



**Internal Audit Division
Finance Department
DeKalb County**

**STATE COURT
TRAFFIC DIVISION**

2015 MANAGEMENT REPORT

JUNE 2016



DeKalb County
Police Department
Traffic Management Unit

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STATE COURT
TRAFFIC DIVISION
2018 MANAGEMENT REPORT
JUNE 2018



Finance Department Internal Audit Division

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TRANSMITTAL MEMORANDUM


DATE: June 8, 2016
TO: Wayne Purdom, Chief Judge State Court
FROM: Cornelia Louis, Deputy Director Finance – Internal Audit Division
SUBJECT: State Court - State Court Traffic Division
RE: 2015 Management Report

Attached is the management report of State Court Traffic Division's 2015 Annual Financial Audit. The issue(s) raised in the report were discussed with Melanie Wilson, Teresa Kellman, Chrystia Pharo, and Erika Griffin during the Exit Conference on June 8, 2016.

Management's responses to our audit observations and recommendations are included in the following report.

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

Sincerely,



Cornelia Louis

cc: Appendix C



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EXECUTIVE SUMMARY

General Information

The DeKalb County State Court Traffic Division (SCTD) was created pursuant to House Bill 300 passed during the 2015 session of the Georgia General Assembly and signed into law by the Governor on March 3, 2015. Pursuant to House Bill 301, Recorder's Court was abolished effective July 1, 2015. The Georgia Legislature granted SCTD jurisdiction over State traffic cases.

SCTD collects funds (fines and fees), called fiduciary funds, "held in a trustee or agency capacity for others, and therefore cannot be used to support the government's own programs."¹ SCTD is a fiduciary of Agency funds. Agency Funds are "used to report resources held by the reporting government in a purely custodial capacity."²

Objective and Approach

The primary purpose of the audit is to review and analyze the financial records maintained by SCTD to provide a reasonable basis for the opinion; and prepare a Balance Sheet, and Statement of Receipts & Disbursements. This information is reviewed by the County's external auditors and presented in the County's Comprehensive Annual Financial Report (CAFR).

We examined the financial records of SCTD for the period January 1, 2015 to December 31, 2015.

Issued separately from this report is an audit report that includes the financial statements and our opinion thereon. The Observations, Recommendations, and Comments covered in this report are to address operational aspects of the financial activities of the SCTD.

Summary of Observations

1. Variances identified for credit card receipts
2. Lack of supporting documentation
3. Discrepancies in the Cash Procedures process
4. Cash shortages and overages not adequately documented
5. Incomplete financial data
6. Management oversight needed for cash handling and closing procedures

¹ GASB Statement No. 34, paragraph 69

² Governmental Accounting, Auditing, and Financial Reporting (Blue Book), Chapter 4



Overall Recommendation

SCTD management should monitor the cash receipts process to ensure controls are in place and functioning as intended to ensure accurate reporting of financial data.

Summary Management Response

In anticipation of the signing of House Bills 300 and 301, the DeKalb County State Court Traffic Division (SCTD) examined all records and other pertinent documents of the DeKalb County Recorder's Court and pursuant to legislation, on March 3, 2015, implemented practices to ensure proper reporting rules and regulations as prescribed in O.C.G.A. § 15-21A-4 by the Georgia Superior Court Clerks Cooperative Authority (GSCCCA). Modifications in fiscal operations were made to controls, policies and procedures, and management oversight. Those deemed necessary were established to satisfy the conditions of the office regarding reporting and remitting of fines and fees. In coordination with Internal Audits and in response to observations found in the 2015 State Court Traffic Division Annual Audit, SCTD has implemented recommendations to internal processes and controls designed to address and safeguard against loss and/or misappropriation.



Approvals:

Original Signed by:

Cornelia Louis

Cornelia Louis
Deputy Director of Finance
Internal Audit Division
Department of Finance
DeKalb County



OBSERVATIONS DETAILS

1. Variances Identified for Credit Card Receipts

Credit card deposits in Bank of North Georgia were \$42,467.21 less than credit card receipts reported in the Benchmark system. SCTD disclosed variances were attributable to the timing of payments by the credit card vendors, chargebacks, and other factors. Therefore, proper credit card account reconciliation could not be performed. "Account reconciliation is an internal control activity that helps management ensure sound financial management practices over the revenue collection process."³ Lack of account reconciliation increases the risk of undetected errors and could lead to misappropriation or loss of funds. In addition, variances in cash receipt amounts may result in unreliable financial data.

