

DeKALB COUNTY, GEORGIA



CLERK OF SUPERIOR COURT

MANAGEMENT REPORT

FOR THE YEAR ENDING DECEMBER 31, 2014

**PREPARED BY
INTERNAL AUDIT DIVISION**



Finance Department
Internal Audit

Interim Chief Executive Officer

Lee May

Board of Commissioners

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Nancy Jester

District 2
Jeff Rader

District 3
Larry Johnson

District 4
Sharon Barnes Sutton

District 5
Lee May

District 6
Kathie Gannon

District 7
Stan Watson

DATE: May 5, 2015
TO: Debra DeBerry, Superior Court Clerk
FROM: Cornelia Louis, Deputy Director of Finance—Internal Audit
SUBJECT: Clerk of Superior Court (CSC)
RE: 2014 Management Report

General Information

Internal Audit Division has audited the financial records (agency and trust funds) of Clerk of Superior Court (CSC) for the period, January 1, 2014 to December 31, 2014. Issued separately from this report is an audit report which includes the financial statements and our opinion, thereon. The Findings, Observation, and Recommendations covered in this report address operational aspects of the financial activities of CSC.

Finding I-Checks Issued Out of Sequence

Some checks disbursed from the General Operating account were not issued in sequential order. Consequently, this practice does not allow for appropriate accountability of all disbursements and can lead to possible misappropriation of funds.

Recommendation I

We recommend that all checks be issued in sequential order to ensure proper accountability of all disbursements. This was also mentioned in the 2012 and 2013 CSC Management Report.

Finding II-Timeliness of Bank Deposits

We reviewed a sample of deposits for 54 work days: out of the sample, 11% of the receipts were not deposited timely into the General Operating bank account. Cash deposits range from 3 to 21 business days. Delay of cash deposit increases the risk of loss through theft or fraud. This finding was mentioned in previous years.

CSC attaches a deposit summary report with all deposit slips. The table below provides a summary of a delayed deposit received from Doan for \$25.00.

Deposit Summary						
Work of Date	Date of Deposit Summary	Received From	Check No.	Amount	Payment Method List on Deposit Summary	Customer Bank Receipt Attached
10/24/2014	10/27/2014	Doan	6929464790	\$25	Check	No
10/24/2014	11/24/2014	Doan	6929464790	\$25	Cash	Yes

A memo signed by a CSC employee, was attached to the deposit documents explaining the

events relating to the transaction. Further research revealed that the missing item was a money order. CSC worked with the bank to locate and credit the account for the missing item. Once the CSC staff confirmed the money order was lost, CSC employee replaced the funds on November 24, 2014 from his/her personal funds; which reflects the cash deposit listed in the table above. CSC staff noted that their current policy allows cashiers to pay back shortages. However, allowing employees to payback cash shortages creates an environment conducive to theft. This creates an opportunity to borrow funds from cash drawers and pay it back later, which would constitute asset misappropriation.

Recommendation II

We strongly recommend that all receipts be deposited within two (2) business days from receipt. The CSC should strengthen its controls over cash and ensure adequate safeguarding of cash until deposited. When an overage or shortage is identified, a supervisor should recount the deposit. If the overage or shortage is valid, an accounting entry should be made immediately to document the difference in the ledger. In addition, CSC employees should not pay for misplaced checks but follow-up with the bank.

Finding III-Remittance of Interest to GSCCCA

In the past, CSC sent correspondence to Georgia Public Defender Standards Council (GPDSC), currently Georgia Superior Court Clerk Cooperative Authority (GSCCCA), informing the council of the accumulated interest on the escrow account within Court Registry Division. GSCCCA does an ACH, automatic clearinghouse, debit for the amount of interest earned on the account each month. From 2008 thru 2014, no interest earned was deducted from the Citizens Trust and Bank of America Escrow Trust Accounts within the Court Registry Division. Total interest earned as of December 31, 2014 was \$7,946. Georgia Law (O.C.G.A) §15-6-76 states, "When funds have been paid into the registry of the court and the order of the court relating to such funds does not state that such funds shall be placed in an interest-bearing trust account for the benefit of one or more of the parties, the clerk shall deposit such funds in an interest-bearing trust account, and the financial institution in which such funds are deposited shall remit, after service charges or fees are deducted, the interest generated by said funds directly to the Georgia Superior Court Clerks' Cooperative Authority by the last day of the month following the month in which such funds were received for distribution to the Georgia Public Defender Council of allotment to the circuit public defender offices."

