



Douglas County Internal Audit

December 13, 2012

Douglas County Board of Commissioners
1819 Farnam Street, Suite LC2
Omaha, NE 68183

Attention: Marc Kraft, Mary Ann Borgeson, Clare Duda, Mike Boyle, PJ Morgan,
Chris Rodgers and Pam Tusa

Dear Commissioners and Officials:

I have completed an audit of Douglas County cash-handling processes. The purpose of the audit was to assess the adequacy of the control processes used to receive and disburse cash outside of the main functional offices of the Treasurer and Clerk/Comptroller. Generally accepted practices for processing cash with an emphasis on segregation of duties were used as the criteria to assess the adequacy of the design of each process. The audit revealed that there were weaknesses related mainly to inappropriate segregation of duties. Opportunities to improve controls were identified and appear below.

Background

The majority of cash receipts (i.e., checks, wires, notes) and disbursements flow through the Treasurer and Clerk/Comptroller offices. However, there is a significant amount of money that is collected and disbursed outside of these offices. Many of the locations handling cash outside of the Treasurer and Clerk/Comptroller offices have small staffs that handle the financial transactions. Limited staffing presents greater difficulty in segregating duties to prevent and detect financial errors and theft. In light of higher risks associated with limited staffs, an assessment of the control processes used at these off-site locations was included in the audit plan for this year.

Because of the limited resources within Internal Audit, all areas could not be included in this project. Areas previously audited, very small functions (less than \$5,000 a year in transactions), areas scheduled for a future audit, and areas deemed large enough that a separate project would be warranted were excluded. The areas included in the assessment appear in the table below:

| Department | Annual Receipts/ Disbursements |
|---|---|
| Health Department - Clinics, Food and Drink, and Sanitary Engineering | \$50,000 |
| Health Department - Vital Statistics | \$527,000 |
| County Attorney - Bad Checks & Admin | \$658,000 |
| Register of Deeds | \$2,932,000 |
| Sheriff - Civil Division | \$431,000 |
| Sheriff - Records | \$28,000 |
| Sheriff - Fingerprinting and Gun Permits | \$49,000 |
| Sheriff - Title Inspections & Towing | \$333,000 |
| Sheriff - Petty Cash Disbursements | \$5,000 |

Objective

The purpose of the audit was to assess the adequacy of the control processes used to receive and disburse cash. Specifically, the controls were assessed to see that they accomplished the following objectives:

- Accountability for cash receipts should be established to detect misdirected cash and should include verification that deposits were made intact.
- Access to accounts receivable and cash receipt information and processes should only be provided in accordance with management's approval which provides for adequate segregation of duties.
- Each disbursement of cash should be based upon a recognized liability, be accurately prepared and properly authorized.
- Cash Disbursement functions should be adequately segregated to prevent and detect unauthorized disbursements.
- Management should periodically substantiate and evaluate recorded balances for cash accounts.

Scope

The policies and procedures in effect as of September and October of 2012 were used to assess the design of the controls.

Methodology

The information documented by Internal Audit was obtained by reviewing written policies and procedures, interviews, and observations of the processes and systems in place. System access listings for Oracle were generated by Internal Audit and provided by DOT.Comm for main frame systems which were used in assessing segregation of duties. The documentation was compiled and summarized in process flowcharts that were reviewed by the individual departments for accuracy. These process flows served as the primary basis for assessing the controls in place.

The issues identified appear in the Findings section below:

Findings

Health Department

Criteria: Access to accounts receivable and cash receipt information and processes should only be provided in accordance with management's approval which should include provisions for adequate segregation of duties designed to prevent and detect errors and irregularities. Disbursement functions should be adequately segregated to prevent and detect unauthorized disbursements.

Condition: Conflicts of duties for persons serving customers and processing cash receipts were noted as follows:

- The secretaries for Sanitary Engineering and Food and Drink had access to receipts and the permits and licenses.
- The receipt control numbers entered into the Paradox database by the Executive Secretary were not independently verified for sequential continuity and were not independently verified by the department secretaries or supervisors to see that the receipts were included in the deposit.
- The Vital Statistic clerks who take in payments for records had access to the seal and signature plate for the documents they generate.
- The Vital Statistics iNovah computers are configured to require supervisory voids, but there is no independent review by management of the void activity.

