



*Cobb County...Expect the Best!*

***INTERNAL AUDIT DEPARTMENT***

***Report Number 2018-003***

***FINAL CONSULTING REPORT– Survey of Magistrate  
Court Accounting Division Cash Handling Practices***

***September 20, 2018***

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## *Table of Contents*

|  |                |
|--|----------------|
| <b>Transmittal Letter .....</b>  | <b>Page i</b>  |
| <b>Background .....</b>  | <b>Page 1</b>  |
| <b>Results of Consulting Services .....</b>                                | <b>Page 5</b>  |
| <b>Controls over the Collection and Processing of Cash Transactions</b>    |                |
| <b>Need Improvement .....</b>  | <b>Page 5</b>  |
| <b>Adequate Segregation of Duties Controls are Needed.....</b>             | <b>Page 5</b>  |
| Segregation of Duties Needed During Cash Receipting .....                  | Page 6         |
| <u>Recommendations 1 - 4:</u> .....  | Page 6         |
| Segregation of Duties Needed in the Refund of Bond Amounts .....           | Page 7         |
| <u>Recommendations 5 - 6:</u> .....  | Page 7         |
| Separate Cash Drawers are Needed .....                                     | Page 7         |
| <u>Recommendations 7 - 9:</u> .....  | Page 8         |
| <b>Validation Controls are Needed</b>                                      |                |
| No Dual Validation of Cash Transactions and Mail Remittances .....         | Page 8         |
| <u>Recommendations 10 - 11:</u> .....                                      | Page 9         |
| No Validation During the Transfer of Cash Transactions .....               | Page 9         |
| <u>Recommendation 12:</u> .....  | Page 9         |
| No Independent Validation of Bank Deposits .....                           | Page 9         |
| <u>Recommendations 13 - 15:</u> .....                                      | Page 10        |
| No Cashier Worksheet Form is Used in Cash Counts .....                     | Page 10        |
| <u>Recommendation 16:</u> .....  | Page 10        |
| <b>Internal Control Activities Need to be Implemented</b>                  |                |
| <b>or Strengthened .....</b>   | <b>Page 11</b> |
| Eliminate the ‘Administrative-Level’ User Login .....                      | Page 11        |
| <u>Recommendation 17:</u> .....  | Page 11        |
| <b>Additional Tracking Controls over Financial Transactions are Needed</b> |                |
| All Financial Transactions should be Receipted.....                        | Page 11        |
| <u>Recommendations 18 - 20:</u> .....                                      | Page 12        |
| Mail Remittances should be Tracked.....                                    | Page 12        |
| <u>Recommendation 21:</u> .....  | Page 13        |
| Checks are Not Restrictively Endorsed .....                                | Page 13        |
| <u>Recommendation 22:</u> .....  | Page 13        |
| Appeal Costs Held Tracking Need Improvement .....                          | Page 14        |
| <u>Recommendations 23 - 24:</u> .....                                      | Page 14        |
| <u>Recommendation 25:</u> .....  | Page 15        |

## Manual Processes Need to be Evaluated

|   |         |
|---|---------|
| Eliminate or Limit Manual Processes .....                                     | Page 15 |
| <u>Recommendation 26:</u> .....   | Page 15 |
| <u>Recommendation 27:</u> .....   | Page 16 |
| Eliminate or Reduce the Use of Manual Receipts .....                          | Page 16 |
| <u>Recommendation 28:</u> .....   | Page 16 |
| <u>Recommendation 29:</u> .....   | Page 17 |
| Change Needed in the Issuance and Retention of Manual Receipt<br>Copies ..... | Page 17 |
| <u>Recommendation 30:</u> .....   | Page 17 |
| Check Signor Review Needs to be Expanded.....                                 | Page 17 |
| <u>Recommendation 31:</u> .....   | Page 18 |

## System and Other Reporting Functions Need Improvement .....Page 18

|  |         |
|--|---------|
| Additional System Functionality and Reporting is Needed..... | Page 18 |
| <u>Recommendations 32 - 33:</u> .....                        | Page 19 |
| Analyze Staff User Profiles and System Access.....           | Page 19 |
| <u>Recommendation 34:</u> .....                              | Page 20 |

## Additional Operational and Physical Safeguards are Needed .....Page 20

### Additional Operational Safeguards are Needed

|   |         |
|---|---------|
| Individual Workspaces Need Additional Safeguards .....  | Page 20 |
| <u>Recommendations 35 - 36:</u> .....                   | Page 21 |
| Cash Receipts/Mail Remittances Need to be Secured ..... | Page 21 |
| <u>Recommendations 37 - 38:</u> .....                   | Page 22 |
| Garnishment Files Need to be Relocated.....             | Page 22 |
| <u>Recommendation 39:</u> .....                         | Page 22 |
| Blank Check Stocks Need Additional Safeguards.....      | Page 22 |
| <u>Recommendations 40 - 42:</u> .....                   | Page 23 |
| Safe Room Safeguards Need to be Evaluated.....          | Page 23 |
| <u>Recommendation 43:</u> .....                         | Page 23 |
| <u>Recommendation 44:</u> .....                         | Page 24 |

### Physical Safeguards Need to be Evaluated ..... Page 24

|                                 |         |
|---------------------------------|---------|
| <u>Recommendation 45:</u> ..... | Page 24 |
|---------------------------------|---------|

## **Monitoring Controls Need to be Implemented**.....Page 24

### **Supervisory Approvals Need to be Implemented**

Supervisory Approval Functionality is Needed in the Contexte  
System..... Page 25

Recommendations 46 - 47:..... Page 25

Supervisory Approvals are Needed for Rejected Online  
Transactions ..... Page 25

Recommendation 48: ..... Page 26

### **Bank Reconciliation Process Need Improvements** ..... Page 26

Recommendation 49: ..... Page 27

Recommendations 50 - 55:..... Page 28

### **Other Periodic Monitoring Activities are Needed**

Unannounced Till/Cash Verifications Need to be Implemented ..... Page 28

Recommendation 56: ..... Page 29

Numerical Sequence of Transactions should be Monitored..... Page 29

Recommendations 57 - 60:..... Page 30

## **Oversight Controls Need to be Implemented**.....Page 30

Current Resource Allocation Methodology should be Evaluated..... Page 30

Recommendations 61 - 62:..... Page 31

Written Operating Procedures Need to be Revised ..... Page 31

Recommendation 63: ..... Page 32

Periodic Training Needs to be Implemented..... Page 32

Recommendation 64: ..... Page 32

Recommendation 65: ..... Page 33

## **Appendices**

Appendix I – Detailed Objectives, Scope, and Methodology.....Page 34

Appendix II – Abbreviations .....Page 35

Appendix III – Major Contributors to the Report.....Page 36

Appendix IV – FINAL Consulting Report Distribution List.....Page 37

Appendix V – Outcome Measures .....Page 38

Appendix VI – Auditee’s Response.....Page 39





## COBB COUNTY INTERNAL AUDIT

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Director

September 20, 2018

### MEMORANDUM

TO: Joyette Holmes, Chief Magistrate Court Judge

FROM: Latona Thomas, CPA, Director 

SUBJECT: **FINAL CONSULTING REPORT** – Survey of Magistrate Court Accounting Division Cash Handling Practices

Attached for your review and comments is the subject final report. The overall objective of this review was to determine if the controls over the processing of cash receipts are adequate to provide reasonable assurance that all incoming cash is accounted for, complete and accurate, timely recorded and deposited, and accurately reported. We also included a determination of whether the controls were adequate to reduce the risk of or provide for the timely detection of theft.

### Impact on the Governance of Cobb County

The recommendations, when implemented, will strengthen the overall internal control environment over cash handling activities within the Magistrate Court Accounting Division. The findings will also provide assurance that the controls over the approximately \$5.1 million average<sup>1</sup> annual Accounting Division collections are properly accounted for, complete, accurate, timely recorded and deposited, accurately reported, and disbursed in compliance with the respective laws. In addition, Magistrate Court management, County leadership, and other stakeholders will have assurance that Magistrate Court has taken proactive steps to guard financial transactions against fraud, waste, and abuse.

### Executive Summary

We found that an overall weak internal control environment did not include adequate control activities to eliminate, mitigate, or reduce the risks of theft, loss, and/or misappropriation of County assets within the Magistrate Court Accounting Division. We determined that the current control activities do not provide reasonable assurance that all incoming cash is accounted for, complete and accurate, timely recorded and deposited, accurately reported, or disbursed in compliance with the respective laws. We found significant weaknesses and/or the absence of critical control functions within the segregation of duties, validations, collections, processes, tracking, system and reporting functionality, operational and physical safeguards, supervisory approvals, bank reconciliations, and other oversight and monitoring activities.

<sup>1</sup> Based on the five-year average for the period CY2013 through CY2017. See Tables 1 and 2 on Pages 3 and 4, respectively.

Moreover, we believe the weaknesses identified created an environment where an alleged theft occurred and was not timely detected. As such, the overall governance and resource capacity of the Magistrate Court Accounting Division should be evaluated in conjunction with immediate corrective actions to strengthen the internal control environment.

### *Recommendations*

We made 65 recommendations to address the weaknesses in the Accounting Division's internal control environment. Recommendations will address weaknesses in the collection and processing of cash transactions, system and reporting functionality, operational and physical safeguards, monitoring controls, and management oversight controls. For specific recommendations, see the 'Results of Consulting Services' section of this report beginning on Page 5.

### *Response*

The Chief Magistrate Court Judge provided a response to our draft report and concurred with each of the 65 recommendations with proposed alternatives for three of our recommendations. The complete responses to the draft report are included in Appendix VI. We will perform a follow-up on corrective actions in six months from the date of this report. A copy of this report will be distributed to those affected by the report recommendations. Please contact me at (770)528-2559, if you have questions.

### *Additional Auditor Comment*

For recommendations where corrective actions have been deferred or not fully addressed, Magistrate Court staff should ensure that adequate compensating controls exist in the interim. In addition, Magistrate Court's response in Appendix VI represents the status of corrective actions as of September 5, 2018. As such, implementation dates were not updated to reflect the statuses as of the date of this report.

## *Background*

### **Overview of Magistrate Court Operations**

The mission<sup>2</sup> of the Cobb County Magistrate Court (Magistrate Court) is to provide the highest degree of focused, cost-effective, efficient, competent customer service care in providing judicial services in accordance with the authority and jurisdictional boundaries set forth for a Magistrate Court in the Official Code of Georgia. Magistrate Court operations includes the Magistrate Judges, Court Administration, Pretrial Court Services Division, Mediation Office, Clerk of Court, and other administrative staff.

The Official Code of Georgia Annotated (O.C.G.A.) Section 15-10-2 defines the general jurisdiction and power over various matters for Magistrate courts and Magistrates. Below is a summary of duties performed by the Magistrate Court as taken from the County's budget book<sup>2</sup>:

- Assists law enforcement with the issuance of search and arrest warrants;
- Conducts court proceedings in civil matters involving dispossessory actions, garnishments, and small claim cases in which the plaintiff may seek relief for up to \$15,000 in damages;
- Conducts first appearance hearings to review constitutional rights, criminal charges, and bond amounts with defendants;
- Conducts County ordinance hearings to determine guilt or innocence;
- Manages a mediation program utilizing a third-party intermediary to intervene and encourage resolution in civil and criminal cases;
- Performs wedding ceremonies;
- Presides over bond matters; and
- Determines probable cause in criminal cases.

In addition to the above duties, Magistrate Court assists the Cobb County Superior Court by:

- Hearing Marietta-Cobb-Smyrna narcotics drug trials;
- Hearing Temporary Protective Order requests; and
- Managing a Pretrial Release Program to assist with release and supervision of defendants with bond conditions until case completion.

### **Overview of the Clerk of Court Divisions**

Magistrate Court has four divisions within its Clerk of Court operations: Civil, Criminal, Warrant, and Accounting. The Civil Division processes transactions related to small claims, dispossessory (eviction), mechanic liens, abandoned motor vehicles, personal property foreclosures, and garnishments. The Criminal Division handles ordinance violations. The Warrant Division processes bad check, shoplifting, non-payment abandonment, and other warrant applications. The Accounting Division manages all monies, including electronic payments, received for fines, fees, and restitution on behalf of the Civil, Criminal, and Warrant Divisions. The Accounting Division also maintains and oversees the disbursement amounts due to various plaintiffs based on court orders. Monthly allocations, in accordance O.C.G.A. and other requirements, are generated by the Accounting Division and distributed on behalf of Magistrate Court.

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<sup>2</sup> Source: Cobb County 2017-2018 Biennial Budget Book, Page 365.

## **Staffing<sup>2</sup> & Operations**

Magistrate Court has 47 full-time and 24 part-time positions. The positions include the Chief Magistrate Judge, two full-time Magistrate Judges, 15 part-time Magistrate Judges, Court Administrator, Clerk of Court and other Division staff. The Accounting Division has five full-time employees. Magistrate Court operations are open during the County's business hours Monday through Friday. The Warrant Division is open 24 hours a day. Bad check applications and bad check dismissals are only accepted in the Warrant Division during normal business hours. In addition, wedding ceremonies are held seven days a week at 6pm, with additional ceremonies held on Saturdays and County holidays at 12pm.

## ***Forms of Payment and Accounts***

Magistrate Court accepts the following forms of payment: cash, credit cards, money orders, certified checks, and business checks; however, the Warrant Division only accepts cash for bad checks and warrant applications. Online filings and payments are accepted and processed using the LexisNexis<sup>3</sup> payment solution. In addition, a \$4.00 fee is added for processing credit cards. Filing fees vary based on the type of service required, cost established by law, and/or amount ordered by a judge. See <https://magistrate.cobbcountyga.gov/> for more information.

Magistrate Court operates four bank accounts used to process accounting transactions: General Fund, Escrow, Garnishments, and Cash Bonds. The General Fund account is used to account for Civil and Criminal payments of fines and fees. At the end of each month, these amounts are paid to the appropriate entities according to the respective laws and requirements. The Escrow account is used to process and track restitution payments for the Civil and Criminal Divisions. Civil payments ordered by a judge are paid into the Accounting Division by a defendant and subsequently disbursed to the plaintiff. Abandoned motor vehicles monies are paid into the Accounting Division, held for one year, and then disbursed according the law. Criminal payments include bad check restitution and ordinance payments that are held for 10 to 15 days and then disbursed to the respective victim. The Garnishment account is used to process and track monies received from the garnishee/defendant, held for 20 days, and then disbursed to the plaintiff or other designated parties. The Cash Bond account is used to process and track monies received in response to an arrest on a bench warrant for a County ordinance. When the case is settled, the bond amount may be used to pay any related fines, or the amount is refunded.

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<sup>3</sup> Payment processing service used to accept electronic payments.