Recommendation III

We recommend that Clerk of Superior Court inform GSCCCA of the accumulated interest in the escrow accounts. Also, CSC may consider having a document drawn where GSCCCA can deduct interest without receiving correspondence from CSC. This was a recommendation that Internal Audit made in the previous years.

Finding IV- Insufficient Funds in Citizens Trust Escrow Account

During 2010, the funds of most cases in the Bank of America and Citizens Trust escrow accounts were transferred to Bank of America with each case being assigned a new separate non-interest bearing account. Due to a defalcation that occurred in 2004 from the Citizens Trust escrow account, the account had insufficient funds. The estimated account deficit is \$17,600. Furthermore, monies were disbursed from the Bank of America escrow account (9435) for a Citizens Trust escrow account case. Therefore, not all cases in the Bank of America escrow

account (9435) were transferred because of inadequate funding in the bank. Currently, the bank account is not overdrawn, but the outstanding balance will not cover the total checks disbursed.

On July 30, 2014, CSC closed the Citizens Trust escrow account. The remaining balance of \$4,686.27 was deposited into the Bank of America escrow account (5793). CSC did not address the following four (4) outstanding checks, totaling \$6,723.56, prior to closing the account.

Citizen Trust Outstanding Checks		
Check #	Check Date	Check Amount
2546	4/27/2006	\$511.89
2696	3/15/2007	\$1,711.67
2807	3/6/2008	\$2,000.00
2904	1/7/2010	\$2,500.00

The Escheat Laws of Georgia, otherwise known as the “Disposition of Unclaimed Property Act” (O.C.G.A §44-12-190), protect the rights of owners of abandoned property and relieve those holding the property of the continuing responsibility to account for such property. “Under the Act, when someone holds property (“holder”) that belongs to someone else (“owner”), but has lost contact with the owner for a specified period (“holding period”), that holder must remit the property to the State. The State then serves as the custodian for any property remitted under the Act allowing the owners or their heirs an opportunity to claim their property in the future.”

CSC failed to escheat the funds to the Georgia Department of Revenue. Georgia escheat statutes have harsh provisions for parties that fail to timely report or turnover unclaimed property. The penalty for failing to report unclaimed property is \$100 per day of violation (up to a maximum of \$5,000) and 25% of the value of property that should have been reported.

Recommendation IV

We recommend that CSC seek authorization from the Board of Commissioners (BOC) to replenish losses from the Citizens Trust escrow account. This will also resolve the shortage of funds in the Bank of America escrow account (9435).

Check numbers 2546, 2696, and 2807 have all reach their dormancy period of 5 years and should be escheated to the State of Georgia. CSC should attempt to locate the owners of check number 2904 and reissue another check. According to the Unclaimed Property Act, “accounts with a value of \$50 or more, the law requires that holders make an effort to communicate with the owner prior to remitting the property to the State. This can be done by sending a first class letter to the owner’s last known address (not less than 60 days but no more than 120 days) before remitting the owner’s property to the State.”

Finding V-Revenue Recognition

CSC uses the cash basis of accounting; revenues are recognized when cash is received. CSC is recognized revenues before the receipt of funds. When invoices are sent to customers for return check, the return check fee is booked as a cash receipt on the ledger before the customer make good on the return check and fee. For example, invoice number 4137 included a \$35 return check fee, which was booked to the ledger as a receipt on January 9, 2014. However, the payment

(\$61- \$26 check \$35 return check fee) was not received until January 23, 2014. This practice may result in disbursements of more cash on hand.

Recommendation V

We recommend that CSC recognize the return check fee when it is received.

Observation I

There were no signatures on the bank reconciliation by both the preparer and supervisor/manager for the months of January 2014 through December 2014. CSC staff is required to sign the monthly bank reconciliation. Signatures confirm that current procedures were followed and that the reconciliation accurately presents the status of the account. Lack of signatures provides evidence that CSC did not exercise proper oversight over the person responsible for completing the bank reconciliation. The lack of oversight can lead to the risk that discrepancies will not be detected or resolved timely.

Recommendation

We recommend that the preparer and supervisor/manager sign the bank reconciliation monthly. Supervisor or manager with the knowledge and understanding of the process should sign and date the bank reconciliations.

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

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