



Internal Audit Report: Court Administration Cash Handling



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Auditor's Conclusion

March 24, 2025

Internal Audit has completed the Court Administration Cash Handling audit. We conducted this engagement as an addition to our 2024 Annual Audit Plan. We conducted this audit in accordance with the standards of the Institute of Internal Auditors.

The audit objectives were to:

- Determine if cash handling policies and practices follow City guidance and leading practices.
- Determine if adequate internal controls exist for handling receipts and cash.
- Determine if internal controls are working as intended to safeguard cash and receipts from loss or misuse.
- Review vending machine proceeds to determine whether adequate support exists for expenses and if the funds were used appropriately.

To this end, Internal Audit:

- Performed surprise cash counts,
- Interviewed employees,
- Reviewed policies, procedures, and processes,
- Reviewed vendor supporting documentation,
- And other methods as identified.

Internal controls consist of all the measures taken by management to:

- Protect its resources against accidental loss, waste, fraud, and inefficiency.
- Ensure the completeness, accuracy, timeliness, and reliability of accounting and operating data.
- Ensure compliance with federal, state, and local laws, regulations, and internal policies and procedures.
- Promote efficient and effective operations,
- Monitor the achievement of management's goals and objectives.

We cannot provide any assurance and cannot make any conclusions about whether adequate internal controls existed and were working as intended to safeguard cash and receipts from loss or misuse. Due to insufficient documentation, reporting data, and system concerns, we could not perform any testwork on controls for cash handling. While we cannot conclude if fraudulent activity occurred, the combination of the issues identified and a lack of controls indicates a higher risk for fraud.

Case Management cash handling policies generally follow City guidance. At the time of the audit, Detention had no cash handling policies.

The vending machine proceeds support was inadequate, and due to insufficient documentation, we could not determine whether all expenses were appropriate.

We have detailed our issues and recommendations in the Findings and Recommendations section of this report.

Michelle Crawford

Michelle Crawford, M.Acct., CIA, CFE, CRMA
City Auditor

Audit Profile

Audit Team

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Jerica Rainey, IAP – Lead Auditor

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Scope

All Court Administration operations.

- Cash Handling: January 2024 through December 2024
- Vending Machine Proceeds: January 2020 through December 2024

Background

Court Administration utilizes an internally developed system created by Court IT employees to handle receipt transactions and accounting functions. No external resources, such as a financial controls expert, was used to develop the system. During the audit, we identified concerns with the system and could not proceed with our testwork around cash handling controls.

Court Administration includes a Case Management and Detention division. Case Management and Detention have vending machines they manage in the jury assembly room and the Detention employee area. The Case Management vending machine profits during the audit included proceeds from employees and non-employees. The Detention vending machine profits included proceeds from employees only. Both areas cashed vending machine proceeds and kept the funds in bags with some logs and some support.

During 2024, the City Cashier's Office records show the following total receipts deposited into City accounts from Court Administration:

Cash/Checks	\$998,007.79
Municipal Court Credit Cards	\$1,330,135.94
Detention Credit Cards	\$356,343.00
Total Receipts	\$2,684,486.73

Findings and Recommendations

ISS 1 – Insufficient reporting data and system concerns

Court Administration Case Management uses an internally developed financial system for receipts. The system could not produce reports, including daily receipts, over/shorts, clerk reports, or approvals.

While the system appears to capture some receipt information, it is only available within the system and cannot be exported. The only option to document it outside the system is to take screenshots.

Additionally, in our limited review of the system, we found it did not operate like a typical receipt system.

As an example, we reviewed a transaction voided after our cash count. The system assigned three different receipt numbers: the original receipt, the voiding of the original receipt, and the corrected receipt. A receipt number is generally not assigned to a voided receipt and should be assigned for the original receipt and the subsequent fixed receipt only. The system screenshot showing the voided receipt does not show the voided receipt as a negative amount. The only way to identify it as a void is to look for a “v” with the original receipt number.

