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Chief Audit Executive

August 2023

**DeKalb County Government
Finance Department**

**Audit of Revenue Collections and
Deposits Processes
FINAL REPORT**

Audit Report No. IA-2022-080-FN

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**FINANCE DEPARTMENT
AUDIT OF REVENUE COLLECTION
AND DEPOSIT PROCESSES
AUDIT REPORT NO. IA-2022-080-FN**

FINAL

HIGHLIGHT SUMMARY

Why We Performed the Audit

In accordance with the Office of Independent Internal Audit (OIIA) annual audit plan, we conducted a performance audit of the revenue collection and deposit processes and procedures pertaining to DeKalb County's Treasury Division. The objective of this audit was to determine if internal controls over the revenue collection and deposit processes are adequately designed and operating as intended.

How We Performed the Audit

Our audit focused on revenue collection and deposit transactions, processes, and procedures performed during the audit period of January 1, 2022, through December 31, 2022.

Our methodology included, but was not limited to:

- Interviewed relevant County personnel.
- Reviewed current written policies and procedures.
- Researched related best practices.
- Tested a sample of transactions for compliance with revenue collection and deposit policies.
- Reviewed supporting documentation.

Background

DeKalb County receives more than a billion dollars in revenue annually from various sources, including but not limited to taxes, fees, fines and licenses, rental, and services such as water and sewer, garbage disposal, etc. These revenues are initially collected by various user departments and county entities. The revenues, in the form of cash, checks, and money orders, are then transported to Treasury Division (Treasury), Finance Department for deposit.

What We Found

Our audit noted that the County has documented procedures for collecting and depositing revenue. In addition, during the audit, we verified that collected revenue was recorded and deposited in a timely manner. However, our audit also identified opportunities for improvements in current practices that could pose financial risks to the County if not addressed.

Audit Observations	Results
1. Current Written Policies and Procedures Need to Be Strengthened.	Finding 1
2. Segregation of Conflicting Duties in the Revenue Collection and Deposit Processes Needs to Be Strengthened.	Finding 2
3. The Safeguarding of Revenue Needs to Be Strengthened.	Finding 3
4. Controls for Change of Custody of Revenue Need to Be Strengthened.	Finding 4
5. Verified the Timeliness of Revenue Deposits.	
6. Verified the Adequacy of Controls to Ensure Collections are Properly Recorded in the Oracle System.	
No exceptions or internal control deficiencies were noted.	
Internal control enhancements noted.	
Exceptions or internal control deficiencies were noted.	

What we Recommend

We recommend that the Finance Department management strengthen current policies and procedures and work with user departments to address the internal control deficiencies and process improvements identified in this report.

How Management Responded

Finance Department management agreed with all findings identified in the report. Management also identified action plans and timelines to address the report findings.



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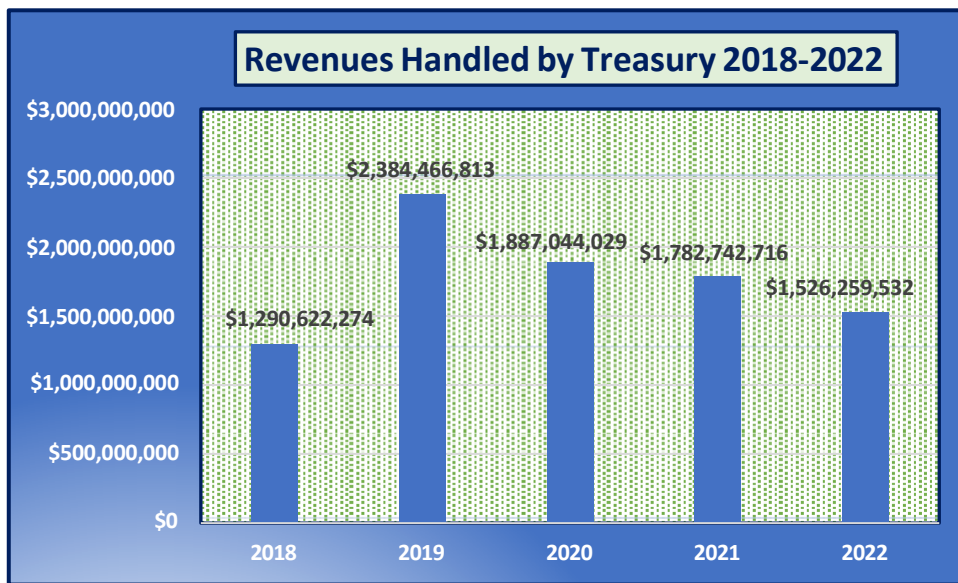


