

**CLERK & COMPTROLLER
PALM BEACH COUNTY
FINANCE DIVISION
CLERK'S ACCOUNTING DEPARTMENT AUDIT**



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**Division of Inspector General
Audit Services Unit
September 18, 2017**



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The Honorable Sharon R. Bock, Esq.
Clerk & Comptroller

We conducted an audit of the Clerk's Accounting Department, which was included in the 2016-2017 audit plan.

Our risk-assessed audit of Clerk's Accounting was neither designed nor intended to be a detailed study of every process, procedure, transaction or system in each area. Accordingly, the observations and recommendations included in the report are not all-inclusive.

The audit disclosed that the Clerk's Accounting Department processes and related controls were generally functioning as intended. We determined that PeopleSoft system access authorities assigned to employees require reevaluation and revision and opportunities exist to improve operating procedures and key performance measures.

We appreciate the cooperation of management and staff during the course of this audit.

Respectfully submitted,

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Inspector General
Clerk & Comptroller Office
Palm Beach County

cc: Shannon Ramsey-Chessman, Chief Operating Officer - Finance
Leslie VanWagner, Manager - Finance Services
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Executive Summary

An audit of the Clerk's Accounting Department was performed by the Clerk & Comptroller's Division of Inspector General. This regularly scheduled audit was included on the annual audit plan.

The Clerk's Accounting Department is responsible for a variety of functions. The Department records and distributes all revenues received for court fees, fines and service charges as well as recording fees. It processes court-ordered disbursements, refunds, and juror and witness checks. The Department also supports the internal Clerk & Comptroller organization by reviewing invoices, issuing vendor payments, and processing travel reimbursements to employees.

The objectives were to: perform a risk assessment to identify risks and vulnerabilities impacting the Clerk's Accounting Department processes, evaluate the overall effectiveness and efficiency of the processes and related internal controls to mitigate the risks, verify compliance with pertinent laws and regulations as well as established policies, and compare processes with accepted standards and best practices.

The audit disclosed that the Clerk's Accounting Department processes and related controls were generally effective and efficient, enabled compliance with pertinent laws and regulations, and adequately compared to accepted standards. The audit identified that PeopleSoft system access authorities assigned to employees require reevaluation and revision and opportunities exist to improve operating procedures and key performance measures.

The report contains three observations and three recommendations.

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Introduction

Overall Conclusion

The audit disclosed that the Clerk's Accounting Department processes and related controls were generally effective and efficient, enabled compliance with pertinent laws and regulations, and adequately compared to accepted standards. The audit identified that PeopleSoft system access authorities assigned to employees require reevaluation and revision and opportunities exist to improve operating procedures and key performance measures.

Objectives, Scope and Methodology

The Clerk's Audit Services Unit of the Division of Inspector General conducted an audit of the Clerk's Accounting Department. This regularly scheduled audit was included on the annual audit plan.

The objectives were to: perform a risk assessment to identify risks and vulnerabilities impacting the processes, evaluate the overall effectiveness and efficiency of the processes and related internal controls to mitigate the risks, verify compliance with pertinent laws and regulations as well as established policies, and compare processes with accepted standards and best practices.

In order to meet these objectives, we conducted interviews and reviewed departmental policies and procedures. We identified the pertinent Florida Statutes and other laws and regulations. We performed a risk assessment of the Clerk's Accounting Department functions by documenting workflows and activities, identifying key risks, and evaluating the adequacy of the internal control environment to mitigate the risks identified. Audit testing was designed for the risks representing higher vulnerabilities to the department and Clerk's organization. Our scope included Clerk's Accounting Department workflows and activities.

We performed other procedures that were deemed necessary under the circumstances. This audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Background

The Clerk serves as the Comptroller, Chief Financial Officer, Auditor and Treasurer for the County by monitoring the County budget, revenue, debt and spending.

The Clerk's Accounting Department handles a variety of functions. The Department records and distributes all revenues received for court fees, fines and service charges as well as recording fees. It processes court-ordered disbursements, refunds, and juror and witness checks. All court related collections are disbursed to local municipalities and to state agencies pursuant to Florida Statutes. In addition, the Department supports the internal Clerk & Comptroller organization. It issues payments to vendors supporting the organization. The Department conducts pre-audits of travel reimbursements for Clerk & Comptroller personnel and reviews invoices to ensure a three-way match between (1) purchase order, (2) receipt and (3) invoice, prior to issuance of payment to vendors. The Clerk's Accounting Department is pursuing improvements in the disbursement approval process in the PeopleSoft system.

The Clerk's Accounting Department reported the following key performance measures in the Clerk's annual budget reports and supporting documents:

Performance Measure	FY 2014 Actual	FY2015 Actual	FY2016 Actual	6/30/17 YTD Actual
# of business days to process and mail disbursements:				
Court Operations	4.6	3.8	3.8	5.0
Tax Deed and Deposit & Bonds	4.5	3.3	3.5	4.2
Cash Bond Refunds	4.9	3.4	3.0	1.4

The Clerk's Accounting Department is supported by 12 employees under the direction of Leslie VanWagner, Manager. The budget for FY 2017 is \$1.1 million, with 97% allocated to departmental employee compensation and benefits.