Recommendation

SCTD should ensure credit card receipts recorded in the Benchmark system are reconciled to bank statements and reviewed by management to protect against the risk of misappropriation or loss of funds and to ensure accuracy, integrity, and completeness of financial data.

Management Response

SCTD has implemented practices to ensure accurate credit card account reconciliation and eliminate variances related to credit card reconciliation. A third party has been employed to accurately process and report credit card transactions for the purpose of ensuring sound financial management practices over the revenue collection process. Since the implementation of these practices, variance issues have been resolved and there have been no variance between the SCTD Case Management System and the Bank of North Georgia statements, and all credit card receipts received in the SCTD Case Management System are accurately reconciled to bank statements and reviewed by management.

2. Lack of Supporting Documentation

SCTD could not provide documents to support disbursements, for January 2015 and February 2015 receipts, to Georgia State agencies. However, Internal Audit was able to obtain supporting documentation from Accounts Payable division and confirm January 2015 and February 2015 receipt postings, in February 2015 and August 2015, respectively, to the general ledger. The late payment request for February 2015 was due to the transitioning of Recorder's Court to SCTD and the absence of a key staff member.

In another instance, no documentation exists to support traffic fines collected on March 12, 2015 for \$14,853.61. We identified the deposit on the March 2015 Wells Fargo Bank statement. Therefore, we researched postings to the Oracle Financial System (Oracle) and confirmed the deposit originated from SCTD. SCTD staff indicated reasons for the missing documents were due to misplacement of files during a key staff member's absence. "Documentation of transactions and other significant events is [should be] complete and accurate and facilitates tracing the transaction or event and related

³ "GFOA Best Practice - Presenting Official Financial Documents Online." Government Finance Officers Association, 12 August 2014. Web. 29 April 2016.



information from authorization and initiation, through its processing, to after it is completed.”⁴ Without supporting documents, financial data cannot be validated which poses a risk of loss of funds through errors or fraud.

Recommendation

SCTD should ensure deposits and disbursements have supporting documentation to ensure accuracy of transactions and data reliability.

Management Response

SCTD has implemented and streamlined procedures directly related to adequate documentation to ensure completion of financial data. These procedures have collectively strengthened SCTD’s internal control and data reliability in reporting processes. Additionally, policies and procedures have been updated to ensure accuracy data reliability within controls.

3. Discrepancies in the Cash Procedures Process

Test samples revealed variances between daily receipt totals on the Benchmark Cash Report and the manual Daily Cash Log. The variances ranged from \$.50 to \$44,735.67. The variance occurred primarily because Cash Reports were executed prematurely, which did not capture all transactions. In addition, sometimes credit card receipts were listed on the Cash Report, but were not recorded on the manual Daily Cash Log. Per the Cash Procedure, when preparing deposits, supervisors are to print the Cash Report for the previous day. This process helps to ensure all receipts for the prior work of day are included.

In addition, a manual Daily Cash Log total did not include a cash receipt. The bank deposit slip and daily Cash Report both included the \$5.00 cash receipt. Though the dollar amount is nominal, SCTD Cash Procedures designates a supervisor to verify the total dollar amount received for the day matches the totals on the Daily Log and the Daily Cash Report. Furthermore, the SCTD’s Cash Procedures states, the closing procedure and preparation of the deposit should be completed and verified by the closing supervisor and/or Judicial Administrative Coordinator. Failure to comply with Cash Procedures designed to safeguard assets increases the risk of loss of revenue through theft or misappropriation of funds.

Recommendation

SCTD should ensure verification and accuracy of cash receipts to safeguard against fraudulent activity or misappropriation of funds and to ensure compliance with Cash Procedures.

Management Response

SCTD has implemented and streamlined procedures related to the Cash Procedures process to ensure the verification and accuracy of cash receipts. These processes are verified by the closing supervisor and/or Judicial Administrative Coordinator to safeguard against fraudulent activity or misappropriation of funds and ensure compliance and accuracy with Cash Procedures. Since implementing and streamlining processes, SCTD

⁴ Government Accountability Office (GAO), Internal Control Management and Evaluation Tool, pg. 43.



has been in compliance with established Cash Procedures to ensure the reduction and elimination of discrepancies in Cash Procedures.

