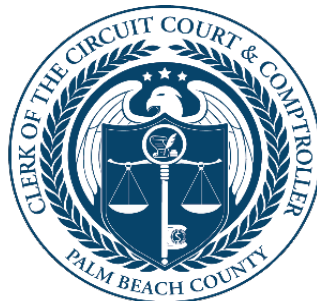


CLERK OF THE CIRCUIT COURT & COMPTROLLER

PALM BEACH COUNTY, FLORIDA

Clerk's Accounting Department Audit



JOSEPH ABRUZZO
CLERK OF THE CIRCUIT COURT & COMPTROLLER
PALM BEACH COUNTY

Division of Inspector General

Audit Services Unit

September 10, 2024



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September 10, 2024

The Honorable Joseph Abruzzo
Clerk of the Circuit Court & Comptroller – Palm Beach County, Florida

We performed an audit of the Clerk's Accounting Department, which was included in the annual plan.

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

The audit scope included transactions from October 1, 2022 through February 29, 2024.

Our audit determined that the Clerk's Accounting Department was functioning in a generally satisfactory manner and mostly aligned with established policies and procedures though improvement opportunities were noted.

We appreciated the cooperation of management and staff during the audit process.

Respectfully submitted,

Roger Trca, CIG, CPA, CIA
Inspector General
Clerk of the Circuit Court & Comptroller Office
Palm Beach County, Florida

cc: Shannon Chessman, Chief of Staff & Chief Deputy Clerk
Radcliffe Brown, Chief Operating Officer - Finance
Tracy Ramsey, Director – Finance
Robert Daly, Manager – Finance Services

Executive Summary

The Clerk of the Circuit Court & Comptroller's ("Clerk's office") Audit Services Unit of the Division of Inspector General ("Clerk's IG") completed the audit of the Clerk's Accounting Department ("Clerk's Accounting") as part of the 2023-2024 audit plan.

Clerk's Accounting is responsible for recording and distributing the revenue from court fees, fines, and service charges. The department processes vendor payments, court-related disbursements, and refunds as well as disburses funds to local municipalities and state agencies pursuant to Florida Statutes. The department conducts pre-audits of travel reimbursements and reviews invoices before payment submission. Key activities also include administering payment processing across various systems, conducting bank account and general ledger reconciliations as well as submitting required reports to various agencies.

The objectives of this audit included the following:

1. Perform a risk assessment to identify risks and vulnerabilities impacting Clerk's Accounting's processes;
2. Evaluate the overall effectiveness and efficiency of the processes and related internal controls to mitigate the risks;
3. Verify compliance with pertinent laws and regulations as well as established policies; and,
4. Compare processes with accepted standards and best practices.

The audit scope included testing performed for the period from October 1, 2022, through February 29, 2024. Testing and analytical reviews were performed outside of this range as deemed appropriate.

Our audit determined that Clerk's Accounting was functioning in a generally satisfactory manner and mostly aligned with established policies and procedures though improvement opportunities were noted. Specifically, the disbursement approval process and the classification of payment types require improvement. The segregation of duties related to the approval and recording of goods as well as the custody of assets (check stock, check printing and inventory reconciliation) were insufficient. While the utilization of Positive Pay significantly reduces the risks associated with check handling, these practices should be strengthened to prevent errors. Discrepancies exist between the department's documented procedures and actual practices, particularly regarding the processing of special payables disbursements and the confirmation of the vendors' wire banking information. Opportunities exist to strengthen the processes and controls associated with the handling of incoming checks and cash. Although cash is infrequently received, ensuring strong controls is important to maintain the security and integrity of these transactions. These observations suggest an enhancement to the policies and procedures to address operational effectiveness and efficiency.

The report contains three (3) observations and 14 recommendations.