BACKGROUND AND INTRODUCTION

DeKalb County receives more than a billion dollars in revenue annually from various sources, including but not limited to taxes, fees, fines and licenses, rental, and services such as water and sewer, garbage disposal, etc. These revenues are initially collected by various user departments and county entities. The revenues, in the form of cash, checks, and money orders, are then transported to Treasury Division (Treasury), Finance Department for deposit. Treasury is responsible for the following:

- Physically collecting cash, checks, and money orders received from UDs and safeguarding the funds until they are transferred via armored vehicles to the bank for deposit.
- Ensuring the accuracy and completeness of revenues collected and deposited electronically, including from credit cards, automatic clearing house (ACH), intergovernmental transfers, Ebox, VitalCheck, and Telecheck (see Appendix III of this report for definitions of these electronic revenue types).
- Managing and monitoring cash, bank relationships, debt, and investments.

Figure 1 Revenues handled by Treasury from 2018 to 2022.

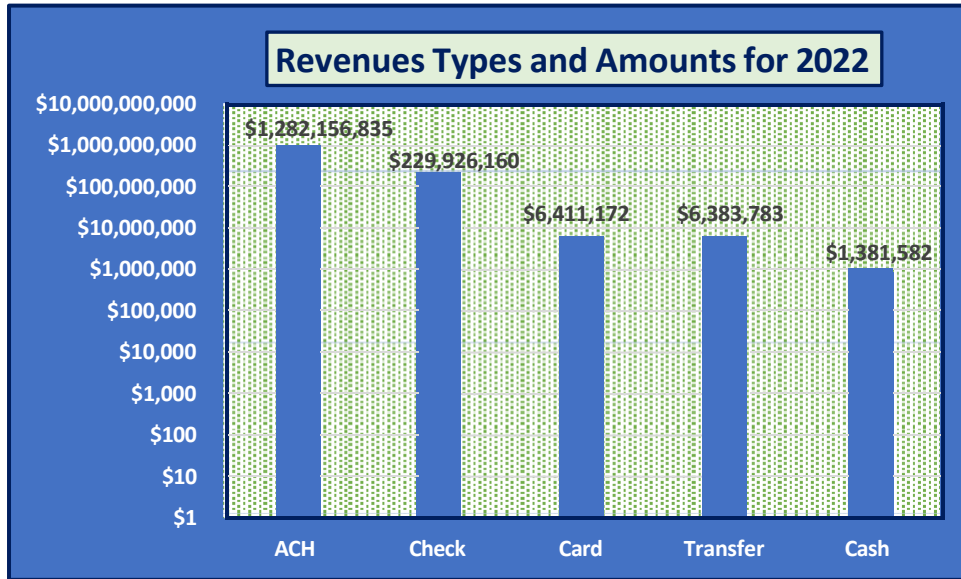


Source: Reports generated from the Oracle Financial System by Treasury

Treasury handles various types of revenues. Cash and checks are physically collected, while other revenue types, such as ACH and debit/credit card transactions, are processed electronically. **Figure 2** depicts the types and amounts of revenues handled by Treasury during the calendar year 2022.



Figure 2:

