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Report No. A19-012

Follow-Up of Prior Audit Recommendations – Court Information System – Cash Management Collections Processes

June 10, 2019

Mark S. Swann
City Auditor

Objective and Scope

The objective of this audit was to evaluate management's implementation of audit recommendations from the *Audit of Court Information System- Cash Management Collections Processes* (Report No. A17-012). The audit scope covered audit recommendations management implemented as of September 30, 2018. However, certain other matters, procedures, and transactions outside that period were reviewed to understand and verify information during the audit period.

What We Recommend

Although we did not provide additional recommendations as a result of this follow-up audit, management should continue efforts to mitigate risks identified in the *Audit of the Court Information System – Cash Management Collections Processes*, (Report No. A17-012).

Background

The Office of the City Auditor issued the *Audit of the Court Information System – Cash Management Collections Processes* (Report No. A17-012) in September 2017 with 12 recommendations related to cash management. The audit observations for the Department of Court and Detention Services were:

- Certain personnel have Incode system user access that is not appropriate for their job duties (five recommendations)
- User access and transaction logs reviews did not include the methodology and the associated results for each review (three recommendations)
- Requirements to: (1) change the vault combination timely when an employee resigned; (2) verify the accuracy of the change fund; (3) conduct surprise till audits and verify vault cash; and, (4) adequately document the daily closeout summaries; were not consistently followed (four recommendations)

What We Found

The Department of Court and Detention Services has implemented nine out of 12 audit recommendations, and management accepted the risks associated with the remaining three recommendations that were not implemented.

Additional details regarding the status of recommendation implementation can be found in [Appendix A](#).

Audit Results

The risks management accepted consist of the following observations:

- The Department of Court and Detention Services did not properly configure user profiles in the Incode system. As a result, segregation of duties is not present to prevent opportunities to:
 - Misappropriate cash payments
 - Conceal theft
- The Department of Court and Detention Services did not comply with its procedure in auditing the cash vault and cashier tills at the Marshal's Office. Non-compliance with cash audit procedures increases financial risk and does not properly safeguard cash.

The Office of the City Auditor will not conduct any further follow-up on these three recommendations but will consider the risks in determining future audit coverage as part of the annual audit plan. Please [see Appendix A](#) for the status of each recommendation.

Methodology

The audit methodology included requesting management of the Department of Court and Detention Services to report on the implementation status of 12 recommendations. The auditors also interviewed the Department of Court and Detention Services personnel, reviewed departmental policies and procedures, and analyzed departmental records.

This performance audit was conducted in accordance with generally accepted government auditing standards. 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Major Contributors to the Report

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Appendix A: Status of Implementation as of September 30, 2018

No.	Audit Recommendation	Auditor Verification of Results
1	<p>Ensure that: (1) the Incode system user access is further segregated to reduce the risk that a cash misappropriation could occur and remain undetected, and (2) additional internal controls are implemented to mitigate the risk if duties cannot be segregated.</p> <p>Status: Incompatible job functions were not segregated in the Incode system. For example, certain users who should not void transactions were able to void transactions due to improper Incode user settings.</p>	Not Implemented/ Management Accepts Risk
2	<p>Ensure the Department of Court and Detention Services personnel duties are appropriately segregated in the "Incode Profile Liability Matrix" (CTS-FRM-926).</p>	Implemented
3	<p>Ensure the Department Court and Detention Services users' actual access to the Incode system is aligned with any segregation of duties changes made to the CTS-FRM-926.</p> <p>Status: There were 26 instances where the Incode user access was not configured according to the CTS-FROM-926 Liability Profile Matrix to ensure segregation of duties.</p>	Not Implemented/ Management Accepts Risk
4	<p>Ensure the Department of Court and Detention Services periodically monitors that segregation of duties is appropriate by comparing the user profiles in the aligned CTS-FRM-926 to the user profiles established in the Incode system.</p>	Implemented
5	<p>Ensure collection Supervisors and the Collection Manager can void cash payments without Incode System Administrator Level access to the Incode system or implement additional internal controls to mitigate these risks.</p>	Implemented
6	<p>Update the Revised CTS-PRO-906, Incode User Access Auditing (CTS-PRO-906) by including the methodology and documentation requirements for the user access reviews to ensure inappropriate user access issues are identified and timely corrected.</p>	Implemented
7	<p>Update the Revised CTS-PRO-906 by including the methodology and documentation requirements for the transaction logs reviews to ensure: (1) the sample selection is statistically valid and produces a relevant estimate of the true presence of errors in the total population of the Department Court and Detention Services transactions; and, (2) errors and anomalies are identified and timely corrected.</p>	Implemented
8	<p>Ensure the Incode system user access and transaction logs reviews are conducted in accordance with the updated Revised CTS-PRO-906 at least once per year, including formally and consistently documenting the: (1) user access review methodology; (2) transaction logs reviews methodology, including the sample selection; (3) results of the Incode system user access and transaction logs reviews; and, (4) actions taken to investigate and correct errors and anomalies identified.</p>	Implemented

No.	Audit Recommendation	Auditor Verification of Results
9	Improve compliance and oversight of cash management collections processes for fines and fees by requiring the Court and Detention Services Collections, Correspondence and Bonds Division personnel to update the vault combination timely when a manager, supervisor or team leader change occurs.	Implemented
10	Improve compliance and oversight of cash management collections processes for fines and fees by requiring the Court and Detention Services Collections, Correspondence and Bonds Division personnel to develop and implement a change fund verification schedule for personnel assigned to verify and count the change fund on daily basis.	Implemented
11	<p>Improve compliance and oversight of cash management collections processes for fines and fees by requiring the Department of Court and Detention Services Finance and Accounting Division personnel to conduct till and vault audits.</p> <p>Status: The Department of Court and Detention Services did not conduct monthly cash vault audits at the Marshal's Office.</p>	Not Implemented/ Management Accepts Risk
12	Improve compliance and oversight of cash management collections processes for fines and fees by requiring the Department of Court and Detention Services Collections, Correspondence and Bonds Division personnel to evaluate the need for Closeout Summaries, update the CTS-WKI-504, End of Day Closeout, Discrepancies, Disciplinary Action (CTS-WKI-504) accordingly, and consistently follow the updated CTS-WKI-504.	Implemented