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Introduction

Overall Conclusion

The audit determined that the Clerk's Accounting Department ("Clerk's Accounting") generally complied with established policies and procedures to support the Clerk of the Circuit Court & Comptroller ("Clerk's office"). While there were instances of non-compliance, the primary observations identified opportunities to strengthen the internal control environment. Specifically, the disbursement approval process as well as the classification of the payment type in the system can be enhanced. There were discrepancies between documented procedures and actual practices, particularly in the approval of special payables. The process for confirming vendor information needs improvement and a formalized procedure is needed to ensure accuracy and reliability. Opportunities exist to improve the custody of assets as well as the approval and recording of goods/services processed by Clerk's Accounting.

While these issues were noted, the audit also acknowledged several areas of strengths. The department has implemented effective controls, such as the systemic utilization of Positive Pay, which significantly reduces the risk associated with handling checks and ensures the integrity of transactions. Regular reconciliations of bank and general ledger accounts are performed consistently to identify and resolve discrepancies promptly. Clerk's Accounting effectively manages the internal and external compliance reporting requirements accurately and timely.

Objectives, Scope and Methodology

The Clerk's office Division of Inspector General ("Clerk's IG") performed the audit of Clerk's Accounting as part of the 2023-2024 audit plan.

The objectives of this audit included the following:

1. Perform a risk assessment to identify risks and vulnerabilities impacting Clerk's Accounting's processes;
2. Evaluate the overall effectiveness and efficiency of the processes and related internal controls to mitigate the risks;
3. Verify compliance with pertinent laws and regulations as well as established policies; and,
4. Compare processes with accepted standards and best practices.

The audit scope included testing performed for the period from October 1, 2022, through February 29, 2024. Testing and analytical reviews were performed outside of this range as deemed appropriate.

To meet the objectives, we conducted interviews, reviewed departmental policies and procedures, and identified the pertinent Florida Statutes and other laws and regulations.

We developed a listing of the 15 different processes performed by the department and assigned an importance rating in numerical order from highest (1) to lowest (15), with management input obtained in the identification and ratings of the processes.

- We selected and reviewed five processes that were rated the highest by importance or management requested as follows: disbursements (e.g., special payables, court payables), revenue (e.g., collection, recording, deposit of cash, credit, checks), reconciliations (e.g., bank and general ledger accounts), reporting (e.g., annual IRS 1099 required submissions), and procurement card disbursements. At management's request, we reviewed the process for handling special payables disbursements in greater detail.
- Within the processes, further review was conducted by documenting workflows and preparing a Risk & Control Matrix that summarized the relevant inherent risks, existing controls to mitigate the inherent risks, and vulnerabilities of any residual risk not addressed by the existing controls. Testing of controls and/or transactions was designed for those areas identified with the highest residual risk and vulnerabilities.

We used ACL/Diligent software tools to conduct various analyses of the data provided. Professional standards require audits to consider risks due to potential fraud.

This audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Background

The Clerk of the Circuit Court & Comptroller’s (“Clerk’s office”) Audit Services Unit of the Division of Inspector General (“Clerk’s IG”) included the audit of the Clerk’s Accounting Department (“Clerk’s Accounting”) as part of the 2023-2024 audit plan.

The Clerk serves as the Comptroller, Chief Financial Officer, Auditor and Treasurer for the County by monitoring the County budget, revenue, debt and spending. As the Treasurer, the Clerk’s constitutional and statutory role is to invest and earn interest income on County funds to reduce the tax burden on the residents of Palm Beach County.

As Clerk of the Circuit Court and County Recorder, Clerk’s Accounting records and distributes all revenues received for court fees, fines, and service charges as well as recording fees. Clerk’s Accounting issues vendor payments associated with the Clerk of the Circuit Court & Comptroller’s organization. It processes court-ordered disbursements, refunds, and juror checks, and oversees the use of procurement cards for travel and vendor expenses. All court-related collections are disbursed to local municipalities and to state agencies pursuant to Florida Statutes. In addition, the department conducts pre-audits of travel reimbursements for Clerk of the Circuit Court & 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.

