



Columbus Consolidated Government

Georgia's First Consolidated Government

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**INTERNAL AUDIT OF
ADULT PROBATION OFFICE
FINAL DATE: OCTOBER 7, 2014**

AUDIT AUTHORIZATION

In June 2014, Larry Love, Circuit Court Administrator contacted Internal Audit Department and requested a transition audit of the Adult Probation Office (APO) due to the retirement of the current APO manager. The City Council authorized the audit on June 10, 2014. The audit began July 23, 2014 during the administration of Mayor Teresa P. Tomlinson.

BACKGROUND/HISTORY

The APO collects and disburses court order payments for spousal support; child support; court ordered fees and expenses; and restitution. The APO acts as a clearinghouse for payments and is strictly transactional and does not send out past-due collection notices or have powers of enforcement of court orders. The APO processes approximately 7,500 payments per year. There are approximately 600 active cases. An active case is one that is currently receiving payments. In recent years the number of cases assigned to the APO has declined as more cases are assigned to the state collection system. The APO opens approximately 125 new cases per year. Some open cases date from the 1970's. The current number of open cases has not been established. The APO is managed by Circuit Court Administrator and is under the jurisdiction of Chief Judge Gil McBride. Cases can be received from any court in the Muscogee County area. It should also be noted that new restitution accounts are no longer being sent to the APO but are now processed by Georgia Department of Corrections.

AUDIT SCOPE

At the request of Mr. Love and Judge McBride, the audit scope was expanded from a transition audit to include an operational audit to review workflow, administrative activities, and computer functionality.

AUDIT PROCESS

The audit process began with the City Council's authorization. An initial meeting with Mr. Love and the APO staff was held on July 23, 2014. The staff was informed of the audit. The auditor explained the purpose of the audit and general description of the audit process that would include discussions with staff; and reviewing computer system, bank records, accounting documents, case files, and reports. The auditor also explained that field work would be performed on site. Following the field work, a draft report is presented to Mr. Love and Judge McBride for review, discussion, and response. A final report including the departmental response is then prepared and distributed to the Mr. Love, Judge McBride, Mayor, and City Council concurrently. A presentation to City Council is scheduled to address any questions or concerns and to make the report available to the public. The auditor conducts follow-up at a later date to insure that agreed upon recommendations have been implemented and are properly functioning.

MEETING/EXIT CONFERENCE

At the request of Judge McBride, a meeting was held on September 26, 2014 to discuss the findings and recommendations made by the auditor in the auditor's draft report. The decisions regarding certain recommendation made at this meeting are included with the auditor's recommendations in each section. Participants of the meeting included Chief Judge Gil McBride; Larry Love, Circuit Court Administrator; Ashley Wright, APO Manger; John Redmond, Internal Auditor; and Joan Perin, Forensic Auditor.

A. CURRENT OPERATIONS

FOCUS

The initial focus of the audit was to evaluate the current operational and administrative activities, including court ordered payments and corresponding disbursements; banking; and reporting.

AUDIT PROCESS

The auditor spoke with the APO staff; observed payment processing activity and end of day balancing procedures; reviewed daily reports and other administrative activities; and counted cash draws and cash bank.

FINDINGS

Court ordered payments can either be mailed to the APO or brought to the APO office. The APO accepts cash, checks, cashier's checks, and money orders. Payments from military personnel are processed by bank ACH transactions. The APO manager is responsible for going to the post office every day to retrieve the mail. Payments are posted on day of receipt. Disbursements to recipients of the court ordered payments are automatically processed when the payment is posted. Checks are processed by Information Technology Department (IT) on a daily basis. The APO manager retrieves the checks from IT department and checks are mailed daily.

In 2013 the monthly average number of court order payments processed was 623 payments per month. The monthly average number of court order payment processed for 2014 thus far is 559 per month. This is a volume reduction of 10.5%. The heaviest volume is the first week of the month and then a slight peak mid-month. Daily average number of court ordered payments received both by mail and walk-in for 1st quarter of 2014 was 28 payments per day. For this period, the highest day volume was 129 payments and the lowest day volume was 3 payments. It is estimated by the APO staff that approximately one third of the payments are walk in or about 10 per day and the remaining two thirds are via mail.