Observations & Recommendations

The audit was neither designed nor intended to be a detailed study of every relevant system, procedure or transaction. Accordingly, the observations and recommendations presented in this report may not be all-inclusive of areas where improvement may be needed.

1. System access and workflow assignments require revision to ensure duties are segregated.

PeopleSoft system access authorities assigned to employees require reevaluation and revision. Best practices for proper segregation of duties suggest that when a process is performed within a department, there should be another level of review and approval performed by a knowledgeable individual who is independent of the process. In addition, best practices suggest that access should be restricted to access required for business functions and processes, based on least-privilege, need-to-have, and need-to-know principles.

The U.S. Government Accountability Office (GAO) Standards of Internal Control in the Federal Government (Green Book) states that management should divide or segregate key duties among different people to reduce the risk of error, misuse or fraud. This includes separating the responsibilities for processing and recording transactions, authorizing the transactions, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

The audit disclosed the following observations.

- The Clerk's Accounting Manager and one supervisory employee had access to create, update and approve journal entries. Such access provides a potentially excessive amount of control over transactions if additional review is not in place.
- Four staff employees had access to create and update journal entries though not required in their duties.
- Five staff employees had access to add and update external bank transactions though not required in their duties.
- Two staff employees had broad access capabilities to electronic procurement functions though not required in their duties.

- One employee approved payments and subsequently received the printed checks to verify accuracy to the supporting invoices before issuance. These duties were segregated during the audit.

Recommendation:

- A. Review the PeopleSoft system access authorities of the Clerk's Accounting Department personnel and the specific observations noted above. Revise access capabilities by separating the four primary areas of responsibility to the extent possible: recording transactions, authorizing transactions, reviewing / reconciling transactions, and handling or maintaining custody of related assets. Ensure that no one individual has excessive control over transactions or events. If one individual possesses multiple roles, management should consider implementing another level of review and approval performed by a knowledgeable individual who is independent of the process.

Management Response:

- A. The PeopleSoft project team has scheduled a review of PeopleSoft security that according to the project team schedule is to be completed by December 31, 2017. This review will cover each user's access and only the access needed to complete the user's current job duties will be granted. During this review, access will be granted to provide for the general internal control principle of separation of duties. If it is determined that an individual may need access to perform more than one primary area of responsibility, another level of review and approval will be performed by a knowledgeable individual who is independent of the process as is the current procedure. A meeting with IT to begin the review was held on September 5, 2017.

Target Completion Date: January 31, 2018

2. Opportunities exist to improve procedures.

Numerous procedures are in place that govern the significant variety of Clerk's Accounting Department processes. We noted that procedures require further preparation, update or enhancement. Best practices in internal controls indicate that written procedures provide guidance to employees to ensure that processes are performed accurately and consistently in accordance with management's directives. In addition, written procedures help define responsibilities, pertinent laws and regulations, systems involved, and how they are updated and distributed.

Well-designed procedures should include key elements such as: date prepared, author, purpose, statutory and regulatory references, implementation instructions, and persons/positions responsible for taking action and updating procedures.

We observed that procedures were generally more representative of desk procedures for performing specific tasks. Procedures did not generally include the date prepared, author, and statutory references. Some included print screens and lists of steps to be performed, while lacking written descriptions and purpose statements.

Recommendation:

- A. Prepare and update Clerk's Accounting procedures in a standard format by ensuring inclusion of key elements such as preparation date, author, statutory references, ownership/update responsibilities, and purpose.

Management Response:

- A. Accounting has documented the many procedures of the significant variety of department processes and to update these procedures into a standard format will require significant work and resources. As time and resources permit, the existing procedures will be put into a standard format and this format will be used for new or revised procedures.

Target Completion Date: March 31, 2018

3. Enhance existing performance measures.

Opportunities exist to expand the performance measures used to monitor Clerk's Accounting processes. Performance measures and related reporting add value to the organization when linked to Clerk strategic objectives, operating department objectives, and compliance with laws and regulations.

Performance measures are currently in place to measure the number of business days to process and mail disbursements for three areas: court operations, tax deeds and deposits & bonds, and cash bond refunds. The Clerk's annual budget package for 2017 identified, as one of the Finance organization's key objectives, to "implement performance measures for staffing effectiveness and efficiency".

An optimal performance management system should identify the efficiency and effectiveness of the various processes and attempt to identify the timeliness and accuracy of outputs to assess how well the department is achieving its objectives.

Recommendation:

- A. Expand upon the existing key performance measures to allow an enhanced assessment of efficiency and effectiveness of the department's objectives.

Management Response:

- A. The Accounting Department recognizes the benefits of key performance measures. In addition to the key performance measures in place to measure the number of business days to process and mail checks, there are other performance measures used to monitor Clerk's Accounting processes. These performance measures are the transmittal of funds to the Department of Revenue by the 10th day of the month immediately after the month in which the moneys are collected as required by F.S. 28.245, the quarterly reporting of the number and timeliness of juror payments as required by F.S. 40.32(3), and the Annual Fiscal Management Report. Accounting will research other performance measures that may be beneficial to monitoring the performance of the department.

Target Completion Date: March 31, 2018