The department actively seeks to enhance efficiency of court disbursement processes through improvements to the Clerk’s office case management system (“ShowCase”) and various other systems.

Table 1 illustrates the key performance metrics within Clerk’s Accounting.

Accounting Performance Workloads & Metrics	FY2020	FY2021	FY2022	FY2023	Goal FY2024
Disbursements: # business days to process and mail:					
Court Operations	1.6	1.5	1.7	1.6	2.0
Tax Deed and Deposit & Bonds	1.2	1.3	1.6	1.9	2.0
Cash Bond Refunds	0.9	0.8	1.1	0.9	2.0

Table 1: GFOA Budget Book FY 2023-2024 (page 156): Accounting Performance Workloads & Metrics (Procurement data was removed).

Clerk’s Accounting is managed by Robert Daly (Manager), supported by Michelle Howzell (Assistant Manager) and nine staff.

Audit performed by: Monica Alvarenga, Assistant Inspector General

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 improvements may be needed.

1. Some functions were not sufficiently segregated.

The audit determined the approval and recording of goods as well as the custody of assets were not sufficiently segregated.

Objective: To evaluate the effectiveness of the segregation of duties within Clerk's Accounting to identify control weaknesses. Specifically, the audit focused on reviewing duties related to transaction authorization, recording, control procedures, and custody of assets.

Overview: Clerk's Accounting has a well-established segregation of duties across different financial functions and internal controls to prevent fraudulent activities, such as Positive Pay. Management has implemented systemic reviews of roles within PeopleSoft as well as separation of duties among different functions within the department.

Results of Review: We noted opportunities to enhance the segregation of duties as detailed below.

Custody of Assets:

- The same person (Staff Accountant) has access to the check stock and the ability to print checks via the Magnetic Ink Character Recognition ("MICR") Printer. The Staff Accountant also reconciles the check stock inventory to track the sequential use of check numbers. Best practices recommend that the same person should not have access to the check stock, the ability to print checks and reconcile check inventory. These duties should be segregated to reduce the risk of errors and fraud.
 - Mitigating factors exist to reduce the risk of unauthorized check payments.
 - The Staff Accountant does not have access to create vouchers in PeopleSoft. Checks cannot be created without corresponding vouchers.
 - Positive Pay files cannot be modified by anyone in Clerk's Accounting, which significantly reduces the risk of check fraud.
 - PeopleSoft generates the Positive Pay file for all checks printed from PeopleSoft (all checks are printed through PeopleSoft).
 - The file includes information such as the payee, check number, and amount. All three data fields are used by the bank to detect anomalies.

- Positive Pay files help prevent check fraud by verifying check details against a pre-authorized list.
 - The Staff Accountant does not perform bank account reconciliations.
 - Other observations:
 - The General Check Stock Control Log (“Check Log”) used to reconcile the check stock inventory, contains a formula within the spreadsheet to detect missing checks. However, it is the Staff Accountant’s responsibility to address discrepancies or inform management of any unresolved issues. A review by a different individual is not periodically conducted to identify anomalies and determine the accuracy and completeness of the Check Log. Management conducts a monthly cursory review when updating related performance measures.
 - We performed an unannounced audit to verify whether the physical sequential number of checks reconciled to the Check Log. Our review confirmed the numbers on the checks matched those documented in the Check Log. No discrepancies were noted.

Purchasing:

- In the current set-up, the same person (Manager) approves requisitions and records the receipts of goods in PeopleSoft. Best practices recommend separating these roles to reduce the likelihood of errors or undetected irregularities.
- The reason for the overlap is due to the initial set-up of the approval levels in PeopleSoft. Currently, on an organizational-wide level, the system defaults to the department manager the roles of requisition approver as well as the receiver, unless otherwise requested.
- Mitigating factors to reduce the risk of unauthorized or incorrect purchases include the following:
 - The requisition is initiated via email by a different person.
 - All requisitions are reviewed by a different department (Clerk’s Procurement) before the purchase order is submitted to the vendor.
 - Management stated that a different person reviews the receiver documents (e.g., packing lists) before recording in PeopleSoft. Management also stated that Clerk’s Accounting generally purchases low-dollar amounts, such as office supplies. We did not independently verify the receipting process or related amounts.