Effect: The primary effect of the above items is to provide employees the ability to convert assets to personal use and possibly avoid detection. This could be accomplished by employees providing the services or records and not processing the transactions in the receipting systems. This is true of all employees who had access to the various vital records and permits and licenses and also processed the related receipts. Persons who handled receipts and posted the receivable transactions also had the same opportunity. Not using the void reporting resulted in management not being able to detect any errors or irregularities that may have occurred through improperly voided transactions.

Cause: There are no county-wide guidelines in place for cash-handling processes. The department was not aware of existing reporting in place to help prevent errors and irregularities and monitor cash-handling activity. Limited staff makes it difficult to segregate duties.

Recommendation: Nebraska State Statute § **23-1401** states "The county comptroller shall act as the general accountant and fiscal agent of the county and shall exercise a general supervision over all officers of the county charged in any manner with the receipt, collection, or disbursement of the county revenue." The Clerk/Comptroller office should provide a set of cash-handling guidelines to reduce the risks that are inherent with handling receipts and disbursements outside of the main offices where the bulk of receipts and disbursements are normally processed. The guidelines should include consideration of appropriate segregation of duties and instructions on how to properly reconcile bank accounts including appropriate review. This recommendation applies to all the conditions included in this report.

Management Response: The Clerk/Comptroller concurs and will provide county-wide cash handling guidelines and information on how to properly reconcile bank accounts to all county offices/departments. The first draft has already been prepared and was reviewed by Internal Audit.

In addition to the guidelines recommended above, consider the following specific recommendations to help address the above issues.

Clinics, Sanitary Engineering, and Food and Drink

Recommendation: Consider using iNovah to make it easier to track transactions rather than using the manual receipting process. The persons who process the receipts should not have access to the various permits and licenses that should only be issued once there is proof that the payment was receipted in iNovah. If iNovah is not used, the manual receipt numbers should be verified for sequential integrity. The persons who sign or issue the permits and licenses or provide the services should verify that the receipt numbers and amounts related to the transactions are included in the weekly deposits. In either case, the persons who receive the payments should not have access to the permits and licenses.

Management Response: With respect to your suggestion that we consider using iNovah in the clinic, sanitary engineering and food & drink sections, I agree that implementing iNovah in those areas would not only be prudent from the internal control perspective, but also from an efficiency perspective as well. I started that dialogue some time ago with the Treasurer's office, so I will use your letter as a basis to get that moving forward again. (The Treasurer's office does the end-user set-ups and configuration of iNovah.)

A second issue you raised is the control measures designed to separate the taking of the cash and issuing the receipt therefore from the printing and issuance of the permit(s) in food & drink and sanitary engineering. The way we intend to handle that (now that we have moved from the civic center) would be to have one of the accountants print the permits upon being presented with a copy of the receipt evidencing the receipt of cash (or other form of payment). [Note: Prior to our move to the Midtown Campus, those items were printed by another office within the civic center.]

Vital Statistics

Recommendation: Determine if there is data available from the State and County systems that can provide the number of records generated each day. This could be used to compare to the number of transactions processed in iNovah. If this is not possible, consider requiring an employee other than the one who generated the record to apply the appropriate date, signature and seal on the record after presentation of an iNovah receipt.

Configure iNovah to provide access to an existing report listing voids and adjustments for the day. The report should be reviewed by supervisory personnel that do not have the ability to process voids.

Management Response: Per your recommendation, I have asked the Supervisor of Vital Statistics to find out from the State if their system is able to generate data reflecting how many items were printed. However, because those items are printed locally, we are not optimistic in that regard. Assuming that to be the case, we need to focus on the alternative you propose. The Supervisor of Vital Statistics believes that having a different staff person affix the seal and signature to the certificates upon presentation of an iNovah receipt will double the workload by requiring, in essence, two staff to process a single transaction. That would also negatively impact the number of transactions that could be processed thereby making the people in line rather 'unhappy.' As a compromise, we will ask Vital Statistics, on a trial basis, to have each cash transaction verified by either the Supervisor or the Lead Vital Statistics Clerk (matching the receipt to the number of items sold).