4. Cash Shortages and Overages Not Adequately Documented

In reviewing a test sample of transactions, we noted the following discrepancies:

- Daily Cash Log displayed a shortage of \$110.00; however, there was no supporting documentation to describe the cause and origination of the shortage.
- A July 15, 2015 deposit listed a total of \$9,433.48. However, the bank made a debit adjustment of \$20.00 because of the shortage in the deposit. On July 20, 2015, a single deposit of \$20.00 was posted to the bank. Although a \$20.00 deposit was made soon after to cover the shortage, it is unclear how the \$20.00 shortage occurred.
- Lastly, two overages occurred on the same day totalling \$7.00; however, no documentation to provide details on the overages exists.

SCTD Cash Procedures states, "If the cashier's daily cash does not match the amount listed on the reports, the daily cash will be counted again and reports will be reviewed to ensure accuracy. If the cashier's daily cash still does not match, the cashier will be considered out of balance. The amount will be indicated on the Daily Cash Log in the designated area and a write-up will be issued to the cashier for any shortage or overage in excess of \$5.00." In addition, the Cash Procedure states, "cashiers must not exceed \$20.00 per month in unbalanced funds. Failure to adhere to the policy will result in a 1 day suspension." Failure to adequately document cash shortages or overages is a weakness in the execution of established internal controls designed to safeguard assets from loss or misappropriation.

Recommendation

SCTD should ensure cash shortages and overages are adequately documented on the Daily Cash Log to safeguard against collusion and fraudulent activity.

Management Response

SCTD has implemented a variance component with the SCTD Case Management system to report variances. The Variance Report identifies shortage or overage and accurately documents adjustments. The use of the Variance Report strengthens the execution of established internal controls designed to safeguard assets from loss or misappropriation.

5. Incomplete Financial Data

We identified several missing Cash Reports from the cash receipt files during preparation of the financial statements; however, the files did include Accounts Receivable (AR) Invoice Report, which confirms posting of transaction to the County's general ledger. SCTD staff was able to reprint copies of the Cash Report from the Benchmark system. Per closing steps in the Cash Procedures, a supervisor prints the Daily Finance Cash Report for the previous day, verify all funds and combine the daily cash, and verifies that the cash total matches the Daily Cash Log and Daily Finance Cash Report totals. This three-way match is a control activity that helps strengthen the verification, accuracy, and accountability as it relates to cash receipts. Failure to adhere to Cash Procedures is an internal control weakness. Cash Procedures, categorized as Control activities in *The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal*



Control – Integrated Framework, put into action policies established by an organization to mitigate risks to the achievement of objectives to acceptable levels.⁵ Furthermore, incomplete financial data creates a risk of data reliability for financial reporting.

Recommendation

SCTD should ensure cash receipt files include the Cash Report to ensure verification and accuracy of financial data.

Management Response

SCTD has implemented and streamlined procedures directly related to variances, procedures and adequate documentation to ensure the accurate completion of financial data. These procedures have collectively strengthened SCTD's internal control and data reliability in financial reporting to accurately reflect Cash and Credit Card procedures, processes, and the reporting of variances and other financial data.

6. Management Oversight Needed for Cash Handling and Closing Procedures

SCTD supervisors monitor the collection of cash receipts daily. However, no review for accuracy and completeness of transactions by upper management is performed. During review of 60 Daily Cash Logs, most logs were not completed in its entirety. Several logs were missing the supervisor's initials or cashiers' names with associated Daily Cash Log totals. SCTD Cash Procedures state, "The closing procedure and preparation of the deposit should be completed and verified by the closing supervisor and/or Judicial Court Administrator." However, management should not rely on procedures alone to ensure controls are working as intended. Furthermore, "management is responsible for overseeing the activities of employees and typically does so by implementing and monitoring processes and internal controls."⁶ Monitoring by management ensures that internal controls continue to operate effectively. Monitoring Activities, an important component of COSO, is an ongoing evaluation used "to ascertain whether the components of internal controls are present and functioning."⁷ Lack of management oversight can result in the potential for errors or fraud to go undetected.

Recommendation

SCTD should ensure Daily Cash Logs are completed in its entirety and initialed by a supervisor to ensure accuracy of cash receipts and evidence of the closing procedures.

SCTD management should monitor the cash handling and closing process to ensure internal controls are functioning as intended and to detect areas that may be susceptible to risk.

Management Response

SCTD has implemented additional levels of management oversight of related process controls to ensure processes are adequately in place and functioning as intended. Additionally, management review levels were implemented and policies and procedures have been updated accurately within the process.