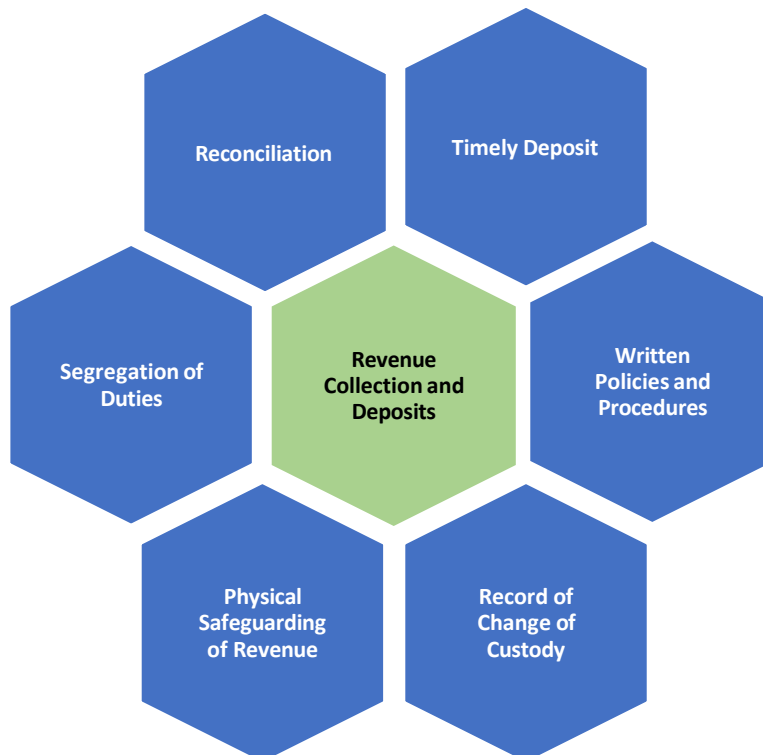


Source: Reports generated from the Oracle Financial System by Treasury

Audit scope and objectives

Given the high inherent risks associated with cash and checks, this audit focused on assessing the adequacy of internal controls within Treasury regarding the collection and deposit of cash and checks (hereafter “Revenue”). Key controls that were tested included but were not limited to:

Figure 3: Key Revenue Handling Controls





The objective of this audit was to determine if internal controls over the revenue collections and deposit processes were adequately designed and operating as intended. Our audit focused on Treasury's revenue collecting and depositing practices. Our audit samples included activity from January 1, 2022, through December 31, 2022.

AUDIT RESULTS

Our audit noted that the County has documented procedures for collecting and depositing revenue. In addition, during the audit, we verified that collected revenue was recorded and deposited in a timely manner. However, our audit also identified opportunities for improvements in current practices that could pose financial risks to the County if not addressed. This report details audit findings along with recommended actions that would help strengthen controls and mitigate risks of fraud, theft, and inaccurate financial records in the revenue collection and deposit processes.

FINDING 1: Current Written Policies and Procedures Need to Be Strengthened.

During the audit, we reviewed written policies and procedures and interviewed Treasury's accounts receivable (AR) team to understand the procedures for collecting and depositing County revenue. In addition, we surveyed process owners from three revenue generating user departments¹, Watershed Management, Public Works-Sanitation, and Public Safety, to determine the procedures for collecting revenue at the department level.

We determined that the current policies and procedures do not include key revenue collection internal controls and processes. For example, existing policies do not include:

- Fraud prevention and reporting.
- Safekeeping of undeposited revenue.
- Restricted access to revenue.
- Timelines of Deposits/Transfer to Treasury.
- Change of custody tracking.
- Segregation of duties with integrated supervision.
- Record retention from revenue collections and deposits.

Furthermore, the three user departments (UD) surveyed were unaware of Treasury's written standard operating procedures or other countywide guidance for managing and safeguarding revenue collections. We also noted that none of the three UD's surveyed had department- level written policies or procedures for managing revenue collections.

According to the U.S. Government Accountability Office's Standards for Internal Controls (Green Book), Management should design and implement control activities to achieve objectives and respond to risks through policies.

¹ Obtained from the 2021 DeKalb County Annual Comprehensive Financial Report. <https://www.dekalbcountyga.gov/finance/financial-reports>



Without a formal countywide revenue handling policy, the County risks the loss of revenue through theft or error. Implementing countywide revenue collection policies will help ensure consistency and establish baseline controls to help strengthen the revenue collection processes and enhance the security of public funds.

Recommendations:

We recommend that Finance management, in collaboration with UD management, implement a countywide policy to guide UDs and help promote strong and effective controls to manage and safeguard public funds. This countywide policy should be communicated to UDs along with training on key risks and controls. The policy and procedures should include, but not be limited to, the following topics:

- Fraud prevention/reporting.
- Safekeeping of undeposited revenue.
- Restricted access to revenue.
- Acceptable types of revenue.
- Deposit timelines.
- Change of custody tracking.
- Training for handling revenue.
- Criminal background checks for employees who handle revenue.
- Segregation of duties.
- Retention of records of revenue collections and deposits (receipts, invoices, account logs, etc.).
- Revenue (cash) counting best practices.
- Frequency to change combinations/passwords to safeguard access to devices/rooms.
- Reconciling of receivables.

