



FULTON COUNTY, GEORGIA
OFFICE OF THE COUNTY AUDITOR
AUDIT OF PROBATE COURT FISCAL SUPPORT DIVISION'S
CASH MANAGEMENT PROCEDURES

November 6, 2017

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INTRODUCTION

The Office of the County Auditor performed an audit of the cash management procedures established in the Probate Court Fiscal Support Division. The audit was selected based on the County Auditor's approved audit plan for 2017 which focuses on assessing cash handling operations within the County.

BACKGROUND

The Probate Court's mission is to carry out the duties assigned under the Constitution and Law of Georgia as a Court of Record with exclusive jurisdiction over the following:

- Deceased persons' estates
- Guardianship of minors or incapacitated adults
- Determining the need for involuntary treatment of the mentally ill
- Mentally retarded and drug and alcohol dependent individuals
- Probating of wills and descendants
- Appointing administrators and executors of descendants' estates
- Issuing marriage and firearms licenses

Probate Court is managed by one (1) Judge who is responsible for overseeing the various divisions, such as, Bookkeeping and Data Entry (Fiscal Support), Minor and Adult Guardianship, Licenses (Marriage and Firearms), Records, Wills and Administration. Probate Court operates three (3) locations including the main site located downtown in the Fulton County Courthouse, as well as satellite offices at the North and the South Annexes.

The Probate Court Fiscal Support Division oversees the fiscal operations for the Probate Court. The fiscal operations include the collection of filing fees for cases related to estates, guardianships, trusts, and other actions under the purview of the Probate Court in which fees are collected. In addition, this division is responsible for conducting financial reporting and the remittance of funds to the appropriate entities as required by State law.

OBJECTIVE

The objective of the audit is to assess the operations of the Probate Court's Fiscal Support Division, evaluate cash management procedures and ensure proper internal controls exist.

SCOPE

The audit period was January 1, 2016 through December 31, 2016.

METHODOLOGY

To achieve our audit objective, we conducted observations, walkthroughs and interviews with appropriate personnel to evaluate the internal controls over cash collections and remittances. We also examined monthly bank statements, financial reports, bank reconciliations and any additional financial documents. We selected a sample of transactions to test the effectiveness of the internal controls.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). 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. Our findings and recommendations are detailed below.

FINDINGS AND RECOMMENDATIONS

Finding 1 – Lack of Automated Processes

Effective business practices recommend the complete utilization of all available technological resources. During the audit, we observed Probate Court employees utilizing manual processes to perform day-to-day operations, such as cash receipting, financial reporting and issuing payment remittances. Cash receipting is performed using an excel spreadsheet to capture daily income received in Probate Court's Fiscal Division for all locations. Moreover, the monthly disbursement process that consists of determining the total amount of funds that are to be remitted to the appropriate entities is also completely manual. While Probate Court does utilize Odyssey Financial Management System (Odyssey), employees were unable to use Odyssey to perform financial processes related to bank reconciliations, daily deposits and financial reporting. The manual processes of reporting financial transactions may reduce productivity, increase reporting errors and affect employee efficiency.

Recommendation

We recommend Probate Court and the Department of Information Technology (DoIT) make efforts to establish an automated process to include the use of Odyssey. Management should also implement the necessary controls that include proper reviews of manual entries prior to financial reporting to ensure accuracy.

Finding 2 – Limited Use of the Odyssey Financial Management System

Effective automated controls include reliability and availability of electronically reported data. During our audit, we noted Probate Court does not utilize the full capabilities of Odyssey. The Court maintains manual ledgers using a combination of Excel spreadsheets and Quicken for

bank deposits, reconciliations and monthly transactions. Additionally, we noted a lack of training in utilizing Odyssey to perform daily and monthly reconciliations. Due to the limited use of the system, the ability to perform day-to-day operations timely and produce reliable data derived from the system is lessened. We further discovered that reports extracted from Odyssey were not always accurate and reliable as Odyssey does not allow case detail to be recorded on the Transaction Report. This causes the reviewer to manually determine the type of transactions submitted based on the dollar amount noted on the report. This may result in an inaccurate number of types of cases being reported and lack of accountability of transactions.

Recommendation

Probate Court should explore and utilize the full capabilities of the system in order to implement necessary procedures to efficiently capture daily activity, perform monthly preparations of bank reconciliations and additional financial activities. Management should also implement the necessary procedures and establish management reviews to ensure manually produced data is accurate and reliable.