In conclusion, the Staff Accountant handles the physical check stock, prints checks as well reconciles check inventory. The Staff Accountant cannot create vouchers or modify the Positive Pay file, which significantly reduces the risk of unauthorized checks. However, risks remain if internal controls fail (e.g., collusion, errors). In addition, assigning the same manager to approve the requisitions and record the receipt of goods could increase the risk of errors or fraud. While there are mitigating measures, such as reviews by different individuals, separating these duties is recommended to enhance accountability.

Recommendations:

A. Custody of Assets:

- Consider assigning some of the Staff Accountant's responsibilities to other staff members to align with best practices for internal controls.
- Implement periodic independent audits of the Check Log reconciliation processes to ensure accuracy and detect discrepancies early. This should include a reconciliation between the physical check stock with the Check Log to confirm that the check stock number in the Check Log corresponds to the physical check stock number. The review should be documented. It should be noted that the inability to modify Positive Pay significantly reduces the risk of the unauthorized use of checks.

B. Purchasing:

- Assign a different individual to record the receipt of goods and services in PeopleSoft. This person should be separate from the approval and receiving functions.

Management Responses:

A. Accounting will implement additional internal controls / segregation of duties surrounding the control of check stock, check printing and reconciling of check inventory similar to BOCC Finance Payables.

Target Completion Date: October 1, 2024

B. The approval of requisitions and the entry of receivers is currently an organization-wide default setup for department managers. Accounting currently mitigates risk by having the Assistant Manager initiate requests for purchases to Procurement and inventory the receipt of goods, while the Manager reviews and approves requisitions and enters receivers in PeopleSoft. We will wait until completion of the Inspector General's audit of the Procurement department's purchasing controls before implementing any additional changes.

Target Completion Date: Open

2. Opportunities exist to improve the disbursement process.

The audit determined some disbursements were not appropriately approved, discrepancies exist between the documented procedures and actual practices, the confirmation of vendors' banking information was insufficient and some processes were not formally documented.

Objective: To evaluate processes and procedures related to various disbursements and to determine whether the transactions were properly authorized, accurate, supported and complied with established policies and procedures.

Overview: The Clerk’s Accounting disbursements process includes a variety of controls and reviews, as summarized below.

- Purchase order (“PO”) disbursements: Various Clerk’s departments are responsible for approving requisitions as well as entering the receipts of goods and services into PeopleSoft, with Clerk’s Accounting entering the invoice information. A three-way match (PO, receiver, invoice) is automatically performed in PeopleSoft.
- Various disbursements (“Non-PO”): Clerk’s Accounting processes a variety of other disbursements, including special payables for goods and services as well as all court-related collections disbursed to local municipalities and to state agencies pursuant to Florida Statutes. These are manually approved by the requesting departments prior to submission to Clerk’s Accounting.
- Payment Review: Check and electronic funds transfer (“EFT”) disbursements require additional signatures based on thresholds by a higher authority level. All checks and EFT payments are processed in PeopleSoft. Other electronic payments are submitted directly through the external agency’s website, such as Miscellaneous ACH Debit to the Florida Department of Revenue, or through the Wells Fargo bank account.

Sample Selection and Testing Approach: We judgmentally selected 40 disbursements from October 1, 2022, to February 29, 2024, primarily based on amount, disbursement type and payment method type. We performed a comprehensive review of related policies and procedures to determine the adequacy of internal controls, which were compared to best practices. Table 2 below provides a summary of the disbursements selected by type and Table 3 provides a summary of the payment method type.