Management Response (Finance Management):

<i>Management Agreement</i>	<i>Description of Management's Action Plan to Address Finding</i>	<i>Estimated Timeline to Implement Action Plan</i>
<input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree	<p>Treasury will update the Countywide Cash Procedures which will address the above bullets.</p> <p>Treasury will conduct annual audit trainings starting in 2024 for User Departments.</p>	<p>Revised Procedures will be submitted by 12/31/23.</p> <p>Training will be conducted by 3rd QTR 2024.</p>



FINDING 2: Segregation of Conflicting Duties in the Revenue Collection and Deposit Processes Needs to Be Strengthened.

During our audit, we determined that collection and deposit duties were adequately segregated in all areas except for the following:

1. Some of the County’s Utilities Customer Operations (UCO) customers mail their utility check payments to the Maloof Building, and those payments are forwarded to Treasury instead of UCO for processing. Once received, Treasury posts the check payments to the UCO customers’ accounts and performs desktop deposits into the bank account. Posting UCO customer payments conflicts with AR deposit duties.
2. Treasury also creates Oracle Accounts Receivable (AR) invoices for some of the County’s user departments (UDs). The AR invoice records how much revenue was collected in Oracle. Recording revenue conflicts with the Treasury deposit responsibilities.

According to the Government Finance Officers Association (GFOA), governments should have robust segregation of duties to ensure that a single individual is not responsible for receiving and recording revenue. If the government does not have the personnel available for this separation, it should develop mitigating controls to prevent recording errors and/or fraud. Proper segregation of duties reduces the risk of mishandled funds while safeguarding the County’s assets.

Not having proper segregation of duties over the collection and deposit of County revenue could make prevention, detection, and investigation difficult in the event of fraud/theft. Proper segregation of duties reduces the risk of mishandled funds while also safeguarding the County’s assets.

Recommendations:

We recommend that Finance management:

- Implement policies and procedures to help ensure the segregation of duties for collecting and depositing revenue (as mentioned in Finding 1).
- Forward all check payments to UCO for processing and that Treasury only performs duties directly related to collecting and depositing revenue.

Management Response (Finance Management):

<i>Management Agreement</i>	<i>Description of Management’s Action Plan to Address Finding</i>	<i>Estimated Timeline to Implement Action Plan</i>
<input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree	<p>To stay in line with the Segregation of Duties Treasury will forward the following:</p> <ul style="list-style-type: none"> • checks received in the mail • ach/wire confirmations • chargebacks <p>to respective departments to apply to the customer accounts.</p>	<p>Procedure to be transferred with the implementation of enQuesta, current estimate Jan 2024.</p>



FINDING 3: The Safeguarding of Revenue Needs to Be Strengthened.

During the audit, we observed some deficiencies in safeguarding revenue. While someone was always present in the 'cash room' during business hours, we noted the following:

- Undeposited cash is kept unsecured outside the safe box on a bookshelf in the cash room until the armored vehicle picks up the cash for a bank deposit. This increases the risk of loss, theft, and physical damage to the money in the event of a fire.
- The door to the cash room was left slightly ajar several times during our visits, making the room accessible by Treasury staff not authorized to access the room.

We also reviewed camera footage to verify whether the cash room was under surveillance 24 hours a day and whether the footage was retained for a minimum of 30 days. Local Government Record Retention Schedules, LG-19-079A and LG-19-079B | Security and Surveillance (Static) Video require that video footage be retained for a minimum of 30 days or longer. If there is a known incident, it should be retained until the issue is resolved.

We verified that the cash room lobby and safe were under continuous surveillance, and the camera footage was available for at least 30 days. The Department of Innovation and Technology (DoIT) also remotely backed the footage. However, the footage from another camera monitoring the desk used to count cash inside the cash room was retained for no more than 14 days.