## Five-Year Trend Analysis

Below are five-year trend analyses of collections/disbursements for both the Civil and Criminal Divisions, including the Warrant Division, as processed by the Accounting Division. The total collections of both five-year averages are approximately \$5.1 million.

| Civil Division<br>Five-Year Trend Analysis    |                     |                     |                     |                     |                     |                          |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|--------------------------|
| <u>Filing Fees/Costs/Escrow</u>               | <u>2013</u>         | <u>2014</u>         | <u>2015</u>         | <u>2016</u>         | <u>2017</u>         | <u>Five-Year Average</u> |
| Cost-General Fund                             | \$ 13,400           | \$ 9,166            | \$ 10,147           | \$ 10,451           | \$ 9,204            | \$ 10,474                |
| Filing Fee                                    | \$ 20,370           | \$ 21,900           | \$ 25,170           | \$ 34,790           | \$ 34,800           | \$ 27,406                |
| Legal Aid                                     | \$ 110,550          | \$ 105,399          | \$ 99,477           | \$ 97,500           | \$ 103,203          | \$ 103,226               |
| CMR Fund                                      | \$ 110,556          | \$ 105,405          | \$ 99,480           | \$ 97,500           | \$ 103,203          | \$ 103,229               |
| FIFA Fee                                      | \$ 24,732           | \$ 20,506           | \$ 17,267           | \$ 15,327           | \$ 54               | \$ 15,577                |
| Court Costs                                   | \$ 810,115          | \$ 775,339          | \$ 730,050          | \$ 714,016          | \$ 756,721          | \$ 757,248               |
| Law Library Fee                               | \$ 194,430          | \$ 186,625          | \$ 178,380          | \$ 179,895          | \$ 189,405          | \$ 185,747               |
| Indigent Defense                              | \$ 552,765          | \$ 527,025          | \$ 497,400          | \$ 487,500          | \$ 516,015          | \$ 516,141               |
| Interrogatories                               | \$ 1,680            | \$ 1,550            | \$ 1,620            | \$ 1,230            | \$ 860              | \$ 1,388                 |
| Not Sufficient Funds/Chg                      | \$ 430              | \$ -                | \$ -                | \$ -                | \$ -                | \$ 86                    |
| Public Safety Letter                          | \$ 117              | \$ 76               | \$ 95               | \$ 160              | \$ 143              | \$ 118                   |
| Sheriff's Retirement                          | \$ 36,647           | \$ 34,987           | \$ 32,995           | \$ 32,352           | \$ 34,259           | \$ 34,248                |
| Sheriff's Entry Service (J R L)               | \$ 291,700          | \$ 285,825          | \$ 304,414          | \$ 339,650          | \$ 346,625          | \$ 313,643               |
| Sheriff's Entry Service (E)                   | \$ 214,800          | \$ 209,811          | \$ 215,830          | \$ 214,150          | \$ 167,975          | \$ 204,513               |
| <b>Subtotal (Filing Fees/Cost):</b>           | <b>\$ 2,382,292</b> | <b>\$ 2,283,614</b> | <b>\$ 2,212,325</b> | <b>\$ 2,224,521</b> | <b>\$ 2,262,467</b> | <b>\$ 2,273,044</b>      |
| Overage-aband Motor Vehicle                   | \$ 26,308           | \$ 16,344           | \$ 20,453           | \$ 53,578           | \$ 39,821           | \$ 31,301                |
| Mediation Fund                                | \$ 128,269          | \$ 122,455          | \$ 115,483          | \$ 242,636          | \$ 256,943          | \$ 173,157               |
| Civil Restitution                             | \$ 144,524          | \$ 98,048           | \$ 49,362           | \$ 50,708           | \$ 96,900           | \$ 87,908                |
| <b>Subtotal (Escrow)</b>                      | <b>\$ 299,101</b>   | <b>\$ 236,847</b>   | <b>\$ 185,298</b>   | <b>\$ 346,922</b>   | <b>\$ 393,664</b>   | <b>\$ 292,366</b>        |
| <b>Total Filing Fees/Costs/Escrow Amounts</b> | <b>\$ 2,681,393</b> | <b>\$ 2,520,461</b> | <b>\$ 2,397,623</b> | <b>\$ 2,571,443</b> | <b>\$ 2,656,131</b> | <b>\$ 2,565,410</b>      |
| Other Collections/Payments                    |                     |                     |                     |                     |                     |                          |
| Non Deposit (MREI)                            | \$ 8,913            | \$ 916              | \$ 1,036            | \$ 4,456            | \$ 522              | \$ 3,169                 |
| Garnishment Escrow                            | \$ 2,103,519        | \$ 2,234,933        | \$ 1,818,170        | \$ 1,977,648        | \$ 2,033,701        | \$ 2,033,594             |

Table 1 - Source: Magistrate Court Accounting Division reports. This information is presented for contextual information purposes only as Internal Audit did not perform any work to substantiate the amounts and does not provide any assurance on the data included. NOTE: Acronyms and abbreviations in this table represent various internal codes used by the Magistrate Court Accounting Division to properly identify and allocate funds received.

| Criminal Division<br>Five-Year Trend Analysis              |                   |                   |                   |                   |                   |                              |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|------------------------------|
| <u>Filing Fees/Costs/Restitutions</u>                      | <u>2013</u>       | <u>2014</u>       | <u>2015</u>       | <u>2016</u>       | <u>2017</u>       | <u>Five-Year<br/>Average</u> |
| Base Fine  | \$ 406,106        | \$ 358,118        | \$ 347,631        | \$ 309,149        | \$ 230,748        | \$ 330,350                   |
| Jail Fund  | \$ 37,926         | \$ 33,626         | \$ 33,969         | \$ 32,891         | \$ 24,674         | \$ 32,617                    |
| Peace Officer Training                                     | \$ 35,277         | \$ 32,856         | \$ 32,771         | \$ 30,636         | \$ 23,524         | \$ 31,013                    |
| Victim Assistance  | \$ 18,911         | \$ 16,786         | \$ 16,964         | \$ 16,435         | \$ 12,337         | \$ 16,287                    |
| Sheriff Retirement   | \$ 6,184          | \$ 6,102          | \$ 5,766          | \$ 5,168          | \$ 4,058          | \$ 5,456                     |
| Law Library  | \$ 1,235          | \$ -              | \$ -              | \$ -              | \$ -              | \$ 247                       |
| Court Costs  | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              | \$ -                         |
| Peace Officer Annuity                                      | \$ 20,278         | \$ 18,378         | \$ 18,265         | \$ 17,484         | \$ 13,049         | \$ 17,491                    |
| Indigent Defense   | \$ 37,934         | \$ 33,626         | \$ 33,969         | \$ 32,883         | \$ 24,674         | \$ 32,617                    |
| <b>Subtotal (Filing Fees/Costs):</b>                       | <b>\$ 563,851</b> | <b>\$ 499,492</b> | <b>\$ 489,335</b> | <b>\$ 444,646</b> | <b>\$ 333,064</b> | <b>\$ 466,078</b>            |
| Restitution  | \$ 64,898         | \$ 49,709         | \$ 26,883         | \$ 38,036         | \$ 49,377         | \$ 45,781                    |
| <b>Total Filing<br/>Fees/Costs/Restitution<br/>Amounts</b> | <b>\$ 628,749</b> | <b>\$ 549,201</b> | <b>\$ 516,218</b> | <b>\$ 482,682</b> | <b>\$ 382,441</b> | <b>\$ 511,858</b>            |
| <b>Miscellaneous Collections/Payments</b>                  |                   |                   |                   |                   |                   |                              |
| Copy Fees  | \$ 1,396          | \$ 1,455          | \$ 1,369          | \$ 1,205          | \$ 985            | \$ 1,282                     |
| Bad Check Application                                      | \$ 42,560         | \$ 40,980         | \$ 35,040         | \$ 42,740         | \$ 30,980         | \$ 38,460                    |
| <b>Total Miscellaneous Payments</b>                        | <b>\$ 43,956</b>  | <b>\$ 42,435</b>  | <b>\$ 36,409</b>  | <b>\$ 43,945</b>  | <b>\$ 31,965</b>  | <b>\$ 39,742</b>             |
| <b>Other Collections/Payments</b>                          |                   |                   |                   |                   |                   |                              |
| <b>Void/Reissue</b>  | <b>\$ 5,400</b>   | <b>\$ 1,177</b>   | <b>\$ 861</b>     | <b>\$ 1,080</b>   | <b>\$ -</b>       | <b>\$ 1,704</b>              |

Table 2 - Source: Magistrate Court Accounting Division reports. This information is presented for contextual information purposes only as Internal Audit did not perform any work to substantiate the amounts and does not provide any assurance on the data included.

### *Transactions and Workload Activities*

For performance measures relative to Magistrate Court transactions and workload activities, refer to the Cobb County 2017-2018 Biennial Budget Book, Pages 367-368.

### **Purpose of Consulting Project**

The Chief Magistrate Court Judge and Court Administrator requested the Internal Audit Department to perform a review of the Magistrate Court Accounting Division internal controls related to cash handling. The request stemmed from an alleged theft<sup>4</sup> by a former employee of the Accounting Division, who is accused of taking more than \$30,000 over a nine-month period by altering and falsifying receipts. After assessing the level of risk and status of other Internal Audit priorities, we agreed to perform limited consulting services and make recommendations, as deemed necessary.

Our limited consulting services included onsite observations, interviews, physical tours, etc. at the Magistrate Court Accounting Division. Major contributors to this report are listed in Appendix III.

<sup>4</sup> Source: Superior Court of Cobb County Criminal Warrant Number 18-9-2728, signed July 5, 2018.

## *Results of Consulting Services*

Our consulting objective was to determine if the controls over the processing of cash receipts are adequate to provide reasonable assurance that all incoming cash is accounted for, complete and accurate, timely recorded and deposited, and accurately reported. We also determined whether the controls were adequate to reduce the risk of or provide for the timely detection of theft. Consulting procedures included but were not limited to the following: a review of the Magistrate Court organizational structure; interviews with key personnel within the Accounting Division and Administration; onsite observations of the cash handling procedures; physical tours of cash handling locations/facility layout; a review of various reconciliation, validation, and allocation reports; and the performance of other limited analyses and examinations.

We found that the current control activities within the Magistrate Court Accounting Division (Accounting Division) were not adequate to provide reasonable assurance that all incoming cash is accounted for, complete and accurate, timely recorded and deposited, and accurately reported. We also noted that the controls were not adequate to reduce the risk of or provide for the timely detection of theft. The Accounting Division currently has control activities in place to account for monies collected and disbursed, but additional actions are needed to strengthen existing controls and to eliminate or mitigate the risk of theft, loss, and/or misappropriation of assets. An overall weak internal control environment resulted in significant control weaknesses throughout the cash handling workflow process. Internal Control is defined as a process for providing reasonable assurance regarding the achievement of an organization or division's objectives in operational effectiveness and efficiency, reliable financial reporting, compliance with laws and regulations, and the safeguard of assets. Without clear internal control objectives, Magistrate Court leadership cannot be assured of a complete and accurate accounting and reporting of cash receipts and other transactions. Specific controls weaknesses included segregation of duties; the lack of supervisory review, reconciliations, validations, and approvals; inadequate physical security measures; the use of ineffective and inefficient manual spreadsheets; inadequate system functionality; and inadequate oversight/monitoring. The accompanying pages include several recommendations to strengthen the overall internal control environment with the Accounting Division.

### **Controls over the Collection and Processing of Cash Transactions Need Improvement**

The Accounting Division's system of internal controls over the collection and processing of cash receipts, is intended to provide reasonable assurance that all cash is accounted for, safeguarded, and deposited in a timely manner. Below are specific areas that need to be improved and strengthened.

#### ***Adequate Segregation of Duties Controls are Needed***

Segregation of duties involves separating activities among different persons to enhance accountability and reduce the risk of errors or inappropriate activity. The authorization (approvals), accounting (recording) and asset custody tasks should be separated. Specifically, no one person should be able to initiate, approve and record transactions; take custody of the assets; review the related reports; and perform the respective reconciliations. In smaller offices, it may not be feasible to segregate all the cash related tasks; therefore, compensating controls (i.e. detailed supervisory review) may be used to mitigate the risk but only if necessary.



### Segregation of Duties Needed During Cash Receipting

Our consulting services revealed that several Accounting Division personnel have the capability to receipt, record, authorize/approve, and make changes to Magistrate Court cash receipt transactions, as well as maintain or have access to the physical custody of cash receipts. In addition to these functions, the Accounting Supervisor also prepares deposits and monthly allocation reports, performs bank reconciliations, enters cash receipts into the County's financial system, and performs other monitoring functions. Proper segregation of duties, as well as other control activities are needed to eliminate or reduce to an acceptable level, the risk of theft, loss, or misappropriation.

### **Recommendations**

The Magistrate Clerk of Court should:

**Recommendation 1:** Develop and implement adequate segregation of duties controls throughout the Accounting Division. If segregation of duties is not possible among current staff, additional compensating controls should be implemented.

**Auditee Response:** **Concur.** The current staffing in Accounting does not allow for adequate segregation of duties. The Accounting Division will need three additional positions, two Fiscal Tech II's and a Fiscal Tech III to comply with the recommendation. By 12/31/2018, the Magistrate Court will request these positions.

**Recommendation 2:** Rotate duties among existing personnel within the Accounting Division and possibly other Magistrate Court Divisions. Also, ensure that employees who handle sensitive information take mandatory vacations, or require change roles periodically.

**Auditee Response:** **Concur.** Duties cannot be rotated until additional positions are provided. As mentioned in response #1, the Magistrate Court does not have the appropriate number of positions or job titles within the division where duties can be rotated. By 12/31/18 Magistrate Court will request additional positions.

**Recommendation 3:** Implement the function of a senior staff member to review system reports of detailed transactions; select transactions for review of supporting documents; review and provide resolution of exception reports; and perform independent, periodic reconciliations of bank accounts.

**Auditee Response:** **Concur.** The Clerk of Court and/or Court Administrator have been selected to review transactions, reports and reconciliations of bank accounts.

**Recommendation 4:** Coordinate with the Information Services Department to implement system application controls<sup>5</sup> to include, but not be limited to:

- Identifying, documenting and mapping Accounting Division transactions;
- Identifying key points in the transaction process where one person's ability to perform tasks ends and another begins; and
- Ensuring system access is adjusted when an employee changes roles.

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<sup>5</sup> Application controls pertain to the scope of individual business processes or application systems, data edits, separation of business functions, balancing of processing totals, transaction logging, and error reports. Application controls ensure that input data is accurate, complete, authorized, and correct; data is processed as intended in an acceptable time period; output and stored data is accurate and complete; and a record is maintained to track the process of data from input to storage and to the eventual output. [Source: <https://na.theiia.org/standards-guidance/recommended-guidance/practice-guides/Pages/GTAG8.aspx> Global Technology Audit Guide, 'Auditing Application Controls', Page 2.]