Summary by Disbursement Type	Amount (\$)	Amount (%)	Quantity (Units)	Quantity (%)
Purchase Orders (POs)	\$ 4,156,185.20	14%	10	25%
Other Disbursements (Non-POs)	\$ 26,171,959.89	85%	16	40%
Special Payables (Non-POs)	\$ 303,237.93	1%	14	35%
Total	\$ 30,631,383.02	100%	40	100%

Table 2: The PeopleSoft disbursement report was provided by Clerk’s Accounting for the period from October 1, 2022, to February 29, 2024. The full disbursement report was not audited by Clerk’s IG.

Summary by Payment Type	Amount (\$)	Amount (%)	Quantity (Units)	Quantity (%)
Check	\$ 6,227,166.16	20%	24	60%
EFT	\$ 5,386,012.72	18%	10	25%
Wire	\$ 19,018,204.14	62%	6	15%
	\$ 30,631,383.02	100%	40	100%

Table 3: The PeopleSoft disbursement report was provided by Clerk’s Accounting for the period from October 1, 2022, to February 29, 2024. The wire payment type reflects the correct wire payment type classification. However, the full disbursement report was not audited by Clerk’s IG.

Clerk’s Policies and Procedures:

Special Payables AP 2009-01, [Clerk’s office], (dated April 25, 2022) (page 1):

- **AUTHORITY:**
 - “...1. Clerk of the Circuit Court and Comptroller Procurement Policy.
 - 2. Management authorized to approve for budget...

- **PROCEDURES:**
 - *“...Signature approvals are required for payment of invoices and disbursement request form for Special Payables.*
 - *Approvals must be the individual's full signature and in ink.*
 - *Approver must be an authorized signatory for the budget area.*
 - *Mark documents with wording "Approval to Pay".*
 - *Deadline for submission within 5 days of receipt/notification...”*

PeopleSoft Vouchers without Purchase Order (“PO”) Procedure, [Clerk’s Office], (dated May 16, 2024), (page 7, item 12):

- *“...Invoices without POs (vouchered into PeopleSoft) of \$5,000 or greater require a Department Manager, Director and Chief Officer approval for payment...”*

Sales Tax Monthly Procedure, [Clerk’s Office], (dated June 17, 2021), (page 1):

- *“...The Clerk’s office has two activities that require the collection of Florida Sales Tax. These activities are Passport and Wedding Photos and are remitted on a monthly basis to the State...”*
- *...Sales Tax payment is now system generated through PeopleSoft Interface and payment is due to the State by the 20th of each month...”*

Results of Review: Our review of the 40 disbursements selected as well as the disbursement process disclosed control and procedural weaknesses as noted below.

Sampled Disbursements Review:

Our review of the 40 disbursements disclosed the following:

- One (1) of 40 disbursements reviewed was not approved as per procedure. One special payables disbursement (\$364.37) was approved by a 15th Judicial Circuit judge, instead of a Clerk’s authorized signatory for the budget area as required by the procedure (Clerk’s Accounting Special Payables AP 2009-01).
 - Management stated that as part of their current process, jury meals are ordered by the Palm Beach Sheriff’s Office (“PBSO”) and the judge approves the purchase. There is no Clerk’s employee approval requirement or involvement for these transactions. However, we noted this exception was not documented in the procedure.
- Two (2) of 40 disbursements (totaling \$2,832.69) were not approved by someone other than the person who prepared and submitted the payment. Specifically, these were recurring sales tax remittances due monthly for various sales transactions (e.g., passport/wedding photos), which were processed without documented approval prior to submission. The Clerk’s office has a fiduciary duty to collect and remit the funds to the State.
 - Management noted since this is recurring payment, the current procedure did not require an initial approval prior to submission. However, Clerk’s Accounting reviews all disbursements, including direct funds transfers to external agencies. Management confirmed their review was not documented. Best practice recommends approvals prior to the submission of payments to enhance accountability.