⁵ "COSO Internal Control – Integrated Framework Principles." COSO.org 9 June 2015. Web. 20 April 2016

⁶ The Institute of Internal Auditors. IPPF – Practice Guide: *Internal Auditing and Fraud*. The IIA, Florida: 2009

⁷ "COSO Internal Control – Integrated Framework Principles." COSO.org 9 June 2015. Web. 20 April 2016



Documentation of the cash handling and closing procedures are available for Internal Audit.

COMMENTS

Funds Due the County

As of December 31, 2015, credit card funds received in February 2015 totaling \$300,249.10⁸ remain in the Bank of North Georgia account. SCTD staff disclosed because of the transition of Recorder's Court to SCTD, funds were disbursed from the County's Wells Fargo account instead, to process disbursements to the State agencies. As of the report date, SCTD have not reimbursed fees and disbursed fines to the County.

Verification of Wells Fargo Deposits

SCTD staff disclosed there is no process in place to verify daily deposits of the Court into the County's Wells Fargo account. Therefore, no account reconciliation is performed. "Account reconciliation is an internal control activity that helps management ensure sound financial management practices over the revenue collection process."⁹ SCTD should consider obtaining copies of the Wells Fargo monthly bank statements to ensure verification of the deposits.

Cross Training

Due to the absence of a key staff member, a major task was delayed. Cross-training employees helps mitigate risk by ensuring the organization is flexible in responding to fluctuating workflows; thereby, allowing the organization to achieve its objectives. The COSO Internal Controls - Integrated Framework Principles Risk Assessment component states, "the organization identifies and assesses changes that could significantly affect the system of internal control."¹⁰ SCTD should encourage cross training of major functions to reduce the risks that could impede the efficient and effective achievement of goals and objectives.

⁸ Dollar amount represents total credit card deposits with Bank of North Georgia for February 18, 2015 thru February 27, 2015, less interest.

⁹ GFOA Best Practice - Presenting Official Financial Documents Online." Government Finance Officers Association, February 2009. Web. 29 April 2016.

¹⁰ "COSO Internal Control – Integrated Framework Principles." COSO.org 9 June 2015. Web. 20 April 2016



APPENDIX A – ACKNOWLEDGEMENTS

We would like to take this opportunity to thank State Court management and staff, Treasury, and Accounts Payable division for their assistance during this engagement.

Conducted by:

Camilla Cannon, CGAP
Senior Auditor
Finance Department - Internal Audit Division

Reviewed by:

Cornelia Louis
Deputy Director of Finance
Finance Department - Internal Audit Division



APPENDIX B – DEFINITIONS AND ABBREVIATIONS

Acronyms and Abbreviation

SCTD	State Court Traffic Division
COSO	Committee of Sponsoring Organizations of the Treadway Commission

Key Definitions

Benchmark - Computer application used by SCTD to account for the daily receipt of funds from fines and fees. The Benchmark system is referred to as Case Management system in management responses.

Cash Report - Also known as Daily Finance Cash Report is a document created from the Benchmark system to show total cash collected per cashier, number of transactions per cashier, total dollar amount received for the day, and summary of assessment by fund (i.e. Base Fine, Sherriff's Retirement Fund, State Court Law Library, etc.)

Daily Cash Log - Also known as Daily Deposit Log is a form created by SCTD to manually document the cashier's total cash, Case Management (Benchmark) total cash, number of transactions per cashier, and overages or shortages.

Internal Control Integrated Framework - Established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to provide a framework to assist organizations to meet established goals and objectives. The components include Control Environment, Risk Management, Control Activities, Information and Communication, and Monitoring Activities.

Control Activities - Policies, procedures, contracts, etc., selected and developed by an organization that contributes to the achievement of objectives/goals to acceptable levels.

Monitoring Activities - Selection, development, and performance of evaluations to ascertain whether components of internal control are present and functioning.

Accounts Receivable (AR) Invoice - Created in the Oracle Financial System by designated staff to record the receipt of monies.



APPENDIX C – DISTRIBUTION LIST

This report has been distributed to the following individuals:

DeKalb County Board of Commissioners

Lee May, Interim Chief Executive Officer

Zachary L. Williams, Chief Operating Officer/ Executive Assistant

Preston Stephens, Interim Assistant Finance Director

Melanie Wilson, Clerk of Court-State Court

Robert Atkins, Treasurer

Claudette Leak, Assistant to the Chief Operating Officer