**Auditee Response:** **Concur.** Magistrate Court met with IS on 8/24 to discuss coordination to identify mapping transactions, key points in the transaction process and employee roles. IS will do an audit of security roles and determine appropriate levels of security.

#### **Segregation of Duties Needed in the Refund of Bond Amounts**

We noted that there is no independent verification of the receipt of funds prior to disbursement of bond refunds. The Accounting Division Clerk who collects bond amounts, records the transaction, and maintains custody of the cash receipts, is the same person who processes the subsequent refund checks without independent verification or approval prior to payment. A separate management person subsequently signs the check, but there is no evidence that the check signor verified the original receipt of funds prior to signing the bond refund check. In processing bond refunds, the clerk with receipting functions also has access to the blank check stock with no supervisory oversight or other compensating control. The lack of adequate segregation of duties or compensating controls increases the risk of theft, loss, or misappropriation of County assets.

#### **Recommendations**

The Magistrate Clerk of Court should:

**Recommendation 5:** Ensure that an employee who is independent of the bond cash receipting, recording and custody functions is delegated with the responsibility of disbursing refund amounts.

**Auditee Response:** **Concur.** An Accounting employee independent of cash bond receipting is delegated the responsibility of disbursing refund amounts.

**Recommendation 6:** Prior to signing the refund check, the signatory should compare the check to the supporting documentation for agreement. All reviewers should sign/initial and date on the supporting documents as evidence of review and approval.

**Auditee Response:** **Concur.** This has been implemented.

#### **Separate Cash Drawers are Needed**

The Accounting Division Clerks operate out of one cash drawer throughout the day. During breaks and lunches within the Accounting Division, a separate employee performs the cashier duties but operates from the same cash drawer. The same process occurs in the Warrant Division except multiple employees have access and may perform the cashier duties while the designated cashier is away from their assigned area. There is no transfer of responsibility of funds or supporting documentation maintained. In addition, the individual drawers where money is stored is accessible to multiple employees. We also noted that multiple employees use the designated cashier's unlocked Contexte system access to research case information or a universal login is used. See '*Eliminate the 'Administrative-Level' User Login*' section on Page 11 for further discussion.

Accounting and assigning responsibility for any overage or shortage is difficult or impossible when multiple people have access to the same cashier drawer. All transactions should be documented and identifiable to specific cash handlers. Specifically, each clerk tasked with the cash collection function should be assigned a till for which they are fully accountable for the integrity of the beginning till balance and money collected during the day. The respective cash drawers should be locked at all times when not in use to prevent theft or misappropriation. If another employee must assume the cashier duties from the same cash drawer, a transfer of responsibility form should be completed, signed by both parties, maintained, and included in the daily closing reconciliation. Without separate cash drawer or transfer or responsibility controls, Magistrate Court assumes the risk of not being able to hold individual staff accountable for overages or shortages.

## ***Recommendations***

The Magistrate Clerk of Court should:

**Recommendation 7:** Implement separate cash drawers and receipt books.

**Auditee Response:** **Concur.** This has been implemented.

**Recommendation 8:** Ensure that all cashier drawers remain locked when not in use.

**Auditee Response:** **Concur.** This has been implemented.

**Recommendation 9:** Develop compensating controls to mitigate the risk of cashiers working from the same drawer, where applicable.

**Auditee Response:** **Concur.** A second cash drawer has been added to mitigate the risk of cashiers working from the same drawer.

## **Validation Controls are Needed**

### ***No Dual Validation of Cash Transactions and Mail Remittances***

We observed that there is no dual validation of tills, cash transactions, and safe contents during daily openings, end-of-day balancing, and the handling of mail remittances within the Accounting and Warrant Divisions in Magistrate Court. A single staff member collects, counts, and reconciles their cash transactions without an independent validation by a separate staff member. Mail remittances are also retrieved, opened, distributed, and processed by a single staff member without an independent validation throughout each phase of the process. See *'Mail Remittances should be Tracked'* on Page 12 for further discussion.

In addition, safe contents are retrieved by a single staff member during the daily opening with no independent validation by a separate person. Dual validation should occur during all cash counts, retrieval of safe contents, and the collection/distribution of mail remittances to ensure the cash transactions match the supporting documentation. Without dual validation, there is an increased risk of theft, loss, misappropriation, and inaccurate reporting.

## ***Recommendations***

The Magistrate Clerk of Court should:

**Recommendation 10:** Implement dual validations at each stage of the cash handling process. Dual validations should include but not be limited to: a re-count of all funds/remittances, notation of differences and subsequent resolution, signature/date of both validators as evidence, and included in the daily cash receipts documentation. Unresolved differences should be reported to the appropriate level of Magistrate Court management and the Finance Department.

**Auditee Response:** **Concur.** Worksheets have been created where tills are double counted to ensure accuracy.

**Recommendation 11:** Ensure all employees complete the County's cash handling training class and retain documentation as evidence of completion.

**Auditee Response:** **Concur.** Employees who have not completed the County's cash handling training have been registered for November 13, 2018. This was the next available date offered by the County.

### ***No Validation During the Transfer of Cash Transactions***

No evidence or documentation is maintained when funds are transferred between Magistrate Court employees. Cash collections and documents are transferred between Accounting, Warrant, and/or other Court employees without any validation of the completeness, accuracy, or agreement of collections and documents. For proper accountability, funds should be validated for accuracy and there should be documented evidence that the transfer occurred. This provides a trail for monies as it changes hands and would aid in the identification and investigation of any losses or thefts that could occur. Without validation or evidence of transfer of responsibility, it is difficult to isolate theft, loss, misappropriations, and errors to one individual.

## ***Recommendation***

The Magistrate Clerk of Court should:

**Recommendation 12:** Implement procedures to require employees to verify and validate cash receipts and supporting documents when received and maintain a transfer of responsibility document as evidence of receipt. Specifically, employees should count the money received, compare it to the accompanying report, sign/date, provide a copy to the initiating employee for agreement and signature, and maintain a copy with the respective cash receipts.

**Auditee Response:** **Concur.** A transfer of responsibility form has been created and its use has been implemented.

### ***No Independent Validation of Bank Deposits***

We noted that bank deposits are prepared, transported, and subsequently reconciled by one staff member without an independent validation at any phase and without another compensating control. In some instances, deposits are secured in the safe overnight and not subsequently validated. The lack of segregation of duties in the bank deposit process increases the risk of theft, loss, and misappropriation. Additional controls are needed to ensure no one person performs the entire bank deposit and reconciliation process with adequate segregation or other compensating controls.

## ***Recommendations***

The Magistrate Clerk of Court should:

**Recommendation 13:** Ensure that all bank deposits are reviewed and approved by someone who is independent of the cash receipting process prior to deposit. Evidence of this review/approval should be indicated via signature/initials and date on the bank deposit slip.

**Auditee Response:** **Concur.** All bank deposits will be reviewed and approved by someone independent of the cash receipting process. Signature/initials and date are placed on the bank deposit slip.

**Recommendation 14:** Ensure that all return deposit receipts from the bank are agreed to the original deposit slip package by someone who is independent of the cash deposit preparation process.

**Auditee Response:** **Concur.** An Accounting employee independent of the cash deposit preparation process reviews and agrees to the original deposit slip.

**Recommendation 15:** Ensure that all pre-prepared deposits that are secured in the safe overnight are placed in a sealed bag or a lock bank bag. When deposits are removed from the safe, the contents should be validated.

**Auditee Response:** **Concur.** Locking deposit bags have been requested from the bank. Immediately, when deposits are removed from the safe the contents will be validated.

### **No Cashier Worksheet Form is Used in Cash Counts**

There was no standard form used to document the counting of money from the cash drawer. The Accounting and Warrant Divisions currently count the monies collected and agree to manual receipts, automated cashier receipts, and/or validate against system on-screen totals, but there is no written evidence maintained to substantiate this process. The County's Cash Handling Manual<sup>6</sup> provides an example of a 'Cash Drawer Closing Worksheet' that can be used to document currency and checks when the cash drawer is counted. The cash drawer closing worksheet form documents all cash denominations and other forms of payment by count and amount and provides the ability for the cashier and verifier to attest the completeness and accuracy of the cash transactions received. The worksheet is also used to identify and/or reconcile any discrepancies prior to transferring the funds, deposit, and/or final recording in the County's financial system. While the form serves as a guide, it should be modified to address each form of payment accepted by the Magistrate Court. Without the use of an adequate cashier worksheet form, the risk of discrepancies not being identified, researched, and resolved timely increases. Discrepancies, to include overages and shortages, may also go unaccounted for and lead to other control weaknesses.

## ***Recommendation***

The Magistrate Clerk of Court should:

**Recommendation 16:** Implement the use of a cashier worksheet for all cash counts to document the count and verification of all amounts received.

**Auditee Response:** **Concur.** Implemented 8/21/18.

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<sup>6</sup> Source: Cobb County Cash Handling Manual, December 2010.

### ***Internal Control Activities Need to be Implemented or Strengthened***

We noted several internal control activities that need to be implemented or strengthened to ensure all collections and related transactions are complete, accurate, and properly recorded, reported, and allocated. Specific control activities include the elimination of an ‘administrative-level’ user login, the implementation of additional tracking controls, an evaluation of manual processes, and an expanded check signor review. Adequate control over cash is essential to prevent theft and misuse. With the implementation, strengthening and enforcement of these control activities, Magistrate Court will be better able to manage the risks associated with its cash handling transactions.

#### **Eliminate the ‘Administrative-Level’ User Login**

Our consulting work revealed a significant control weakness in that an administrative-level user identification (ID) is available to all Accounting Division staff and is used periodically to process all types of transactions within the Contexte system. The administrative-level ID, referred to as ‘Mickey’ login, allows users to initiate, change, cancel, and reject transactions throughout the cash handling process with no justification or subsequent reconciliation, validation, or approval by a separate individual. The Accounting Division staff use the ‘Mickey’ login to process cash transactions without any clear protocol, guidance or direction. In addition, we are unclear as to the complete system access of this ‘Mickey’ login identification. Allowing multiple employees access to this user login identification negates the benefit of system access security configuration. Transactions processed using the ‘Mickey’ login are also not tracked, monitored, or reviewed. This administrative-level identification should be discontinued immediately through the Information Services Department, and individual user profiles implemented based on business need and with proper segregation of duties. The continued use of this user identification significantly increases the risk that unauthorized use, theft, loss, system modification, and/or other misappropriation of assets could go undetected. In addition, individual employees cannot be held responsible for inappropriate actions, if needed. See ‘*Analyze Staff User Profiles and System Access*’ on Page 19 for further discussion regarding user profiles and system configuration.

### ***Recommendation***

The Magistrate Clerk of Court should:

**Recommendation 17:** Discontinue the use of the Accounting Division’s administrative-level user identification.

**Auditee Response:** **Concur.** IS has deactivated the “mickey” account.

#### **Additional Tracking Controls over Financial Transactions are Needed**

##### ***All Financial Transactions should be Receipted***

We noted instances where manual and/or automated receipts are not provided to customers as evidence of a completed transaction on a consistent basis. During our observation of the physical contents of the overnight lockbox from Warrant Division activities, we noted an instance where all three receipts were still intact in the receipt book, even though a transaction was completed. We also noted that neither the collection of eviction filings from process servers nor SO cash bonds are receipted. All cash collections should include a receipt.

Magistrate Court should also consider implementing signage that direct customers who do not receive a receipt ask for a receipt or call a designated hotline or management team member. The signage could serve as deterrent and reduce the risk of cashiers diverting customer receipts and not posting transactions into the Contexte system. In addition, we noted no subsequent validation/reconciliation of the sequence of receipt numbers to the cash received to ensure the completeness of cash transactions. See *'Numerical Sequence of Transactions Should Be Monitored'* on Page 29 for further discussion.

## **Recommendations**

The Magistrate Clerk of Court should:

**Recommendation 18:** Implement a policy that all cash transactions should be properly receipted according to established procedures within the Accounting Division operations.

**Auditee Response:** **Concur.** The Accounting Division is receipting all cash transactions.

**Recommendation 19:** Ensure that no receipts are discarded for any reason. In the case of voided transactions, all copies of the receipts (automated or manual) should be defaced with 'VOID' and maintained (i.e. white original and yellow carbon copies and included in end of day closing, with the pink copy to remain in the receipt book for periodic reviews and reconciliations/validations).

**Auditee Response:** **Concur.** Policy has been reinforced that no receipts are to be discarded for any reason. The white original receipt is now being given to each customer.

**Recommendation 20:** Consider implementing signage instructing customers to request a receipt for all payment transactions or contact a member of the Magistrate Court management team if no receipt is issued. Signage should be placed in all locations where cash transactions occur. The signage could also include a list of common filing fees, to be updated as required.

**Auditee Response:** **Concur.** Signs have been placed where all cash transactions occur.

### ***Mail Remittances should be Tracked***

Mail with remittances are not captured and tracked upon receipt. All Magistrate Court mail is picked up, opened, and distributed by the same Accounting Division employee. There are currently no controls to track mail receipts until deposited in a timely manner. Depending on the volume, the distribution of mail may include assistance from another Magistrate Court employee. We observed that checks received in the mail are not restrictively endorsed upon receipt and not receipted using a receipt, but rather is distributed to the Civil and Criminal Divisions for processing. All cash receipts via mail should remain in the Accounting Division and deposited timely. The Accounting Division should restrictively endorse checks upon receipt, manually receipt the transactions, safeguard the funds until the end of day closing and depositing, and subsequently reconcile to the respective Division's Contexte system transactions. The use of system generated receipts are preferred, but if manual receipts are used, each should include the critical information needed to process the transactions by both the Accounting and other Divisions. The white original copy of the manual receipt should be included with the mail documents and distributed to the respective Divisions. The yellow carbon copy should be included with the cash receipt transactions and end-of-day closing within the Accounting Division, with the pink copy remaining in the receipt book for periodic review and reconciliation. Procedures for protecting cash receipts via mail need to be revised. Effective controls over mail remittances are needed to minimize the risk of theft, loss, misappropriation, and disclosure of sensitive information.



## ***Recommendation***

The Magistrate Clerk of Court should:

**Recommendation 21:** Implement control activities over the processing of mail remittances to include, but is not limited to the following:

- Dual pickup of mail;
- Limit the mail distribution function to Accounting Division employees with separate receipt responsibilities;
- Restrictively endorse checks upon receipt;
- Implement the use of receipts with subsequent reconciliation to Division transactions within the Contexte system and end of day closing. This process should include coordination among Magistrate Court Divisions to determine what critical information is needed on the receipts for ease of processing (i.e. cash/file numbers, payor, etc.);
- Ensure that each Accounting Division Clerk maintains security over their mail receipts and use a cashier worksheet form to close out their mail collections for the day, with dual validation; and
- Coordinate with Information Services and other Magistrate Court Divisions and explore the option of receipting mail transactions directly into the Contexte system.

