



Cobb County...Expect the Best!

INTERNAL AUDIT DEPARTMENT

Report Number: 2016-002

***FINAL REPORT: Survey - Security Controls Over the
Transportation of Cash and Negotiable Instruments***

March 28, 2016

***Latona Thomas, CPA, Director
Andrea Clayton, Staff Auditor I
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COBB COUNTY INTERNAL AUDIT

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Director

March 28, 2016

MEMORANDUM

TO: David Hankerson, County Manager

FROM: Latona Thomas, CPA, Director 

SUBJECT: FINAL REPORT: Survey - Security Controls Over the Transportation of Cash and Negotiable Instruments

Attached for your review and response is the subject final survey report. The overall objective of our survey was to determine and evaluate the methodology for the transportation of cash and negotiable instruments within Cobb County (the County) agencies and departments¹.

Impact on the Governance of Cobb County

When implemented, the recommendations in this report will help reduce the risk of transporting cash within the County and ensure that the County is consistent in the standards/procedures used to store cash at our facilities.

Executive Summary

We performed the survey in response to our risk assessment that identified the transportation and security of cash as a high risk activity. As a result, we sent out a survey to agency/department directors and asked them to have the survey completed by an employee over each area where cash is handled. We asked for the average amount of cash handled, the type and security of transportation, how cash is stored overnight, and whether any departmental written procedures for cash handling existed.

Forty-five of the 61 survey responses referenced the use of an employee² to transport cash; six use a department or County mail courier, and ten use an armored car service. We also performed a ride-a-long with two mail couriers to observe safety practices in the transportation of cash. Although they are cognizant of precautions needed to minimize the risk of transporting cash, additional best practices could be implemented to further reduce their risk.

¹ Elected, Constitutional, and Judicial offices were excluded.

² Two employees were armed officers.

Fifty-five of the 61 responders indicated that they store cash overnight with 42 using safes and 13 using drawers (nine unlocked) to store cash. Observation in other audits and discussion with County officials showed that there are various types of safes utilized throughout the County to store cash. The County has not established a standard for the type of safe to be used based on tamper resistivity and protection from water or fire damage. There are industry standards that rate safes based on construction and test performance by independent agencies (i.e. Underwriters Laboratory³). Cash should always be stored in locked cash drawers and accessible only to the person collecting the cash and their supervisor.

Twenty-five⁴ of the responders provided us with copies of their cash handling operating procedures. Twenty-two of the operating procedures contained instructions on how to store cash, and nineteen addressed the transportation of cash.

Recommendation(s)

We recommended that the County Manager establish a task force to develop countywide procedures and policies to minimize the risk of transporting cash and establish standards for the proper safe to use for cash storage. These procedures should also include cash-in-transit best practices. These procedures should be included in the cash handling manual and covered during cash handling training. Departments should perform an annual assessment of these controls and continually train employees who transport cash. In addition, departments should reduce the amount of cash handled by redirecting cash payments to the Office of Finance & Economic Development (OFED).

Response

The County Manager provided a response to our draft report and concurred with each of the five recommendations. The complete responses to the draft report are included in Appendix V on Page 12. We will perform follow-up corrective actions in six months. A copy of this report will be distributed to those affected by the report recommendations. Please contact me at (770)528-2559, if you have questions.

³ United Laboratory is a global independent safety science company. Thousands of products and their components are tested to develop standards that enable consumers and businesses to feel confident about the products and services they purchase.

<http://ul.com/aboutul/>

⁴ We received multiple facility or location responses within various departments.

Background

Different offices within the County collect cash⁵ during their regular course of doing business. The cash collected is required to be deposited by that office or sent to another office that processes the revenue and deposits it. In prior audits, we have determined that cash is transported to the bank or to another department for processing and deposit via courier, departmental employees, and/or armored car service. Currently, there are no established countywide policies on how cash should be transported or stored.

