

DEKALB COUNTY, GEORGIA



PROBATE COURT

AUDIT REPORT

2014 SPECIAL REVIEW- INTERNAL CONTROLS

**PREPARED BY
FINANCE- INTERNAL AUDIT DIVISION**

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TRANSMITTAL MEMORANDUM

DATE: April 30, 2015
TO: The Honorable Judge Jeryl Rosh, DeKalb County Probate Judge
FROM: Cornelia Louis, Deputy Director of Finance, Internal Audit
SUBJECT: Probate Court Internal Controls Review

Internal Audit conducted a review of DeKalb County's Probate Court Internal Controls. The Observations, Comments, and Recommendations addressed in the report were discussed with the you, Operations Manager, and Bookkeeper prior to the audit report. If you would like to comment on the report, you may send your comments or response directly to our department head, Gwen Brown-Patterson, Interim Chief Financial Officer/Finance Director.

If you have any questions about the review or this report, please free to contact me at extension 404-371-2639.

Sincerely,

Cornelia Louis

CC: Board of Commissioners (BOC)
Zachary Williams, Chief Operating Officer/Executive Assistant
Gwen Brown-Patterson, Interim Chief Financial Officer/Finance Director
Claudette Leak, Administrative Project Manager

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BACKGROUND

DeKalb County Probate Court (Court) is part of a unified court system in the United States that is charged with handling cases involving the probate of wills, administration of estates, appointment of guardians (minor and adult) and involuntary hospitalization of incapacitated adults and other individuals.

All Probate Court Judges administer oaths of office, issue marriage and firearms licenses. Most Probate Court Judges are elected to four-year terms in countywide, partisan elections. A candidate for judge of the Probate Court must be at least 25 years of age, a high school graduate, a U.S. citizen, and a County resident for at least two years preceding the election. In counties with population over 96,000, a candidate for Probate Judge must have practiced law for seven years and is at least 30 years of age. Judge Jeryl Rosh was elected in 2004 and has served as Judge of DeKalb County Probate Court since January 2005.

DeKalb County Probate Court is divided into four sections; Auditing, Court, Records, and Marriage and Pistol License. The Audit section handles Guardianship, Mental Health annual returns, and Conservatorship. The Court section processes Will Administration, Years' Support, and Probating of wills. The Records section assists customers with title searches and is responsible for filing and scanning all documents into the system. The Marriage & Pistol section department is responsible for processing all applications submitted for marriage or firearm license.

After the discovery of misappropriation of funds with Probate Court pauper petitions in 2013, Internal Audit was asked to perform a review of internal controls regarding the office guidelines and procedures.

INTERNAL CONTROLS

Government Auditing Standards establish that “(1) internal control is concerned with stewardship and accountability of resources consumed while striving to accomplish an agency's mission with effective results; (2) although ultimate responsibility for internal controls rests with management, all employees have a role in the effective operation of internal controls established by management; (3) effective internal control provides reasonable, not absolute, assurance that an agency's activities are being accomplished in accordance with its control objectives; (4) internal control helps management achieve the mission of the agency and prevent or detect improper activities.”

AUDIT OBJECTIVES AND METHODOLOGY

- Obtain and review manuals, policies, and procedures.
- Interview management and staff to develop an understanding of the organizational structure, responsibilities, and lines of authority, application filing process, and other processes.
- Determine whether written policies, procedures, and controls have been established and implemented that govern the Court.
- Examine internal controls during each application process to determine possible risk.
- Evaluate internal controls for cash handling.
- Review controls for securing cash receipts, deposits, check disbursements and record keeping.
- Review the process for updating and adding application data to petition forms in the system.
- Review reconciliations of bank accounts.
- Perform a system check to ensure adequate application control for input, processing, and output.
- Evaluate process for efficiency and effectiveness with risk ranking impact.

Internal controls level of risk is identified by the following category.

Risk Assessment Rating Table

Likelihood	Risk Level	Risk Ranking Impact	Control Measures
Most Unlikely	Minimal Risk	Low	Maintain Existing Measures
Likely	Medium Risk	Medium	Review and Improve Controls
Most Likely	High Risk	High	Improve Control Measures Immediately

Risk Ranking Impact	Definition
Low	Low impact risks may result in the loss of some assets or may noticeably affect operations.
Medium	Medium impact risks may result in the costly loss of assets, risks that violate, harm, or impede operations.
High	High impact risks may result in the high costly loss of assets or impede operations of a company.