While the Court IT employee was able to export a void report, that report only identified the register for the void, not the employee.

We cannot review existing internal controls of the cash handling process without significant time and resources. Additionally, due to concerns with the system controls, we would need independent verification that proper financial controls were built into the system before relying on any system data.

Without adequate controls built into financial systems, controls are reduced, and oversight is limited. Additionally, reports are standard in receipt systems. The lack of reports and monitoring in an internally developed system could indicate that standard financial controls were not included in the system.

Recommendation

System controls - We recommend hiring an independent third party to assess whether adequate financial and system controls are built into the current receipt system and to provide recommendations on system control updates or migration to an existing citywide receipt system.

System reports – In the interim, we recommend developing system reports for standard financial areas, such as daily close-out details, including daily receipts by the Clerk, over/short reports, and associated approvals, and any other standard financial reports.

Management Response

Court Services agrees with the recommendations. Court IT will develop reporting based on the audit requirements to ensure financial controls are in place. The reporting will include daily receipts, daily over/shorts, and composition differences, including associated approvals, voids, etc. Court Services requests detailed recommendations on system control updates and reporting.

Estimated Implementation Date: June 30, 2025

Business Contact: Court IT Manager

Business Reviewer: Court Administrator

ISS 2 – Detention receipts

Detention did not issue receipts for bonds or sex offender registrations and did not adequately secure cash bonds.

Receipts

During the audit, Detention did not issue receipts for any funds received, including for bonds or sex offender registrations. When an inmate is ready to be released, the inmate or other individual may pay the bond via cash, check, or charge. Detention employees did not issue receipts for these payments, so we cannot verify whether bond proceeds were adequately accounted for.

Additionally, when a sex offender goes to Detention to register, Detention employees do not issue a receipt for any payments received. As a result, we cannot verify whether all sex offender registrations were sent to Records for processing.

All payments received should have a uniquely identifiable receipt. Without receipts, which serve as the record of payments received, there is an increased risk of fraud as there is no way to ensure that all payments are correctly handled.

Securing receipts

At the time of the audit, bond proceeds, including cash, were placed in paper bond envelopes in a tray outside the sergeant's door, accessible to employees. Unsecured receipts increase the risk of theft or loss.

Citywide cash handling and the Court Administration cash handling policy both state as a general requirement, "All cash is safe, and cash is appropriately safeguarded."

We acknowledge that Detention began using a triplicate receipt book during the audit.

Recommendation

We recommend that Detention identify an electronic receipting system to capture all receipts and train all employees in proper cash handling.

We recommend purchasing a drop safe to properly secure receipts and developing procedures to change the safe combination when employees leave. – *Implemented February 2025*

Management Response

Detention Agrees with the recommendations. Effective January 27, 2025, the Detention Center began issuing receipts for all cash, credit card, and surety bond transactions. We have purchased a secure safe for all cash bond transactions received at the facility; only the Administration has access to the code and key for the safe. For Sex Offender registration payments, we have received guidance from the Finance office regarding our practice which they have approved.

Court Services is currently receiving receipt copies of bond monies from the Detention Center. The receipts are being scanned into the Court Services SharePoint site along with the bond logs.

Estimated Implementation Date: May 31, 2025

Business Contact: Chief of Detention

Business Reviewer: Court Administrator

ISS 3 – Cashing checks

Case Management employees had a historical practice of cashing checks payable to Courts and Detention for vending proceeds and cashing inmate checks.

Vending machine proceeds checks payable to Court Administration or Detention were cashed by Case Management employees using Case Management daily cash receipts. According to employees, they placed the cash into either the Case Management vending proceeds bag or gave it to Detention employees to place in their vending machine proceeds bag. Additionally, Case Management employees stated they would periodically cash checks payable to inmates from other jurisdictions upon release to assist inmates.

Cashing checks using daily receipts resulted in the cash-check composition of daily receipts not reconciling to the composition of deposits. Cash-check composition reconciliation is a control to detect fraud or errors. This practice has increased the risk of fraud or errors going undetected.