We determined through our analysis of revenue received by all departments in FY2015 (see tables on next page) that several have the type of revenue recorded that suggest they handle cash and have to transport that cash to a bank or another facility. We ensured that these offices responded to our survey. Also, our countywide risk assessment results identified the safety and security over the transportation of cash as a high risk area.

Our objective was to determine and evaluate the methodology for the transportation of cash and negotiable instruments within Cobb County agencies and departments. We sent the survey to every agency and department within the County, excluding the Courts and other elected official offices. We conducted two ride-a-longs with mail couriers and observed the safety precautions they followed when transporting cash. We received 61 responses to our survey from offices that handle cash throughout the County. We also cross-referenced the responses to our FY2015 revenue analysis to ensure all significant amounts had been included on a reasonable basis.

The survey was included in the CY2015-16 Audit Plan as approved by the Audit Committee. Detailed information on our audit objective(s), scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix III.

⁵ For the purposes of this survey, cash included currency, checks, money orders or other negotiable instruments.

FY2015 Revenue Posted to Other Funds

Fund	Total Revenues
800 MHZ	\$2,747,118.13
Cobb Co Casualty & Liability	\$5,200,075.46
Cobb Co Health Benefit	\$66,532,016.89
Cobb County Pension Fund	\$39,672,915.91
Cobb County Worker's Comp	\$3,041,175.26
Co-Composting Operations	\$54.57
Community Service Block Grant Fund	\$478,223.19
Cumberland Special Service District 1	\$2,492,792.28
Cumberland Special Service District 2	\$5,176,536.83
Debt Service	\$10,121,697.61
Emergency 911	\$11,091,255.29
Fire District	\$78,148,105.87
Golf Course Operating	\$1,638,201.71
Grant	\$1,759.93
Hansell St Parking Deck-Construction	\$0.50
Hotel/Motel	\$13,245,458.03
Law Library	\$568,824.63
Parking Deck Facility	\$715,163.99
Pool Investment	\$2,003.50
Public Transit System	\$17,906,657.94
Road Sales Tax - 1994	\$0.28
Six Flags Area Special Service District	\$687,088.69
Solid Waste Enterprise	\$2,870,111.78
Storm Water On Site Detention	\$283.19
Street Light District	\$5,852,069.34
Transit Capital Project Fund	\$3,877.32
Water and Pollution Control	\$194,180,691.60
Grand Total	\$462,374,159.72⁶

Table 1 - Source: County Financial System, FY2015 as of 11/4/2015

FY2015 Revenue Posted to General Fund

Department/Offices	Total Revenues
Circuit Defender	\$834,779.23
Clerk of State Court	\$6,586,634.87
Clerk of Superior Court	\$10,040,254.49
Communication	\$364,554.63
Community Development	\$40,870,853.59
County Attorney	\$221,763.64
County Clerk	\$102.90
County Manager	\$45,803.37
Dept. of Transportation	\$1,309,771.32
District Attorney	\$83,233.97
Elections	\$4,661.65
Extension Service	\$62,094.65
Finance	\$38,427,250.87
Fleet Management	\$45,305.96
General Fund Admin	\$15,874,623.95
Human Resources	\$11,360.40
Information Services	\$9,652.67
Investment Income	\$97,924.87
Juvenile Court	\$857,539.00
Library	\$1,196,615.00
Magistrate Court	\$1,795,295.89
Medical Examiner	\$3,500.00
Parks and Recreation	\$6,258,980.17
Probate Court	\$1,298,467.50
Property Management	\$194,135.12
Public Safety	\$3,455,755.19
Purchasing	\$77,603.16
Senior Services	\$442,191.71
Sheriff	\$2,477,326.24
Solicitor	\$78,370.86
State Court	\$940,255.07
Superior Court	\$1,293,906.50
Support Services	\$390,891.46
Tax Assessor	\$1,796.31
Tax Commissioner	\$217,449,463.87
Grand Total	\$353,102,720.08⁶

Table 2 - Source: County Financial System, FY2015 as of 11/4/2015

⁶ Includes wire transfers, interfund transfers, and journal vouchers.