- Management stated they have implemented an electronic signature (via Adobe Acrobat) to evidence their review prior to submission of payments.
- As mitigating controls, Clerk's Accounting performs monthly reconciliations of the liability accounts associated with these transactions to ensure any discrepancies are identified. These payments were submitted directly to the Florida Department of Revenue ("DOR") website, which utilizes the stored payment information to complete the transaction. This reduces the risk of errors and funds issued to the incorrect recipient.
- Two (2) of 40 disbursements (totaling \$2,626,198.78) were incorrectly classified in PeopleSoft. These disbursements were misclassified as manual check payments instead of wire payments.
 - Management stated these vendors were not originally setup with the wire default payment method. As a result, when the payments were recorded on the vouchers, they were recorded as the manual check payment type as opposed to a wire payment type.
 - Management noted there was no financial or general ledger impact related to the misclassification and the vendor setup was updated to reflect the correct payment method.
 - Best practices recommend the proper classification of transactions to prevent delays in payment, reconciliation issues and inefficiencies.

Policies and Procedures Review:

Our review of the relevant policies, procedures and processes disclosed various observations, as noted below:

Wells Fargo Commercial Electronic Office Portal ("CEO Portal") Wire Payment's Process and Procedures Require Improvement:

- Existing controls did not require Clerk's Accounting to confirm whether the Clerk's departments requesting additions or modifications to the vendors' banking information conducted a verification on the authenticity of the banking information.
 - Currently, it is the responsibility of the requesting department to provide the banking information (via email) as well as to perform a verification to ensure the authenticity of the vendors' banking information. This includes direct communication with the vendor using a verified contact number. Such banking changes mainly occur within Human Resources. Clerk's Accounting does not verify whether the vendor is authentic by calling the vendor directly.
 - Once the requesting department has verified directly with the vendor, the banking information (including official bank letterhead) is sent to Clerk's Accounting, which then uses this information to create or modify wire templates in the CEO Portal. Therefore, Clerk's Accounting processes the templates based on the verification performed by the requesting departments. However, there was no requirement to confirm the verification of vendors' information.
- There was no formal procedure detailing the criteria for valid supporting documentation, including the requirement for a bank letterhead to confirm the details of the vendor's bank information. As noted above, Clerk's Accounting

requires the official bank letterhead to process the information. However, this was not detailed in the procedure.

Special Payables Procedures Require Improvement:

- Special Payables approvals are not documented with an ‘ink signature’ or with an explicit reference to ‘Approval to Pay’ as required by procedure (Clerk’s Accounting Special Payables AP 2009-01).
 - Management stated that their current practice no longer requires disbursement approvals to be documented as such, which is primarily due to the increase in remote work. Accepted support includes emails and electronic signature approvals that can be verified. Management confirmed the procedure should be updated to reflect the current practice.
 - Management also noted that to streamline operations, the special payables disbursement approval process is scheduled for automation in PeopleSoft after the successful completion of the current pilot program for membership related disbursements. Currently all special payables disbursements are manually approved.

- The Clerk’s Accounting PeopleSoft Vouchers without Purchase Order (“PO”) and the Clerk’s Accounting Special Payables AP 2009-01 procedures were not in alignment.
 - The PeopleSoft Vouchers without PO procedure (section 12, page 7) specifies that invoices \$5,000 or greater require a Department Manager, Director and Chief Officer approval for payment. However, the Clerk’s Accounting Special Payables AP 2009-01 procedure does not require this threshold.
 - Management confirmed the PeopleSoft Vouchers without PO procedure should be updated to reflect the requirements of the Special Payables AP 2009-01 procedure, which requires all special payables disbursements to be approved by an authorized signatory for the budget area regardless of the amount.

In conclusion, the observations are mainly due to procedural weaknesses, such as the lack of documented exceptions to procedures or formal documentation for approval processes, insufficient confirmation of vendors’ authenticity as well as outdated procedures. These could result in risk of fraud, errors or potential non-compliance with policies and procedures.

