



Performance Audit:

Revenue Management in the City Court of Atlanta and Atlanta Municipal Court

Why We Did This Audit

This audit was requested by the chief judge of the City Court and the city administration to review processes in the City and Municipal Courts. Our office also became aware of concerns regarding financial management within the City Court. These concerns warranted our attention because of the significant revenue generated by the court and the high risk associated with bank accounts outside the central control of the Department of Finance. Also, the planned consolidation of the courts introduces significant change and accompanying risks.

The audit focused on internal controls and policies and procedures for the collection and deposit of revenues. We also reviewed the controls for the information systems used by the courts to track revenue collections.

What We Recommended

We recommended that the City Court close all bank accounts and turn them over to the Department of Finance.

When the City and Municipal Courts are consolidated, they should develop written policies and procedures for all cashing and accounting functions, and staff should be appropriately trained on the implementation of these policies. The court should also review its current procedures and practices to ensure that they are consistent with city policies.

The consolidated court should consider the cost effectiveness of upgrading the current information system versus implementing a new system to provide the needed capabilities to improve financial management and increase the effectiveness of its operations. In the meantime, system changes should be made where possible to provide greater controls over the revenues and financial reporting.

For more information regarding this report, please contact Gerald Schaefer at 404.330.6876 or gschaefer@atlantaga.gov.

What We Found

The City and Municipal Courts collected a combined total of \$19.6 million in revenues in 2003. The Municipal Court generally had sufficient controls to assure accurate and complete revenue collections and reporting, and it has transferred revenues promptly to the city treasury. However, the City Court had control weaknesses that were so extensive that it could not ensure the revenues were collected and reported accurately and completely, or that they were promptly transferred to the city treasury. The City Court's inability to promptly deposit revenues into the city treasury was primarily the result of an unreliable and inadequate financial information system and the court's management of bank accounts that it had set up without authorization and outside the control of the Department of Finance. The delays in transferring revenues to the city resulted in lost interest earnings and noncompliance with state requirements for submission of earmarked fees and fines to the appropriate state agencies.

The Municipal Court had policies, procedures, and internal controls for its cashing and accounting functions that were adequate to safeguard the collected revenues; however, the City Court did not. The City Court was not performing basic accounting functions, such as daily reconciliation of cashier tills. It also had internal control weaknesses in other practices, including paying law enforcement officers in cash for their court appearances, insufficient segregation of duties, and a practice of cashing checks for court employees. Further, the City Court had imposed a \$40 warrant fee for probation violators for which the city's Department of Law determined there was no legal basis, and the court authorized one of its contractors to pay another contractor \$600,000 out of the collected probation fees. These practices circumvented the city's procurement and accounts payable policies, as well as generally accepted financial management practices.

Information systems at both the City and Municipal Courts needed additional system controls and support to properly safeguard the collected revenues, to provide for more efficient and effective cash collections processes, and to provide for continued operation if the current systems are down. Neither court used system audit trails for routine monitoring or had basic password and access controls.

The physical security within the new City Court building included surveillance cameras in several areas of the building, but not in the cashier areas. Further, the cash management room was in an exposed area that did not provide adequate security.