Finally, we will inquire as to the ability of generating a report that will list voids and adjustments on a daily basis. Those reports would be reviewed by either the Division Chief over the Vital Statistics section or accounting staff.

Sheriff Offices

Records

Criteria: Access to accounts receivable and cash receipt information and processes should only be provided in accordance with management's approval which should include provisions for adequate segregation of duties designed to prevent and detect errors and irregularities.

Condition: The following conditions in the Records office were noted:

- The Law Enforcement Technicians (LETs) who received cash also had access to and provided law enforcement records to customers.
- LETs using the iNovah cashiering system shared log-on credentials.
- The iNovah computer used was not configured to require voids be processed by a supervisor.
- iNovah computers were not configured to provide access to reports providing the employees' void and adjustment activity.

Effect: The primary effect of the above items is to provide employees the ability to convert assets to personal use and possibly avoid detection as follows:

- The LETs could provide records and take the payments without processing the transactions in iNovah.
- LETs could process the transactions, take the customer payment, and void the transaction while still providing the customer a receipt.
- Not using the void reporting resulted in management not being able to detect any errors or irregularities that may have occurred through improperly voided transactions.
- Sharing an iNovah log-on meant that any errors or irregularities in processing the receipts could not be traced to a single user.

Cause: There are no county-wide guidelines in place for cash-handling processes. The division was not aware of existing processing controls and reporting in place to help prevent errors and irregularities and monitor cash-handling activity. Limited staff makes it difficult to segregate duties.

Recommendation: Determine if the systems being accessed can generate data showing the number of records that were generated. This could be used to compare to iNovah for the number of transactions processed. If this is not possible, consider requiring an employee other than the one who processed the iNovah transaction receipt generate the requested record after presentation of an iNovah receipt.

Management Response: Possible Solutions appear below:

1. The majority of the \$28,000 in annual transactions completed by the Records Division is in the form of Criminal History Dissemination fees (approximately 70%). The initial step in the criminal history dissemination process for customers is for the employee to fill out a computer screen with “demand” information. A required “demand” information box on the computer screen does ask the employee for a receipt number and method of payment. The Sheriff’s Office believes that this demand information on the computer screen acts a mechanism to track and match the number of customer transactions and record disseminations.

Every morning the Records Division runs a log of each cash/check/no charge record check from the previous day. I can match this log to the hard copy record checks if need be. (It is estimated that this process could start within one week if approved)

- a. The other two types of customer transactions completed by the Records Divisions that make up a smaller overall portion of our annual \$28,000 in business are related to handgun permit and report sales (approximately 30%). Currently there is not a viable solution to track these types of sales as we do with criminal history disseminations.

The most efficient way we currently operate is to have one employee handle the entire transaction as we are now doing. Employees in the division are already multi-tasking other than the customer service window. By adding a second employee to the process so the receipt portion and the record portion are handled separately is possible but more labor intensive for the division. Instead of one employee stopping what they are doing when a customer walks up to the transaction window, it will now require two employees stop what they are doing (answering phones, filing, entering data into the computer, reviewing documents, etc.). (It is estimated that this process could start within one month if approved but could be delayed up to 2 months if it is determined that additional staffing would need to be hired to facilitate the new process.)

2. Adding an internal surveillance camera near the cash drawer and cashiering window would be another way to work towards a solution to the listed issue. (It is estimated that this option could be installed and implemented within 2 months if approved.)

Recommendation: Consider using more than one computer with iNovah to process cash transactions. If this is not possible, assign separate duties for processing cash and providing

records. If another employee must process transactions, perform a cash count that is witnessed by the employee leaving the cash drawer. Document the count by recording the cash and initials of the witnesses.

