



ALEX ALFORD

CLERK OF COURTS & COUNTY COMPTROLLER, WALTON COUNTY, FLORIDA

Walton County Board of County Commissioners
Clerk of the Court's Office
Follow-up Review of
Manual Receipt Books

Alex Alford
Clerk of the Courts

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Report 18-03
September 2018

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CLERK OF COURTS & COUNTY COMPTROLLER, WALTON COUNTY, FLORIDA

September 14, 2018

Walton County Board of County Commissioners

The Internal Audit Department ("IA") conducted a follow-up of our review of the Walton County Clerk of Courts' use of manual receipt books. The review was conducted for the period of October 1, 2017 through August 31, 2018 to determine if recommendations provided in our December 2008 report have been implemented.

Internal Audit appreciates the cooperation of the personnel of the Clerk's office during the completion of this follow-up review.

Johnny Street
Internal Audit Manager

Approved:

Alex Alford
Clerk of Courts and
County Comptroller

cc:

William Pennington, Finance Director
Hillary Parker, Finance Manager
Linda Warren, Director of Court Services
Larry Jones, County Administration

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EXECUTIVE SUMMARY

Executive Summary

The Internal Audit Department ("IA") conducted a follow-up review of our December 2008 audit of the Clerk of Courts' ("Clerk") controls for the use of manual receipts. Our follow-up included an examination of the internal controls for the issuance of manual receipts and the subsequent recording of payments for the period of October 1, 2017 through August 31, 2018 and an assessment of the implementation of recommendations provided by IA as part of our 2008 audit. The objectives of this follow-up review were to determine:

1. Whether procedures have been developed to restrict cashiers from writing on the yellow receipt copy without management approval;
2. Whether procedures have been developed to address timely deposit of cash receipts.

IA notes that improvements have been made regarding the altering of manual receipts and the timely deposit of cash receipts, however written policies and procedures have not been updated to address the recommendations from our 2008 review. We have outlined each of our previous recommendations and the results of our follow-up procedures herein.

INTRODUCTION

Background

IA previously performed an audit of the Clerk of Courts' ("Clerk") controls for the use of manual receipts and issued a report dated December 2008. The Criminal and Civil Departments of the Clerk ("Courts") issues a computer-generated receipt for payments received for such things as court fees, child support, etc. Occasionally, a manual receipt will need to be issued when the computer receipt cannot be generated. This may be a result of the computer system not operating or the related court case or other information not being available on the system. When this occurs, a manual receipt will be issued so the customer may make the payment at the time of their visit to the courthouse. Courts has a supply of receipt books that are issued, logged and maintained by their department.

The Clerk's Finance Department ("Finance") maintains a supply of receipt books that are issued to both Board of County Commissioners ("County") departments and Finance employees. Finance and the Clerk's Administration Department use these receipt books to record payments for insurance, copies, fees, etc. that are received. County departments utilize these receipt books for a variety of charges such as recreation fees, permit fees, etc. depending on the department's business operations. A paper form is used by Finance to issue the books to the County departments. A receipt book log is maintained in Finance for control and accountability of the issued receipt books.

The Court's Department has current Payment Management Procedures which contain a section for the use of manual receipt books and a section for voided receipts. These procedures outline the process for issuing and returning receipt books, restrict the sharing of receipt books, stipulate that receipt books should be secured when not in use, and outline the information that should be written on the manual and voided receipts. Court supervisors will routinely audit manual receipt books to ensure transactions are entered into the electronic recordkeeping system correctly. Courts provides their daily receipts to Finance for processing and deposit.

Finance has formal Cash Handling Policies and Procedures that outlines general cash controls, segregation of duties, collection of payments, and best practices for deposits and reconciliations. They also have an informal procedure document that details the day-to-day deposit functions. Finance receives receipts via courier or in-person from each department. A finance clerk will receipt all items into the accounting system the day received, if in the morning, or the following day, if received in the afternoon.

As a result of our 2008 review, certain recommendations for strengthening of controls were provided. In order to perform a follow-up to assess the implementation of recommendations provided in our report, IA conducted interviews with key personnel, reviewed the policies and procedures, and reviewed documentation provided by Finance and Courts staff to substantiate implementation of our recommendations.

Prior to the start of our audit fieldwork, Finance stated that as part of our review they would like to retrieve all receipt books in use by County departments and reissue sequentially numbered receipt books to only those departments where a need is determined. Finance asked that IA observe the retrieval and reissuance process. IA would like to commend Finance for taking this initiative. This process allowed Finance to have a better control over manual receipt books and provided the opportunity to discuss current procedures over the issuance, retrieval, and use of manual receipt books with each department.

Scope

Our follow-up review of the manual receipt book audit was conducted for the period of October 1, 2017 through August 31, 2018.

Objectives

The objectives of our inquiries and examination of records were to determine:

1. Whether procedures have been developed to restrict cashiers from writing on the yellow receipt copy without management approval;
2. Whether procedures have been developed to address timely deposit of cash receipts.

Methodology

The methodology utilized in this follow-up was to first interview the Finance Manager and Court Supervisors to gain an understanding of current policies and procedures and how IA's recommendations have been implemented. These interviews included discussion of activities since IA's previous audit and what procedures have been implemented to strengthen controls.

Upon completion of our initial interview, IA prepared a request list of documentation needed to perform our assessment of recommendation implementation. This request included all written policies and procedures currently in place that relate to receipt books and cash handling and all manual receipt book logs.

IA tested a sample of receipts issued between October 1, 2017 to August 31, 2018. A sample of 45 receipts from the Clerk Finance receipt books utilized by Finance and County departments and 37 receipts from the Courts receipt books were selected.

