

DEKALB COUNTY, GEORGIA



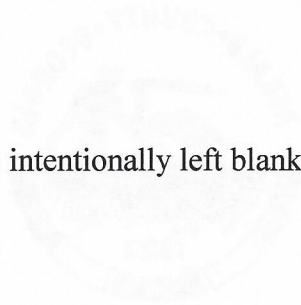
ALTERNATIVE DISPUTE RESOLUTION TRUST

2014 MANAGEMENT REPORT

PREPARED BY
FINANCE- INTERNAL AUDIT DIVISION

DEKALB COUNTY, GEORGIA

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PREPARED BY
FREDERICK J. HARRIS, JR.



Finance Department
Internal Audit

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DATE: April 28, 2015
TO: Tangela Barrie, Chief Judge – Superior Court
FROM: Cornelia Louis, Deputy Director of Finance – Internal Audit
SUBJECT: Alternative Dispute Resolution Trust
RE: 2014 Management Report

General Information

Internal Audit has examined the financial records of the Alternative Dispute Resolution Trust Fund (ADR) for the period January 1, 2014 to December 31, 2014. Issued separately from this report is an audit report that includes the financial statements and our opinion thereon. The Findings, Recommendations and Comments covered in this report are to address operational aspects of the financial activities of the Alternative Dispute Resolution Trust Fund (ADR).

Finding I: Segregation of Duties and Other Controls

The ADR accounting functions are not adequately segregated. The following duties are performed by the Manager: (1) Processes payments received from agencies, (2) Reconciles or balance cash, (3) Prepares and deposits funds into the bank account and (4) Processes payments to vendors. The Manager is also responsible for oversight of the accounting function. Separation of duties is a procedure in internal control process to reduce the risk of fraud, loss, or undetected error in the financial system. This was mentioned in the 2013 Management Report for ADR.

Recommendation I

We recommend that ADR management segregate incompatible accounting functions. In addition, due to insufficient staffing resources within the department, we recommend another level of review and approval by a knowledgeable individual independent of the process. Review and approval are controls to help management monitor the achievement of operational goals and objectives. In so doing, the risk of errors or fraud is minimized.

Finding II: Bank Reconciliation

Although ADR personnel completed bank reconciliations, the reconciliations were inaccurate and lacked supporting documentation. The following months were incorrect:

- a) September 2014– Balance per Bank Statement, as of September 25, 2014, was reconciled with the Book Balance, as of August 31, 2014. As a result, an outstanding check, dated September 29, 2014, for \$20.62 was not included in September 2014 bank reconciliation.
- b) October 2014– Balance per Bank Statement as of October 23, 2014, was reconciled with the Book Balance as of October 23, 2014. As a result, two (2) outstanding checks, both

dated October 31, 2014 totaling \$1,975.11 were not included in October 2014 bank reconciliation.

- c) November 2014 – Balance per Bank Statement as of November 24, 2014, was reconciled with the Book Balance as of November 24, 2014. As a result, two (2) outstanding checks, both dated November 29, 2014 totaling \$1,340.39 were not included in November 2014 bank reconciliation.
- d) December 2014– Outstanding check dated December 26, 2014 for \$335.34 was not included in December 2014 bank reconciliation.

Recommendation II

We recommend ADR personnel perform a proper account reconciliation, which should include but not limited to the following:

- 1) Documentation supporting the account balances should be included with the reconciliation
- 2) Reconciliations should be prepared and reviewed on a timely basis at the end of the period
- 3) The periods for the related set of records (bank balance and books balance) that are reconciled should match. (*Example: Reconciliation for September 2014 would include Bank Balance as of September 30, 2014 and Book Balance as of September 30, 2014*)
- 4) The reconciliation should support the bank balance and is not just a repeat of the ledger or a roll-forward of the balance

Preparing bank reconciliation statement allows management to account for fees, identify pending transactions and errors, discover dishonored checks, and detect fraud.

Comment I

An employee was given permission to sign the authorized signatory's signature for a \$1,000 check, number 1106. As stated by Georgia Law, O.C.G.A. § 11-3-405 (b), "For the purpose of determining the rights and liabilities of a person who, in good faith, pays an instrument or takes it for value or for collection, if an employer entrusted an employee with responsibility with respect to the instrument and the employee or a person acting in concert with the employee makes a fraudulent indorsement of the instrument, the indorsement is effective as the indorsement of the person to whom the instrument is payable if it is made in the name of that person." Even though Georgia Law permits such practice, Internal Audit discourages such practice. Engaging in such practice increases the risk of approval of unauthorized transactions. One of the two authorized signatories on the account should sign check(s) that only requires one signature. As of the report date, ADR management implemented an internal authorization policy, to minimize above stated risk.

Comment II

ADR reimburses the County quarterly for operational expenses. No payment was remitted to the County in the second quarter of 2014.

Comment III

Check # 3088, dated March 29, 2013 in the amount of \$3,937.50 from Clerk of Superior Court was deposited into Law Library account in error; the funds should be transferred the ADR account.

Internal Audit expresses appreciation for the assistance provided by your staff during our review. Please let us know if you have any questions or concerns.

Sincerely,



Cornelia Louis
Deputy Director of Finance – Internal Audit
DeKalb County, Georgia

CL/OP

cc: Board of Commissioners
Zachary Williams, Chief Operating Officer/Executive Assistant
Gwendolyn Brown-Patterson, Interim Chief Financial Officer/Finance Director
Claudette Leak, Administrative Project Manager
Cathy W. McCumber, Treasurer/Court Administrator