**Auditee Response:** Concur with Alternative.

- Dual pickup of mail has been implemented.
- By 12/31/18 the Magistrate Court will request three additional positions where the mail distribution function can be limited to the Accounting Division.
- Checks are now endorsed upon receipt and a log has been created to track all checks received.
- This has been implemented.
- Cashier worksheet has been implemented.
- IS to provide by 9/17/18 the ability to receipt mail transactions directly into Contexte

### ***Checks are Not Restrictively Endorsed***

Checks received by Accounting Division are not restrictively endorsed when received. The current Accounting Division process includes restrictively endorsing checks when preparing deposits. All checks should be restrictively endorsed at the time of receipt to prevent diversion and unauthorized cashing. The delayed time between collections to deposits could also increase the risk of theft, loss, or misappropriation.

## ***Recommendation***

The Magistrate Clerk of Court should:

**Recommendation 22:** Revise current procedures to restrictively endorse all checks upon receipt.

**Auditee Response:** Concur. This has been implemented.

### *Appeal Costs Held Tracking Need Improvement*

Appeal<sup>7</sup> costs held by the Accounting Division are not included in daily opening/closing counts/reconciliations, and there is no transfer of responsibility between the Accounting and Civil Divisions. Filing fees<sup>8</sup> for an appeal are received by the Accounting Division and receipted directly into the Contexte system; however, the related appeal costs, payable to State or Superior Court, is received by the Accounting Division, receipted using manual receipts, and held until the appeal request and related documentation is created/processed by the Civil Division. When the appeal case paperwork is ready for submission to State or Superior Court, a Civil Division employee obtains the appeal cost and manual receipt copy from the Accounting Division, but no transfer of responsibility form or any other evidence of releasing the payment is completed and maintained. A transfer of responsibility form will release the Accounting Division from the accountability over the funds.

In addition, Magistrate Court management should examine how the subsequent proof of receipt<sup>9</sup> from State or Superior Court is reconciled and monitored within the Civil Division. Without validation or evidence of transfer of responsibility, it is difficult to isolate theft, loss, misappropriations, and errors to one individual.

We also noted that the appeal costs, when held overnight, are not verified, reconciled, and included in the daily opening/closing counts. When appeal requests are not completed and delivered to the respective State or Superior Court, the appeal costs are held overnight by Accounting Division. The money and manual receipt copy are maintained in a separate bag and secured in the safe; however, no verification or reconciliation occurs until a request is made by the Civil Division. These items need to be accounted for in each daily opening, closing, or any transfer between employees to timely detect potential discrepancies. Not accounting for all monies held, increases the Accounting Division's risk of theft, loss, or misappropriation of County assets.

### ***Recommendations***

The Magistrate Clerk of Court should:

**Recommendation 23:** Require that appeal costs held on behalf of State and Superior Courts be included in daily opening and closing counts.

**Auditee Response:** **Concur.** Appeal costs are deposited in escrow, receipted in Contexte and a check is issued to State or Superior Court.

**Recommendation 24:** Coordinate with the Civil Division and implement procedures to require both Divisions to verify payments and related documents upon transfer and provide a transfer of responsibility document as evidence.

**Auditee Response:** **Concur.** Coordination has been made with the Civil Division to verify payments and a transfer of responsibility form has been created. This requirement has been communicated with both the Accounting and Civil Divisions.

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<sup>7</sup> An appeal is a citizen request to have their case heard by a Higher Court (i.e. State or Superior Court).

<sup>8</sup> The filing fee, payable to Magistrate Court, associated with the request for an appeal and depends on the original civil filing.

<sup>9</sup> A proof of receipt listing the case numbers and plaintiff/defendant names is signed by a State or Superior Court employee acknowledging receipt of the information; however, we noted no evidence acknowledging receipt of the respective appeal costs for each case.



**Recommendation 25:** Examine how the subsequent proof of receipt<sup>9</sup> from State or Superior Court is reconciled and monitored within the Civil Division.

**Auditee Response:** **Concur.** A form has been created.

### Manual Processes Need to be Evaluated

#### *Eliminate or Limit Manual Processes*

The Accounting Division uses several inefficient, manual processes in various aspects of their daily operations. These processes include the use of manual receipts, numerous Microsoft Excel spreadsheets, and some handwritten processes. Manual receipts are addressed in the next section '*Eliminate or Reduce the Use of Manual Receipts*' on Page 16. Spreadsheets are used to track online E-Flex<sup>10</sup> and E-Pay<sup>11</sup> transactions, deposits, outstanding checks, garnishment transactions, cash bonds, and other restitution escrow payments (i.e. abandoned motor vehicles, bad check, ordinance, etc.). Some E-Flex transactions are also captured in handwritten form. We found that each of the spreadsheets are located on a shared drive in the Accounting Division, accessible to all Accounting Division employees, and are not system or password protected. As such, the spreadsheets can be modified and/or manipulated without any knowledge of spreadsheet users. In addition, there is no periodic validation/reconciliation of the spreadsheets' content, formulas, and/or other functionality for continued accuracy. Spreadsheets used to track and monitor payouts with time-restrictions do not include an aging component with reminders to ensure timely payouts. Oftentimes, payout dates are entered but must be manually checked daily and are subject to manipulation without knowledge. The use of manual processes should be eliminated and replaced with automated tools where possible. We also discussed several manual spreadsheets within the bank reconciliation process that could be eliminated because the current use and applicability was unclear. Automating cash receipt processes will save time and help ensure the completeness and accuracy of overall reporting.

If automated functions are not readily available, all manual processes should be system or password protected with limited access, periodically validated by a separate person, and continuously evaluated for continued applicability, effectiveness, and efficiency. Coordination with the Information Services Department should be initiated to assess all manual processes within the Accounting Division with the results presented to the Magistrate Court Administrator and Clerk of Court for final decision. The use of manual spreadsheets without validation, monitoring, oversight, and other compensating controls increases the risks of human error, spreadsheet manipulation, theft, loss, and misappropriation of assets could occur and go undetected.

### ***Recommendations***

The Magistrate Clerk of Court should:

**Recommendation 26:** Evaluate the continued need and use of manual processes and spreadsheets in the accounting and reporting of the Magistrate Court Accounting Division transactions. This process should also include coordination with the Information Services Department in an effort to fully automate the entire cash handling process. In areas where automation is not deemed possible, compensating controls should be implemented.

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<sup>10</sup> E-Flex: Allows a citizen to electronically file Civil Division cases, upload documents, and pay the respective filing fees.

<sup>11</sup> E-Pay: Online case payment system which allows citizens to make payments on Criminal Division cases and payment plans with outstanding balances with the Magistrate Court.

**Auditee Response:** **Concur.** IS has provided access to the “debit account” in context where we are now able to automate all cash handling processes.

**Recommendation 27:** Ensure that if manual spreadsheets are used, include system or password protection with limited access to Accounting Division employees based on business need and periodically validate each spreadsheet by a separate individual.

**Auditee Response:** **Concur.** Password protections are on all spreadsheets.

### *Eliminate or Reduce the Use of Manual Receipts*

We noted several instances where the use of manual receipts could be eliminated or minimized during the cash collection process. Manual receipts are issued in the absence of the designated cashier in the Accounting Division, for the collection of all fees in the Warrant Division, and for cash bonds received. In each instance, the transactions are subsequently receipted into the Contexte system and included in the daily closing process. Receipting collections manually and then subsequently inputting into the system is a duplication of efforts and inefficient. All cash receipts should be processed immediately into the Contexte system for proper tracking and subsequent reconciliation. For instances where manual receipts are used and later input into the Contexte system (i.e. system not available, etc.), both copies of the Contexte generated receipts should be retained with the Accounting Division’s copy of the manual receipt and included in the end of day process.

The Accounting Division also receives funds from the Sheriff’s Office (SO) for cash bonds, but the funds are not receipted manually nor are they entered into the Contexte system. The funds are verified and agreed to the individual bond document and a signature included on the SO log confirming the date/time of receipt. The bond information is subsequently logged and tracked using a manual spreadsheet without adequate monitoring controls. See ‘*Eliminate or Limit Manual Processes*’ on Page 15 for further discussion of the control weaknesses. As stated above, these bond transactions should be receipted directly into the Contexte system immediately upon receipt. Not receipting collections with adequate tracking and monitoring controls increases the risk of theft, loss, misappropriation, and could negatively impact bond customers. If the current system functionality does not allow for such, Magistrate Court staff should coordinate with the Information Services department to request the needed functionality or explore acceptable options.

Implementing separate cash drawers, requiring the Warrant Division to record all fees collected directly into the Contexte system, and requiring all cash bonds to be receipted directly into the Contexte system will eliminate the need for manual receipts and any inefficient duplication of efforts. The use of manual receipts is susceptible to increased risk of manipulation without adequate oversight and monitoring. Posting payments directly into the Contexte system will reduce the risk of cashiers manipulating manual receipts to misappropriate funds. As such, manual receipts should only be used when the automated system is not available or for specific approved transactions and with adequate reconciliation and compensating controls. See ‘*Mail Remittances should be Tracked*’ on Page 12 for further discussion.

### ***Recommendations***

The Magistrate Clerk of Court should:

**Recommendation 28:** Coordinate with Information Services to explore/implement the functionality of receipting all collections directly into Contexte, including warrant fees and cash bonds, and eliminate the use of all related manual receipts.

**Auditee Response:** **Concur.** IS will provide access to Warrant Division employees to enable their ability to receipt by 11/1/18.

**Recommendation 29:** Ensure that if the use of manual receipts is deemed appropriate to process transactions, both copies of the Contexte generated receipts are maintained. The Accounting Division manual receipt copy and Contexte generated receipts should be included in the end of day processing.

**Auditee Response:** **Concur with Alternate Solution.** As of 9/7/2018, all civil and criminal ordinance receipts stay with the files and cases. In limited circumstances, manual receipts will be used where yellow copies will stay in the file and white copy to the customer. We currently do not have the system to generate Contexte receipts for warrant applications and will have to generate manual receipts. Warrant application receipts will be copied and attached to the application. The yellow warrant application receipt will go to Accounting.

#### *Change Needed in the Issuance and Retention of Manual Receipt Copies*

We observed that a change is needed in the issuance and retention of manual receipts. The manual receipt books, used by Magistrate Court within the Accounting and Warrant Divisions, include three-ply receipts (i.e. a white original copy with yellow and pink carbon copies, etc.). The white copy is retained with Accounting Division records, the yellow is given to the customer, and the pink copy is maintained with the receipt book. Per discussion with Accounting Division staff, the white copy is kept because the carbon copies fade over time. Maintaining the white original copy without subsequent review and/or reconciliation/validation of receipts to supporting documentation increases the risk that receipts can be manipulated and changed. Magistrate Court should revise its current methodology for manual receipt copies to include giving the white original copy to the customer, maintain the yellow copy with the cash receipt documentation (or file) for end-of-day closing, and include a periodic review and reconciliation/validation of the pink copies as evidence of the completeness and accuracy of cash collections processed using manual receipts. See '*Eliminate or Reduce the Use of Manual Receipts*' on Page 16 for additional discussions on the need for increased use of automated receipts.

#### **Recommendation**

The Magistrate Clerk of Court should:

**Recommendation 30:** Develop a consistent method of issuance and retention of the three-ply manual receipt colors (i.e. white original to the customer, yellow carbon with cash receipts documentation (or file), and pink copy with the manual receipt book).

**Auditee Response:** **Concur.** This method is being used.

#### **Check Signor Review Needs to be Expanded**

We found that the Accounting Division checks are signed by an appropriate level of Magistrate Court management, but we noted inconsistencies in the level of review and agreement to supporting documents. Several Magistrate Court management staff are tasked with the review, approval, and check signing responsibilities. Our interviews revealed that the supporting documents are not adequate in all instances to ensure the transaction is appropriate, complete, and accurate.

We also found that one designated check signor also has access to the blank check stock with no compensating monitoring controls (i.e. check logs, periodic, unannounced blank check counts, review during bank reconciliations, etc.). Authorizing disbursement is a critical preventive control in the disbursement process. In addition, management approvals are control activities designed to ensure that transactions are appropriate, accurate, supported by adequate documentation, and complies with the County and Magistrate Court organization policies, procedures, and other applicable laws and regulations. Magistrate Court should establish and implement the appropriate levels of review over cash disbursements on a consistent basis to minimize the risk of erroneous disbursements.

## ***Recommendation***

The Magistrate Clerk of Court should:

**Recommendation 31:** Implement approval procedures to require that all checks are reviewed, substantiated, and approved consistent with the expectations of the County and Magistrate Court, prior to signing. The approval procedures should include, but not be limited to a list of supporting documents that should accompany each check request, any recalculations that should be performed, and the evidence of review required (i.e. initials, date, attestation, etc.).

**Auditee Response:** **Concur.** This has been implemented. Supporting documentation is provided with each check request.

## ***System and Other Reporting Functions Need Improvement***

### **Additional System Functionality and Reporting is Needed**

We found numerous reports and other system functionality issues that have not been revised or modified to reflect the current practices of the Accounting Division or to increase the efficiency of the cash handling reconciliation/validation process. The Accounting Division has pre-defined reports and Contexte system functionality that have not been modified to include critical information needed to validate the completeness and accuracy of the transactions. We also observed that Accounting Division staff have a limited understanding of the Contexte system functionality. As a result, numerous manual processes have been developed, and there is no evidence of validation of the information used. See section '*Eliminate or Limit Manual Processes*' on Page 15 for further discussion.

We also noted inconsistencies in the daily cashier reports generated from the window and online transactions. The daily cashier report generated at the window only included the case identification (ID) number without the name, while the daily cashier report generated for online transactions, provided the name but not the case ID number. Since both reports are generated from Contexte, these reports should be revised for consistency with both case ID number and customer/payor name.

In addition, we found that a daily report with a complete list of online transactions (accepted or rejected) could not be generated from the E-Flex system. Per Accounting Division staff, the information could be viewed on the computer screen, but there was no way to export the data. As such, the Accounting Division cut and paste the information or type the data into a manual spreadsheet or handwrite the applicable data on paper for submission with the end of day closing/reconciliation. We observed and are in agreement that the E-Flex system functionality does not allow reports to be downloaded.

Without valid, accurate, and reliable reports, Magistrate Court is unable to rely on its reconciliation/validation process to substantiate the completeness and accuracy of cash transactions. In addition, automating this process will save time and ensure the accuracy of reporting functions.

