to another center. The safe we currently have does not permit the combination to be changed. The Administrator is currently exploring options for a new safe. The safe has remained locked all day since December 2, 2015. All cash will be counted daily by one employee and then be verified by another employee. Cash log sheets will be kept daily and filed. Administrator (East)/Public Services Supervisor (South) will perform random unannounced verification of all cash on hand.

**Recommendation 4:** Ensure that all safes are properly mounted to the floor or other permanent structure.

***Response:***

Concur - The South Cobb Center has a more secure safe however the safe at East is not as secure. Property Management has taken the wheels off the safe at East. Administrator has put in a work order with Property Management to have East's safe bolted to the ground (01/29/2016). The Purchasing Supervisor in Purchasing is currently trying to find a new one through Purchasing/Surplus Items.

The Government Service Centers Administrator should:

**Recommendation 5:** Ensure that all overages and shortage are documented and reported to the Office of Finance and Economic Development as required.

***Response:***

Concur – All overages and shortages will be documented and reported to the Office of Finance and Economic Development as required. A GAX1 document will be created in the Advantage Financial system on a rotation system so that all employees are familiar with the process. This process will start immediately.

**Recommendation 6:** Develop compensating controls to mitigate the risk of cashiers working from the same drawer, to include all reconciliation and deposit processes.

***Response:***

Disagree – In theory this would be a great practice. We only have one cash register in each Center and every employee needs to work from that same drawer. There are two alternate drawers at South (two work stations) and three alternate drawers at East (three work stations) these also need to be accessible by all employees. Effective February 1, 2016, all monies will be counted and verified by two different employees each day using the Cash Drawer Closing Worksheet.

**Recommendation 7:** Require the use of a ‘Cash Drawer Closing Worksheet’ in end-of-day processes to document the count and verification of all revenue collected.

***Response:***

Concur – We have converted the Cash Drawer Closing Worksheet from the Cash Handling Handbook into an Excel worksheet which will make it easier for us to use. All cash drawers will be counted and verified using this worksheet effective January 14, 2016.

The Government Service Centers Administrator should:

**Recommendation 8:** Revise its current validation process to ensure each individual log sheet is signed by the person attesting to receipt of the content package or include a summary page with applicable narrative and signature as evidence. If the contents are not validated immediately upon receipt, a disclaimer should be included.

***Response:***

Concur – All log sheets are signed on the front and if there is cash involved the cash sheet on the back of the log is also signed. This process was implemented on January 4, 2106. Administrator spoke with the Accounting Manager from the Tax Commissioner’s office, one of the Business License Compliance officers from the Business License office and the Contract Project Manager from the Water Department.

***Recommendation***

The Government Service Centers Administrator should:

**Recommendation 9:** Coordinate with the Tax Commissioner’s Office and develop procedures for Tag & Title employees in the satellite offices to verify/confirm payments when received, provide a transfer of responsibility document as proof of receipt, and/or provide a subsequent validation receipt to Government Service Centers staff.

***Response:***

Concur – By 5pm each business day all money collected for the Tax Commissioner’s office (tag/property tax) is taken to the Tag office in each location and signed as received by a Tag



office employee (no attesting as to contents just receipt). It is then picked up from the Tag office by a Cobb County Sheriff and taken to the Tax Commissioner's office. All money sent to the Tax Commissioner's office is accompanied by two sets of log sheets. Whoever opens the locked bags at the Tax Commissioner's office has to sign each log sheet and the cash sheet (if cash is received) verifying all monies are accounted for and then they send it back to us in that same locked bag. This process was implemented on January 4, 2016.

### ***Recommendation***

The Government Service Centers Administrator should:

***Recommendation 10:*** Coordinate with the State Court Clerk's Office and develop a log to record payments received for State Court Traffic Violation payments. Procedures should also be developed for State Court Clerk employees to verify/confirm payments when received and provide a signed document as proof of receipt.