In addition to accepting and posting payments received via mail, the staff spends an estimated 3 to 4 hours a day on the telephone answering calls regarding payment status and other account related issues. People also stop by to pick up checks and obtain copies of their account.

The APO is currently located in the East Wing of the Government Center and is a stand-alone operation. The office is open from 8:30 a.m. to 5:00 p.m. daily with the exception of weekends and holidays.

There are currently two bank accounts in SunTrust for the APO. One account is the main account and the other is an account that contains \$8,240.35. The second account was established to hold Restitutions in Abeyance funds. The last check written from this account was in March 2009 and the balance in this account has not been more than approximately \$10,000 in the last decade. Deposits are prepared daily and taken to the bank by the APO manager. Account analysis fees charged by SunTrust for the year 2013 were over \$3,300.00.

Administration fees collected from court ordered payers are remitted to CCG via a manual check. Bank charges are reimbursed to the bank account via a check request submitted to CCG finance.

The cash drawers were counted and found to be correct.

In general the processes in place were adequate and performed by the staff in a competent manner.

RECOMMENDATIONS

Holding Time for Recipient Checks

Although returned checks from court ordered payers are not a major issue, some checks are rejected. The current computer system does not track these rejected checks and it was observed that there is no follow up to insure collection of the rejected check. By releasing the recipient payment immediately, the APO has paid out money that is not received. A policy to hold recipient checks a minimum of 10 business days to minimize the probability of disbursing funds that has not been received would be prudent.

- Personal checks are not accepted however the APO did accept payments processed by a bill payer system. Most of the rejected checks were from individuals using bill payer processing. The decision was made to no longer allow this form of payment. Recipient checks stemming from payments received Monday through Friday will be released on the following Friday. The payers and recipients will be notified that this change will be effective October 15, 2014.

Offering ACH Bank Transfers to Payers and Direct Deposit to Recipients

ACH bank transfers and direct deposits would be a safe, convenient, and reliable way to for payers to send payments to the APO and recipients to receive payments from the APO.

Many payers have inquired about the availability of ACH bank transfers. ACH transfers are already in use for military payers. Employers of many payers use payroll services such as ADP and ACH transfers would be a preferred method of payment delivery. Many larger employers who process their own payroll would also make use of ACH bank transfers.

Offering direct deposit to recipients would provide recipients a safer and quicker way to receive their money. If a recipient does not have a bank account, many institutions are happy to set one up for no charge for accounts that receive a direct deposit. Direct deposit disbursements for recipients would be beneficial to APO in two major ways. It would reduce postage cost and eliminate check processing expense. It would also mitigate checks lost in the mail requiring stop payment action and reissuance of a check. It would potentially reduce the number of people who come to the APO to pick-up their check. A consideration should be given to phasing in a requirement that all disbursements must be through direct deposit. This would further streamline APO operations and reduce expenses while providing recipients a safer and quicker ways to receive their money.

- It was agreed that ADP would be contacted and offered the opportunity to use ACH for the remittance of withheld court ordered payments from paychecks. Employers who submit payments for employees would also be contacted and offered the ACH service.
- Recipients would also be notified and offered the ability to receive funds via a direct deposit. The direct deposit transmission would be processed every Friday following the check release schedule for mailed payments.

Banking Fees

The APO manager informed the auditor that steps have been taken to reduce the account analysis fees charged by SunTrust. Changes have been made effective September 1 which will be reflected in October's bank statement. Account analysis fees should be monitored to seek options for further reductions.

Deposit Logistics

The previous APO manger was going to the bank alone to make the daily bank deposits. The issue of personal safety was recently questioned. The APO manager is now driven to the bank by a Sheriff's Deputy. This takes 30-45 minutes per day. When considering the cost of the APO manager's time and the Sheriff's Deputy's time plus the use of a vehicle, this may not be the most effective procedure for making deposits. An informal poll of other CCG departments and offices revealed that most deposits are taken to the bank by an employee without the benefit of an escort.

In effort to minimize risk, the APO should consider not accepting cash as a form of payment. If the APO management is uncomfortable with the APO manager making the deposit trip alone, then a consideration should be given to using sealed drop-off deposit bags. Deposits could then be given to the Sheriff's Department to take to the bank depository at a convenient time that would be more cost effective for the Sheriff's office. The cost of an approved bag is approximately thirty cents each.