## **Recommendations**

The Magistrate Clerk of Court should:

**Recommendation 32:** Coordinate with the Information Services Department to evaluate the current reporting and system functionality of the Magistrate Court Accounting Division. The evaluation should include, but not be limited to configuration needs/issues, E-flex and/or Lexis Nexis reports, daily cashier reports, and other reporting needs.

- The results should be incorporated into a business case analysis inclusive of: a) a prioritization listing based on need and impact; b) timetable of completion; and c) any related costs. This information should be presented to the Chief Magistrate Court Administrator for review and approval, as deemed necessary.
- We further recommend that representatives from both Magistrate Court and Information Services meet at least weekly, at a minimum, to strategize and complete open issues. A periodic, status report should be provided to the Magistrate Court Administrator and Information Services Director or designee.

**Auditee Response:** **Concur.** IS will research and determine report needed by 9/7/18. Starting 9/17/18 IS and Magistrate Court will meet weekly.

**Recommendation 33:** Evaluate the current listing of available reports within the Contexte system for current applicability and develop a priority list for resolution.

**Auditee Response:** **Concur.** IS and Magistrate Court will meet by 9/17/18 to evaluate reports.

## **Analyze Staff User Profiles and System Access**

The Accounting Division employee user profiles are not configured based on business need and job responsibilities. Employees are granted broader access to the Contexte system than is necessary to perform their job duties. Also, there is no documented approval process to grant permission to specific functions of the Contexte software system based on job responsibilities. We also found that the audit trail feature to track Contexte system changes was not available, had not been activated, and/or was not used for monitoring purposes. As such, the Accounting Division employee user profiles and system access levels are not reviewed on a periodic basis and with changes in personnel, to ensure adequate segregation of duties and other controls remain intact. Giving employees unlimited access may increase the risk of theft or fraud.

User profiles should be restricted to functions relevant to individual job duties to minimize the potential risk of unauthorized or fraudulent transactions. Also, profiles should maintain proper segregation of duties to ensure a user does not have conflicting processing capabilities (i.e. the ability to take payments and make changes without an adequate monitoring function).

## ***Recommendation***

The Magistrate Clerk of Court should:

**Recommendation 34:** Analyze user job roles and the functions needed within the Contexte system. Re-assign profiles in accordance with the analysis performed and ensure proper segregation of duties and monitoring activities exist.

**Auditee Response:** **Concur.** Magistrate Court and IS will analyze user job roles and functions by 9/17/18.

## ***Additional Operational and Physical Safeguards are Needed***

Magistrate Court handles a large volume of cash and transactions, which increases the risk of loss or theft. The need for solid operational and physical safeguards is imperative not only to protect cash receipts but also to protect employees on the premises. Several factors need to be considered to ensure the overall security of the Magistrate Court Accounting Division. Some of the areas we observed that need to be addressed are below.

### ***Additional Operational Safeguards are Needed***

The Magistrate Court Accounting Division needs to evaluate its overall operational security measures regarding the location of where deposits are prepared and ensure that proper workspace security controls are clearly communicated and periodically monitored. Effective operational security controls minimize the potential risk of theft, loss, misappropriation of assets, and disclosure of confidential or sensitive information.

### **Individual Workspaces<sup>12</sup> Needs Additional Safeguards**

We observed several workspace security control weaknesses. Customer service windows were not locked when unmanned. File trays with customer payment information and customer files were located near unlocked customer service windows. Keys to desk drawers, cash drawers, Court mailbox, and other employee workspaces are kept in open areas that are not safeguarded with limited access. Computer terminals were not locked when not in use. Daily opening and/or closing occurs in the public view near customer service window. We also observed that individual desk drawers within the Accounting Division and other areas in Magistrate Court use the same key to lock/open.

With the Accounting Division being accessible to all Magistrate Court employees, additional workspace security controls are needed to minimize the potential risk of theft of misuse of confidential and sensitive data. Unattended sensitive documents and unlocked computers leave data vulnerable to abuse.

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<sup>12</sup> Space used or required for one's work (i.e. office, cubicle, vehicle, etc.)



## ***Recommendations***

The Magistrate Clerk of Court should:

**Recommendation 35:** Ensure that individual workspaces are organized so that information is adequately safeguarded. Safeguards should include, but not be limited to:

- Locking customer service windows when Accounting Division clerks are not present;
- Relocate all confidential or sensitive documents to a secure location, not visible to the public;
- Relocate all keys to drawers, cash drawers, mailbox and other workspaces with limited access based on job responsibilities;
- Require individual desk and cash drawer keys to be kept on person always; and
- Lock all employee computer workstations when not in use.

**Auditee Response:** **Concur.** On Monday, August 20, an email reminder was sent to all employees to lock their windows and computer screens when unattended. All confidential or sensitive documents have been relocated to a secure location, not visible to the public (safe-room).

**Recommendation 36:** Evaluate the current layout and need for locked desk drawers. Based on the results, coordinate with the Property Management Department and have individual desks re-keyed for additional operational safeguards.

**Auditee Response:** **Concur.** Magistrate Court has met with Property Management on the layout of Accounting, construction improvements and the additional safeguards needed (keying of drawers). This is expected to start by 1/1/2019.

### **Cash Receipts/Mail Remittances Need to be Secured**

We observed cash collections, checks, and other negotiable instruments left unattended on desks or in unlocked cash drawers during the day and accessible to all Accounting Division employees. In these instances, no one had exclusive control over the collections. We also noted that envelopes containing cash receipts were not consistently sealed while being transported between Magistrate Court employees. Securing funds and limiting access ensures the chain of custody and fixes individual responsibility for any losses that may occur.

In addition to being unsecured within the Accounting Division, we noted that mail with remittances are also left unattended in an open walkway and accessible to all Magistrate Court staff. The mail slots for the other Magistrate Court Divisions are not secured, located in the main walkway/path into the office, and is accessible to all Court staff. After the mail is sorted by an Accounting Division employee, it is placed in the open mail slots for pickup by the respective Court Divisions. If remittances are included in the mail, the respective Court processes the paperwork and returns the remittance and case file to the Accounting Division the same day or at a later day and/or time. These documents are placed in an unsecured open area and once time permits, an Accounting Division clerk will receipt the funds and place the case files in the respective Division retrieval slots. In some instances, these files along with the checks are left unsecured, not restrictively endorsed overnight, and accessible to all Court employees. During this process, there is no transfer of responsibility tracking or monitoring to ensure all collections are properly accounted for, deposited, allocated and recorded. See *'Mail Remittances should be Tracked'* on Page 12 for further discussion.

Unattended sensitive documents make them vulnerable to abuse and misuse. Adequate controls over mail are needed to ensure remittances via mail are tracked upon receipt, placed under proper safeguards, and deposited in a timely manner.

### ***Recommendations***

The Magistrate Clerk of Court should:

**Recommendation 37:** Require that all cash collections, checks, and other negotiable instruments be properly secured and tracked while being processed or during transport within and between Divisions.

**Auditee Response:** **Concur.** By 11/1/2018 locked bags will be used to transport collections securely between divisions.

**Recommendation 38:** Ensure that all mail is properly safeguarded in a locked cabinet/safe until processed and not left unattended.

**Auditee Response:** **Concur.** Mail is locked in the safe.

### **Garnishment Files Need to be Relocated**

Currently the garnishment files, which includes sensitive information are held in the saferoom on open shelves. As previously stated, all Accounting Division staff have access to the safe room, including those who are not involved in the garnishment process. In addition, there is currently no policy or procedures, specific to garnishment, which provides instructions on how customers' personal information is to be stored and safeguarded. The Accounting Division needs to evaluate its overall operational security measures regarding the location of these garnishment case files. Keeping files in a location with broader access increases the risk that an employee can gain access and subsequently use, disclose, alter or destroy confidential/sensitive information, which could negatively impact, or inconvenience citizens involved in garnishment proceedings.

### ***Recommendation***

The Magistrate Clerk of Court should:

**Recommendation 39:** Assess the current safeguards afforded to garnishment files and coordinate with the Property Management Department to add locked cabinets within the safe room or relocate the files to an individual secure location.

**Auditee Response:** **Concur.** Magistrate Court met with Property Management on 9/4 to address creating locking cabinets inside the safe room. This is expected to be completed by January 2019.

### **Blank Check Stocks Need Additional Safeguards**

No check log is maintained to document and track the blank check stock, checks issued, voided checks, etc. The blank check stock is stored in an open area within the safe room and accessible to all Accounting Division employees. We also noted blank checks, used for cash bond refunds, that were left unsecured in the Accounting Division and accessible to all Magistrate Court employees. All blank check stock should be relocated and secured at all times with access limited to a designated position that does not have check writing or signing responsibilities or do not perform bank reconciliation functions. If not deemed feasible to segregate these responsibilities, compensating controls should be used to mitigate the risk.



In addition, an unannounced inspection of the blank check stock should be performed by a Magistrate Court management team member who does not maintain custody or have access to the blank check stock. The periodic inspection should look for missing or out of sequence checks or other anomalies. The lack of adequate safeguards and proper segregation of duties increases the risk of theft, loss, misappropriation, and unauthorized issuance of checks.

## ***Recommendations***

The Magistrate Clerk of Court should:

**Recommendation 40:** Ensure that the blank check stock is relocated and secured with limited access to a designated custodian with no check writing or signing responsibilities.

**Auditee Response:** **Concur.** Blank Check stock will be secured in a locked cabinet that is accessible only to the Judicial Administrative Assistant by 10/1/2018.

**Recommendation 41:** Ensure voided checks are properly defaced, retained, and accounted for during physical inspection, end of day processes, and monthly reconciliations.

**Auditee Response:** **Concur.** This is an existing policy that will be enforced. All voided checks will be retained.

**Recommendation 42:** Implement a detailed check log to account for all checks issued. This log can also be used in the monthly bank reconciliations to identify outstanding checks.

**Auditee Response:** **Concur.** This has been implemented.

## **Safe Room Safeguards Need to be Evaluated**

We noted that combinations and codes to the safe room are not changed periodically and/or with changes in staffing. We observed several Accounting Division and Magistrate Court employees have access to either the safe and/or safe room with no oversight. Good cash management practices require that combinations to safe rooms and safes are limited to key personnel based on business need and that all safes are mounted to permanent structures. Magistrate Court management should periodically change the combinations and with all changes in staffing. The combinations should only be disclosed to other personnel in emergency situations. Limiting the persons with access to safe rooms and safes narrows the culpability in the event of theft or loss. The camera system should also be revisited for current applicability and coverage. See '*Physical Safeguards Need to be Evaluated*' on Page 24 for further discussion.

## ***Recommendations***

The Magistrate Clerk of Court should:

**Recommendation 43:** Evaluate employee access to the safe and safe room and revise based on need. Access codes should also be changed periodically, with all changes in personnel, and only disclose to other personnel for instances of an emergency.

**Auditee Response:** **Concur.** We are currently evaluating access needs. We will change access codes quarterly or when we have a change in personnel.

**Recommendation 44:** Ensure that all safes are properly mounted to the floor or other permanent structure.

**Auditee Response:** **Concur.** By 10/1/2018, a new safe will be purchased and a request will be placed for Property Management to bolt the safe to the floor.

### ***Physical Safeguards Need to be Evaluated***

The Accounting Division processes a large volume of transactions and cash receipts, which increases the risk of loss or theft. The current layout and location of the Accounting Division is on a main entrance/exit point for all Magistrate Court employees. Due to the nature of their responsibilities, additional physical safeguards are needed to ensure the Accounting Division is in a restricted, defined area with limited access.

We noted the existence of a security system and other measures designed to safeguard County personnel and other assets. However, the overall physical security safeguards within the Accounting Division, to include access controls, security cameras, etc., need to be periodically monitored and evaluated to ensure continued operability effectiveness. Ineffective, inoperative or unmonitored security measures increase the risk of loss to the County. Some security risks identified will be communicated verbally to minimize any additional risks.

### ***Recommendation***

The Magistrate Clerk of Court should:

**Recommendation 45:** Assess the current security measures for the Accounting Division and staff and include all divisions housed in the building/area. Consideration should be given to:

- Location and access points to the Accounting Division. Consider a walk-up window for internal Magistrate Court personnel to interact with the Accounting Division;
- Ongoing monitoring of cameras and alarm systems; and
- Obtaining safes that provide adequate safeguard against burglary, water, and fire damage.

**Auditee Response:** **Concur.** Magistrate Court will work with Property Management, Sheriff's Office and the Budget Office in addressing these issues by 1/1/2019.

### ***Monitoring Controls Need to be Implemented***

Internal monitoring and supervisory reviews across the cash handling process is inadequate. As described during our discussion of the segregation of duties weakness on Page 5, we found no evidence of division-wide internal supervisory reviews, reconciliations, comparisons of reports or other monitoring activities to ensure that Magistrate Court Accounting Division transactions are complete and accurate.

Effective monitoring controls over the Accounting Division cash receipt transactions are essential to ensure that the Accounting Division is operating as intended and in a consistent manner. Management reviews at the functional or activity level is a basic internal control activity which compares actual performance to planned or expected results. This activity must be ongoing to ensure expected management objectives and goals are met. These activities include approvals, authorizations, verifications, reconciliations, and the creation and maintenance of related records which provide evidence of execution of these activities as well as appropriate documentation.

## Supervisory Approvals Need to be Implemented

### *Supervisory Approval Functionality is Needed in the Contexte System*

We observed the Contexte system functionality to determine if controls were in place to prevent employees who handle cash or initiate a transaction, from changing a transaction or accounting records without supervisory approval. We determined that all Accounting Division employees have the capability of modifying system payments, fees, and transactions with no evidence of supervisory approval or subsequent review, acknowledgment, or agreement of transaction change. There is also no subsequent report reviewed or other monitoring actions performed to identify and substantiate the justification of transaction changes. Granting cash handlers, the capability to modify accounting records increases the risk the account could be altered to cover up misappropriation of funds. Adequate segregation of duties controls, system approval functionality, and other monitoring activities are needed to guard against theft, loss, or misappropriation. See 'Analyze Staff User Profiles and System Access' section on Page 19 for further discussion.

## **Recommendations**

The Magistrate Clerk of Court should:

**Recommendation 46:** Coordinate with the Information Services Department and modify the Contexte system functionality to require supervisory approvals on the alteration of transactions (i.e. voids, waive fees, changes to fees, etc.).

**Auditee Response:** **Concur.** By 9/17/18 Magistrate Court will coordinate with IS to modify functions to require supervisor approval and provide a report that will show altered transactions.

**Recommendation 47:** Coordinate with Information Services to determine if the functionality exists to track all transaction changes including, but not limited to deleted transactions, changes in receipt types (i.e. cash, check, credit card, money order), and/or transaction dates and amounts.