Management Response: Possible Solutions appear below:

1. The most appealing solution for the agency would be for iNovah to add an easy to access log on for each employee to quickly get into the system once it is up and running, and log off if they walk away from the one computer. This would require each employee using the machine to log on and off each time. As it currently stands the only log on and log off process we are aware of is the longer version we now do in the morning and at the end of the day. (The time frame to implement this option would be dependent upon iNovah's schedule.)
2. A second option would be assigning a single employee to run the cash drawer for designated periods of time during the work day and switching at strategic times, such as when one person goes to lunch or comes back. The concern with this option is due to the fact employees are multi-tasking around the office and could be pulled away from the cashiering system even though they may be the designated person "logged on". (It is estimated that this option could be implemented within a week if approved.)
3. Installation of second computer is possible but likely to cost unbudgeted funds along with labor to set up. The space for a second cashiering computer system in the office is a concern. Additional cash drawers would also be needed with additional monetary "floats" in each one. (It is estimated that this option could be implemented within two months if approved.)
4. Adding an internal surveillance camera near the cash drawer and cashiering window would be another way to work towards a solution to the listed issue. (It is estimated that this option could be installed and implemented within 2 months if approved.)

Recommendation: Configure iNovah to require a supervisor log-in to process voids and provide access to the report showing voids and adjustments for the day. The report should be reviewed by supervisory personnel that do not have the ability to process voids.

Management Response: Possible Solutions appear below:

1. Require all customer transaction voids need a supervisor approval. Re-configure the iNovah system so if an employee needs to void something they would have to locate a designated supervisor who would have an override code (Records Manager, Lieutenant, and Captain). Supervisors would need training on how to log in to override transactions. (It is estimated that this option could be implemented within two months if approved.)
2. Adding an internal surveillance camera near the cash drawer and cashiering window would be another way to work towards a solution to the listed issue. (It is estimated that this option could be installed and implemented within 2 months if approved.)
3. The designated Supervisor would pull the voids from the system once a month and check this list against void receipts. Any questionable voided transactions will be investigated by the Supervisor or his/her representative. (It is estimated that this option could be implemented within two months if approved.)

Fingerprinting and Gun Permits

Criteria: Access to accounts receivable and cash receipt information and processes should only be provided in accordance with management's approval which should include provisions for adequate segregation of duties designed to prevent and detect errors and irregularities.

Condition: The following conditions in the Records office were noted:

- The LETs that processed receipts for fingerprinting and gun permits also performed the fingerprinting and had access to and provided gun permits to customers.
- LETs using the iNovah cashiering system shared log-on credentials.
- The iNovah computer used was not configured to require voids be processed by a supervisor.
- iNovah computers were not configured to provide access to reports providing the employees' void and adjustment activity.

Effect: The primary effect of the above items is to provide employees the ability to convert assets to personal use and possibly avoid detection as follows:

- LETs could fingerprint customers and provide gun permits, take the payments and not process the transactions in iNovah.
- LETs could process a transaction, take the customer payment, and void the transaction while still providing the customer a receipt.
- Not using the void reporting resulted in management not being able to detect any errors or irregularities that may have occurred through improperly voided transactions.
- Sharing an iNovah log-on meant that any errors or irregularities in processing the receipts could not be traced to a single user.

Cause: There are no county-wide guidelines in place for cash-handling processes. The division was not aware of existing processing controls and reporting in place to help prevent errors and irregularities and monitor cash-handling activity. Limited staff makes it difficult to segregate duties.

Recommendation: The persons who receive payments should not have access to the gun permits. The person controlling the gun permits should only provide the permits upon presentation of an iNovah receipt. Additionally, the person fingerprinting customers should be different than the person who received the customer's cash. The fingerprinting should only occur upon presentation of an iNovah receipt.

Consider using more than one computer with iNovah to process cash transactions. If this is not possible, assign separate duties for processing cash and providing records. If another employee must process transactions, perform a cash count that is witnessed by the employee leaving the cash drawer. Document the count by recording the cash and initials of the witnesses.