Our review was conducted in accordance with Generally Accepted Auditing Standards and included such tests of records and other auditing procedures as were considered necessary under the circumstances.

SCOPE

To determine whether the Court has adequate internal controls by reviewing and evaluating processes, policies, procedures, and internal control structure of the Court.

We did not review the Court's budgetary expenditures. These expenditures are subjected to a separate audit of expenditures.

TESTING PROCEDURES:

The following were audit steps performed:

I. OBJECTIVE – Obtain Manuals, Policies, and Procedures

- A. To determine whether written policies and procedures have been established and implemented governing the Probate Court Office.
- B. Obtain and review manuals, policies and procedures for DeKalb County Probate Court.
- C. Assess the staff's knowledge of the Court's policies and procedures.
- D. Interview management and staff to develop an understanding of the organizational structure, application filing process, and other processes.

II. OBJECTIVE – Ensure Compliance with Policies

- A. Review manuals, policies, procedures, laws, regulations to ascertain conformity.
- B. Review policies and procedures for efficiency and effectiveness.

III. OBJECTIVE – Examine Internal Controls

A. Application & Petition Process

1. Examine internal controls of the application process to determine possible risk.
2. Review the process for adding, updating, and deleting applications.
3. Ensure segregation of duties exist within the function.
4. Review application and petition process for efficiency and effectiveness.

B. Financial Process

1. Evaluate internal controls for cash handling.
2. Review controls for securing cash receipts, cash reconciliation, bank deposits, check disbursements, and record keeping.
3. Review reconciliations for bank accounts.
4. Review financial process for efficiency and effectiveness.

C. System Controls

1. Perform a system check to ensure adequate application control of input, processing, and output.
2. Review system control process for efficiency and effectiveness.
3. Review and document proposed configuration for the new Agile Court system, scheduled to be implemented in 2015.

AUDIT OPINION

In our opinion, the DeKalb County Probate Court maintained effective internal controls over check disbursements, bank reconciliations, bank deposits and system processes. Probate Court needs to improve control measures for their office policy and procedures, application and petition process, and cash and check receipts process.

The risk assessment rating below identifies each audit objective with having a low, medium, or high impact. The areas needing immediate improvements received a high-risk rating assessment, which can result in the loss of assets and may noticeably affect or impede operations in the office.

PROBATE COURT INTERNAL CONTROLS RISK ASSESSMENT RESULTS TABLE A		
AUDIT OBJECTIVES	RISK RATING	CONTROL MEASURES
I. CURRENT POLICY & PROCEDURES	HIGH	Improve Control Measure Immediately
II. ENSURE POLICIES & PROCEDURES	HIGH	Improve Control Measure Immediately
III. EXAMINE INTERNAL CONTROLS		
1. APPLICATION & PETITION PROCESS	HIGH	Improve Control Measure Immediately
2. FINANCIAL PROCESS	HIGH	Improve Control Measure Immediately
3. SYSTEM CONTROLS	MEDIUM	Review and Improve Controls

**DeKalb County Probate Court
Internal Controls Review**

FINDINGS, COMMENTS & RECOMMENDATIONS

I. OBTAIN MANUALS, POLICIES AND PROCEDURES

Internal Audit reviewed: Probate Court Policy Manual, one page departmental policy and procedures document, several petition forms, and instructions provided by Court personnel.

Policy Manual – We observed a policy manual which contains guidelines for the following:

- Section I - Attendance and Leave requirements for Court employees
- Section II - Employee Conduct
- Section III - General information for employees such as probationary period, holiday pay, paycheck issuance, and parking.
- Georgia Crime Information Center (GCIC)/ Criminal Justice Information System (CJIS) Policy
 - Each policy manual has a GCIC Awareness Statement, which is signed by the employee and maintained in their personnel file.