- The APO will no longer accept cash which will reduce the risk of robbery when making a bank deposit. The APO manager indicated that she was comfortable going to the bank by herself using her personal vehicle. The APO will discontinue using the Sheriff's Deputy as an escort to the bank.

Public Office Hours

The APO office accepts payments from 8:30 a.m. to 5:00 p.m. which coincide with the workday. This creates end of day balancing issues when someone walks in at 4:59 p.m. to make a payment. Closing the office to the public at 4:30 would allow the staff enough time to balance their daily deposits and be ready set up for the next day.

- Notices were posted that public hours of the APO would change effective September 15, 2014.

Restitutions in Abeyance Bank Account

According to current records, the total of funds held for Restitutions in Abeyance is \$48,790.39 however it appears that the Restitutions in Abeyance funds have not been segregated into the second account and the majority of the funds are in the main account. Therefore, the second

account with the balance of \$8,240.35 serves no purpose and should be closed and the balance of funds moved to the main account. This should also help lower the monthly bank analysis fee.

- On September 8, 2014 funds from the second account were transferred to the main account and the second account was subsequently closed on October 6, 2014.

Name

The name of Adult Probation Office is derived from the original statutes under which this department was formed. However, the name has never been representative of the function of the office. This office is a clearinghouse for court order payments for spousal support; child support; court ordered fees and expenses; and restitution. A consideration should be given to rename the department to clearly reflect its purpose and function.

- A proposed name change from Adult Probation Office to Office of Court Ordered Payments was put forth.

B. RECONCILIATION OF FUNDS

FOCUS

The bank account should be reconciled to court ordered payments received and disbursed monthly to insure that all funds are properly accounted.

AUDIT PROCESS

Based on bank statements and daily ledger reports, the auditor created Excel spreadsheets to analyze and reconcile the bank account to cash received and disbursed.

FINDINGS

A quasi- bank reconciliation is performed by the IT department. The purpose of the IT reconciliation is to review bank transactions for legitimacy. Disbursement adjustments are submitted to IT via a hand written adjustment sheet for bank reconciliation purposes. The IT bank reconciliation process does not interface with the accounts. The bank account balance is not reconciled to the APO accounts.

The auditor reconciled the bank account balance to the payment received and disbursed for the period January through August 2014. The auditor determined that there is an unidentified overage in the SunTrust Bank account of \$6,136.51.

When reviewing the IT bank account reconciliation the auditor noted that 621 outstanding checks dating from 1991 through 2013 totaling \$119,255.36 were listed as outstanding. In addition to this amount, records dating from 1959 through 1992 reported \$43,333.01 of unpaid disbursements. Total amount of unclaimed payments prior to 2014 is \$162,588.37

It should be noted that the auditor's reconciliation was based on certain starting assumptions, which included presumed deposit of funds from unpaid disbursements for the period 1959 through 1992, deposit of Restitutions in Abeyance funds, and pre-January 1, 2014 activity.

RECOMMENDATIONS

Reconciliation

The bank account should be reconciled monthly to receipts and disbursements reports to maintain the integrity of the accounting for funds.

- The APO manger will reconcile the bank accounts to receipts and disbursements reports monthly.

Stale-Dated Checks and Unclaimed Funds

There are approximately 375 accounts affected by stale-dated checks totaling over \$119,000. Additionally, another \$43,333 of undisbursed money from period 1959 through 1992 remains in the bank account. All unclaimed payments should be reviewed and researched for appropriate

action. Funds for recipients that cannot be located should be submitted to the state as unclaimed funds.

- The APO manger and the auditor will develop a plan for researching and disbursing stale dated and unclaimed funds.

Account Overage

The reconciliation revealed an unidentified overage in the bank account of \$6,136.51.

C. STAFFING

FOCUS

The issue of staffing and location of office should be reviewed for efficiency and public convenience.

AUDIT PROCESS

The auditor spoke with the APO staff; observed payment processing activity; and reviewed daily reports.

FINDINGS

Staff includes a manager and two clerk positions. Debra Densmore, APO Manager, retired July 31, 2014. Ms. Densmore was employed in APO for 15 years. She was in the manager's position for the last 3 years. Ms. Densmore retired from CCG with 19 years of service. Neither of the current clerks wanted to assume the manager's position and Ms. Ashley Wright was hired to replace Ms. Densmore. Ms. Wright was a Deputy Clerk for 5 years in the Clerk of Superior Court's Office.

