



PAT FRANK
Clerk of the Circuit Court
13th Judicial Circuit

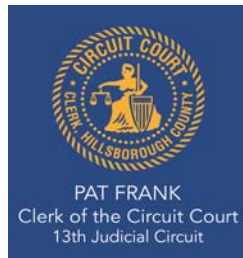
COUNTY AUDIT

HILLSBOROUGH COUNTY, FLORIDA

**INTERNAL CONTROLS OVER THE CLERK'S OFFICE
CASHIERING OPERATIONS**

REPORT # 327

APRIL 20, 2017



April 20, 2017

Dear Pat Frank, Clerk of the Circuit Court and Comptroller:

The Audit Team performed an audit of the Internal Controls Over the Clerk's Office Cashiering Operations (Audit Report # 327, dated April 20, 2017). Responses to the Audit Team's recommendations were received from the Senior Director of Court Operations – Civil Courts and have been included in the Report after each audit comment and recommendation.

The purpose of this Report is to furnish management independent, objective analysis, recommendations, counsel, and information concerning the activities reviewed. It is not an appraisal or rating of management.

Although the Audit Team exercised due professional care in the performance of this audit, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud and/or employee abuse is the responsibility of management. Audit procedures alone, even when carried out with professional care, do not guarantee that fraud or abuse will be detected.

The Audit Team appreciates the cooperation and professional courtesies extended to the auditors by the Director and personnel of the Courts Operations department during this audit.

Sincerely,

Heidi Pinner, CIA, CISA, CFE, CRMA
Director of County Audit

CC: Doug Bakke, Chief Deputy, Courts
Rick VanArsdall, Chief Deputy, Finance and Budget
Kathleen Rocamora, Senior Director, Civil Courts

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EXECUTIVE SUMMARY

BACKGROUND INFORMATION

The Clerk of the Circuit Court (Clerk's Office) is the official record keeper of Hillsborough County Courts and has the responsibility for providing support services that keep them running smoothly. One such service is the collection and disbursement of court related charges which have been established by Florida Statutes, Hillsborough County ordinances, administrative orders, rules of court procedures, and special legislative acts.

The Clerk's Office has multiple service locations where court related costs can be remitted. Each of these service locations utilizes the court case management system, Odyssey, to assess and maintain a record of the transaction.

OBJECTIVE

The objective of the audit was to determine whether or not Court Operations has adequate and effective controls over cashiering operations.

SCOPE

The audit was conducted in conformance with the *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that County Audit plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the audit comments and conclusions based on the audit objectives. County Audit believes that the evidence obtained provides this reasonable basis.

Based on a preliminary review of the functions and transaction volume for each of the service locations, the Audit Team selected a sample of five locations for testing. The audit team assessed the controls within each of these locations and the associated cashiering processes as of January 2016. The following locations were included in the scope of the review:

- Tampa Customer Service Center – Downtown Tampa Courthouse
- Bonds Department - Annex Tower - Downtown Tampa
- Plant City Courthouse Service Center
- Brandon Service Center
- SouthShore Service Center

OVERALL EVALUATION

Management and staff of Court Operations were responsive to the Audit Team's inquiries and provided timely and complete information upon request. The Audit Team encountered employees who were dedicated, knowledgeable and cooperative at each of the Customer Service Center locations visited.

AUDIT COMMENT	CONCLUSION OF OBJECTIVE	PAGE
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OPINION

The overall control environment relative to the Court cashiering operations in the Clerk's Office is at a repeatable maturity level. This means that management has controls established with some policy structure which ensures that Court cashiering operations are carried out in an appropriate and consistent manner. There are opportunities to strengthen these controls with formal process documentation, appropriate segregation of duties and enhanced monitoring, training and communications. Addressing these opportunities will enhance the overall control structure and provide increased consistency and assurance.

The exit conference was held on March 13, 2017.

Other minor concerns not included in this Report were communicated to management and/or corrected during fieldwork.

AUDITED BY

Heidi Pinner, CIA, CISA, CFE, CRMA, Director of County Audit

Margaret Brown, CIA, Audit Manager

Raul Cardona, CIA, CISA, CAMS, Senior Internal Auditor

AUDIT COMMENTS & RECOMMENDATIONS

AUDIT COMMENT 1

There are opportunities to strengthen the cashiering policies and training program.

The objective was to determine whether or not Court Operations has developed and implemented adequate and effective cashiering policies and training programs.

The Audit Team;

- Obtained and reviewed the current cashiering policies and procedures.
- Obtained training records for all 94 current cashiers and compared them to the training requirements established by management.
- Performed interviews with cashiers to determine their general level of policy awareness.
- Solicited feedback from cashiers on the communication and training processes for cashiering.

The Clerk's Office has several policies applicable to the cash management process which are used during training of new cashiers. Employees complete cashiering training within a few weeks of their date of hire and existing cashiers attend a refresher training every 3 years to remain current on policies and procedures. Two new cashier training programs were introduced in November, 2015. These are not listed in the Cashiering Policy as training requirements, but management has indicated that the classes are required for 77 of the 94 current cashiers.