Results of Review

We evaluated and summarized the 61 responses to our survey. We were only able to use/analyze the responses for transportation methodology and security controls regarding storage in the responses because the information provided on the average collection amount and frequency of cash handled were not based on actual cash received but estimates of the cash processed by the offices. We were unable to validate the completeness, based on our comparison to the FY2015 revenue recorded in the County's financial system. We also evaluated and summarized the cash handling operational procedures provided by the responders to the survey.

The results of our survey showed various means are used to transport and store cash. Only 41% (25 of 61) of the responders provided written cash handling procedures and there were no countywide policies governing the transportation and storage of cash.

Countywide Procedures and Standards for the Transportation and Security of Cash is Needed

Cash Transportation

The methods of transportation for the 61 offices that handle cash are shown below. We were unable to substantiate the amount of cash transported using the different methods (employees, mail courier service, and armored car service).

Employees

Use of employees is the most frequent methodology used to transport cash throughout the County. Employees, in **45 of the 61 offices**, either hand deliver or transport cash by vehicle from their office to another facility, directly to a bank, or to another department within the same building. The Police Department's Central Record Unit and Evidence Unit utilize armed officers to transport cash.

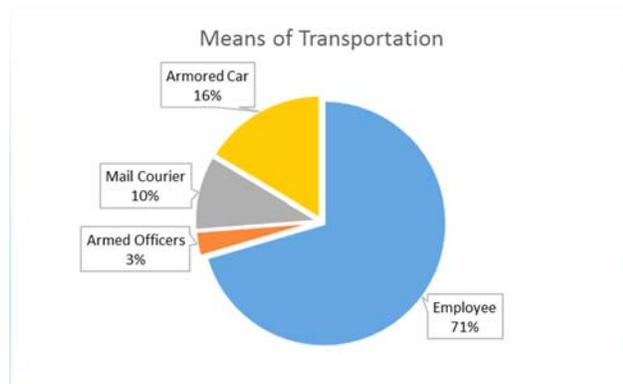


Chart 1 - Source: Survey of 61 County Offices

Mail Courier Service

Six offices use the County's mail courier service to transport cash to another department or the Office of Finance and Economic Development (OFED). According to our discussion with mail facility employees and management, the amount of cash transported by the mail courier is unknown or often they are unaware of what is being transported.

Armored Car Service

Ten offices use an armored car service to transport their cash. The Community Development (ComDev) Agency offices (6) and the Cobb Senior Services administrative office consolidate their cash for deposit at one pick up point for the armored car service. OFED, the Water System, and Department of Transportation are the only other offices that procure armored car service to transport their cash. The amount of cash transported by these offices can be substantial.

Ride-A-Longs⁷

We performed a one day ride-a-long with a County mail courier and a P.A.R.K.S.⁸ Department courier. We observed the procedures that the couriers followed to pick up mail and cash deposits. Several control activities were observed, but the details⁹ are not specifically addressed here to eliminate any additional security or safety risk. Although the couriers took precautions to ensure that the cash they transported was secure, there were some best practices that they could put into place to further reduce the risk of transporting cash.

- **Vary courier routes and/or times**

When practical, the couriers should vary the routes taken to avoid increasing vulnerability to robbery attempts. This is a practice used by professional cash transporters to decrease the likelihood of theft. In addition, the couriers should avoid remote isolated routes, and not stop at any other location while in route.

- **Collect cash in a non-public area**

Wherever possible, the cash transfer should occur away from the public area within the premises.

- **Place cash in a bag(s) where the cash or bank bag(s) cannot be seen**

Couriers should disguise the cash bag so it is not clearly visible and readily apparent that they are carrying a bank deposit bag. Put the bank-issued bag inside a nondescript backpack, paper sack, unmarked bag or container to carry the cash.

- **Place cash in a secure container within the transporting vehicle.**

Cash secured in a locked container secured to the vehicle could deter or delay theft of cash from the vehicle.