Management Response: Possible Solutions appear below:

1. The most appealing solution for the agency would be for iNovah to add an easy to access log on for each employee to quickly get into the system once it is up and running, and log off if they walk away from the one computer. This would require each employee using the machine to log on and off each time. As it currently stands the only log on and log off process we are aware of is the longer version we now do in the morning and at the end of the day. (The time frame to implement this option would be dependent upon iNovah's schedule.)
2. A second option would be assigning a single employee to run the cash drawer for designated periods of time during the work day and switching at strategic times, such as when one person goes to lunch or comes back. The concern with this option is due to the fact employees are multi-tasking around the office and could be pulled away from the cashiering system even though they may be the designated person "logged on". (It is estimated that this option could be implemented within a week if approved.)
3. Installation of second computer is possible but likely to cost unbudgeted funds along with labor to set up. The space for a second cashiering computer system in the office is a concern. Additional cash drawers would also be needed with additional monetary "floats" in each one. (It is estimated that this option could be implemented within two months if approved.)
4. Adding an internal surveillance camera near the cash drawer and cashiering window would be another way to work towards a solution to the listed issue. (It is estimated that this option could be installed and implemented within 2 months if approved.)

Recommendation: Configure iNovah to require a supervisor log-in to process voids and provide access to the report showing voids and adjustments for the day. The report should be reviewed by supervisory personnel that do not have the ability to process voids.

Management Response: Possible Solutions appear below:

1. Require all customer transaction voids need a supervisor approval. Re-configure the iNovah system so if an employee needs to void something they would have to locate a designated supervisor who would have an override code (Administrative Assistant, Lieutenant, and Captain). The listed individuals would need training on how to log in to override transactions. (It is estimated that this option could be implemented within two months if approved.)
2. Adding an internal surveillance camera near the cash drawer and cashiering window would be another way to work towards a solution to the listed issue. (It is estimated that this option could be installed and implemented within 2 months if approved.)
3. The designated Supervisor would pull the voids from the system once a month and check the list against voided receipts. Any questionable voided transactions will be investigated by the Supervisor or his/her representative. (It is estimated that this option could be installed and implemented within 2 months if approved.)

Title Inspections

Criteria: Access to accounts receivable and cash receipt information and processes should only be provided in accordance with management's approval which should include provisions for adequate segregation of duties designed to prevent and detect errors and irregularities.

Condition: The following conditions in the Title Inspections office were noted:

- There was no process in place to ensure that dealership inspection receipts were forwarded intact to the Title Inspection LETs for cash processing.
- There was no process in place to ensure that dealership inspection receipts forwarded to LETs were completely and accurately processed.
- LETs using the iNovah cashiering system shared log-on credentials.
- The iNovah computer used was not configured to require voids be processed by a supervisor.
- iNovah computers were not configured to provide access to reports providing the employees' void and adjustment activity.

Effect: The primary effect of the above item is to provide employees the ability to convert assets to personal use and possibly avoid detection as follows:

- Inspectors could keep payment for inspections while still providing customers the inspection tickets needed to title a vehicle.
- The LET receiving the title inspection payments for processing could take the receipts and not process them in iNovah. The customer would still have the inspection ticket needed for titling.
- An LET could process transactions, take customer payments, and void transactions while still providing the customers a receipt.
- Not using the void reporting resulted in management not being able to detect any errors or irregularities that may have occurred through improperly voided transactions.
- Sharing an iNovah log-on meant that any errors or irregularities in processing the receipts could not be traced to a single user.

Cause: There are no county-wide guidelines in place for cash-handling processes. The division was not aware of existing processing controls and reporting in place to help prevent errors and irregularities and monitor cash-handling activity. Limited staff makes it difficult to segregate duties.

Recommendation: Dealers are required to send a list of cars to be inspected to the Inspection office. Someone who does not process the receipts or inspect the vehicles should reconcile the inspection lists to the cash received for off-site inspections. This is a separate transaction code in iNovah. As an alternative, require that all inspection tickets (including on-site inspections) be validated through the iNovah system before the vehicles can be titled in the Treasurer's office.

Consider using more than one computer with iNovah to process cash transactions. If this is not possible, assign separate duties for processing cash and providing records. If another employee must process transactions, perform a cash count that is witnessed by the employee leaving the cash drawer. Document the count by recording the cash and initials of the witnesses.

