



FULTON COUNTY, GEORGIA
OFFICE OF THE COUNTY AUDITOR
District Attorney Fiscal Services Audit
(January 1, 2018 – December 31, 2018)
August 9, 2019

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INTRODUCTION

The Office of the County Auditor performed an audit of the District Attorney Fiscal Services cash management procedures. This audit was conducted as part of the 2019 County Auditor's approved audit plan which focuses on assessing cash handling operations within the County.

BACKGROUND

The District Attorney's Office is responsible for prosecuting misdemeanor and felony charges that occur within Fulton County, Georgia, as well as, unincorporated Fulton County. Various unincorporated municipalities includes, the Atlanta surrounding areas, Alpharetta, Atlanta, College Park, East Point, Fairburn, Hapeville, Milton, Mountain Park, Palmetto, Roswell, Sandy Springs and Union City.

The District Attorney's Office has over 100 Assistant District Attorneys and over 143 staff members including investigators, victim advocates, and administrative personnel to handle the numerous cases. The District Attorney is elected to four-year terms.

There are varied types of cash receipts and cash disbursements managed by the District Attorney's office. The categories of cash receipts encompass state asset forfeiture funds, federal asset forfeiture funds, restitution, and open records receipts. Cash disbursements cover expenses for victim witnesses, and stipends for various witnesses. In addition, to the cash receipts and cash disbursements, the office manages a petty cash fund for incidental expenses.

OBJECTIVE

The objectives of the audit were to review the fiscal services processes for the District Attorney's Office and ascertain the effectiveness of the existing policies and procedures related to the cash management procedures.

SCOPE

The scope of the audit was from January 1, 2018 through December 31, 2018.

METHODOLOGY

We conducted this audit in accordance with *Generally Accepted Government Auditing Standards* (GAGAS). 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 objectives.

To achieve our audit objectives, we reviewed the following supporting documentation:

- District Attorney Cash Management Standard Operating Procedures;
- Bank Statements;
- Bank Reconciliations;
- Detail related to Accounting Management Systems;
- State Asset Forfeitures;
- Federal Asset Forfeitures;
- Requisition form related at State and Federal Asset Forfeitures; and
- Petty Cash Expense Authorization Forms.

In addition to reviewing the information listed above, we conducted interviews, performed a physical count of the petty cash, and ensured the cash was properly safeguarded. We believe that the evidence obtained provides a reasonable basis for our findings and recommendations based on our audit objectives. Our findings and recommendations are detailed below.

FINDINGS AND RECOMMENDATIONS

Finding 1 – Inconsistent Implementation of an Accounting System

The best consistent technological resources should be utilized where available for maximum efficiency and effectiveness for accounting transactions. Throughout the course of the audit, it was determined that there were inconsistencies with how the accounting data was recorded for the District Attorney’s Office. There were some accounts where data was recorded in QuickBooks and separate accounts reflected data summarized manually in Microsoft excel for cash receipt and cash disbursement activity. Manually recording accounting data may increase the risk of errors, invalid transactions, and inaccurate financial reporting. As a result, the internal controls were weakened due to the inconsistent accounting system utilization.

Recommendation

The Office of the County Auditor recommends that the District Attorney’s Office and the Department of Information Technology jointly implement a consistent accounting software system designed to record, track and report the District Attorney’s financial accounting data.

Finding 2 – Lack of Segregation of Duties

Best practices indicate that adequate segregation of duties is a key concept of internal controls. Adequate segregation of duties require that different employees perform duties in order to ensure effective internal controls exists over financial activities. During our review, we observed several instances of inadequate segregation of duties. The same employee receives and records the cash receipts, as well as prepares the bank reconciliations. Although a supervisor reviews the deposits received and a separate person deposits the cash received, proper segregation of duties

did not exist within the cash receipts process. There was no designated staff assigned for the recording and reconciliation process. The lack of segregation of duties mitigates the ability to properly monitor accounting transactions and identify transactions that may result in fraud, waste and abuse. The internal controls were weakened, as a result, of the lack of segregation of duties.

Recommendation

In order to prevent the risk of fraudulent activity, we recommend that the District Attorney's management strengthen its internal controls over the cash receipt process to ensure that adequate segregation of duties exist in order to mitigate the risk of fraudulent activity of the District Attorney's Office cash receipts.

Finding 3 – Lack of Supervisory Review

Multiple levels of review provide enhanced internal controls throughout the accounting process. During our review of the bank reconciliations, there was no evidence of a supervisory review noted on the bank reconciliations. A review process may have occurred; however, management did not sign and date the bank reconciliations as evidence that he/she reviewed and approved the bank reconciliations. Insufficient proof of supervisory reviews exhibits the perception that management did not review the reconciliations. In addition, failure to adequately review and approve bank reconciliations could increase the risks of accounting errors, fraud waste and abuse.

Recommendation

The Office of the County Auditor recommends that the District Attorney's Office document the bank reconciliations review process to reinforce internal controls and proper oversight of accounting transactions. Adequate reviews of the bank reconciliations will allow any discrepancies to be readily identified and corrected.

Audit Concern 1 – Undefined Bank Reconciliation Completion Date

According to best practices, bank reconciliations should be completed in a timely manner in order to identify accounting errors and mitigate the risk of fraud, waste, and or abuse. During our review of the bank reconciliations, the preparation date was not listed on the completed bank reconciliations. Although the reconciliations were completed, the date prepared could not be determined to confirm whether the reconciliations were processed in a timely manner. The preparer does not note the date the bank reconciliations was prepared. As a result, we were unable to determine whether the bank reconciliations were completed in a timely manner.

Recommendation

We recommend that bank reconciliations be dated evidencing the completion, as well as, a signature of the preparer and reviewer be displayed on the completed reconciliations.

CONCLUSION

Our audit of the District Attorney cash management process identified weaknesses that have resulted in three (3) findings where there was inconsistent implementation of an accounting system, lack of segregation of duties, and lack of supervisory reviews, and one (1) concern that related to an undefined bank reconciliation completion date. We recommend the District Attorney's Office staff give immediate attention to the above findings, concern and recommendations.

Please provide a written response to this follow-up review within ten (10) business days. Be sure to address the written response to Anthony Nicks, County Auditor. The written response should be submitted through the County Manager's Office and to Stacy Jones, Assistant Audit Manager in the Office of the County Auditor at Stacy.Jones@fultoncountyga.gov. We would like to express appreciation to management and staff for their timely cooperation and assistance during this audit. The distribution of this report is reserved for the executive management of Fulton County and the Board of Commissioners.