Finding 3 – Antiquated Cash Management Procedures

Written procedures are an important tool for allowing employees to understand their roles and responsibilities, as well as allowing management to guide operations. Procedures should be updated, as necessary, to align with current business practices. During our audit, we noted current written procedures were obsolete and did not align with current operations. Specifically, procedures were not updated to reflect the change in processes due to the implementation of Odyssey. Some processes include recording new petitions and issuing refunds. Additionally, various manual processes that were performed to conduct daily financial operations were not documented. Failure to document or update current policies and procedures may result in internal control deficiencies. This also decreases employee accountability and the ability to provide adequate training to employees. Furthermore, the lack of adequate cash management procedures diminishes the quality of work and consistency within the business operations.

Recommendation

Management should determine the necessary procedures that should be implemented to streamline operations. Management should update the written procedures regarding cash handling and other financial activity and continue to monitor implemented procedures on an on-going basis to determine the necessity for revisions.

Finding 4 – Lack of Segregation of Duties at Satellite Locations

Best practices indicate that adequate segregation of duties is one of the key components of internal controls. Adequate segregation of duties requires that different employees perform duties related to collection of payments, reconciliation and recording of cash deposits. During the audit, we observed several instances of inadequate segregation of duties at the North and the South Annexes. Specifically, the same employee was performing the following duties:

- Collection of cash, check and credit card payments;
- Preparing daily cash deposits; and
- Completing daily cash and monthly bank reconciliations.

Management failed to properly segregate financial duties and designate employees to be solely responsible for specific tasks due to staffing challenges within the office. The lack of segregation of duties could result in concealed errors going unnoticed, the possibility of fraudulent activity and loss of funds at Probate Court.

Recommendation

We recommend Probate Court management acquire an adequate level of qualified staffing to ensure all financial duties are properly segregated. Additionally, proper compensating controls, such as increased monitoring and supervisory reviews should be implemented if segregation of duties is not feasible due to lack of staffing.

Finding 5 – Failure to Properly Safeguard Assets at South Annex

Best practices indicate necessary measures should be taken to ensure that assets are maintained in a properly controlled and secured environment. During our audit, we noted the cash drawer at the South Annex location was not properly secured. In addition, there were unauthorized individuals that possessed access to the safe located inside the clerk's office that was also not adequately secured. Although the main office entrance is equipped with a lock, the clerk's office is not secured and at certain points throughout the day the office may be unattended. During office hours, transactions are consistently performed in the clerk's office as this was the only available place for customers to make payments. We also noted there was only one (1) clerk available to assist customers due to staffing shortages. The failure to properly safeguard assets and access to unauthorized individuals increases the risk of theft and loss of revenue at Probate Court. In addition, inadequate staffing may lead to the inability to provide excellent customer service.

Recommendation

We recommend Probate Court take measures to ensure assets are properly safeguarded and maintained in a controlled and secured environment. There should also be a separate area designated to handle transactions.

Finding 6 – Lack of Management Review

Proper internal controls require the financial reporting process to include supervisory reviews and verifications of financial documents. During our review, we noted financial documents consisting of daily cash reports and monthly remittance reports were not properly reviewed and approved by management. Additionally, management only reviews cash receipts and deposits in the event that a discrepancy is found. The lack of management review over financial reporting documents increases risk of errors and inaccurate financial reporting.

Recommendation

Due to the abundance of manual entries that occur in the Probate Court, management review is essential in preventing financial reporting errors. We recommend Probate Court management ensures financial reports are properly reviewed and approved prior to submission.

Finding 7 – Inaccurate Reporting of Fee Calculations

The Georgia General Assembly passed House Bill 1EX in May of 2004 that required Georgia Superior Court Clerks' Authority (the Authority) to administer a collection and accountability system for court fine and fee assessments. This was to regulate the collection and distribution of money collected by the court and criminal justice system. The section of the Authority's Rules and Regulations related to civil collections that are remitted to the Authority, states:

"All courts that collect any fees on civil filings shall keep an accurate accounting of all such funds collected by using a paper or electronic format. The accounting record created shall track each payment made and shall assign each payment to the case in which it was applied using generally accepted accounting practices that meet the requirements for a general or specific audit of each transaction. The accounting format utilized shall employ controls necessary to ensure the accuracy of the fine and fee collections and disbursements of the court."

In addition, Probate Court submits the Consolidated Monthly Remittance Report to the Authority that details the total number of filings and the amount of funds Probate Court should have collected and remitted to the particular entities, as required by law. During the audit, we reviewed each of the Consolidated Monthly Remittance Reports for the period of January through December 2016 to determine the accuracy of the total filings reported and fees collected for civil action surcharges and marriage licenses. However, our review revealed inaccuracies in the amounts.