Recommendations:

- A. Implement improvements to the approval of disbursements and classification of payment type:
 1. Ensure that special payables disbursements are approved by an authorized signatory for the budget area as per the Clerk’s Accounting Special Payables AP 2009-01 procedure. Exceptions to the procedure should be documented.
 2. Document the approval of wire payments prior to issuance of the disbursements.
 3. Properly classify the initial payment method type in PeopleSoft.
 4. Consider selecting monthly samples of disbursements for review to confirm appropriate approvals and accurate classification of payment method type.

- B. Implement a formal requirement to confirm that a verification of the vendor's banking information was conducted by the requesting department.
 - 1. The Clerk's office department responsible for initiating the requests (e.g., Human Resources) should perform the verification. This involves personally contacting the authorized representative through a pre-approved contact number to confirm their identity before submitting the request to Clerk's Accounting. Initiating departments should maintain a record of the verification, including the date, time, name of authorized contact, method used for communication (e.g., phone call), and the name of the verifier.
 - 2. To confirm that the requesting department conducted the verification, Clerk's Accounting should document their confirmation prior to finalizing the transaction in the CEO Portal.
 - 3. Document the processes in related policies and procedures.
- C. Update procedures in the areas where exceptions and improvement opportunities were noted above.

Management Responses:

- A. Improvements to the approval of disbursements and classification of payment type:
 - 1. Moving forward, all jury meal invoices will require a Clerk's authorized signatory for the budget area as required by the Clerk's Accounting Special Payables AP 2009-01 procedure.
Target Completion Date: October 1, 2024
 - 2. All payment remittances to the state now require review and approval by either the Accounting Manager or Assistant Manager.
Target Completion Date: Completed
 - 3. The misclassification of the payments was associated with a default payment type setup on the vendor record. The vendor record has been updated.
Target Completion Dated: Completed
 - 4. Accounting will incorporate an approval compliance review into our existing monthly metrics process. We currently select samples to track processing times of disbursements. We will also verify proper approvals for the samples selected.
Target Completion Date: November 1, 2024
- B. Bullets 1-3: Accounting will update vendor/wire banking information procedures to align with the security controls in place with BOCC Finance. This will include a standardized form to request setup/changes to banking information, a secondary confirmation, as well as a two-point verification.
Target Completion Date: November 1, 2024
- C. The Special Payable procedures will be updated to reflect the changes attributed to a transition from a paper/ink approval to a digital approval. The PeopleSoft Vouchers without Purchase Order procedure will also be updated to align with the provisions of the Special Payables procedure.
Target Completion Date: November 1, 2024

3. Cash and check handling requires improvement.

Several areas of process and control improvement opportunities were noted regarding the handling of checks and cash.

Objective: The objective was to evaluate the controls over handling and safeguarding cash and checks in accordance with best practices.

Overview: Over the period from October 1, 2022, to February 29, 2024, Clerk's Accounting processed receipts totaling \$3,259,146.25. A significant portion of these receipts were related to unclaimed property, which needs to be remitted back to the state. These checks are made payable to the Clerk's office to move the funds from the court registry accounts. Clerk's Accounting cash receipts are infrequent and primarily related to the holiday Money Drop special event held annually. The December 2023 Money Drop special event totaled \$3,000.00.

Results of Review: We noted the following observations in which the procedures did not include controls that would strengthen the safeguarding of cash and checks and provide greater oversight and accountability.

Oversight During Mail Processing:

- Mail received by Clerk's Accounting is opened by a single individual. A second person is not present to provide oversight for the processing of checks (or rare cash) receipted through the mail. Management stated they have never received cash in the mail.
- Clerk's Accounting receives mail sent to a designated post office box, which is received in the Main Courthouse mailroom and delivered to Clerk's Accounting. Also, express packages and other mail are received at the front counter on the second floor of the Government Center building ("Front Counter"), which are delivered to Clerk's Accounting. Clerk's Accounting is not aware if the Main Courthouse mailroom or the second floor Front Counter personnel logs or documents checks received via postal mail.