Further, cashing third-party checks does not follow leading practices and creates liability for the City if checks are returned. It could also result in complaints as no procedures were in place to standardize when an inmate's check would be cashed.

During the audit verbal direction was given to cease cashing checks for inmates and vending proceeds.

Recommendation

We recommend documenting in policy that cashing checks from inmates, vending machine proceeds, or any other checks are prohibited. Additionally, all employees who handle cash should receive updated training on this prohibition.

Management Response

Court Services agrees with the recommendations. Effective, December 4, 2024, Court Services' staff are not cashing checks for inmates. The Court Financial Supervisor sent an email to staff stating "Good morning, Effective today, we no longer will cash checks for detainees coming from the Detention Center. Detention has been notified." Training was conducted with staff following the email notification.

Vending machine proceeds have ceased; therefore, going forward no vending machine proceeds will be received.

No other checks have been cashed by Court Services staff.

Estimated Implementation Date: June 30, 2025

Business Contact: Manager of Case Management

Business Reviewer: Court Administrator

ISS 4 – Vending machine vendor management

Court Administration has vending machines in the Courthouse and Detention. We identified several areas of concern relating to vendor management.

Checks payable to employees

During our review period, a vending machine vendor made 33 payments totaling \$2,313.65 to individual Detention employees from January 2020 through October 2022. Payments not payable to the City create liability for the City and employees alike, including the risk of misuse of funds.

Vendor agreements

For our audit period, one vendor provided vending services for the Courthouse from 2020 through December 2024 and for Detention from 2020 through May 2023. Detention switched vendors in May 2023, and the Courthouse moved to that same vendor in January 2025.

No agreements existed for either vendor, and no support was available for their selection as the primary vendor.

We requested payment records from both vendors. The only records the new vendor could provide were copies of checks from their bank paid to Detention; no other reports or records were provided. Detention retained copies of payments from the new vendor; at least one was via money order and not provided to us by the vendor.

Without a written vendor agreement, there is no way to ensure that vendors comply with requirements. All entities doing business on City property should have an agreement. We would expect a vending machine vendor agreement to outline responsibilities between parties, required licensing in Aurora, payment frequency, commission percentages, building access, who payments are made to, and other key information.

Commissions

Without an agreement, there is no way to ensure that Courts received the required commissions.

At the beginning of the audit, a verbal arrangement was made with the Detention vendor to lower prices and no longer provide Detention with commission checks; when the Courthouse switched vendors, those same arrangements were put in place.

The vendors are now operating their businesses for free on City property, using City resources such as electricity.

Recommendation

We recommend issuing a request for a proposal for vending machine services and working with the City Attorney's Office to draft a written agreement with the selected vendor(s), including the standard City required elements and those above.

We recommend that vending agreements require all payments to be payable to the City.

Management Response

Court Administration: The Courts' vending machines are in the jury area and used mainly by jurors. Our current vendor reduced the prices so that there was no commission. I have concerns about the City making money off jurors who are fulfilling their civic duty and not being compensated by the City for their time.

The Detention vending machines currently in place are with the same vendor as the vending machines in the jury area. They are also reduced in price so that there is no commission. The detention vending machines are not in a public area and are only used by City employees.

I will work with our attorney to draft a written agreement with the vendor and follow any policies that the City puts in place regarding vending machines.

Estimated Implementation Date: September 30, 2025

Business Contact: Manager of Case Management

Business Reviewer: Court Administrator

ISS 5 – Vending proceeds not handled properly

Vending machine proceeds were not properly handled.

Not deposited

Court Administration did not deposit vending proceeds into a City account. Instead, they kept them in two different cash bags (see ISS 3). These cash bags were not petty cash as the funds did not have a set amount and were not replenished.

The supporting documentation and logs for expenses paid using vending machine funds were inadequate and did not always comply with the City of Aurora's small-dollar purchase policy.