Furthermore, Treasury's management was unaware that the camera covering the cash room desk had a two-week storage capacity. DoIT was also unaware of a camera covering the desk inside the cash room and was not backing up the footage.

Best practices indicate that cash receipts should be properly safeguarded until deposited². Failure to adequately protect cash and cash equivalents could result in the misappropriation of funds, financial misstatements, and financial loss to the County.

Recommendations:

We recommend that Finance management:

- Implement procedures (See Finding 1) to help ensure revenue is adequately safeguarded. Revenue should be placed in the safe immediately upon receipt until the armored truck picks up the revenue for the bank deposit.
- Implement a system to log when and which employees enter and exit the cash room (e.g., using a keypad with unique passcodes or an identification card).
- Collaborate with DoIT to ensure the camera covering the cash room desk is connected to DoIT's network to facilitate proper storage and backup capability.

² State of Georgia State Accounting Manual, Section IV – Internal Controls



Management Response (Finance Management):

<i>Management Agreement</i>	<i>Description of Management’s Action Plan to Address Finding</i>	<i>Estimated Timeline to Implement Action Plan</i>
<input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree	The Safeguarding of Revenue will be addressed within the updated Cash Procedures. Treasury will collaborate with DoIT to ensure the camera covering the cashroom desk is connected.	June 30, 2024. Currently collaborating with DoIT - Per IT this project is at the top of their list.

FINDING 4: Controls for Change of Custody of Revenue Needs to Be Strengthened.

During our audit, we determined that checks received by mail are not logged upon receipt, and changes of custody are not consistently recorded, as shown below:

- Checks received through the mail by Treasury are not logged upon receipt by the individual opening the mail.
- Two of the three UD’s surveyed (67%) did not maintain a log of checks received through the mail.
- Two of three UD’s surveyed (67%) do not log the change of custody when the Finance courier picks up the UD’s bank bags for deposit.
- Treasury does not log the change of custody when revenue is dropped off, by the Finance courier or UD couriers, in Treasury’s cash room or Treasury’s drop box.

Based on a discussion with Treasury management, not all revenue-generating UD’s utilize the Finance courier to transport revenue for deposit, as some UD’s use their couriers and procedures for transferring revenue to Treasury. Countywide baseline procedures for transfer of custody of revenue, including transfer to Treasury, as recommended in Finding1, will help strengthen the security of revenue collected.

According to the U.S. Government Accountability Office’s Standards for Internal Controls (Green Book), access restrictions to and accountability for resources and records management limits access to resources and records to authorized individuals and assigns and maintains accountability for their custody and use.

In addition, best practice internal control procedures require that:

- All checks received through the mail should be logged in by the individual opening the mail.
- The checks should then be given to another employee who prepares the deposit.
- A supervisor should verify the deposit with the log maintained by the employee opening the mail to ensure all items received have been deposited.
- Records of changes of custody should be kept, which reduces the risk of mishandling or fraud.



Recommendations:

We recommend that Finance management, in conjunction with UD management, implement procedures to help ensure:

1. All checks/money orders received by mail are logged immediately upon receipt by the person opening the mail. The log should include, but is not limited to, the following information:
 - Name of employee who opened the mail.
 - Date received.
 - Name of person/business that submitted the check/money order.
 - Purpose of the check/money order and check number.
 - Department or division, and the person that the check/money order was forwarded.

2. Changes of custody of revenue are recorded to include but are not limited to, the name and signature of the present custodian and the new custodian (receiver), the date of transfer, the amount of revenue transferred, and the sealed money bag number if applicable.

Management Response (Finance Management):

<i>Management Agreement</i>	<i>Description of Management's Action Plan to Address Finding</i>	<i>Estimated Timeline to Implement Action Plan</i>
<input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree	<p>Change of Custody of Revenue will be addressed within the updated Cash Procedures regarding mail received.</p> <p>Change of Custody of Revenue will be addressed within the updated Cash Procedures regarding courier services.</p>	<p>Revised Procedures will be submitted by 12/31/23.</p> <p>Change of Custody Log for Courier Services is currently being conducted.</p>



APPENDICES

Appendix I – Purpose, Scope, and Methodology

Purpose

The objective of this audit was to determine if Internal controls over the revenue collection and deposit processes are adequately designed and operating as intended.

