



FULTON COUNTY

FULTON COUNTY, GEORGIA

OFFICE OF THE COUNTY AUDITOR

**AUDIT OF CLERK OF SUPERIOR COURT FISCAL SERVICES
DIVISION**

August 9, 2018

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INTRODUCTION

The Office of the County Auditor performed an audit of the cash management procedures established in the Clerk of the Superior Court Fiscal Support Division. The audit was selected based on the County Auditor's approved audit plan for 2018 which focuses on assessing cash handling operations within the County.

BACKGROUND

The Clerk of Superior Court is an elected office governed under Article IX, Section I, paragraph 111; O.C.G.A. 15-6-50 whose statutory mission is to maintain a comprehensive record of all civil and criminal actions of the Superior and Magistrate Court. The Clerk of Superior Court employees must adhere to uniform procedures for cash handling and receipting throughout the Clerk's office.

The Fulton County Clerk of the Superior Court's Office upholds the mandated duties of properly processing, securing and housing all civil, criminal, real estate and Board of Equalization records in Fulton County. In addition to the proficient managing and safe keeping of pertinent county documents, the Office of the Clerk of Superior Court also performs a wide range of information management, financial management and administrative functions in the judicial system.

Fulton County Clerk of Superior Court Fiscal Services Division oversees the fiscal operations for the Superior Court as well as Magistrate Court. The fiscal services division is managed by one (1) Chief Deputy Clerk and two (2) Assistant Chief Deputy Clerks in which each Assistant is designated to their respective divisions of Accounts Payable and Accounts Receivable. The fiscal operations include the collection of filing fees for Civil and Criminal cases, Real Estate Services, Notary and Passport Services, and other actions under the purview of the Clerk of Superior Court. In addition, this division is responsible for conducting financial reporting and the remittance of funds to the appropriate entities as required by State law. Clerk of Superior 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 South Annexes.

OBJECTIVE

The objectives of the audit were to assess the operations of the Clerk of Superior Court's Fiscal Services Division, evaluate cash management procedures and ensure proper internal controls exist.

SCOPE

The scope of this audit was from January 1, 2017 through December 31, 2017.

METHODOLOGY

To achieve our audit objectives, we performed the following audit procedures:

- Conducted interviews with key staff and personnel to determine the established processes and procedures related to cash handling, as well as, identify internal controls implemented;
- Performed walkthroughs of Main and Annex locations to observe key processes related to the financial operations while ensuring proper segregation of duties;
- Reviewed monthly bank reconciliations, financial reports and supporting documentation to ensure proper financial reporting;
- Assessed the capabilities of the Odyssey Financial Manager System to determine whether the Clerk of Superior Court is using the system to its full capability;
- Identified the collection of fines and fees for the Clerk of Superior Court; and
- 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

Business practices recommend the complete utilization of all available technological resources. During our audit, we observed the Clerk of Superior Court employees utilizing manual processes to perform day-to-day operations, such as cash receipting, financial reporting and issuing payment remittances. Specifically, daily financial reporting is performed using excel spreadsheets that are manually entered to capture daily income received in the Clerk of Superior Court's multiple fiscal divisions. Moreover, the monthly disbursement process that consists of determining the amounts that are to be remitted to the appropriate entities fund is also a manual process. The Clerk of Superior Court utilizes the Odyssey Case Manager System to process court case data, but does not utilize the Odyssey Financial Manager System for financial processes. Currently, QuickBooks financial software is being used to perform and maintain financial processes, reporting and issuance of vendor invoices. The manual processes of recording financial transactions may affect employee efficiency, increase reporting errors and lower employee productivity. Additionally, if hardware and software malfunctions were to occur, there would be a heightened risk for insufficient data recovery.

Recommendation

We recommend the Clerk of Superior Court and the Department of Information Technology (DoIT) make efforts to establish an automated process to include the use of the Odyssey Financial Manager System. Additionally, we recommend employee training on the capabilities and utilization of the recommended software.

Finding 2 – Non-Utilization of the Odyssey Financial Manager System

Effective automated controls include reliability and availability of electronically reported data. The Odyssey Financial Manager System has the capability to integrate with the Odyssey Case Manager System to automatically populate financial information in order to centralize financial transactions for the Clerk of Superior Court to reduce manual input. During our audit, we noted the Odyssey Financial Manager System was not implemented in the Clerk of Superior Court; however, the Odyssey Case Manager System was implemented. The Court maintains manual ledgers using a combination of excel spreadsheets and QuickBooks Financial Software for daily and monthly transactions. According to the Court, there had been numerous efforts made to have Odyssey Financial Manager implemented; however Tyler Technologies had not given them a definitive timeline for implementation, because of this, manual processes have been created. The lack of Odyssey Financial Manager System creates additional data entry which reduces staff efficiency and increases the potential for inaccurate data input.