The Georgia Criminal Justice Information System (CJIS) Network, operated by GCIC teleprocessing specialists, provides direct terminal access to computerized databases maintained by Georgia agencies, and by the FBI Criminal Justice Services Division. GCIC maintains Georgia's computerized criminal history database that includes fingerprint and criminal history records.

Each employee is required to receive security awareness training on the CJIS network within six months of employment.

Departmental Policies and Procedures – This one page document lists procedures for Minor/Adult Guardianship, Court Section, and Marriage and Pistol License Services.

Probate Petitions Forms & Instructions – (the following are four examples of the Court's twenty-three petitions forms.)

- Petition for Letters of Administration
- Petition to Probate Will in Common Form
- Petition for Year's Support
- Petition for Temporary Letters of Guardianship of Minor

Procedures for Pauper Estates (Draft Version) - The draft copy, Court procedure, was provided to Internal Audit in January 2014. Management mentioned that the official copy has not been distributed among the Court staff, but the procedure was verbally communicated to employees.

We interviewed each employee to assess his or her knowledge of the office's existing guidelines and procedures. Each employee was given a questionnaire that evaluates their awareness of the Court's organizational structure, their current position in the organization, Probate Court Policy Manual, policy and procedures, various petitions, and instructions.

Employees Lack Knowledge of Existing Policies and Procedures

Some employees were not familiar with the office manual and Departmental Policies and Procedures.

We determined the following:

Petition forms & instructions - All employees were aware of the Court's various petition forms and instructions.

Probate Court Policy Manual – 75% of the Court's employees stated they received a copy of Probate Court Policy Manual.

Departmental Policy and Procedures – 45% of the Court's employees stated they received a copy of the one page document.

Recommendation I

Every employee should be aware and understand all policies and procedures to prevent inconsistent practices among employees. We recommend the Court management ensure that all Court employees are adequately trained on Court policies and procedures. Once the employee has been trained, each employee should be required to sign an affirmation page confirming their knowledge of the manuals, policies, and procedures.

Inadequate Written Policies and Procedures

The one-page departmental policy and procedures document for Minor/Adult Guardianship, Court Section, and Marriage and Pistol Section is inadequate.

Also, there are no written procedures for some Court functions (*There is an unwritten process for most of the following procedures*):

- Employees job type for filing petitions
- Cash Handling
- Check Disbursements
- Bank Reconciliation
- Bank Deposits
- Escalate procedures when handling irate customers

Currently, there are no official procedures for pauper estates filing. Internal Audit received a revised draft copy of pauper estate procedures created by a Court employee used to perform their current job function. This document is not an official office document; only the employee has knowledge of this document.

Also, an employee in the Audit Section created and updated Standard Operating Procedures (SOP) for petitions filed within the Audit Section. Currently, this information is kept in a binder in the employee's office.

When policies and procedures do not exist, are incomplete, outdated, and/or not communicated, the following may occur:

- Inconsistent practices among Court staff.
- Processing errors due to lack of knowledge.
- Inaccurate and unreliable financial records due to inappropriate recording of transactions.
- Inability to enforce employee accountability.

Recommendation II

All Court business processes, personnel responsibilities, and departmental operations should be documented by management and made available to all employees. Documenting policies and procedures promote uniformity in executing and recording transactions and serve as an effective tool for training employees.

Since various court functions handle confidential data, established written procedures will emphasize the importance of data integrity, confidentiality, and security.

Once the Court has established adequate procedures for each section, as mentioned above, we recommend the Court provide training to employees; and require all employees to sign an affirmation page acknowledging that they have read and received a copy of the office policies and procedures.

Comment

Currently, Court personnel do not require petitioners to provide supportive documentation for pauper applications. We strongly suggest the Court require the petitioners to provide the appropriate documents to support their pauper status. Requiring support documentation allows the Court to validate the petitioner's pauper status and eliminate fictitious pauper filings.

II. ENSURE COMPLIANCE WITH POLICIES & PROCEDURES

Although the one-page office policies and procedures were inadequate, we reviewed the process to ensure compliance with those procedures. The Court Departmental Policies and Procedures require the Court Clerks to collect a filing fee once the petition is filed.