Cash Storage

Fifty-five (90%) of the 61 responders indicated they store cash overnight. Forty-two of these indicated they store cash in a safe. Thirteen store cash in a drawer or overhead compartment of a workstation (nine are unlocked).

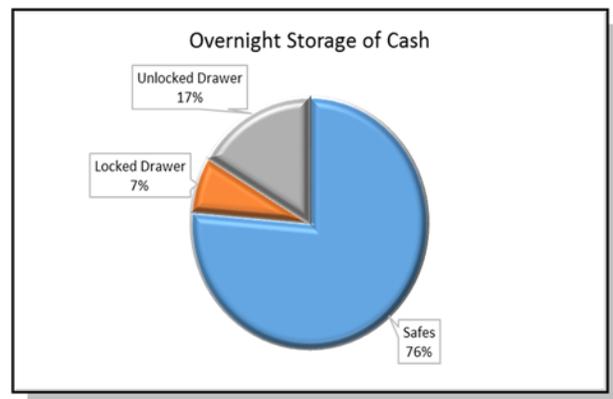


Chart 2 - Source: Survey of 55 County Offices that store cash.

⁷ Internal Audit staff rode with couriers to all their planned stops observing their procedures and safety precautions.

⁸ Parks, Recreation, and Cultural Affairs Department, including Keep Cobb Beautiful, and Solid Waste.

⁹ Specific details will be discussed verbally with County management.

We did not confirm the type of safes that were used in each office, but we know from other reviews and our discussion with OFED officials, there are many different types of safes in use. Some of the safes may not provide adequate protection for the cash stored in them. For instance, in one location, the safe used to store cash overnight had attached wheels which made it more susceptible to theft.

Industry standards rate safes based on the degree of protection that the safe will provide for its contents. The County should evaluate these ratings and establish standards for the type of safes to be used with consideration to the amount of cash and other items stored. With these guidelines, offices could then be assured that they have the proper safe necessary to provide adequate protection for cash that is stored at their facility.

Nine of the 13 offices store cash overnight in an unlocked drawer. Cash stored in unlocked drawers is not adequately safeguarded against theft. The cash handling manual requires that you never leave a cash box or drawer unattended or unlocked. A minimum standard should be established that requires cash be stored in a locked, stationary drawer and/or container.

Written Cash Handling Procedures

The County's Cash Handling Manual requires each department or facility to have detailed cash handling standards; however, when asked to provide a copy, we only received procedures from 25 of the 61 offices responding to our survey. Review of these procedures showed that 22 of the 25 manuals contained instructions on how to store cash, and nineteen included procedures concerning the transportation of cash. Twenty responders had instructions on how to maintain a chain of custody when cash is transferred.

Only 25 offices provided written cash handling manuals; seven included transportation procedures.

Although offices are required to develop their own cash handling procedures, there are some common procedures, controls or standards that should be followed consistently countywide. The transportation of cash and security over cash stored at facilities are two areas where offices would benefit from having countywide established standards.

The County is required to eliminate the safety risk involved in the transportation of cash so far as practical, and if not possible, minimize those risks. Sound business practices requires that cash be stored in a manner that minimizes the opportunity for theft or destruction. The results of our survey indicate that there are actions the County can take to eliminate or minimize these risks. Our recommendations are presented on the next page.

Recommendations

The County Manager should:

Recommendation 1: Establish a taskforce to evaluate the finding of this report and develop countywide procedures and policies which minimize the risk of transporting cash. Include standards for safes, when to use professional cash transport services, and minimum procedures for employees who transport cash. The taskforce should include existing employees with logistical training and experience.

Auditee Response: We concur.