**Auditee Response:** **Concur.** Currently working with IS to see if this functionality exists, changing passwords and creating new reports to show changes that have been made.

### *Supervisory Approvals are Needed for Rejected Online Transactions*

We noted that online payments that do not meet the established criteria are rejected and funds returned without review or approval by an authorized position. Employees within both the Accounting and Civil Divisions review online filing information and fees for completeness against established criteria. When the filing request is deemed insufficient, the filing fee is rejected with no report available that reflects the rejection. The rejection is later refunded or returned by an Accounting Division clerk, but there is no evidence of prior approval of the refund or review by a second person within the Civil Division to substantiate the reason for rejection. See 'Current Resource Allocation Methodology Should be Evaluated' on Page 31 for further discussion.

Management approvals is a control activity designed to ensure that the transaction is appropriate, accurate, supported by adequate documentation, and complies with Accounting Division policies and procedures and other applicable laws and regulations. The Accounting Division should implement the appropriate levels of approvals for refunds and other transactions.

## ***Recommendation***

The Magistrate Clerk of Court should:

**Recommendation 48:** Implement approval procedures to ensure all rejected online transactions and subsequent refunds are reviewed, substantiated, and approved by a separate Accounting or Civil Division employee prior finalization.

**Auditee Response:** **Concur.** The civil division manager will approve all rejections and refunds in Eflex before the civil employee accepts or rejects and closes session and gives reports to Accounting refund to money.

### **Bank Reconciliation Process Need Improvements**

We observed several ineffective and inefficient activities performed during the bank reconciliation process. We noted segregation of duties weaknesses, lack of evidence to substantiate critical functions, insufficient system functionality resulting in manual processes, and inadequate oversight/monitoring controls. Ineffective and inefficient bank reconciliation activities do not provide assurance that cash handling transactions, bank balances, and related reports are complete and accurate.

Magistrate Court bank reconciliations are performed by the Accounting Supervisor who is currently involved in every other aspect of the cash handling process, and there are no offsetting compensating controls. We also noted that paper copies of the respective bank statements are received in the mail and opened by the same Accounting Supervisor. Online bank statements are available and used, but these are downloaded by the same person who has the ability to record, approve, and maintain custody of cash receipts. Even though bank reconciliations are carried out regularly, it should be performed by an independent employee, who is not involved in conflicting tasks, combined with restricted access to certain cash handling process accounting records, computer terminals and programs. Segregation of duties controls are needed to reduce the risk of error or inappropriate action.

We also noted the absence of evidence to substantiate the completion and results of several functions deemed critical to an effective bank reconciliation. The agreement of reconciled bank balances to the respective internal checkbook balances was not documented and maintained. We noted manual spreadsheets used to track monthly checkbook activity, and the Accounting Division staff asserted that the spreadsheets are agreed to the reconciled bank balances each month; however, we were unable to validate the assertion. We attempted to independently agree the April 2018 reconciled bank balances to the respective checkbook spreadsheet balances and noted differences and reconciling items in each of the four bank reconciliations that had not been identified, researched, and the resolution documented. In one bank reconciliation, we noted no internal checkbook balance. The Accounting Division staff asserted that the differences were due to missing information, but that information was not readily available and included in the respective bank reconciliations documentation. To effectively reconcile the bank accounts, the Accounting Division must ensure that an internal checkbook is maintained and updated for each bank account and subsequently reconciled to the bank account balance. The Accounting Division should also timely identify, research, and resolve any differences or reconciling items and document the results. Unresolved differences and reconciling items could be an indicator that the cash handling transactions are incomplete, and/or inaccurate or that theft, loss, or misappropriation has occurred. The lack of evidence that these critical functions have been completed does not provide Magistrate Court leadership with the assurance that the cash handling process is operating as expected.

We noted that the Accounting Division's bank reconciliation process includes the use of several manual spreadsheets with no subsequent or independent validation/reconciliation. Some of these manual spreadsheets were deemed a duplication of efforts, ineffective, and/or an inefficient use of staff time. Outstanding checks, daily deposit tracking, and payables lists are an example of the manual spreadsheets used during bank reconciliations. A monthly report of checks written are generated from the Contexte system and manually compared to the bank statement to identify which checks have cleared or remain outstanding. The Accounting Division's current system functionality does not include the option to mark cleared checks in the system and generate a list of outstanding checks that can be efficiently used in the bank reconciliation. As such, the identification of outstanding checks requires a manually intensive reconciliation that is not subsequently validated for completeness and accuracy.

We also noted that voided checks are not reviewed for sufficient justification during the bank reconciliation process. A daily deposit tracking spreadsheet is used to track daily deposits and included in the monthly bank reconciliation. The spreadsheet is generated and maintained exclusively by the Accounting Supervisor and does not include any clear evidence of how it is used. In addition, a payables spreadsheet of amounts that are required to be paid out for cases is maintained and monitored manually for each bank account. We noted a system generated payables report that could be used to efficiently perform this function, but the report needs to be revised to include missing and/or critical information. The payables report also does not account for checks disbursed from the Contexte system that are offset against the payables due which makes the report questionable. The manual payables spreadsheet does not include easily identifiable reconciliation results. As stated previously, these spreadsheets are maintained on a shared drive accessible to all Accounting Division employees, is not password protected, and can be manipulated and changed without knowledge of the primary users.

We noted inadequate oversight/monitoring controls over the bank reconciliation process. Part of the bank reconciliation is included in a monthly reporting package that is reviewed by a separate Magistrate Court staff, but there is no evidence to indicate the level of review of the bank reconciliation content. No manual supporting spreadsheets are included in the reporting package, and no other reconciliations are performed to determine overall completeness. We also noted that the reporting package reviewed did not include documents to reflect the calculations used to determine the monthly payouts to the respective agencies based on Magistrate Court transactions. Magistrate's monthly reporting package review is a critical control function due to inadequate segregation of duties. A detailed review of the respective bank reconciliations should not only be performed but should include a comparison of all source documents and be documented.

Having significant weaknesses in the bank reconciliation process may result in increased risks of errors or fraud not being detected and addressed in a timely manner, in addition to waste, mismanagement, incomplete, and inaccurate information.

## ***Recommendations***

The Magistrate Clerk of Court should:

**Recommendation 49:** Ensure that the bank reconciliation is performed by an employee independent of the accounting, authorization, and asset custody within the cash handling process. For instances where the bank reconciliation process cannot be fully segregated, mitigating or compensating controls should be implemented.

**Auditee Response:** **Concur.** This has been implemented. The Supervisor is no longer participating in validation.

**Recommendation 50:** Discontinue the use of paper bank statements. If paper bank statements are still utilized, the bank statements should be received unopened, reviewed, signed and dated as evidence of review by an individual separate from the bank reconciliation and other cash handling functions.

**Auditee Response:** **Concur.** Statements are received unopened from the Judicial Admin Tech processing the mail. The Clerk of Court will file stamp, initial and a log will be kept for each account.

**Recommendation 51:** Establish an accurate internal checkbook balance for each of the bank accounts to include a subsidiary ledger or documents to support the amounts due to be paid to the respective recipient, agency, and/or by case number. The results should be validated by a separate individual with the results documented and maintained.

**Auditee Response:** **Concur.** By 10/1/2018 Magistrate Court will work with IS to create a function in Contexte to merge the current spreadsheets into one general fund checkbook.

**Recommendation 52:** Establish procedures to ensure the new internal checkbook balances should be reconciled to the respective bank account balances. Differences and reconciling items should be identified, researched, corrected, and/or resolved in a timely manner. Documentation should be maintained and subsequently validated by a separate Magistrate Court management employee.

**Auditee Response:** **Concur.** All corrections are made during month end process, documentation is kept with month end report documentation.

**Recommendation 53:** Ensure that the monthly bank reconciliation process includes, but is not limited to a validation of the beginning and ending bank account and internal checkbook balances, an agreement to the supporting documentation of transactions, and evidence of the review.

**Auditee Response:** **Concur.** This has been implemented.

**Recommendation 54:** Evaluate each report or manual spreadsheets used in preparing the bank reconciliation for current applicability, practicality, and efficiency. Duplicate, ineffective, and inefficient reports or manual spreadsheets which add no value should be discontinued and replaced with automated processes that require minimal to no manipulation.

**Auditee Response:** **Concur.** Magistrate Court in coordination with IS will evaluate current reports and determine consolidation to prevent duplication by 10/1/18.

**Recommendation 55:** Ensure that the monthly reporting package includes a review and agreement of the documents used to calculate the monthly payout amounts to the respective agencies.

**Auditee Response:** **Concur.** Monthly reporting package will include the documents used to calculate the monthly payouts for review when documents are signed.

#### **Other Periodic Monitoring Activities are Needed**

##### ***Unannounced Till/Cash Verifications Need to be Implemented***

The Accounting Division currently does not perform any unannounced till or cash receipts verifications on a periodic basis. The amounts collected are agreed to a daily cashier report, but we noted no evidence that cashier tills and cash collections are periodically verified against system reports, manual receipts, and other source documents at various phases of the cash handling process.



Unannounced verifications are detective control activities used to timely identify, correct, and/or address errors and misappropriations. Periodic unannounced verifications may also identify training opportunities to improve the overall efficiency of the Accounting Division.

### ***Recommendation***

The Magistrate Clerk of Court should:

**Recommendation 56:** Perform or designate the Accounting Supervisor to conduct periodic unannounced till verifications and maintain written documented evidence.

**Auditee Response:** **Concur.** This has been implemented to occur quarterly. Manager will perform audits on all drawers, a log will be maintained to support audits.

### ***Numerical Sequence of Transactions should be Monitored***

We found that the numerical sequence of transactions (i.e. automated or hand-written receipt numbers) are not periodically validated and reconciled to daily cashier and deposit reports to ensure that all receipt numbers are accounted for and properly recorded. Magistrate Court currently uses various manual receipt books in both the Accounting and Warrant Divisions and Contexte auto-generated receipts in the Accounting Division. We also physically observed multiple receipt books in the safe room. The Accounting Division does not perform a periodic reconciliation of receipt and checkbook numbers, and there are no numerical file/log of all manual receipts and checkbooks. We noted skipped receipt numbers on the daily cashier reports that were reflected as an invalid receipt in the Contexte system. We also noted that the manual receipt books were distributed and used out of sequence with no subsequent reconciliation. Magistrate Court's control activities over the recording, handling and issuance of manual receipts and checks needs to be strengthened. Accounting for numerically sequenced transactions will ensure that missing transactions are identified, researched, and resolved in a timely manner.

We found that voided transactions were not tracked, investigated, or validated. Documentation to support voided transactions were not maintained and included in daily closing review and reconciliation. Voided transactions should be tracked, and all receipts related to the voided transaction should be maintained. In addition, voided transactions should be included on the Daily Cashier Report, or on a separate report.

Without proper controls over pre-numbered receipts and checks (including voids), there may be a lack of adequate evidence over the receipt and/or issues of monies involving customers, in addition to an increased risk of theft, fraud, loss, misappropriation or error.

In addition, we were unable to determine if the Contexte system had an audit trail feature or if the feature had just not been activated. An audit trail identifies what, when and by whom changes were made and why the changes were necessary. We also noted no evidence of the Accounting Division using an audit trail feature in its monitoring and supervisory review activities. Erroneous changes to Accounting Division records could go undetected and negatively impact operations. See '*Supervisory Approval Functionality is Needed in the Contexte System*' on Page 25 for further discussion.

## **Recommendations**

The Magistrate Clerk of Court should:

**Recommendation 57:** Develop and implement internal supervisory reviews, reconciliations, comparison of reports, and other monitoring activities throughout the cash handling processes. This process should include a periodic reconciliation of both manual and Contexte receipt numbers and a review of the audit trail and document evidence of completion.

**Auditee Response:** **Concur.** Manager is checking receipt numbers and manual receipts, a sign off sheet created to document audits. Additional positions are needed to support this action.

**Recommendation 58:** Require that all manual receipts, if used, and checks to be issued in numerical sequence.

**Auditee Response:** **Concur.** This has been implemented. All receipts are used in numerical order.

**Recommendation 59:** Require that a log of manual receipt books, if used, is maintained and used to track and monitor the inventory, issuance and return of receipt books. The log should also ensure that receipt books are issued in numerical sequence, new receipt books are not issued until a used receipt book is returned, and serve as evidence of transfer of responsibility.

**Auditee Response:** **Concur.** This has been implemented. Manual receipt books are recorded, signed for and signed off on upon return. Periodic audits will be performed and documented.

**Recommendation 60:** Implement a periodic inventory of all manual receipt books (i.e. used, unused, and partially used) with the results presented to the Magistrate Clerk of Court for review. Evidence of completion and review should be maintained. An inventory of receipt books should also be performed when employees separate from service with the County and/or the Accounting Division.

**Auditee Response:** **Concur.** This has been implemented. A log was created to keep track of all receipt books.

## **Oversight Controls Need to be Implemented**

### **Current Resource Allocation Methodology should be Evaluated**

We observed that the resource allocation methodology for the effective and efficient processing of Accounting Division transactions is not structured to adequately deploy control activities and mitigate risks. We found that some Accounting Division staff were performing activities without a clear understanding of whether their actions were effective, efficient, and/or minimizing the risk of theft, loss, or misappropriation. Some activities were performed based on previous competencies and proficiencies or a prior Accounting Division structure. We also found that critical control activities were incomplete or not included in processing of transactions. Some employees of the Accounting Division rely on self-generated documents to capture their work progress. In addition, the current structure does not include a function to address the weaknesses identified, perform internal assessments, develop and implement adequate controls, and apply other business related best practices.



We also identified tasks in the Accounting Division, which are best suited in the other Divisions of Magistrate Court. Specifically, the Warrant Division should be structured to receipt its collections directly into the Contexte system for greater accountability, automation, and tracking. In addition, the acceptance/rejection of online transactions should be re-evaluated for the suitability of duties between the Accounting and Civil Divisions. We also noted other potential areas of case file management, exchanges, and overall coordination of efforts that could improve greater efficiency within the Accounting Division. An imbalance of workload responsibilities can lead to over-productivity by some team members, under-productivity by others, employee dissatisfaction, and an overall decrease in organization morale.

The Accounting Division should consider implementing performance measures to evaluate its effectiveness and efficiency in its resource allocation methodology, transaction processing, and other operational tasks. An applicable evaluation should include, at a minimum, overall division goals and objectives, volume and dollar value of transactions, complexity of transactions, fluctuation in transaction types, current staffing levels and proficiency, system impact, budgetary needs, workspace layout, other forecasts, benchmarks, and performance goals. Without an effective resource planning methodology, the Accounting Division may find it difficult to address vacancies and capacity issues versus proactively managing them. This can lead to an adoption of short-term staffing solutions, where more strategic approaches may be desirable.