Comment

As stated in the "Obtain Manuals, Policies, and Procedures" section of the report, only 45% of the staff acknowledged obtaining a copy of the one-page departmental policy and procedures document for Minor/Adult Guardianship, Court, and Marriage and Pistol Section. Though the staff lacks knowledge of the one-page document, the staff complied with the policy by collecting petition fees and delivering the payment to the cashier and returning the receipt to the elderly customer. Only elderly customers were addressed in the one-page document.

III. EXAMINE INTERNAL CONTROLS

A. APPLICATION AND PETITION PROCESS

Internal Audit reviewed the current application and petition process for the Court. Customers filing petitions in the Audit and Court sections are not allowed to complete forms in advance. All forms must be completed at the time of filing the petition with the Court. A marriage license application is the only form that may be filled out beforehand and returned for processing of the license.

The Court Operator or Clerk manually enters application or petition fees into the system. After the petition is filed, the customer pays for services rendered by the Court. The petition application and supporting documents for the Audit & Court Section is filed by estate number and is in pending status until the Judge signs the final order. If additional documents are required, the petitioner's application is submitted to the Records Section for filing and scanning.

Changes to the petition

The Operator or Clerk can change petition information once non-cash payment has not been processed. After the Bookkeeper processes the customer payment, changes to the petition are restricted; management requires approval. Changing petition information without written documentation and approval by management in the system allows staff to alter or change data that may lead to unauthorized and fraudulent transactions.

Recommendation I

We recommend the Court enhance the petition process by requiring a reason code, written documentation, and system approval by management for petition changes.

B. FINANCIAL PROCESS

Internal Audit reviewed several of the Court's internal controls for handling cash receipts, check disbursements, bank reconciliations, and bank deposits.

Cash Drawer Close-out

During our review, we noted that the Court's cash drawer is closed prior to the end of business. If a petitioner has a cash payment after the cash drawer is closed, the operator uses the change fund to complete the transaction. The change fund is retrieved from its secure location and the cash transaction is completed by giving the petitioner a hand-written receipt. A copy of the ledger is left inside the change fund to document the transaction. The Court lacks adequate personnel to perform the function of the cashier when the bookkeeper has left before the close of business.

Closing the cash drawer before the end of business may result in shortfalls in properly documenting and securing cash.

Recommendation I

We recommend that the Court personnel perform proper cash drawer closeout at the close of business. This will ensure proper accountability of funds received.

The following guidelines are examples that the Court may use to strengthen controls for handling cash:

- Unauthorized persons are not allowed in areas where cash is handled.
- At all times access to areas where cash is handled must be restricted.
- Cash should always be kept in a secured location; cash should never be left unattended.
- Cash should be counted and handled out of sight of the public.
- When cash is counted at closing, another employee should be present. Both employees should sign and date the report acknowledging verification of cash.
- Cash collected should not be comingled with personal funds.

Cash and Check Receipts

The Court Departmental Policies and Procedures require that all operators collect filing fees after the completion of the petition. Cash, money order, certified and personal checks are the only forms of payments accepted by the Court.

The bookkeeper prints an electronically generated receipt for all cash payments. The receipt is printed on standard letterhead with the receipt number, petition case number, date, and amount listed. Special assistance is provided to elderly customers with cash payments; the Court Operator or Clerk submits the cash payment to the bookkeeper and returns the receipt to the customer.

Check payments are placed in a box designated for the bookkeeper in the office mailroom. However, the bookkeeper periodically retrieves the payments throughout the day. The customer receives a ledger print out from the Court Operator or Clerk instead of a receipt from the bookkeeper. The ledger screen printout is not an official Court receipt.

There is no consistency in the receipt document provided to customers. Also, unattended check payments left in the mail room for pick-up may result in theft or fraud.

Recommendation II

The bookkeeper should be the only person authorized to generate receipts for services provided at the Court. All petition receipts provided to customers should be uniform.

We also recommend all payments be remitted to the bookkeeper for processing when the petition is filed. This will ensure that all petitioners receive authorized official Court receipts. In addition, information should be displayed throughout the Court's office, informing customers of the acceptable Court receipt.