TESTING RESULTS

- The Clerk's Cashiering Policy requires all cashiers to be deputized. As of December 2016, 87 of 94 cashiers (93%) had been deputized, and 7 had no record of deputization.
- The Clerk's Cashiering Policy and the Court's Directive for Cashiering Responsibilities both require cashiers to complete the Clerk's Cashier Training. As of December 2016, 88 of 94 cashiers (94%) had completed this training and 6 cashiers had no record of attendance.
- Basic Financial Overview (BFO) training is required for 77 of the 94 cashiers. According to the training records reviewed by the Audit Team, 29 of the 77 cashiers (38%) have taken this training, and 48 (62%) have not.
- The Customer Service Center Traffic Financial class is required for 46 of the 94 cashiers. According to the training records reviewed by the Audit Team, 15 of the 46 cashiers (33%) have taken this training and 31 (67%) have not.

The Audit Team also performed informal interviews and observations of cashiers during testing at each of the locations. These conversations and observations allowed the Audit Team to gather a general understanding of the policy awareness, communications and implementation of cashiering procedures. Each of the cashiers interviewed demonstrated an understanding of cashiering policies including segregation of duties, conflict of interest, cash handling procedures, voids and shortages/overages.

RECOMMENDATIONS

To ensure that all cashiers are adequately and consistently trained in appropriate cash management processes, management should:

1. Ensure that cashiers are appropriately deputized as required by the Cashiering Policy.
2. Monitor training records to ensure that all employees with the ability to perform cashiering functions have received the appropriate training or refresher courses.
3. Update the department's cashiering policy to include all current training classes and the positions for which these classes are required.

CLIENT RESPONSE

- *Concur*

CORRECTIVE ACTION PLAN

1. *Submit proposal to update policy.*
2. *Training records are reviewed regularly by managers for compliance.*
3. *Submit proposal to update the policy and Cashier manual.*

TARGET COMPLETION DATES

1. *Estimated date of completion, June 30, 2017.*
2. *N/A*
3. *Estimated date of completion, June 30, 2017.*

AUDIT COMMENT 2**Opportunities exist to strengthen the controls surrounding the cash handling process.**

The objective was to determine whether or not Court Operations has developed and implemented adequate and effective controls over the cash handling functions.

The Audit Team conducted observations of the daily cashiering processes, interviewed managers and staff and performed testing at each of the Court's Customer Service Center locations in scope to ensure that:

- Appropriate controls are in place to verify the beginning drawer funds and end of day drawer funds.
- Deposits are appropriately secured and access to deposit materials is appropriately restricted and monitored.
- Change funds are appropriately controlled, reconciled and monitored.
- Midday cash withdrawals are performed at the established threshold.
- Appropriate and consistent supporting documentation is maintained for all deposits.
- Cashier shortages and overages are identified, recorded and monitored.
- Management performs and records periodic verifications of cashier drawer funds.
- Transaction receipts are produced and consistently provided to customers at the end of each transaction.
- Management performs regular monitoring of Customer's Q-Flow system statistics.

TESTING RESULTS

The Audit Team determined that:

- All of the locations maintained 'Beginning of day' drawer funds in sealed, tamper resistant cash bags which were counted by the cashier, in the presence of management, each morning prior to use. However, management does not witness the end of day drawer count process and drawer funds are assigned to individual cashiers to be utilized as needed. A backup cashier's funds could therefore remain dormant and unverified for an indefinite period of time.
- Deposit bags were pre-numbered, tamper resistant, logged and secured at each location.
- Managers utilized a change fund log at each of the locations to document change fund verifications and activity throughout the day. During testing, the Audit Team observed that:

- The change fund log had not been filled out completely at the Tampa Customer Service Center and SouthShore locations.
 - The satellite managers frequently function as cashiers. There is an absence of second level approval for change fund requests and verifications at these locations. This poses a segregation of duties concern.
 - The frequency of change fund verifications and monitoring is inconsistent across the service center locations. Verifications occurred daily, weekly or bi-weekly depending on the location.
- Midday cash withdrawals were consistently performed, as needed.
 - Appropriate supporting documentation was maintained for deposit records.
 - Cashier shortages/overages are identified and recorded during cash drawer reconciliations and monitored per cashier. Shortages are not compiled or analyzed in aggregate or by location.
 - There is a process established for unannounced cash counts to be regularly performed by management. However, no formal procedure is in place to define the criteria for these counts, the desired frequency, or whether supervisors working as cashiers are included.
 - Transaction receipts were consistently provided to customers after each transaction.
 - Q-Flow performance management information was distributed to management on a regular basis.

RECOMMENDATIONS

To further improve the controls over the cash handling process, management should consider:

1. Rotating or verifying each Cashier's drawer funds and 'clean bags' on a regular basis.
2. Ensuring that existing logs are completed and periodically monitored for compliance.
3. Formalizing a policy to require unannounced cash counts to include the desired frequency and periodic end of day verifications into this process.
4. Addressing the segregation of duties concerns within the satellite locations.
5. Establishing policy to define the frequency of change fund verifications across all locations.