Missing support

Case Management and Detention were missing receipts and adequate records relating to food, beverages, gift cards, and cash tips for food purchases. This included:

- \$210 in entries identified as cash tips for food purchases,
 - The only support maintained included emails or notes on what was paid.
- \$1,214 in gift card purchases
 - These purchases were missing adequate supporting documentation, including who received the gift card.

Small Dollar Purchase Policy dated May 31, 2021 - Food & Beverages:

Any purchase of food and beverages, including those primarily for employee meetings, must be pre-approved and have a receipt signed by a supervisor that includes the date of the event, list of attendees, and the meeting's purpose.

Small Dollar Purchase Policy dated May 31, 2021 - Gift Cards:

Departments must ensure that added safeguards are in place for any purchasing card purchases of gift cards for employees and non-employees including documented preapproval by a department director, manager or supervisor:

- Employees: Per Employee Manual Section 1.5 (2b): Non-cash equivalent awards (e.g. gift cards, credit cards) over \$25 must be reported to payroll for the appropriate deduction of taxes and proper reporting. In addition, logs will be maintained documenting the receipt of the gift card by the employee.

Small Dollar Purchase Policy dated May 31, 2021 - Log and Documentation Maintenance:

State archive regulations require maintenance of these receipts and statements for two previous calendar years, plus the current year.

Logs not timely

The Case Management log was missing one payment. Additionally, 5/18, or 28% of payments, were not recorded within 21 days of the check date; the longest was 95 days.

For Detention, we cannot guarantee that our review included all vendor payments, as the vendor who took over in May 2023 failed to provide us with adequate documentation. We relied on check copies provided by the vendor and those retained by Detention and their log. The Detention log was missing one payment. Additionally, 19/43 or 44% of payments were not recorded within 21 days of the check date, the longest was 72 days.

As payments were made directly to Detention employees, delaying documenting payments in a log can be an indicator of fraud.

We acknowledge that both vending machine cash bags were deposited with the City Cashier's Office during the audit and no proceeds are currently being received.

Recommendation

We recommend complying with City policies to obtain and retain adequate documentation for small dollar purchases.

We recommend that future commissions be deposited with the Cashier's Office and budgeted and expended through the normal City processes.

Management Response

Detention agrees with the recommendations regarding the vending machines. Upon learning about the issue, we immediately contacted the current vendor and requested a reduction in vending prices and ceasing any commission payments to the facility. City policies are currently being followed to obtain and retain adequate documentation for small-dollar purchases.

Court Services agrees with the recommendations. At the time of this response, vending machine proceeds have ceased; therefore, going forward no additional vending machine proceeds will be received.

City policies are currently being followed to obtain and retain adequate documentation for small dollar purchases.

Estimated Implementation Date: December 31, 2025

Business Contact: Manager of Case Management

Business Reviewer: Court Administrator

ISS 6 – Develop policies and procedures – Detention

Policies and procedures for cash handling did not exist for Detention when the audit started.

Detention issued a new Directive on January 27, 2025, outlining the handling of bonds. Previously, no guidance existed on handling payments. Policies and procedures should continue to be developed, incorporating the areas outlined in the citywide and Court Administration cash handling policies, including procedures for segregating duties, securing cash, voids, counterfeit bills, etc.

Recommendation

We recommend developing policies and procedures outlining the cash handling process, to align with the guidance in the citywide cash handling policies.

Management Response

Detention agrees with the recommendation. We have finalized our cash handling procedure policy, and it's currently under review. It is now progressing through the proper approval channels for the City before it is distributed to staff for implementation.

Estimated Implementation Date: September 30, 2025

Business Contact: Chief of Detention

Business Reviewer: Court Administrator

ISS 7 – Update policies and procedures – Case Management

Policies and procedures for Case Management need updating.

Court Administration Case Management adopted cash-handling procedures in November 2024. These procedures need to be updated to improve guidance and internal controls.