Although outside the scope of our follow-up audit procedures, IA observed the retrieval of all manual receipt books and the issuance of new sequentially ordered manual receipt books to County departments when deemed necessary.

IA reviewed all documentation and responses received by the Finance and Courts Departments, tested receipts, and performed interviews with employees. The results of our review of recommendation implementation are outlined at section, "Recommendation Review."

Overall Conclusion

Based on the results of the work performed, the Finance and Courts Departments provide good internal control over manually written receipts. In the opinion of Internal Audit, the system of internal controls over manual receipts is adequate. However, our previous recommendation for provisions to written policies and procedures for notations on receipts has not been implemented and cash receipts are not always recorded timely. As part of our follow-up certain other opportunities for improvement were also identified. We have provided the results of our Recommendation Review in the following section.

RECOMMEDATION
REVIEW

Below we have outlined the conditions and recommendations as reported in our December 2008 report along with the results of our follow-up assessment of the implementation of those recommendations.

1. Condition

Certain receipt books did not have a copy of the original manual receipt.

Recommendation

Internal Audit recommends a provision be developed and included in the procedure that restricts the cashiers from writing on the yellow receipt copy without management approval.

Follow-up Results

Current procedures do not include a provision restricting writing on the yellow receipt copy without approval, however IA noted all altered yellow receipt copies issued during the audit period had an explanation and supervisor sign off. IA commends the supervisors for properly approving and ensuring that any documentation on yellow receipts has a valid purpose and explanation and recommends that this control be memorialized within their written procedures.

Through inquiry and observation, IA notes that a supervisor in Courts at the DeFuniak Springs location reviews receipt books every 2 weeks to ensure that computer-generated receipts are affixed to all yellow copies of issued receipts and that both agree. This review is denoted by a supervisor sign-off on each yellow receipt. Receipt books at the South Walton Annex location are not receiving periodic supervisor review. The current Courts procedures state that receipt books should be reviewed and routinely audited. IA recommends that procedures provide specific timing for supervisor review of receipt books at least monthly. Management should also ensure that these reviews are conducted at each location.

Management's Response

The following response was provided by Linda Warren, Director of Court Services:

In response to the IA's recommendation to clarify the time frame requiring supervisor auditing of the manual receipt books; I do not feel it would be appropriate to shorten this responsibility to less than bi-monthly. Therefore, the written policy and my earlier oral directive to no less than every two weeks is now clearly stated as no less than bi-monthly in the Courts Cash Handling Policy.

The following response was provided by Hillary Parker, Clerk Finance Manager:

The South Walton Annex location is unique in that they accept both Court and County related payments. During the issuance of new receipt books, Finance reiterated to the South Walton Annex Supervisor, the Clerk Procedures that needed to be followed, even in the event monies are being collected for the BCC. Finance will continue efforts to remind and monitor compliance with policy regarding receipts.

2. Condition

The recording and deposit of some payments was delayed.

Recommendation

Internal Audit recommends that management develop a procedure which addresses the issue of cash receipts that are not deposited when received. Additionally, management should provide close oversight of all cash receipts that are held for deposit and include the review of any receipts held by a cashier out on leave.

Follow-up Results

Current procedures state that daily cash collections and system reports should be provided to Finance no later than the following business day of receipt for deposit. The finance cash receipts clerk should process the manual receipt book receipts, received via hand delivery or courier, on the day received.

To ensure the departments are following policy, IA tested a sample of receipts issued between October 1, 2017 to August 31, 2018. A sample of 45 receipts from the Clerk Finance receipt books utilized by Finance and County departments and 37 receipts from the Courts receipt books were selected. Of this sample, 20 County department receipts were not timely receipted in the accounting system. It appears that the delay of posting of these receipts is the result of departments not timely delivering receipts and monies to the Clerk's office. IA recommends that Finance reiterate with departments the importance of timely delivery of monies to the Clerk's office.

IA also noted 1 Courts receipt and 1 Official Records receipt, both issued by the South Walton Annex, that were not timely receipted into the accounting system. It appears that the delay of posting of these receipts is the result of the Clerk's office not timely processing the receipts when received by the Annex. IA recommends that Finance ensure that all receipts are processed on the day received.

Additionally, during our procedures, IA noted the following:

- Through observation IA noted that partially used and unused receipt books at the South Walton Courthouse and County Human Resources Department are not maintained in a secure, locked location when not in use. IA recommends that all receipt books should be secured in a locked location when not in use. At the South Walton Courthouse these books should be stored in the locked vault.
- During our observation of the retrieval and reissuance of receipt books, 26 receipt books were retrieved that were not included in Finance's receipt book log. 7 of these appeared to be receipt books that are issued by Finance and 19 were receipt books that the departments stated were purchased by the departments without notification of Finance. During reissuance, all departments were made aware of the appropriate procedures to follow when a manual receipt book is needed. IA also commends the Finance Department for the initiative to reissue new receipt books and create a new log which will correct this discrepancy. IA recommends the Board include in the policy that all receipt books be requested from the Clerk Finance department.
- Within the receipt books purchased by the County departments, IA noted a total of 10 receipts numbers where both copies of the receipt were missing. Procedures should specify that the original manual (white copy) receipt shall be given to the party making the payment, unless payment is voided, and all duplicate (yellow copy) copies of manual receipts shall be maintained in numerical order within cashiers assigned manual receipt book.

Management's Response

The following response was provided by Hillary Parker, Clerk Finance Manager:

Finance reiterated to each department, at the time of issuing new receipt books, of the importance in turning over cash receipts timely, as well as, the importance of locking up receipt books when they are not in use. As IA stated, Finance also explained proper protocol/procedures to each department as new receipt books were issued. Finance will continue efforts to remind and monitor county departments compliance with policy when submitting receipts.