CLIENT RESPONSE

- *Concur*

CORRECTIVE ACTION PLAN

1. *We implemented a new process as of 2/3/17. At the end of each working day the cashier no longer seals their beginning till bag. When they turn in their beginning till the manager assigned to the Recon room verifies the beginning till amount. Once the manager has verified the beginning till they seal the bag, provide the cashier with the receipt, the cashier then signs over the seal on the back of the bag to acknowledge the bag was sealed.*
2. *Logs are reviewed each week.*
3. *Updating policy*
4. *Our SouthShore office consists of one manager, one recorder, and one clerk from courts. The manager is required to work the front counter at busy times and when staff is out of the office. The Director will complete periodic reviews of all cash handling processes.*
5. *Implementing a Quarterly Audit Process.*

TARGET COMPLETION DATE

1. *Implemented 2/3/17*
2. *Implemented*
3. *Estimated date of completion, June 30, 2017.*
4. *N/A*
5. *First quarterly audit scheduled for April 12, 2017.*

AUDIT COMMENT 3**There are opportunities to enhance the existing controls over transaction voids and refunds.**

The objective was to determine whether or not adequate controls are in place for transaction voids and refunds.

The Audit Team conducted interviews with managers and staff at each of the locations in scope to determine how each location processes void and refund transactions. The Audit Team also reviewed documentation associated with the monitoring of these transactions and performed testing to determine if:

- System voids and refunds required management approval.
- Management reviewed voids & refunds to monitor for unusual patterns or transactions.
- The Odyssey system maintained an audit trail of voids or refund transactions.
- Access permissions to process voids/refunds in Odyssey were appropriate.

TESTING RESULTS

The Audit Team determined that:

- The Odyssey system has controls in place to ensure that a supervisor's password is required in order to process a void or refund transaction.
- Reports of void/refund transactions were being distributed to management for review on a regular basis. However, these reports do not indicate the name of both the cashier and the approver. Without this detail, it is not evident if a void has been self-approved or if an unusual pattern exists between the requestor and approver.
- Sixty four (64) out of 74 cashiers (86%) had appropriate privileges and permissions in Odyssey pertaining to voids and refunds. Ten cashiers had inappropriate managerial level permissions assigned.

RECOMMENDATIONS

Management should consider enhancing the controls over transaction voids and refunds by:

- Performing periodic reviews of employee system access to ensure overall system access is appropriate for an employee's job duties, including limiting access to approve voids and refunds.
- Modifying the access for the 10 employees whose system access was identified as inappropriate.

CLIENT RESPONSE

- *Concur*

CORRECTIVE ACTION PLAN

1. *Our Business Analytics and Intelligence Service Center (BAISC) will perform periodic reviews to ensure that employees have the appropriate access.*
2. *Access was modified.*

TARGET COMPLETION DATE

1. *October 2017*
2. *Completed*

AUDIT COMMENT 4**Physical security controls for the Court's cashiering sites and funds could be improved.**

The objective was to determine whether or not adequate controls are in place to ensure cash sites and funds are physically secured.

The Audit Team performed inquiries with management, site observations and testing at each of the Court's Customer Service Centers in scope to evaluate whether or not:

- Physical controls were in place to restrict access to supervisory personnel only.
- Safe combinations were known only by management and have been changed routinely or in the event of management turnover.
- Cashier's cash drawers and funds were kept secured at all times and any access keys were properly controlled.
- Security mechanisms were installed and operating effectively.
- Deposits were appropriately secured and transported.

TESTING RESULTS

The Audit Team determined that:

- Safe combinations in the satellite locations have not been changed in more than 18 months.
- Automated cash drawers are in use at each of the locations and funds were found locked at all times during testing.
- Security cameras were installed at each location and appeared to be working as intended. Past footage was available for review upon request.
- Panic buttons have been installed underneath each workstation at every location in scope and each location had security personnel onsite.
- Management maintained a photo roster of armored car couriers to validate individuals prior to handing over the deposit.
- At one satellite location, the armored car courier takes possession of the deposit in public view.
- Cashiers in the satellite locations switch between Service Centers to work as backups when needed. Four of these cashiers have access to the recon room and the safes in both locations.

RECOMMENDATIONS

Management should consider:

- Ensuring that safe combinations are periodically changed to reduce the risk of inappropriate access.
- Having all locations transfer the deposit to the armored car courier outside the view of the public.
- Performing a review of all the individuals that have access to the recon rooms and safes for the satellite locations and restricting access to only necessary individuals on an as needed basis.

CLIENT RESPONSE

- *Concur*

CORRECTIVE ACTION PLAN

1. *Change the combination to all safe's every 6 months and/or when management changes are made.*
2. *SouthShore now escorts the armored car courier to the Recon room to transfer the deposit.*
3. *Review every 6 months and/or when management changes are made.*

TARGET COMPLETION DATE

1. *Next scheduled change, June 30, 2017.*
2. *Implemented*
3. *Next scheduled review, June 30, 2017.*