The Case Management procedures generally follow the Citywide Cash Handling Policy. However, we have outlined areas below that should be updated or added to the policy.

Opening and closing

Court Cash Handling Section V. states: *"The Case Management Division has a set of written procedures for opening and closing business operations, which are onsite and accessible to each staff member."*

We were unable to obtain these procedures or verify their existence.

Court Cash Handling Section V. D. states: *"Each morning, the court clerk will verify their cash bag retrieved from the safe contains the same amount of cash as the previous day."*

We understand that clerks and supervisors now verify their cash bags at the end of the day. The policy should be updated to reflect the change in practice.

The policy also needs to be updated to address the close-out and reconciliation procedures and required steps and approval for Clerks to follow. This should include that no one employee can both close-out and reconcile a cash drawer and perform the daily group close-out and deposit.

Balancing

Court Cash Handling Section V. D. states that when the cash bag does not agree, *"The count is performed by one person and recounted by another."*

The policy could be improved by clarifying whether the count is to be performed by another clerk, or a member of the management team.

The policy should also be updated to address balancing at a set time daily in a secure area and that the composition of the total daily receipts should balance to cash on hand plus checks and credit card totals.

Payment types

Court Cash Handling Section VIII states: *"When receiving a check for the payment of a bond posted at another jurisdiction, the following steps should be taken to complete the transaction(s):..."*

The procedures should be updated to apply the general steps for all other check payments, such as the check date, signatures, payable information, etc.

The policy should be updated to address whether traveler's or two-party checks can be accepted.

Cashing checks

As noted from ISS 3, the policy should address not allowing employees to cash any checks.

Credit Card Related Practices

Court Cash Handling Section V. states: *"Clerks shall check all credit card terminals for suspected tampering."*

The policy does not address how these inspections are documented. As noted in ISS 11, these checks were not occurring at the time of the audit.

The policy should include guidance on credit card machines, including the process for any third-party individuals claiming to be repair or maintenance personnel.

Change Funds

Court Cash Handling Section XIII states: *"Change fund replenishment is handled through group closeout process."*

The policy does not address procedures for replenishing change funds or the amounts for all change funds.

The policy should address the balancing and reconciling change funds including frequency, procedures, or responsibilities.

Shift Change

The policy should address procedures for when a change in clerks occurs during the shift, including the count of the cash bank and receipts.

Deposit Process

The policy should address deposit preparation, including supporting documentation, reconciliations, and armored car services.

Robbery

The policy should address procedures in case of a robbery.

Refunds

The policy should address whether refunds can be issued when the payor is present and clearly prohibit refunds for credit cards and check payments.

Mail Log

The policy should address how duties are segregated for opening, logging, and receipting of mail.

Recommendation

We recommend updating policies and procedures for the items outlined above.

Management Response

Court Services agrees with the recommendation. Court Services Cash Handling Policy will be revised per the above recommendations. Opening and Closing Procedures, Cashing Checks, Shift Change, Deposit Process, and Robbery will be added to the Court Services Cash Handling Policy. Court Cash Handling Section V. D., Balancing, Payment Types, Cashing Checks, Credit Card Related Practice, Change Funds, Refunds, and Mail Log content will be revised as recommended.

Staff training will be conducted when the revisions are finalized and approved.

Estimated Implementation Date: September 30, 2025

Business Contact: Manager of Case Management

Business Reviewer: Court Administrator

ISS 8 – Training

Employees should receive additional training on cash handling and the cash handling policy. During our audit, we identified inconsistencies in how employees were conducting various cash-handling duties. In some instances, their handling was not compliant with the new policy.

Examples included:

Clerks stated they may not always lock their cash drawer whenever they step away. The November 2024 policy states, "*Clerks are expected to lock their cash drawer at breaks, lunches, and whenever they are away from their assigned workstations.*" Unlocked cash drawers leave cash unsecured for any employees walking in that area.

Employees were unsure whether the bank bags with bond funds were always locked.