For civil action surcharges, Probate Court is required to collect a \$15 fee in addition to the legal costs for each civil action filed. The total collections are to be disbursed to the Authority each month. Based on our analysis, the amount reported as collected did not coincide with the number of filings for the months of January, February and May of 2016. Figure 1, *Analysis of Civil Action Filings* below displays the differences between the reported amount and the Auditor calculated amount.

Figure 1

Month	Number of Filings Reported	Total Collections Reported	Auditor Recalculated Amount	Difference
January	310	\$ 3,150	\$ 4,650	\$ (1,500)
February	214	\$ 3,180	\$ 3,210	\$ (30)
May	<u>236</u>	<u>\$ 3,465</u>	<u>\$ 3,540</u>	<u>\$ (75)</u>
Total	760	\$ 9,795	\$ 11,400	\$ (1,605)

Each month a Fee Schedule Report is generated from Odyssey that provides the amounts to be reported on the Consolidated Monthly Remittance Reports and subsequently paid to the required entities. Therefore, it appears the cause of the inaccuracy occurs in Odyssey, as the system automatically calculates the amount. Furthermore, we were unable to obtain documentation to determine the accuracy of the information. This may have resulted in Probate Court underpaying the Authority a total of \$1,605 for civil action filings in 2016.

As it relates to marriage license fees, Probate Court collects a \$15 fee for each marriage license issued and remits the total collections to the Authority on a monthly basis. However, during our review of the report retrieved from Odyssey, we noted the number reported was overstated by a total of 56 filings for 2016. Figure 2, *Analysis of Marriage License Filings* below displays the differences between the total marriage licenses reported compared to the number counted by the auditor.

Figure 2

Number of Filings Reported	Number Counted By Auditor	Difference	Dollar Value of Difference
7,939	7,883	56	\$ 840

The difference was attributed to the reversal of incorrect charges applied to these marriage license filings. Currently, the process to determine the total number of marriage licenses issued is performed manually. The Fiscal Support Administrator counts the number of filings indicated on a report that details the marriage license activity reported in Odyssey. It appears the Fiscal Support Administrator mistakenly included the reversals of marriage licenses when performing

the monthly report. This resulted in an overpayment to the Authority by a total of \$840 for the 2016 marriage license filings.

Probate Court lacks a supervisory review and reconciliation process to ensure these amounts are accurately reported and remitted as required. Failure to properly remit the accurate number of filings and collections may have resulted in erroneous payments to the Authority and other required entities. Furthermore, this leads to inaccurate financial reporting to the Authority who is responsible for the tracking of these funds statewide. This could ultimately result in imposed fines and penalties.

Recommendation

We recommend management ensure remittances and reports are completed timely and accurately and ensure reviews of manual entries are conducted prior to reporting. Additionally, we recommend management evaluates the reporting system to determine the cause for the discrepancies with calculated amounts on the report generated from Odyssey.

Finding 8 – Failure to Properly Prepare Bank Reconciliations

Accurate and timely bank reconciliations are essential for ensuring the sufficient reporting of financial transactions. Any differences identified should be researched and investigated to ensure accurate financial statements. Likewise, bank reconciliations should also be properly reviewed and approved.

During our audit, we conducted a review of the 2016 bank reconciliation summaries and bank statements provided by Probate Court. Although bank reconciliations were prepared by Probate Court, they appear to be inaccurate as the book balances are not reconciled to the bank balances. Also, there appears to be a two (2) to three (3) month delay in preparing monthly bank reconciliations. As a result, we were unable to determine, based on the reconciliation summary, the accurate amounts collected in Probate Court. Failure to appropriately prepare bank reconciliations increases the risk of fraudulent activity and financial errors. Furthermore, management may be unable to determine the accuracy of Probate Court's available balance.

We also identified eighty-one (81) stale-dated check payments totaling approximately \$6,342 listed as outstanding items. The checks were dated between September 22, 2006 and November 5, 2014 and remained as an outstanding item on the bank reconciliations as of December 30, 2016. We were unable to determine if checks were reissued or still remain as outstanding amounts that are due to the payees. The stale-dated checks represent refunds issued for Sheriff's fees to multiple counties, licenses and court fees. The balances have remained outstanding on the bank reconciliation summary and are being carried forward monthly on the account. Management failed to ensure that the appropriate efforts were taken to properly maintain and track any outstanding balances that have not cleared the bank. This

may result in individuals and organizations legally entitled to claim funds being unable to successfully recover their property.