Scope

Our audit focused on Treasury’s revenue collecting and depositing practices. Our audit samples included activity from January 1, 2022, through December 31, 2022.

Methodology:

Our methodology included, but was not limited to, the following:

- Interviewed relevant County personnel.
- Obtained and reviewed prior audit reports, if any.
- Reviewed current written policies and procedures.
- Tested for compliance with County policies and procedures.
- Reviewed supporting documentation.
- Researched related best practices.



Appendix II – Management Response



DeKalbCountyGa.gov

Manuel J. Maloof Center
1300 Commerce Drive, 3rd Floor
Decatur, GA 30030

Chief Executive Officer
Michael L. Thurmond

Board of Commissioners

District 1
Robert Patrick

District 2
Michele Long-Spears

District 3
Larry Johnson

District 4
Steve Bredalaw

District 5
Mereda Davis Johnson

District 6
Edward Ted Terry

District 7
Lorraine Cochran-Johnson

August 21, 2023

Lavois Campbell

Chief Audit Executive

Office of Independent Internal Audit

1300 Commerce Drive, Suite 300

Decatur, Georgia 30030

RE: **Management Response to "Audit of Revenue Collections and Deposit Processes"**

Dear Mr. Campbell:

In accordance with DeKalb County, Georgia – Code of Ordinances / Organizational Act Section 10A- Independent Internal Audit, this is our response to the finding and recommendations in the OIIA's Audit of Revenue Collections and Deposit Processes. As required by the ordinance, our response includes 1) a statement regarding our agreement or disagreement along with reasons for any disagreement, 2) our plans for implementing solutions to issues identified, and 3) the timetable to complete such plans.

If you have any questions about this response, please contact me.
Sincerely,

Robert Atkins | Deputy CFO & Treasurer

DeKalb County | Department of Finance – Treasury Services

1300 Commerce Drive, 3rd Floor | Decatur, GA 30030

RAtkins@dekalbcountyga.gov | Phone: (404)-371-3223 / Mobile: 678-910-5638



Appendix III – Definitions and Abbreviations

Definitions and Abbreviation

DoIT: Department of Innovation and Technology

OIIA: Office of Independent Internal Audit

UD: User Department

UCO: Utilities Customer Operations

ACH: The Automated Clearing House (ACH) is the primary system agencies use for electronic funds transfer (EFT). With ACH, funds are electronically deposited in financial institutions, and payments are made online.

Ebox: An electronic Lockbox. Account information is received from the customer. However, there is no physical check to process.

Vital Check: A third-party processor. You can pay with a credit card or e-check. These payments are received via ACH.

Telecheck: A check is presented, but it is processed as if it were a credit card payment.



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Robert Atkins, Deputy CFO and Treasurer, Treasury Division,
Finance Department



PROJECT TEAM

This report was submitted by:

Lakesha Hall

Lakesha Hall
Internal Auditor, Senior
Office of Independent Internal Audit

8.23.2023

Date

This report was reviewed by:

Len Ohnstad

Len Ohnstad, CPA, CIA
Internal Audit Manager
Office of Independent Internal Audit

8.23.2023

The report was approved by:

Lavois Campbell

Lavois Campbell, CIA, CFE, CISA, CGA
Chief Audit Executive
Office of Independent Internal Audit

8.23.2023

Date



STATEMENT OF ACCORDANCE

Statement of Accordance

The mission of DeKalb County is to make the priorities of the citizens of DeKalb County; the priorities of County government - by achieving a safer DeKalb, building stronger neighborhoods, creating a fiscally accountable and more efficient county government, and uniting the citizens of DeKalb County.

The mission of the Office of Independent Internal Audit is to provide independent, objective, insightful, nonpartisan assessment of the stewardship or performance of policies, programs, and operations in promoting efficiency, effectiveness, and integrity in DeKalb County.

This performance audit was prepared pursuant to DeKalb County, Georgia – Code Ordinances/Organizational Act Section 10A- Independent Internal Audit. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This report is intended for the use of the agency to which it was disseminated and may contain information that is exempt from disclosure under applicable law. Do not release without prior coordination with the Office of Independent Internal Audit.

Please address inquiries regarding this report to the Office of Independent Internal Audit at 404-831-7946.