Check Disbursements

During our review of month-end check disbursements, the Judge and Operating Manager are the two authorized signatures for check disbursements. The bookkeeper submits irregular checks to either person for approval. The Judge is the only authorized signature for month-end checks. Month-end checks are regular payments distributed to payees on a monthly basis.

Recommendation III

All check disbursements should require two official Court personnel signatures. One of the signatures should have an authorized signor's signature. The utilization of dual signatures establishes internal control over cash disbursement to prevent and detect misappropriation of cash. Those individuals should not have access to the blank checks nor have the ability to enter transactions into the accounting system.

Bank Reconciliation

The Court has a contract with an external accounting firm to reconcile their bank accounts on a monthly basis. Internal Audit observed that the bank reconciliations were completed on a quarterly basis by the accounting firm. The following is a summary of the contract details:

- Contract signed on June 20, 2005 by the Court Judge.
- Current contract agreement does not have an expiration date.
- The annual contractual agreement cost for bank reconciliations is \$5,700 (\$475 per month)
- Option 1 plan is the service provided to the Court by the accounting firm.

Option 1 plan consists of Standard Bank Reconciliation Services that performs solely to reconcile the amount of cash on the books with the amount of Cash in Bank shown on the bank statement. This option does not examine individual checks, signatures, determine whether payee information matches what is shown in the books, and perform any procedures to determine whether the checks are for appropriate expenses, or review accounting work.

Recommendation IV

In the prior year's Financial Review of the Court, Internal Audit mentioned this as a deficiency and made the following recommendation:

"Per the contract, we recommend that Probate Management Staff require the accounting firm to perform the bank reconciliations on a monthly basis."

Monthly bank reconciliations can help identify errors and/or irregularities timely.

Since it was executed 9 years ago, we recommend Court personnel renegotiate the terms of the contract for bank reconciliations with the accounting firm.

Comment

Reconcilement of cash deposits and preparation of deposit slips are completed by the bookkeeper. Court staff makes one daily deposit to the bank. Someone other than the bookkeeper performs the daily bank deposit. A County Sheriff Officer escorts the Court employee to the bank. Bank deposit slips are returned to the bookkeeper for record keeping. Although the Court has no established written procedures, the current process for bank deposit is sufficient.

C. SYSTEM CONTROLS

Attachmate 6.5 is the system application used to manage the Court. The system reports all transactions for the Court, creates applications, petition forms, Court ledgers, and trial balances. Nightly reports printed by the Information Technology (IT) Department show the daily revenue submitted to the Court. The report identifies the operator, transaction type, amount, date, etc.

In 2015, the Court will implement Agile Court Solution, from Xerox, to process all daily transactions.

Comment

Prior to the implementation, IT personnel scheduled extensive training sessions and team meetings with Court personnel. The training sessions and team meetings were from January through September 8, 2014. The training required Court personnel recommend and/or provide feedback on the configuration of Agile Court. The following table compares the Court Office system controls with the proposed Agile Court Xerox System.

**Table A-2
Comparison of Mainframe Application and Agile Court Software**

Mainframe System	Agile Court Proposed Configuration
No explanation is required to update or change case/petition data in the system.	Reason code for all changes and updating cases, petitions and applications.
Comment field not available to change case/petition data in system.	Reason codes require comments when changing case or petition data.
Clerks manually input fees for each filing.	System generates petition fees.
Clerks manually key payment type into the ledger.	System has required input field box for each payment type.
Pauper affidavits are authorized by clerk after notary approves.	Pending status for all pauper affidavits until approved by Judge.
IT nightly batch processing	Real time processing

Agile Court will also provide the following:

- Case Filing – Rules that automatically generate cases identify a case caption, case milestones, accounting receivables, case status, and case security level.
- Scheduling – Graphical interface to manage court calendar when hearings are scheduled either in a block of hearings or as a stand- alone hearing such as trial.
- Financial Management – Built-in ledger processing to track court financial transactions such as payments and checks.
- Document & Report Generation – Able to produce court documents and reports.
- Supervision – Includes full supervision capabilities including caseload management and case/person notes maintenance.

The proposed configuration of Agile Court will improve controls and efficiencies in processes. Once the Agile Court has been implemented, Court personnel should work with IT Department personnel to continuously improve system controls.