Management Response: Possible Solutions appear below:

1. The most appealing solution for the agency would be for iNovah to add a easy to access log on for each employee to quickly get into the system once it is up and running, and log off if they walk away from the one computer. This would require each employee using the machine to log on and off each time. As it currently stands the only log on and log off process we are aware of is the longer version we now do in the morning and at the end of the day. (The time frame to implement this option would be dependent upon iNovah's schedule.)
2. A second option would be assigning a single employee to run the cash drawer for designated periods of time during the work day and switching at strategic times, such as when one person goes to lunch or comes back. (It is estimated that this option could be implemented within a week if approved.)
3. Installation of second computer is possible but likely to cost unbudgeted funds along with labor to set up. The space for a second cashiering computer system in the office is a concern. Additional cash drawers would also be needed with additional monetary "floats" in each one. . (It is estimated that this option could be implemented within two months if approved.)
4. Adding an internal surveillance camera near the cash drawer and cashiering window would be another way to work towards a solution to the listed issue. (It is estimated that this option could be installed and implemented within 2 months if approved.)
5. The Dealership could be required send a list of vehicles to be inspected to the Inspection office. The Division Supervisor would be required to review and approve the list. Once the inspection is complete, the Inspector could be required to turn all inspection form(s) and payment(s) over to the Division Supervisor. The Division Supervisor would verify the inspection(s) and the payment(s), once everything checks out, the Division Supervisor could have the LET II verify the information and deposit the payment into iNovah. (It is estimated that this option could be implemented within 3-6 months if the Title Inspection Supervisor position is approved.)

Recommendation: Configure iNovah to require a supervisor log-in to process voids and provide access to the report listing voids and adjustments for the day. The report should be reviewed by supervisory personnel that do not have the ability to process voids.

Management Response: Possible Solutions appear below:

1. Require all customer transaction voids need a supervisor approval. Re-configure the iNovah system so if an employee needs to void something they would have to locate a designated supervisor who would have an override code (Title Inspection Supervisor, Lieutenant, and Captain). Supervisors would need training on how to log in to override transactions. (It is estimated that this option could be implemented within two months if approved.)
2. Adding an internal surveillance camera near the cash drawer and cashiering window would be another way to work towards a solution to the listed issue. (It is estimated that this option could be installed and implemented within 2 months if approved.)

3. The designated Supervisor would pull the voids from the system once a month and check this list against void receipts. Any questionable voided transactions will be investigated by the Supervisor or his/her representative. (It is estimated that this option could be installed and implemented within 2 months if approved.)

Civil Division

Criteria: Disbursement functions should be adequately segregated to prevent and detect unauthorized disbursements.

Condition: The LET Clerk in the Sheriff's Civil Division processed the disbursements, had access to the check stock, printed the checks, and reconciled the bank account. The Sheriff's Administrative Coordinator had access to the checks, prepared the checks, made deposits, made all entries in the checkbook records, and reconciled the petty cash reimbursement bank account.

Effect: The primary effect of the above items is to provide the LET and Administrative Coordinator the ability to convert assets to personal use and possibly avoid detection. The LET could make unauthorized payments from the checking account which may not be discovered because the LET also reconciled the bank account.

Cause: There are no county-wide guidelines in place for cash-handling processes. Limited staff makes it difficult to segregate duties.

Recommendation: Someone other than the persons keeping the account records and having the ability to process and post cash transactions should reconcile the bank accounts. The person assigned the duty of reconciling the accounts should understand how to reconcile the accounts and there should be a detailed independent review of the reconciliations.

Management Response: Starting January 2013, the manager of the Civil Process Division, Ron Coughlin (or his designee), will be responsible for reconciling the checking account on a monthly basis separate from the other mentioned LET Clerk who processes disbursements. This will create the necessary separation between the personnel duties listed in the audit report.

Register of Deeds

Criteria: Access to accounts receivable and cash receipt information and processes should only be provided in accordance with management's approval which should include provisions for adequate segregation of duties designed to prevent and detect errors and irregularities.

Condition: The Accounting Clerk III received check payments for billed accounts and posted them to receivables in QuickBooks and the IMS system.

Effect: The primary effect of the above item is to provide the Accounting Clerk the ability to convert assets to personal use and possibly avoid detection by taking the receivable payments while still posting the payments to the accounting systems.

Cause: There are no county-wide guidelines in place for cash-handling processes. Limited staff makes it difficult to segregate duties.