### ***Response:***

Concur – Administrator will contact by phone the person that receives the payments we collect. We will determine whether or not our services are needed. If they would like for us to continue to accept payments on their behalf the Administrator along with the representative from the State Court Clerk's office will determine how to best take care of this business. If we continue to use the Mail Room courier the payment will accompany a log similar to the ones created for our other services and have to be signed off on by a State Court Clerk employee. This plan will be implemented by March 1, 2016.

### ***Recommendation***

The Government Service Centers Administrator, in connection with the Support Services Agency Director should:

***Recommendation 11:*** Determine if a secured escort or armored car service is available to assist in the transportation of deposits to the bank and other Government Service Centers payments. If not, other options should be explored to eliminate or minimize the risk.

### ***Response:***

Concur – In the absence of an Agency Director, Administrator will need to speak with the County Manager about this recommendation on February 4, 2016 while in the status meeting Internal Audit. I don't feel that an escort is needed on our weekly bank trips. However, I do feel that we need to address the Mail Room courier's safety in transporting Water bill payments and Business License payments.

### ***Recommendation***

The Government Service Centers Administrator, in connection with the Support Services Agency Director, should:

***Recommendation 12:*** Assess the current security measures for the buildings and staff and include all agencies housed within the buildings in the discussions. Consideration should be given to:

- Ongoing monitoring of cameras and alarm systems;
- Securing lockable drop box containers for after hour payments;
- Obtaining safes that provide adequate safeguard against burglary, water and fire damage.

### ***Response:***

Concur – In the absence of an Agency Director, I will need to speak with the County Manager about this recommendation in my meeting with him and Internal Audit on February 4, 2016. Both Centers have cameras located both outside and inside the building however, they are not in good working order nor are they monitored. The drop boxes located in the hallway are already secured and always have been. Administrator is currently looking at different options for a more secure safe for our East Cobb location including having the Purchasing Manager from Purchasing keeping an eye out for one from Surplus.

### ***Recommendations***

The Government Service Centers Administrator should:

***Recommendation 13:*** Coordinate with the Water System and discuss whether the procedure to direct late payments to the main office is still required. Final decisions should be documented and included in the GSCs policies and procedures manual.

### ***Response:***

Concur – Administrator spoke with Contract Project Manager from the Water department on January 15, 2016. She informed me that she would have to speak with the Water Department Deputy Director and then they would get me something in writing about the policy they would like the Government Service Centers to follow regarding late payments. According to the Water Department we can take late payments as long as we have actually cleared it with a representative from the Water Department and the customer's service has not been interrupted. The Administrator will follow up with the Water department to ensure we have written documentation regarding this policy before the February 4<sup>th</sup> meeting. The Procedures Manual will be updated accordingly ASAP.

***Recommendation 14:*** Update the policies and procedures manual to include all changes addressed and as deemed necessary.

### ***Response:***

Concur – The Policies and Procedures manual will be updated by Administrator as soon as possible. The expected completion date will be April 30, 2016.

The Government Service Centers Administrator, in connection with the Support Services Agency Director should:

**Recommendation 15:** Coordinate with all primary service providers, evaluate the level of services currently provided, document accordingly, periodically re-perform this process, and include applicable training as needed.

***Response:***

Concur – We are constantly in touch with the departments with whom we do work to assess our level of service and procedures they would like for us to follow.

**Recommendation 16:** Assess the current level of services provided by GSCs and determine if any changes are warranted.

***Response:***

Concur – I feel all of the services we provide should be assessed routinely. The level of service of the Government Service Centers is unsurpassed in Customer Service with the public and for the departments with which we do work; as proven by the numerous positive comment cards we receive. Although some services are deemed “unnecessary”; our customers definitely disagree. Our meeting room rentals, postage stamp sales and CCT sales and the convenience of being able to purchase them in this office are commented on in a positive way numerous times a week. We are both a Customer Service Center for the County and for the citizens of Cobb County. I don’t feel any service we can provide is too much to ask. Administrator will initiate phone conversations with the departments involved to assess these services no later than February 29, 2016.