## ***Recommendations***

The Magistrate Clerk of Court should:

**Recommendation 61:** Evaluate its current resource allocation methodology for processing Accounting Division transactions. Performance measures should be established and periodically reviewed to ensure business objectives are met and that the Accounting Division is operating effectively and efficiently.

**Auditee Response:** **Concur.** Currently evaluating our methodology and will establish performance and corrective action measures by December 2018.

**Recommendation 62:** Implement staggered work hours within the Accounting Division as an option to address dual custody and segregation of duties.

**Auditee Response:** **Concur with Alternate Solution.** As mentioned in previous responses, the Accounting Division does not have the staffing to comply with staggered work hours within the division. By 12/31/2018, the Magistrate Court will request three positions to support the Accounting Division.

## **Written Operating Procedures Need to be Revised**

The current operating procedures manual is incomplete and/or does not reflect the current operating practices within the Accounting Division. Per the Accounting Supervisor, the document is currently being revised. Written documentation organizes procedures and helps ensure consistency of processing across the Accounting Division. It provides a means for training staff and prevents the creation of unapproved procedures. In addition, it acts as a protection during monitoring and supervisory reviews, helping to pinpoint any actions taken against established policy. Other daily processes such as mail procedures, high volume processing procedures, priority of processing, closing procedures, and approval levels should also be documented and maintained for consistency.

Ineffective written procedures could result in process errors, unapproved procedures, inconsistent actions, may not facilitate an employee's optimum performance, and may not support training efforts. Records retention guidelines<sup>13</sup>, procedural changes, revisions to the internal control structure, and corrective actions resulting from this report should also be reflected in the written operational procedures.

Future changes in the Contexte system should be incorporated as well. 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.

## ***Recommendation***

The Magistrate Clerk of Court should:

**Recommendation 63:** Require that the Accounting Division update all processes and procedures and incorporate them into a comprehensive, written policies and procedures manual, to reflect current cash handling and operational practices. Record retention guidelines, procedural changes, revisions to the internal control structure, and corrective actions from this report should also be reflected in the written operational procedures. Future changes in the Contexte system should be incorporated as well.

**Auditee Response:** **Concur.** Updates will be completed by 12/31/2018.

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

We noted no scheduled, periodic training for employees within the Accounting Division providing governance and oversight including approval processes, documenting and reporting. During our consulting work, we discovered that Accounting Division staff use templates and reports that do not support the completeness, accuracy of transactions, improve the effectiveness, or increase the efficiency of procedures and processing. Additionally, Accounting Division staff did not fully utilize the functionality of the Contexte system. Specifically, an excel version of the bank deposit slips was being maintained; the nightly and monthly daily reports provide duplicate information, but both are generated and reviewed in the same manner; and inconsistencies exist in the distribution and retention of the various portion of the manual receipts issued for warrants. We also noted that some of the Accounting Division's practices are inconsistent with the County's Cash Handling Manual. Magistrate Court management should ensure that all Accounting Division employees attend the County's Cash Handling Course. Periodic training could eliminate or reduce inefficiencies and other inconsistencies and ensure the Accounting Division is operating in accordance with County and Magistrate Court expectations.

## ***Recommendation***

The Magistrate Clerk of Court should:

**Recommendation 64:** Develop and implement a periodic, internal training session to communicate and re-iterate the internal control objects and overall mission of the Accounting Division. Evidence of the training should be documented and updated as needed.

**Auditee Response:** **Concur.** Internal training sessions for all Accounting employees will be completed by 10/1/18.

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<sup>13</sup> Source: Official Judicial Branch Record Retention Schedules [<http://georgiacourts.gov/content/records-retention-schedules>]

**Recommendation 65:** Conduct random blank check inspections, document the results, and report any discrepancies to Court leadership.

**Auditee Response:** **Concur.** This will be done 4 times a year.

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

We conducted these consulting services at the request of the Chief Magistrate Court Judge and the Magistrate Court Administrator. Our services included a review of the Magistrate Court Accounting Division's internal controls related to cash handling. These consulting services were performed in conformance with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

Our objective was to determine if the controls over the processing of cash receipts are adequate to provide reasonable assurance that all incoming cash is accounted for, complete and accurate, timely recorded and deposited, and accurately reported. We also included a determination of whether the controls were adequate to reduce the risk of or provide for the timely detection of theft.

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

- A. Discussed the nature of Internal Audit's consulting services and agreed on the stated objective.
- B. Reviewed the Magistrate Court organizational structure to include positions and titles.
- C. Conducted interviews with key personnel within the Accounting Division and Magistrate Court Administration.
- D. Conducted interviews with stakeholders from the Finance Department.
- E. Performed on-site observations and walk-throughs of the various Accounting Division cash handling functions.
- F. Performed physical tours of the Accounting Division cash handling locations and facility layout.
- G. Reviewed and analyzed various reconciliations, validations, and allocations performed by Accounting Division staff.
- H. Obtained a general understanding of the functionality and capability of the Contexte system as used within the Accounting Division.
- I. Performed other limited independent analyses and examinations.

*Abbreviations*

|                  |                                    |
|------------------|------------------------------------|
| Magistrate Court | Cobb County Magistrate Court       |
| O.C.G.A.         | Official Code of Georgia Annotated |
| Contexte         | Contexte Software System           |

*Major Contributors to the Report*

Latona Thomas, CPA, Internal Audit Director  
Michelle Swaby, CPA (inactive), PT Senior Auditor  
Andrea Clayton, Internal Auditor II  
David Murry, Internal Auditor II



*FINAL Consulting Report Distribution List*

**Magistrate Court**

Deena Fincher, Administrator, Magistrate Court  
Tahnica Phillips, Clerk of Court, Magistrate Court  
Alesha Ellis, Accounting Supervisor, Magistrate Court

**County Officials**

Rob Hosack, County Manager  
Bill Volckmann, Finance Director/Comptroller

**Other**

Cobb County Audit Committee  
Internal Audit Department File

### *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 increased controls over the average annual collections of approximately \$5.1 million within the Magistrate Court Accounting Division. (See Pages 5-33).
- Revenue Protection – Actual; Recommendations, when implemented, will provide additional security over cash collections and employee capital. (See Pages 20-24).

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

We analyzed the five-year annual collections<sup>14</sup> for the Magistrate Court Accounting Division and found the average to be approximately \$5.1 million. In addition, we identified weaknesses in the internal control environment, to include but not limited to segregation of duties, collection, processing, validation, monitoring, oversight, operational and physical safeguards.

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

- Efficient Use of Resources – Actual; Recommendations, when implemented, will increase the efficiency of Magistrate Court Accounting Division operations. (See Pages 15-20 and 24-28).

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

We found instances where the elimination of manual processes within the collection, processing, bank reconciliation, and reporting phases of the Accounting Division's operations will reduce the number of staff hours required and result in indirect cost savings.

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

- Reliability of Information – Actual; Recommendations, when implemented, will provide assurance of the completeness, accuracy, and reporting of Magistrate Court Accounting Division cash collections and other financial data captured within the Contexte software system. (See Pages 5-20 and 25-33).

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

We found that the current configuration, functionality, and reporting of the Contexte software system produced incomplete information. Recommendations, when implemented, will correct these weaknesses and increase the reliability of financial and other reporting.

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<sup>14</sup> Source: Magistrate Court Accounting Division Reports. [This information is presented for contextual information purposes only as Internal Audit did not perform any work to substantiate the amounts and does not provide any assurance on the data included.]

## Auditee's Response



### MAGISTRATE COURT OF COBB COUNTY

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DATE: September 13, 2018

TO: Latona Thomas, CPA, Director, Internal Audit

FROM: Joyette Holmes, Chief Magistrate Court Judge

SUBJECT: Response to the Internal Audit Draft Consulting Report – Survey of Magistrate Court Accounting Division Cash Handling Practices

This memo is in response to the subject report dated August 20, 2018. You identified opportunities to improve the overall cash handling activities of the Magistrate Court Accounting Division. Several recommendations were made and our response to those recommendations are below. The Clerk of Court will be responsible for ensuring these recommendations are adhered to.

**Recommendation 1:** Develop and implement adequate segregation of duties controls throughout the Accounting Division. If segregation of duties is not possible among current staff, additional compensating controls should be implemented.

***Response: Concur***

The current staffing in Accounting does not allow for adequate segregation of duties. The Accounting Division will need three additional positions, two Fiscal Tech II's and a Fiscal Tech III to comply with the recommendation. By 12/31/2018, the Magistrate Court will request these positions.

**Recommendation 2:** Rotate duties among existing personnel within the Accounting Division and possibly other Magistrate Court Divisions. Also, ensure that employees who handle sensitive information take mandatory vacations, or require change roles periodically.

***Response: Concur***

Duties cannot be rotated until additional positions are provided. As mentioned in response #1, the Magistrate Court does not have the appropriate number of positions or job titles within the division where duties can be rotated. By 12/31/18 Magistrate Court will request additional positions.

**Recommendation 3:** Implement the function of a senior staff member to review system reports of detailed transactions; select transactions for review of supporting documents; review and provide resolution for exception reports; and perform independent, periodic reconciliations of bank accounts.

***Response: Concur***

The Clerk of Court and/or Court Administrator have been selected to review transactions, reports and reconciliations of bank accounts.

**Recommendation 4:** Coordinate with the Information Services Department to implement system application controls to include, but not be limited to:

- Identifying, documenting and mapping Accounting Division transactions;
- Identifying key points in the transaction process where one person's ability to perform tasks ends and another begins; and
- Ensuring system access is adjusted when an employee changes role.

***Response: Concur***



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Magistrate Court met with IS on 8/24 to discuss coordination to identify mapping transactions, key points in the transaction process and employee roles. IS will do an audit of security roles and determine appropriate levels of security.

**Recommendation 5:** Ensure that an employee who is independent of the bond cash receipting, recording and custody functions is delegated the responsibility of disbursing refund amounts.

***Response: Concur***

An Accounting employee independent of cash bond receipting is delegated the responsibility of disbursing refund amounts.

**Recommendation 6:** Prior to signing the refund check, the signatory should compare the check to the supporting documentation for agreement. All reviewers should sign/initial and date on the supporting documents as evidence of review and approval.

***Response: Concur***

This has been implemented.

**Recommendation 7:** Implement separate cash drawers and receipt books.

***Response: Concur***

This has been implemented.

**Recommendation 8:** Ensure that all cashier drawers remain locked when not in use.

***Response: Concur***

This has been implemented.

**Recommendation 9:** Develop compensating controls to mitigate the risk of cashiers working from the same drawer, where applicable.

***Response: Concur***

A second cash drawer has been added to mitigate the risk of cashiers working from the same drawer.

**Recommendation 10:** Implement dual validations at each stage of the cash handling process. Dual validations should include but not be limited to: a re-count of all funds/remittances, notation of differences and subsequent resolution, signature/date of both validators as evidence, and included in the daily cash receipts documentation. Unresolved differences should be reported to the appropriate level of Magistrate Court management and the Finance Department.

***Response: Concur***

Worksheets have been created where tills are double counted to ensure accuracy.

**Recommendation 11:** Ensure all employees complete the County's cash handling training class and retain documentation as evidence of completion.

***Response: Concur***

Employees who have not completed the County's cash handling training have been registered for November 13, 2018. This was the next available date offered by the County.





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**Recommendation 12:** Implement procedures to require employees to verify and validate cash receipts and supporting documents when received and maintain a transfer of responsibility document as evidence of receipt. Specifically, employees should count the money received, compare it to the accompanying report, sign/date, provide a copy to the initiating employee for agreement and signature, and maintain a copy with the respective cash receipts.

**Response: Concur**

A transfer of responsibility form has been created and its use has been implemented.

**Recommendation 13:** Ensure that all bank deposits are reviewed and approved by someone who is independent of the cash receipting process prior to deposit. Evidence of this review/approval should be indicated via signature/initials and date on the bank deposit slip.

**Response: Concur**

All bank deposits will be reviewed and approved by someone independent of the cash receipting process. Signature/initials and date are placed on the bank deposit slip

**Recommendation 14:** Ensure that all return deposit receipts from the bank are agreed to the original deposit slip package by someone who is independent of the cash deposit preparation process.

**Response: Concur**

An Accounting employee independent of the cash deposit preparation process reviews and agrees to the original deposit slip.

**Recommendation 15:** Ensure that all pre-prepared deposits that are secured in the safe overnight are placed in a sealed bag or a lock bank bag. When deposits are removed from the safe, the contents should be validated.

**Response: Concur**

Locking deposit bags have been requested from the bank. Immediately, when deposits are removed from the safe the contents will be validated.

**Recommendation 16:** Implement the use of a cashier worksheet for all cash counts to document the count and verification of all amounts received.

**Response: Concur**

Implemented 8/21/18.

**Recommendation 17:** Discontinue the use of the Accounting Division's administrative-level user identification.

**Response: Concur**

IS has deactivated the "micky" account.

**Recommendation 18:** Implement a policy that all cash transactions should be properly receipted according to established procedures within the Accounting Division operations.

**Response: Concur**

The Accounting Division is receipting all cash transactions.



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**Recommendation 19:** Ensure that no receipts are discarded for any reason. In the case of voided transactions, all copies of the receipts (automated or manual) should be defaced with 'VOID' and maintained (i.e. white original and yellow carbon copies and included in end of day closing, with the pink copy to remain in the receipt book for periodic reviews and reconciliations/validations).

**Response: Concur**

Policy has been reinforced that no receipts are to be discarded for any reason. The white original receipt is now being given to each customer.

**Recommendation 20:** Consider implementing signage instructing customers to request a receipt for all payment transactions or contact a member of the Magistrate Court management team if no receipt is issued. Signage should be placed in all locations where cash transactions occur. The signage could also include a list of common filing fees, to be updated as required.

**Response: Concur**

Signs have been placed where all cash transactions occur.

**Recommendation 21:** Implement control activities over the processing of mail remittances to include, but is not limited to the following:

- Dual pickup of mail;
- Limit the mail distribution function to Accounting Division employees with separate receipt responsibilities;
- Restrictively endorse checks upon receipt;
- Implement the use of receipts with subsequent reconciliation to Division transactions within the Contexte system and end of day closing. This process should include coordination among Magistrate Court Divisions to determine what critical information is needed on the receipts for ease of processing (i.e. cash/file numbers, payor, etc.);
- Ensure that each Accounting Division Clerk maintains security over their mail receipts and use a cashier worksheet form to close out their mail collections for the day, with dual validation; and
- Coordinate with Information Services and other Magistrate Court Divisions and explore the option of receipting mail transactions directly into the Contexte system.