We will convene a Task Force to address cash and negotiable instrument transportation and handling deficiencies. The Task Force will be comprised of representatives from the Finance and Parks, Recreation and Cultural Affairs Departments, Water System, as well as Government Service Centers, Mail Services and possibly Information Services. The Finance Division Manager/Treasury and a representative from Public Safety will serve as Technical Advisors. Guidance and best practices from armored car industry professionals will be solicited as needed. Specific outcome measures will include countywide policies and procedures; countywide standards on the appropriate types and uses of safes; revisions/expansions to the cash handling manual and corresponding training; and options to reduce the handling of cash throughout the County inclusive of any applicable education needed. The Task Force will be initiated by no later than June 1, 2016, and the position responsible for overseeing the process is the Finance Director or his designee.

Recommendation 2: Revise the Cash Handling Manual to include procedures and policies regarding the transportation and security over cash and disseminate to all offices, including elected officials. Include the new policies in the cash handling training.

Auditee Response: We concur.

The Task Force will be charged with developing policies and procedures for the safe transport of cash and other negotiable instruments. See response to Recommendation 1 for additional details on the corrective action and specific components.

Recommendation 3: Reduce or eliminate the cash handled by directing as many payments as possible to the Office of Finance and Economic Development (OFED) Department. Departments should have all mail-in payments redirected to the OFED, and set up procedures to alert OFED of the upcoming payments. This recommendation could reduce the number of safes needed.

Auditee Response: We concur.

We will provide additional education to employees and departments that handle cash. The Task Force will be required to explore other payment alternatives to include but not be limited to credit and debit cards. We will look at having all payment transactions directed to the Office of Finance and Economic Development. See response to Recommendation 1 for additional details on the corrective action and specific components.

Recommendation 4: Require departments to perform an annual assessment of controls over cash handling, transportation, and security. Establish this requirement as a reviewable job expectation.

Auditee Response: We concur.

We will ask Internal Audit staff to review and assess the cash handling procedures, transportation and controls in each department charged with handling payments for services. We will request these assessments to be done periodically on an annual basis.

Recommendation 5: Train employees who transport cash in the proper procedures to ensure their safety. Do refresher training annually to help ensure a state of vigilance.

Auditee Response: We concur.

We will expand the existing cash handling class offered by the Training Division of Human Resources to include training on transporting and securing cash and other negotiable instruments. This will be coordinated with the Office of Finance and Economic Development and the Public Safety Agency. See response to Recommendation 1 for additional details on the corrective action and specific components.

Detailed Objective(s), Scope, and Methodology

Our objective was to determine and evaluate the methodology for the transportation of cash and negotiable instruments within Cobb County agencies and departments.

- I. Reviewed the CY2015-16 Risk Assessment response for each department for their assessment of risk in the handling of cash and negotiable instruments.
- II. Using the analysis of revenue recorded in Advantage Financial System (AMS) for FY2015 by unit and revenue code, performed the following:
 - A. Used the information to ensure that the survey response from the department head addresses the potential cash revenue source [cross-referenced to survey responses].
 - B. Followed-up with agency/department head or designee if discrepancies noted in revenue sources.
- III. Summarized the information gathered from the electronic survey form about the transportation and security controls of cash and negotiable instruments in each agency/department.
- IV. Obtained copies of each agency/department written operating procedures for cash handling, if applicable.
 - A. Reviewed/Evaluated any applicable sections regarding security controls and transportation.
 - B. Identified control weaknesses, if any.
- V. Using survey data, determined if additional inquiries are necessary to gather additional information about security controls over cash and transportation.
 - A. Interviewed designee(s) who are responsible for security controls over the transportation of cash.
 - B. Performed a ride-a-long with a County mail courier and a P.A.R.K.S. department courier to observe the precautions taken to transport cash.
 - C. Interviewed OFED Division Manager/Treasury regarding existing security controls and future anticipated changes.
- VI. Researched and evaluated best practices regarding security controls over the transportation of cash and negotiable instruments.
- VII. Compiled the results of survey and reported on trends that can be addressed from a countywide prospective.