Based on the current volume of payments and that fewer cases are being referred to the APO, as demonstrated in previous sections of this report, a reduction of staff should be considered. As long as the APO is a standalone office there is a need for at least 2 to 2.5 FTE. If staff was reduced to 2 FTE no coverage for lunch and breaks would be available if one staff member was out. If the additional half FTE was added than staff would be available for coverage even if one staff member was out.

One way to avoid the additional staff requirement is to physically combine the APO function with another financial transaction office such as magistrate court or revenue division of CCG finance department. The APO would maintain its departmental integrity but would share physical space with another department. This would enable another department to provide limited coverage to accept walk-in payments as needed.

At this point it should be noted that APO for Muscogee County is the only remaining APO in the state of Georgia. All other APOs have been merged into other departments that process payments.

RECOMMENDATIONS

Staffing and Location

The APO is in the process of reducing staff by .5 FTE. This reduction will be effective no later than October 31, 2014. Additional consideration should be given to physically combining the APO with a similar operation to provide cost effective cross-coverage.

D. COMPUTER SYSTEM

FOCUS

Review of the reliability, usability, and viability of the current computer system used to support APO payments, disbursements, and reporting.

AUDIT PROCESS

The auditor spoke with APO staff; observed payment processing activity, and reviewed reports.

FINDINGS

The current computer system was instituted in the late 1980s and is based on the mainframe system supported by IT. Although the current system produces checks the overall usability of the system and reliability of information contained in the system is not satisfactory.

In addition to routine functions such as the ability to page backward to a previous screen or lookup an account by an issued check number, the system's major deficiency is in the design of the system that does not allow tracking of void or reissued checks, no report writing feature, and inability to archive account data.

Checks issued to recipients are linked to payments received. The payments and checks carry the same date. The problem is demonstrated by the following scenario. A check is issued in January 2014 but is never cashed. The recipient calls in March 2014 and states that the check is lost in mail and asks for the check to be reissued. The system does not allow for the new check to be entered in the system with the current March 2014 date. Unless a note is written in the note section of the file, there is no documentation of the lost check and its replacement. It is possible to edit the old check number but the date cannot be edited or it would change the date of record for the receipt of payment. Additionally the new replacement check must be manually written. Based on this information the auditor believes that print screens of accounts used to provide information to payers, recipients, attorneys, and courts maybe inaccurate and should not be relied upon as fact.

Although the system calculates arrearage of a balance of a court ordered settlement and tracks payment shortage on required payments, the APO staff does not rely on the calculation because it had proved to be unreliable in the past.

There are many other issues that include problems with account look-ups, conflicting use of fields when posting payments, erasing data to enter new orders, closing account procedures, account management with multiple orders, and inability to generate on demand user reports.

Availability and accuracy of current system reports is an issue. It should be noted that while performing the audit, the auditor requested from IT several reports (total deposits and checks for 2013-2014) and IT was unable to generate these reports. An example of report unreliability is the Service Charge Report. At the end of the month a system report is generated that lists all

payments with associated service charges. However this report does not accurately reflect any charge reversals from moving of payments from one account to another. This error was noted when reviewing the report for June 2014.

The final concern in regards to the current computer system is the future ability of IT to support this program. The primary IT support person for this system will be retiring in the next 18 months.

RECOMMENDATIONS

New software

Given the current limitations and concerns with the current system revolving around reliability, usability, and viability, it is recommended that a new software system is installed. The structure and design of the current software on the mainframe system is such that patches will not make the system usable and reliable. A PC based software system would be an appropriate choice for the APO.

A PC based system would provide several benefits over a main frame system:

- Shorter installation lead time to purchase an existing PC based software over developing a new mainframe program for the APO
- More cost effective to purchase existing software than to develop, implement, and maintain a new mainframe program
- Easily customized to meet changing needs of the APO
- Flexibility to generate on demand reports
- Reduce dependence on IT for everyday operational issues
- Upgrades of software and user support by technical staff devoted to the software

The auditor is currently conducting a search to identify potential software programs to meet the needs of the APO.

Joan C. Perin

10/07/2014

Joan C. Perin, Forensic Auditor

Date