Employees received verbal guidance on handling counterfeit bills contradicting written policy; additional training should reinforce this policy guidance.

Additional training ensures all employees understand the new cash handling policies and expectations.

Recommendation

We recommend training all employees who may receive payments on the updated policies and procedures.

Management Response

Detention agrees with the recommendation; our staff is receiving ongoing training on proper cash handling procedures. This training occurs during shift briefings to ensure all staff members are consistently informed and up to date on cash handling practices. Once the policy is finalized, employees will receive additional training.

Court Services agrees with the recommendations. Additional training was conducted with Court Services staff on March 19, 2025. Upon completion of the revisions to Court Services' Cash Handling Policy, staff will receive a copy of the revised Court Services Cash Handling Policy and additional Cash Handling Policy training.

Estimated Implementation Date: September 30, 2025

Business Contact: Manager of Case Management

Business Reviewer: Court Administrator

ISS 9 – Access needs updating

Employees, including non Court Administration employees without a business need had access to the cash handling room. Inadequate access control can result in individuals who do not need access to the cash areas gaining access. The City is aware of the access control issues from numerous prior audits and is working on addressing them.

Recommendation

We recommend working with Facilities to update access only for those employees who need access for their daily duties.

Management Response

Court Services agrees with the recommendations. A list of employees with authorization to access the Case Management Cash Handling Room has been reviewed and modified. This was completed on February 10, 2025. Court Services has created a memo requesting an individual access list for the Court Services Cash Handling Room. This request will be emailed to the Facilities Services Contract Supervisor quarterly and when an employee separates. Court Services will be sending an email to the Facilities Services Contract Supervisor and Court IT representative requesting that no one be added to the Court Services Cash Handling Room without written permission from the Court Manager or Court Administrator.

Estimated Implementation Date: April 30, 2025

Business Contact: Manager of Case Management

Business Reviewer: Court Administrator

ISS 10 – Change funds

Change banks are assigned to employees, not windows or drawers, increasing the number of change banks required on hand. Additionally, one general change fund did not have a set balance.

Ten change banks were on hand at the time of the audit; only five were in use. Additionally, we counted a large change fund and a second general change fund that did not have a set balance.

Having unused cash on hand and change banks without set balances increases the risk of loss or misuse.

Recommendation

Consolidate change funds – We recommend depositing the small change fund and using only the large change fund to make change as needed. – *Implemented February 2025*

Evaluate change bank structure – We also recommend evaluating the current change bank structure to determine whether fewer change banks are needed if assigned to the windows/drawers where payments are processed.

Management Response

Court Services agrees with the recommendations. The small change fund bag was deposited with the City of Aurora Cashier's Office on February 20, 2025. The receipt from the Cashier's Office was emailed to Michelle Crawford. Court Services' management team will evaluate the change bag structure to ensure timely payment processing allowing the completion of payments within the timeframes, which is crucial for maintaining good relationships with clients as well as ensuring smooth cash flow.

Estimated Implementation Date: December 31, 2025

Business Contact: Manager of Case Management

Business Reviewer: Court Administrator

ISS 11 – Card tampering inspections

The Citywide Policy and the updated Court cash handling policy require a daily inspection for tampering with all credit card devices. At the time of the audit, Clerks were unaware of this requirement and were not performing it.

Payment Card Industry requirements include a daily tamper check. Non-compliance could result in the loss of card payment processing services.

Recommendation

We recommend complying with policies, performing daily credit card inspections, and documenting and retaining this information in accordance with City requirements.

Management Response

Detention agrees with the recommendation. Our Lieutenants received training and are now conducting daily inspections of the credit card devices for any signs of tampering.

Court Services agrees with the recommendation. Staff training was completed on March 19, 2025. Effective March 20, 2025, credit card machine visual inspections will be conducted for all credit card machines within the Court Services' Division daily and reported monthly in accordance with City requirements.

Estimated Implementation Date: December 31, 2025

Business Contact: Manager of Case Management

Business Reviewer: Court Administrator