Abbreviations and Glossary

AMS	Advantage Financial System
Cash	For the purposes of this survey, cash included currency, checks, money orders or other negotiable instruments.
OFED	Office of Finance and Economic Development Department
P.A.R.K.S.	Parks, Recreation, and Cultural Affairs Department, including Keep Cobb Beautiful, and Solid Waste

Major Contributors to This Report

Latona Thomas, CPA, Director
Barry G. Huff, Auditor-in-Charge¹⁰

¹⁰ Former employee.

FINAL Report Distribution List

Jim Pehrson, CPA, Finance Director/Comptroller, Office of Finance and Economic Development
Department Managers
Cobb County Audit Committee
Internal Audit Department File

Auditee's Response to the Draft Report



COBB COUNTY MANAGER'S OFFICE

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dhankerson@cobbcounty.org

David Hankerson
County Manager

DATE: March 22, 2016

TO: Latona Thomas, CPA, Director, Internal Audit

FROM:  David Hankerson, County Manager

SUBJECT: Response to the Internal Audit DRAFT Report: Survey – Security Controls Over the Transportation of Cash and Negotiable Instruments

This memo is in response to the subject report dated March 4, 2016. Your survey determined and evaluated the methodology for the transportation of cash and negotiable instruments within Cobb County agencies and department. You made several recommendations, our response to those recommendations are below.

Recommendations

The County Manager should:

Recommendation 1: Establish a taskforce to evaluate the finding of this report and develop countywide procedures and policies which minimize the risk of transporting cash. Include standards for safes, when to use professional cash transport services, and minimum procedures for employees who transport cash. The taskforce should include existing employees with logistical training and experience.

Response: We concur.

We will convene a Task Force to address cash and negotiable instrument transportation and handling deficiencies. The Task Force will be comprised of representatives from the Finance, and Parks and Recreation and Cultural Affairs Departments, Water System, as well as Government Service Centers, Mail Services and possibly Information Services. The Finance Division Manager/Treasury and a representative from Public Safety will serve as Technical Advisors. Guidance and best practices from armored car industry professionals will be solicited as needed. Specific outcome measures will include countywide policies and procedures; countywide standards on the appropriate types and uses of safes; revisions/expansions to the cash handling manual and corresponding training; and options to reduce the handling of cash throughout the County inclusive of any applicable education needed. The Task Force will be initiated by no later than June 1, 2016 and the position responsible for overseeing the process is the Finance Director or his designee.

Recommendation 2: Revise the Cash Handling Manual to include procedures and policies regarding the transportation and security over cash and disseminate to all offices, including elected officials. Include the new policies in the cash handling training.

Response: We concur.

The Task Force will be charged with developing policies and procedures for the safe transport of cash and other negotiable instruments. See response to the Recommendation 1 for additional details on the corrective action and specific components.

Recommendation 3: Reduce or eliminate the cash handled by directing as many payments as possible to the Office of Finance and Economic Development (OFED) Department. Departments should have all mail-in payments redirected to the OFED, and set up procedures to alert OFED of the upcoming payments. This recommendation could reduce the number of safes needed.

Response: We concur.

We will provide additional education to employees and departments that handle cash. The Task Force will be required to explore other payment alternatives to include but not be limited to credit and debit cards. We will look at having all payment transactions directed to the Office of Finance and Economic Development. See response to Recommendation 1 for additional details on the corrective action and specific components.

Recommendation 4: Require departments to perform an annual assessment of controls over cash handling, transportation, and security. Establish this requirement as a reviewable job expectation.

Response: We concur.

We will ask Internal Audit staff to review and assess the cash handling procedures, transportation and controls in each department charged with handling payments for services. We will request these assessments to be done periodically on an annual basis.

Recommendation 5: Train employees who transport cash in the proper procedures to ensure their safety. Do refresher training annually to help ensure a state of vigilance.

Response: We concur.

We will expand the existing cash handling class offered by the Training Division of Human Resources to include training on transporting and securing cash and other negotiable instruments. This will be coordinated with the Office of Finance and Economic Development and the Public Safety Agency. See response to Recommendation 1 for additional details on the corrective action and specific components.

cc: Jim Pehrson