Recommendation

Management should take efforts to ensure accurate and timely preparation of bank reconciliations. As such, proper procedures should be implemented and performed by proficient personnel that have been adequately trained. Additionally, management should conduct a complete review of bank reconciliations.

We also recommend Probate Court work with the Finance Department to determine the appropriate mechanism to resolve any outstanding items that may require escheatment.

Finding 9 – Untimely and Inaccurate Submission of Remittances

According to the Rules and Regulations of the Authority, Section 5: Remittance of Funds-criminal fines and surcharges:

“Collected fines, fees and surcharges shall be paid out to the beneficiaries of such funds on or before the last day of the month after the month in which the collections were paid to any clerk or court officer. Funds have to be remitted to the Authority by the end of the month following the month in which such funds are received.”

Probate Court failed to appropriately prepare and remit payments to entities on a timely basis. Specifically, there were instances where remittances to the Authority were not submitted timely. In addition, remittances to the Finance Department were not issued for October, November and December 2016 until August, 2017, resulting in a seven (7) to nine (9) month delay. Probate Court informed the Auditor that there were technical delays which prevented remittances from being submitted to the Finance Department. Failure to timely submit payments to required entities could result in fines being accessed to Probate Court and increase the risk of inaccurate financial reporting.

Recommendation

We recommend Probate Court management ensure remittances are processed timely as well as reviewed and approved prior to submission.

Finding 10 – Lack of Approval for Software Use

The Hardware and Software category under the User Responsibilities section of the Fulton County Information Technology Acceptable Use Policy 600-60 provides key responsibilities of users for several different categories. The leading responsibility listed under the Hardware and

Software Category states that users should never download or install any hardware or software without prior written approval from the DoIT. Probate Court utilizes Quicken Accounting software to document monthly financial transactions completed in Probate Court. However, it was determined the Quicken software was not authorized to be utilized for Fulton County use to capture financial transactions. Upon further discussion with management, it was stated the software was downloaded using a Home version of the Quicken software that was used by a previous employee. The use of unauthorized software could result in the risk of unlawful and fraudulent activity and increase the susceptibility of compromising sensitive data.

Recommendation

We recommend Probate Court management utilize Odyssey, the approved financial management software, which was implemented to capture financial transactions. DoIT should approve all software downloaded onto a computer for Fulton County use.

Finding 11 – Credit Cards Not Accepted at North Annex

Probate Court accepts payments in the form of cash, check, money order and credit cards. The Downtown and South Annexes of Probate Court accept credit cards; however, the North Annex's credit card terminals are inoperable thereby preventing the option of payment by credit card. Management stated the credit card terminals were received, but have not been setup by DoIT. Implementing the acceptance of credit cards could increase operational efficiencies by reducing the amount of cash on hand and the rate at which funds are deposited in the bank. In addition, allowing the use of credit cards makes it easier for the customers and provides for faster payment.

Recommendation

We recommend management take the necessary steps to install and implement the use of credit cards at all Probate Court locations.

CONCLUSION

Our audit of the Probate Court Fiscal Support Division identified several weaknesses in the management of the financial activities that have resulted in the following findings:

- Lack of automated processes
- Limited use of the Odyssey Financial Management System
- Antiquated cash management procedures
- Lack of segregation of duties at satellite locations
- Failure to properly safeguard assets at South Annex
- Lack of management review
- Inaccurate reporting of fee calculations

- Failure to properly prepare bank reconciliations
- Untimely and inaccurate submission of remittances
- Lack of approval for software use
- Credit cards not accepted at North Annex

We recommend the Probate Court Management and staff give immediate attention to the above findings. Management should ensure all staff is adequately trained to perform job functions and work diligently to ensure policies and procedures are updated to reflect the current operations. Additionally, management should thoroughly review any manual entries and explore the capabilities of Odyssey in an effort to utilize the system to its full capacity. Management should also implement the necessary internal controls to prevent the possible loss of assets.

Please provide a written response to this audit within 10 business days. Be sure to address the written response to Anthony Nicks, County Auditor. The written response may be submitted via email to the County Manager and to Robbie Bishop-Monroe in the Office of the County Auditor at Robbie.Bishop-Monroe@fultoncountyga.gov. We would like to thank management and staff for their timely cooperation and assistance during this audit. The distribution of this report is reserved for the executive management of Fulton County and the Board of Commissioners.