**Response: Concur with Alternative**

- Dual pickup of mail has been implemented.
- By 12/31/18 the Magistrate Court will request three additional positions where the mail distribution function can be limited to the Accounting Division.
- Checks are now endorsed upon receipt and a log has been created to track all checks received.
- This has been implemented.
- Cashier worksheet has been implemented.
- IS to provide by 9/17/18 the ability to receipt mail transactions directly into Contexte

**Recommendation 22:** Revise current procedures to restrictively endorse all checks upon receipt.

**Response: Concur**

This has been implemented.

**Recommendation 23:** Require that appeal costs held on behalf of State and Superior Courts be included in daily opening and closing counts.

**Response: Concur**





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Appeal costs are deposited in escrow, receipted in Contexte and a check is issued to State or Superior Court.

**Recommendation 24:** Coordinate with the Civil Division and implement procedures to require both Divisions to verify payments and related documents upon transfer and provide a transfer of responsibility document as evidence.

***Response: Concur***

Coordination has been made with the Civil Division to verify payments and a transfer of responsibility form has been created. This requirement has been communicated with both the Accounting and Civil Divisions.

**Recommendation 25:** Examine how the subsequent proof of receipt from State or Superior Court is reconciled and monitored within the Civil Division.

***Response: Concur***

A form has been created.

**Recommendation 26:** Evaluate the continued need and use of manual processes and spreadsheets in the accounting and reporting of the Magistrate Court Accounting Division transactions. This process should also include coordination with the Information Services Department in an effort to fully automate the entire cash handling process. In areas where automation is not deemed possible, compensating controls should be implemented.

***Response: Concur***

IS has provided access to the "debit account" in context where we are now able to automate all cash handling processes.

**Recommendation 27:** Ensure that if manual spreadsheets are used, include system or password protection with limited access to Accounting Division employees based on business need and periodically validate each spreadsheet by a separate individual.

***Response: Concur***

Password protections are on all spreadsheets.

**Recommendation 28:** Coordinate with Information Services to explore/implement the functionality of receipting all collections directly into Contexte, including warrant fees and cash bonds, and eliminate the use of all related manual receipts.

***Response: Concur***

IS will provide access to Warrant Division employees to enable their ability to receipt by 11/1/18.

**Recommendation 29:** Ensure that if the use of manual receipts is deemed appropriate to process transactions, both copies of the Contexte generated receipts are maintained. The Accounting Division manual receipt copy and Contexte generated receipts should be included in the end of day processing.

***Response: Concur with Alternate Solution***



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As of 9/7/2018, all civil and criminal ordinance receipts stay with the files and cases. In limited circumstances, manual receipts will be used where yellow copies will stay in the file and white copy to the customer.

We currently do not have the system to generate Contexte receipts for warrant applications and will have to generate manual receipts. Warrant application receipts will be copied and attached to the application. The yellow warrant application receipt will go to Accounting.

**Recommendation 30:** Develop a consistent method of issuance and retention of the three-ply manual receipt colors (i.e. white original to the customer, yellow carbon with cash receipts documentation (or file), and pink copy with the manual receipt book).

**Response: Concur**

This method is being used.

**Recommendation 31:** Implement approval procedures to require that all checks are reviewed, substantiated, and approved consistent with the expectations of the County and Magistrate Court, prior to signing. The approval procedures should include, but not be limited to, a list of supporting documents that should accompany each check request, any recalculations that should be performed, and the evidence of review required (i.e. initials, date, attestation, etc.).

**Response: Concur**

This has been implemented. Supporting documentation is provided with each check request.

**Recommendation 32:** Coordinate with the Information Services Department to evaluate the current reporting and system functionality of the Magistrate Court Accounting Division. The evaluation should include, but not be limited to configuration needs/issues, E-flex and/or Lexis Nexis reports, daily cashier reports, and other reporting needs.

- The results should be incorporated into a business case analysis inclusive of: a) a prioritization listing based on need and impact; b) timetable of completion; and c) any related costs. This information should be presented to the Chief Magistrate Court Administrator for review and approval, as deemed necessary.
- We further recommend that representatives from both Magistrate Court and Information Services meet at least weekly, at a minimum, to strategize and complete open issues. A periodic, status report should be provided to the Magistrate Court Administrator and Information Services Director or designee.

**Response: Concur**

IS will research and determine report needed by 9/7/18. Starting 9/17/18 IS and Magistrate Court will meet weekly.

**Recommendation 33:** Evaluate the current listing of available reports within the Contexte system for current applicability and develop a priority list for resolution.

**Response: Concur**

IS and Magistrate Court will meet by 9/17/18 to evaluate reports.



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**Recommendation 34:** Analyze user job roles and the functions needed within the Contexte system. Re-assign profiles in accordance with the analysis performed and ensure proper segregation of duties and monitoring activities exist.

**Response: Concur**

Magistrate Court and IS will analyze user job roles and functions by 9/17/18.

**Recommendation 35:** Ensure that individual workspaces are organized so that information is adequately safeguarded. Safeguards should include, but not be limited to:

- Locking customer service windows when Accounting Division clerks are not present;
- Relocate all confidential or sensitive documents to a secure location, not visible to the public;
- Relocate all keys to drawers, cash drawers, mailbox and other workspaces with limited access based on job responsibilities;
- Require individual desk and cash drawer keys to be kept on person always; and
- Lock all employee computer workstations when not in use.

**Response: Concur**

On Monday, August 20, an email reminder was sent to all employees to lock their windows and computer screens when unattended. All confidential or sensitive documents have been relocated to a secure location, not visible to the public (safe-room).

**Recommendation 36:** Evaluate the current layout and need for locked desk drawers. Based on the results, coordinate with the Property Management Department and have individual desks re-keyed for additional operational safeguards.

**Response: Concur**

Magistrate Court has met with Property Management on the layout of Accounting, construction improvements and the additional safeguards needed (keying of drawers). This is expected to start by 1/1/2019.

**Recommendation 37:** Require that all cash collections, checks, and other negotiable instruments be properly secured and tracked while being processed or during transport within and between Divisions.

**Response: Concur**

By 11/1/2018 locked bags will be used to transport collections securely between divisions.

**Recommendation 38:** Ensure that all mail is properly safeguarded in a locked cabinet/safe until processed and not left unattended.

**Response: Concur**

Mail is locked in the safe.

**Recommendation 39:** Assess the current safeguards afforded to garnishment files and coordinate with the Property Management Department to add locked cabinets within the safe room or relocate the files to an individual secure location.

**Response: Concur**

Magistrate Court met with Property Management on 9/4 to address creating locking cabinets inside the safe room. This is expected to be completed by January 2019.





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**Recommendation 40:** Ensure that the blank check stock is relocated and secured with limited access to a designated custodian with no check writing or signing responsibilities.

***Response: Concur***

Blank Check stock will be secured in a locked cabinet that is accessible only to the Judicial Administrative Assistant by 10/1/2018.

**Recommendation 41:** Ensure voided checks are properly defaced, retained, and accounted for during physical inspection, end of day processes, and monthly reconciliations.

***Response: Concur***

This is an existing policy that will be enforced. All voided checks will be retained.

**Recommendation 42:** Implement a detailed check log to account for all checks issued. This log can also be used in the monthly bank reconciliations to identify outstanding checks.

***Response: Concur***

This has been implemented.

**Recommendation 43:** Evaluate employee access to the safe and safe room and revise based on need. Access codes should also be changed periodically, with all changes in personnel, and only disclose to other personnel for instances of an emergency.

***Response: Concur***

We are currently evaluating access needs. We will change access codes quarterly or when we have a change in personnel.

**Recommendation 44:** Ensure that all safes are properly mounted to the floor or other permanent structure.

***Response: Concur***

By 10/1/2018, a new safe will be purchased and a request will be placed for Property Management to bolt the safe to the floor.

**Recommendation 45:** Assess the current security measures for the Accounting Division and staff and include all divisions housed in the building/area. Consideration should be given to:

- Location and access points to the Accounting Division. Consider a walk-up window for internal Magistrate Court personnel to interact with the Accounting Division;
- Ongoing monitoring of cameras and alarm systems; and
- Obtaining safes that provide adequate safeguard against burglary, water, and fire damage.

***Response: Concur***

Magistrate Court will work with Property Management, Sheriff's Office and the Budget Office in addressing these issues by 1/1/2019.

**Recommendation 46:** Coordinate with the Information Services Department and modify the Contexte system functionality to require supervisory approvals on the alteration of transactions (i.e. voids, waive fees, changes to fees, etc.).

***Response: Concur***



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By 9/17/18 Magistrate Court will coordinate with IS to modify functions to require supervisor approval and provide a report that will show altered transactions.

**Recommendation 47:** Coordinate with Information Services to determine if the functionality exists to track all transaction changes including, but not limited to, deleted transactions, changes in receipt types (i.e. cash, check, credit card, money order), card identification, and/or transaction dates and amounts.

***Response: Concur***

Currently working with IS to see if this functionality exists, changing passwords and creating new reports to show changes that have been made.

**Recommendation 48:** Implement approval procedures to ensure all rejected online transactions and subsequent refunds are reviewed, substantiated, and approved by a separate Accounting or Civil Division employee prior finalization.

***Response: Concur***

The civil division manager will approve all rejections and refunds in Eflex before the civil employee accepts or rejects and closes session and gives reports to Accounting refund to money.

**Recommendation 49:** Ensure that the bank reconciliation is performed by an employee of the accounting, authorization, and asset custody within the cash handling process. For instances, where the bank reconciliation process cannot be fully segregated, mitigating or compensating controls should be implemented.

***Response: Concur***

This has been implemented. The Supervisor is no longer participating in validation.

**Recommendation 50:** Discontinuing the use of paper bank statements. If paper bank statements are still utilized, the bank statements should be received unopened, reviewed, signed and dated as evidence of review by an individual separate from the bank reconciliation and other cash handling functions.

***Response: Concur***

Statements are received unopened from the Judicial Admin Tech processing the mail. The Clerk of Court will file stamp, initial and a log will be kept for each account.

**Recommendation 51:** Establish an accurate internal checkbook balance for each of the bank accounts to include a subsidiary ledger or documents to support the amounts due to be paid to the respective recipient, agency, and/or by case number. The results should be validated by a separate individual with the results documented and maintained.

***Response: Concur***

By 10/1/2018 Magistrate Court will work with IS to create a function in Contexte to merge the current spreadsheets into one general fund checkbook.

**Recommendation 52:** Establish procedures to ensure the new internal checkbook balances should be reconciled to the respective bank account balances. Differences and reconciling items should be identified, researched, corrected, and/or resolved in a timely manner. Documentation should be maintained and subsequently validated by a separate Magistrate Court management employee.

***Response: Concur***





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All corrections are made during month end process, documentation is kept with month end report documentation.

**Recommendation 53:** Ensure that the monthly bank reconciliation process includes, but is not limited to a validation of the beginning and ending bank account and internal checkbook balances, an agreement to the supporting documentation of transactions, and evidence of the review.

***Response: Concur***

This has been implemented.

**Recommendation 54:** Evaluate each report or manual spreadsheets used in preparing the bank reconciliation for current applicability, practicality, and efficiency. Duplicate, ineffective, and inefficient reports or manual spreadsheets which add no value should be discontinued and replaced with automated processes that require minimal to no manipulation.

***Response: Concur***

Magistrate Court in coordination with IS will evaluate current reports and determine consolidation to prevent duplication by 10/1/18.

**Recommendation 55:** Ensure that the monthly reporting package includes a review and agreement of the documents used to calculate the monthly payout amounts to the respective agencies.

***Response: Concur***

Monthly reporting package will include the documents used to calculate the monthly payouts for review when documents are signed

**Recommendation 56:** Perform or designate the Accounting Supervisor to conduct periodic unannounced till verifications and maintain written documented evidence.

***Response: Concur***

This has been implemented to occur quarterly. Manager will perform audits on all drawers, a log will be maintained to support audits.

**Recommendation 57:** Develop and implement internal supervisory reviews, reconciliations, comparison of reports, and other monitoring activities throughout the cash handling processes. This process should include a periodic reconciliation of both manual and Contexte receipt numbers and a review of the audit trail and document evidence of completion.

***Response: Concur***

Manager is checking receipt numbers and manual receipts, a sign off sheet created to document audits. Additional positions are needed to support this action.

**Recommendation 58:** Require that all manual receipts, if used, and checks to be issued in numerical sequence.

***Response: Concur***

This has been implemented. All receipts are used in numerical order.

**Recommendation 59:** Require that a log of manual receipt books, if used, is maintained and used to track and monitor the inventory, issuance and return of receipt books. The log should also ensure that receipt books are issued in numerical sequence, new receipt books are not issued until a used receipt book is returned and serve as evidence of transfer of responsibility.





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***Response: Concur***

This has been implemented. Manual receipt books are recorded, signed for and signed off on upon return. Periodic audits will be performed and documented.

***Recommendation 60:*** Implement a periodic inventory of all manual receipt books (i.e. used, unused, and partially used) with the results presented to the Magistrate Clerk of Court for review. Evidence of completion and review should be maintained. An inventory of receipt books should also be performed when employees separate from service with the County and/or the Accounting Division.

***Response: Concur***

This has been implemented. A log was created to keep track of all receipt books.

***Recommendation 61:*** Evaluate its current resource allocation methodology for processing Accounting Division transactions. Performance measures should be established and periodically reviewed to ensure business objectives are met and that the Accounting Division is operating effectively and efficiently.

***Response: Concur***

Currently evaluating our methodology and will establish performance and corrective action measures by December 2018.

***Recommendation 62:*** Implement staggered work hours within the Accounting Division as an option to address dual custody and segregation of duties.

***Response: Concur with Alternate Solution***

As mentioned in previous responses, the Accounting Division does not have the staffing to comply with staggered work hours within the division. By 12/31/2018, the Magistrate Court will request three positions to support the Accounting Division.

***Recommendation 63:*** Require that the Accounting Division update all processes and procedures and incorporate them into a comprehensive, written policies and procedures manual, to reflect current cash handling and operational practices. Record retention guidelines, procedural changes, revisions to the internal control structure, and corrective actions from this report should also be reflected in the written operational procedures. Future changes in the Contexte system should be incorporated as well.

***Response: Concur***

Updates will be completed by 12/31/2018.

***Recommendation 64:*** Develop and implement a periodic, internal training session to communicate and re-iterate the internal control objects and overall mission of the Accounting Division. Evidence of the training should be documented and updated as needed.

***Response: Concur***

Internal training sessions for all Accounting employees will be completed by 10/1/18.

***Recommendation 65:*** Conduct random blank check inspections, document the results, and report any discrepancies to Court leadership.

***Response: Concur***

This will be done 4 times a year.