Endorsement of Checks:

- Checks are not restrictively endorsed immediately upon receipt in the mail. For enhanced security, it is best practice to restrictively endorse checks (e.g., for deposit only by agency) immediately upon receipt.

Logging and Safeguarding of Cash and Checks Received:

- Cash (if any) and checks received in the mail are not logged to ensure that all funds received are accounted for. In the rare instances that cash is received in person, it is placed in envelopes and promptly secured in the safe.
- Checks received are placed in a specific Staff Accountant's inbox on their desk and remain unprocessed until Fridays when the deposit is prepared. During the week, the checks are accessible to other Finance employees (and contracted cleaning

personnel in the evenings) during business and non-business hours within the secured Finance area.

- Manual receipts are provided when cash is received. The receipts were maintained at an employee desk and not secured.

Controls over Safe Access:

- The safe combination was not changed periodically (e.g., annually) or when individuals with combination access departed Clerk's Accounting. Management was not aware of when the combination and the key were last changed.
- A safe is in place that requires dual access for opening (digital combination and a key). A log is maintained to track the safe entry activity.
- A listing was not available reflecting each employee who has been assigned access to the safe combination and the safe key. Management stated no single employee had sole access to the combination and key.
- There was no video camera in the room where the safe is located.
- Surprise counts of the safe contents were not conducted. The safe contents are reviewed once per year during a scheduled audit at fiscal year-end to support the external audit. Best practices recommend the use of "surprise" audits to ensure that all monies (e.g., cash and checks) are accounted for.

Lack of Procedures:

- There were no procedures in place over handling and safeguarding cash and checks received. Best practices indicate written procedures provide guidance to employees, help ensure processes are performed accurately and consistently in accordance with management's directives and help achieve departmental goals.

Management confirmed the observations were accurate and noted that there have never been issues with missing or misappropriated cash and checks. The primary cause of the control weaknesses is largely due to not implementing best practices and related procedures involving the handling and safeguarding of receipts. The risk of loss or theft of receipts, primarily checks, is increased by the lack of controls and procedures.

Recommendations:

- A. Consider implementing a two-person verification process for mail processing to enhance controls and reduce the risk of errors or mishandling of checks and cash. While cash is rarely received, the volume of checks received is not immaterial.
- B. Consider implementing a process to log and record all cash and checks received in the mail. Cash received in the mail should be counted in the presence of two (2) individuals. Consider using software (e.g., Excel) to record information such as check number, amount, date received, and sender details. Reconcile this log to checks entered into the ledger. Any discrepancies should be investigated and resolved promptly to ensure accurate financial reporting.
- C. Ensure that checks received and processed during business hours are stored securely (e.g., locked drawer) and placed in the safe during non-business hours.
- D. Restrictively endorse checks immediately upon receipt in the mail.

- E. Change the safe combination on a periodic basis and when an individual with combination access departs.
- F. Maintain a listing of those individuals who have been assigned access to the safe combination and safe key.
- G. Consider the cost-benefit of installing a video camera to record access to the safe, recognizing that while cash receipts are rare, checks received are not immaterial.
- H. Consider implementing unannounced audits of the safe in addition to the existing annual scheduled audit. Document each audit, noting the date, participants involved, identified observations, and the subsequent measures implemented for correction.
- I. Develop and implement procedures over handling and safeguarding cash and checks received within Clerk's Accounting. Leverage existing procedures that support other Clerk's departments' processing of cash and check receipts (e.g., Court Operations, Revenue & Cash Management).

Management Responses:

For recommendations A to I: The Finance team will conduct a thorough review of the cash and check handling procedures for both BOCC Finance and Clerk's Accounting and implement consistent procedures and processes to safeguard the handling of cash and checks from receipt through deposit. The above recommendations will be taken into consideration throughout this process. Upon completion of our review, we will formulate a detailed action plan for implementing a comprehensive cash and check handling procedure with a target completion date.

Target Completion Date: January 1, 2025