Recommendation

We recommend that the Clerk of Superior Court explores implementing the Odyssey Financial Manager System. The implementation of this system will assist the division in performing necessary procedures to efficiently capture daily and monthly activity. As such, management should also implement applicable procedures to ensure manually produced data is accurate and reliable.

Finding 3 – Failure to Comply with Escheatment Process

According to the State Accounting Office’s Policies and Procedures: “The “Disposition of Unclaimed Property Act”, O.C.G.A. Section 44-12-190, protects the rights of owners of abandoned property and relieves those holding the property of the continuing responsibility to account for such property. The Department of Revenue serves as custodian for any property remitted under the Act, allowing the owners or their heirs an opportunity to claim their property in the future.” During our audit, we determined there were numerous checks for payments that were issued to customers that have not cleared the bank. The checks dating from 1999 through 2007, with a balance of \$45,385.27, were listed on the most recent bank reconciliation as of December 31, 2017. This amount has been continuously carried over each

month on the bank reconciliations. The balances had not been filed as unclaimed property to be properly escheated and there appears to be a lack of recovery efforts as noted by older, uncleared transactions documented on the bank reconciliations from 1999 through 2007. Failure to comply with the State regulated escheatment process may result in individuals legally entitled to claim funds being unable to successfully recover their property.

Recommendation

All applicable federal, state and local laws should be utilized as guidelines to establish written policies and procedures including the treatment of unclaimed funds. We recommend the Clerk of Superior Court continue efforts to ensure a monthly review is performed on all unclaimed and outstanding checks to ensure adherence to State regulations.

Finding 4 – Outstanding Returned Checks

Pursuant to the Clerk of Superior Court Fiscal Services Division procedure manual, the purpose of the returned check collection procedure is to maximize revenues through timely and systemic collection efforts and to apply benefit principles to the collection of receivables. An effective method of handling returned items resulting in unpaid fees should require follow-up with the remitter immediately upon notification of returned items and collection of payment on returned check amounts. During our audit, we determined there was a balance of \$27,580.71 as of December 31, 2017, as a result of outstanding amounts from checks collected in the Clerk of Superior Court and returned as unpaid. This balance includes previously returned checks from August 2001 through December 2017. According to the Court, extensive research of the respective amounts is ongoing to determine methods of recovery. Although a Clerk of Superior Court associate maintains an ongoing database of returned checks, there appears to be a delay in recovery attempts as noted by uncollected amounts. The lack of recovery of amounts may result in loss of funds for the Clerk of Superior Court.

Recommendation

We recommend the Clerk of Superior Court continue their efforts to ensure that all amounts related to returned checks and bank fees are recovered in a timely manner.

Finding 5 – Failure to Collect Payments from Deferred Billing Customers

An effective method of collection of payments from customers should be a timely follow-up of balances to mitigate the risk of write-offs. During our audit, we noted there was an outstanding balance of \$143,818.09 as of December 31, 2017, as a result of outstanding payments owed to the Clerk of Superior Court from customers. These customers were established as deferred billing customers. Deferred billing customers are approved through the Clerk of the Superior

Court to receive monthly invoice processing for services rendered. Although a billing log is completed for each service and an invoice is generated in QuickBooks, there appears to be a lack of collection efforts by the division as evidenced by balances remaining from 2004 to 2017. The Court stated there is an ongoing effort to determine if all the balances listed are due. The lack of recovery of billed amounts may result in loss of funds for the Clerk of Superior Court.

Recommendation

We recommend the Clerk of Superior Court develop a method to ensure all outstanding payments from customers are collected in a timely manner. Additionally, the division should take necessary steps to write-off balances that were determined to be uncollectible.

CONCLUSION

Our audit of the Clerk of Superior Court identified several weaknesses that have resulted in the following findings:

- Lack of Automated Process
- Non-Utilization of the Odyssey Financial Manager System
- Failure to Comply with Escheatment Process
- Outstanding Returned Checks
- Failure to Collect Payment from Deferred Billing Customers

We recommend the Clerk of Superior Court management and staff give immediate attention to the above findings. Management should thoroughly explore the capabilities of the Odyssey Financial Manager system in an effort to utilize the system to its full capability. Management should also implement the necessary internal controls to prevent the possible loss of assets.

Please provide a written response to this audit within ten (10) business days. Be sure to address the written response to Anthony Nicks, County Auditor. The written response should be submitted through the County Manager's Office 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.