Recommendation: The person who posts the accounts receivable receipts in QuickBooks and the IMS system should not have access to the receipts unless there is an independent verification of the checks received with the deposit. Consider providing copies of the checks to the person posting cash or have someone independent of the posting process verify that each receipt was included in the daily deposit or if held is included in a subsequent deposit.

Management Response: Effective immediately, when a check is received in the office as payment on account, the check will be given to Jay Buda, accounting clerk II. He will log the check in-as-received on a log sheet (see attached). He will then give the check to Cathy Longstreth, accounting clerk III. She will post the check on the appropriate account in Quickbooks as payment received. Cathy will then create a report on Quickbooks listing every check posted on account for that day. The log sheet, Quickbooks report and a copy of the deposit slip will then be given to Diane Warnke to verify that all checks logged were posted on account and deposited appropriately.

County Attorney – Bad Checks

Criteria: Access to accounts receivable and cash receipt information and processes should only be provided in accordance with management's approval which should include provisions for adequate segregation of duties designed to prevent and detect errors and irregularities. Disbursement functions should be adequately segregated to prevent and detect unauthorized disbursements.

Condition: The County Attorney's Administrative Assistant received bad check payments and fees and posted them to the IMS system. The County Attorney's Investigator had access to all IMS screens for bad check processing, was an authorized signer on the checking account, and reconciled the bank account.

Effect: The primary effect of the above items is to provide the Administrative Assistant and the Investigator the ability to convert assets to personal use and possibly avoid detection. The Administrative Assistant could take the receivable payments while posting the payments at a later date. The Investigator could make unauthorized payments from the checking account which may not be discovered because the Investigator also reconciled the bank account.

Cause: There are no county-wide guidelines in place for cash-handling processes. Limited staff makes it difficult to segregate duties.

Recommendation: Consider moving the bad check transactions to Oracle. This will remove one more program from an aging mainframe system and help provide for appropriate segregation of duties. Receipting and disbursing would be processed through the Treasurer and Clerk/Comptroller offices. If the current process is maintained, the person who posts the accounts receivable receipts should not have access to the receipts unless there is an independent verification that the checks received are included in the bank deposit. Have another person in the office get the mail, log the checks and verify the deposit of the checks in the bank.

Someone other than a person with the ability process and post cash transactions should reconcile the bank account. The person assigned the duty of reconciling the account should understand how to reconcile the accounts and there should be a detailed review of the reconciliation.

Management Response: The County Attorney (DCAO) has another option to consider which is to acquire the “Hot Check” module/software from the Case Management Software package that is currently being used by DCAO. This software will provide additional internal controls and the necessary capability to operate the Bad Check Division day to day operations, something Oracle is not currently programmed to accomplish. This option is being considered and a source for funding being reviewed. Another point is DCAO provides the Clerk/Comptroller Office with monthly reconciliation reports and bank statements. The timeline for full implementation would be April 2013.

Audit Standards

Internal Audit conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that the audit is planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. Internal Audit believes that the evidence obtained provides a reasonable basis for its findings and conclusions based on the audit objectives. This report was reviewed with Diane Warnke, Assistant Chief Deputy of Register of Deeds, Tim Kelso, Chief Administration and Finance, Health Department, Captain, Kevin Conlon, Court Services Bureau, Lieutenant, Wayne Hudson, and County Attorney Investigator, Bill Mulligan.

Internal Audit appreciates the excellent cooperation provided by the various departmental managers and staff. If you have any questions or wish to discuss the information presented in this report, please feel free to contact me at (402) 444-4327.

Sincerely,

Mike Dwornicki
Internal Audit Director

- cc: Paul Tomoser
- Trent Demulling
- Joni Davis
- Donald Stephens
- Thomas Cavanaugh
- Donald Kleine

Timothy Dunning
Diane Battiato
Adi Pour
Kathleen Hall
Martin Bilek
Diane Carlson
Larry Miller
Timothy Kelso
Jerry Prazan
William Mulligan
Diane Warnke
Donald Hamilton
Richard Schultz
Kevin Conlon
Wayne Hudson
Kathleen Kelley
Joe Lorenz
Patrick Bloomingdale
Mark Rhine