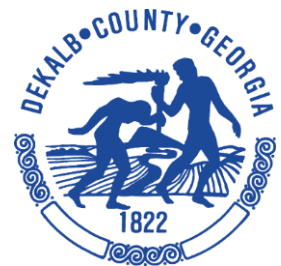


DEKALB COUNTY GOVERNMENT



John L. Greene, CIA, CIG, CGAP, CGFM
Chief Audit Executive

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John Greene
Chief Audit Executive

OFFICE OF INDEPENDENT INTERNAL AUDIT
2017 ANNUAL REPORT

CHIEF AUDIT EXECUTIVE SUMMARY

I am pleased to submit the Annual Report of the Office of Independent Internal Audit (OIIA) for the period from January 1, 2017 to December 31, 2017 as required by the DeKalb County Internal Audit Code Section 10A(j)(6) to highlight the major work efforts and activities of the OIIA and the audit activities that should be completed and issued in 2018. The value and services of the OIIA can never be fully reflected in the annual report.

This year was the first full year of operation of the OIIA. I want to thank the Audit Oversight Committee (AOC) for their support and contribution to OIIA's successful year. In addition, I want to thank the officials and employees who worked with me since my first day in DeKalb County on September 26, 2016.

The OIIA began the year with only one person and the OIIA was able to hire eleven professional staff and one administrative assistant. We became fully staffed in October 2017.

On May 4, 2017, the OIIA submitted the annual Audit Work Plan for approval by the AOC chairperson. The Audit Work Plan is based on the results of our annual risk assessment to provide the best use of available resources and the most effective coverage of DeKalb County's programs, systems, activities and contracts.

During the year, the OIIA launched an OIIA website which provides information about why we exist, our organization chart, our authority to perform audits, the audit standards we use to complete our audits, a link to issued audit reports and a link to the Ethics Hotline to receive complaints. In addition, the website has information about the AOC, the AOC meeting dates, agendas and minutes.

We remain committed to our work to promote our mission to provide independent, objective, insightful, nonpartisan assessment of the stewardship or performance of policies, programs and operations in promoting efficiency, effectiveness and integrity in DeKalb County. Thank you for your continued support and cooperation.

Sincerely,

A handwritten signature in blue ink that reads 'John Greene'.

John Greene, CIA, CIG, CGAP, CGFM
Chief Audit Executive
March 15, 2018

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INTRODUCTION

The Office of Independent Internal Audit was established in accordance with House Bill 599, enacted by the Georgia General Assembly signed into Law on May 12, 2015.¹ The OIIA consists of the Chief Audit Executive (CAE) and the assistants, employees and personnel as deemed necessary by the CAE for the efficient and effective administration of the affairs of the office, and over whom the CAE will have the sole authority to appoint, employ and remove.

The OIIA is completely independent and is not subject to control or supervision by the chief executive officer, the commission, or any other official, employee, department, or agency of the County government. The position of the CAE is nonpartisan.

To ensure independence of the audit function, an Audit Oversight Committee (AOC) was established per House Bill 599. The AOC consists of five voting members. The committee will:

- Ensure independence of the OIIA
- Select no fewer than two or more three nominees for the position of CAE for approval by the DeKalb Board of Commissioners
- Provide suggestions and comments for the annual audit plan
- Propose the internal audit budget and recommend the budget to the DeKalb County Board of Commissioners for approval
- Receive communications from the CAE on the internal audit activity's performance relative to its plan and other matters
- Provide general oversight and guidance
- Consult with CAE on technical issues and coordinates with contracted audit efforts and other consulting engagements

OFFICE OF INDEPENDENT INTERNAL AUDIT DUTIES AND RESPONSIBILITIES

The OIIA is responsible for conducting financial and performance audits of all departments, offices, boards, activities, agencies and programs of the County independently and objectively to determine whether:

- (1) Activities and programs being implemented have been authorized by this Act, Georgia law, or applicable federal law or regulations and are being conducted and funds expended in compliance with applicable laws
- (2) The department, office, board, or agency is acquiring, managing, protecting, and using its resources, including public funds, personnel, property, equipment, and space, economically, efficiently, effectively, and in a manner consistent with the objectives intended by the authorizing entity or enabling legislation
- (3) The entity, programs, activities, functions, or policies are effective, including the identification of any causes of inefficiencies or uneconomical practices
- (4) The desired results or benefits are being achieved
- (5) Financial and other reports are being provided that disclose fairly, accurately, and fully all information required by law, to ascertain the nature and scope of programs and activities,

¹ Incorporated into *DeKalb County, Georgia – Code of Ordinances / Organizational Act Section 10A- Independent Internal Audit.*

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and to establish a proper basis for evaluating the programs and activities including the collection of, accounting for, and depositing of, revenues and other resources

- (6) Management has established adequate operating and administrative procedures and practices, systems or accounting internal control systems and internal management controls
- (7) Indications of fraud, abuse or illegal acts are valid and need further investigation

In addition, the OIIA has duties and responsibilities to:

- Coordinate and monitor auditing performed by certified public accounting firms or other organizations employed under contract by the governing authority to assist with audit related activities
- Participate with the AOC in the selection of the external audit firm
- Follow up on audit recommendations to determine if corrective action has been taken

AUDIT OVERSIGHT COMMITTEE

The AOC consists of five (5) voting members. All members of the AOC must be residents of DeKalb County, have expertise in performance auditing; and have a minimum of five (5) years' experience as a Certified Public Accountant, a Certified Internal Auditor, a Certified Performance Auditor, a Certified Management Accountant, or ten (10) years of other relevant professional experience. The AOC was made up of the following members as of December 31, 2017 as detailed below:

Members	Appointing Authority	Term	End Date
Monica Miles, Chairperson	Chairman of the DeKalb Delegation to the State House	2 Years	December 31, 2017
Gena Major, Vice Chairperson	Chief Executive Officer, DeKalb County	3 Years	December 31, 2018
Harold Smith Jr.,	Board of Commissioners, DeKalb County	4 Years	December 31, 2019
Harmel Codi	Chairman of the DeKalb Delegation to the State Senate	5 Years	December 31, 2020
Vacant	Board of Commissioners, DeKalb County	5 Years	December 31, 2021

OFFICE OF INDEPENDENT INTERNAL AUDIT MISSION, VISIONS & VALUES

Mission Statement (why we exist and what we do)

Our purpose (why we exist) is to provide independent, objective, insightful, nonpartisan assessment of the stewardship or performance of policies, programs and operations in promoting efficiency, effectiveness and integrity in DeKalb County.

Our promise (what we do) is to accomplish this through financial audits, performance audits, inquires, investigations and reviews.

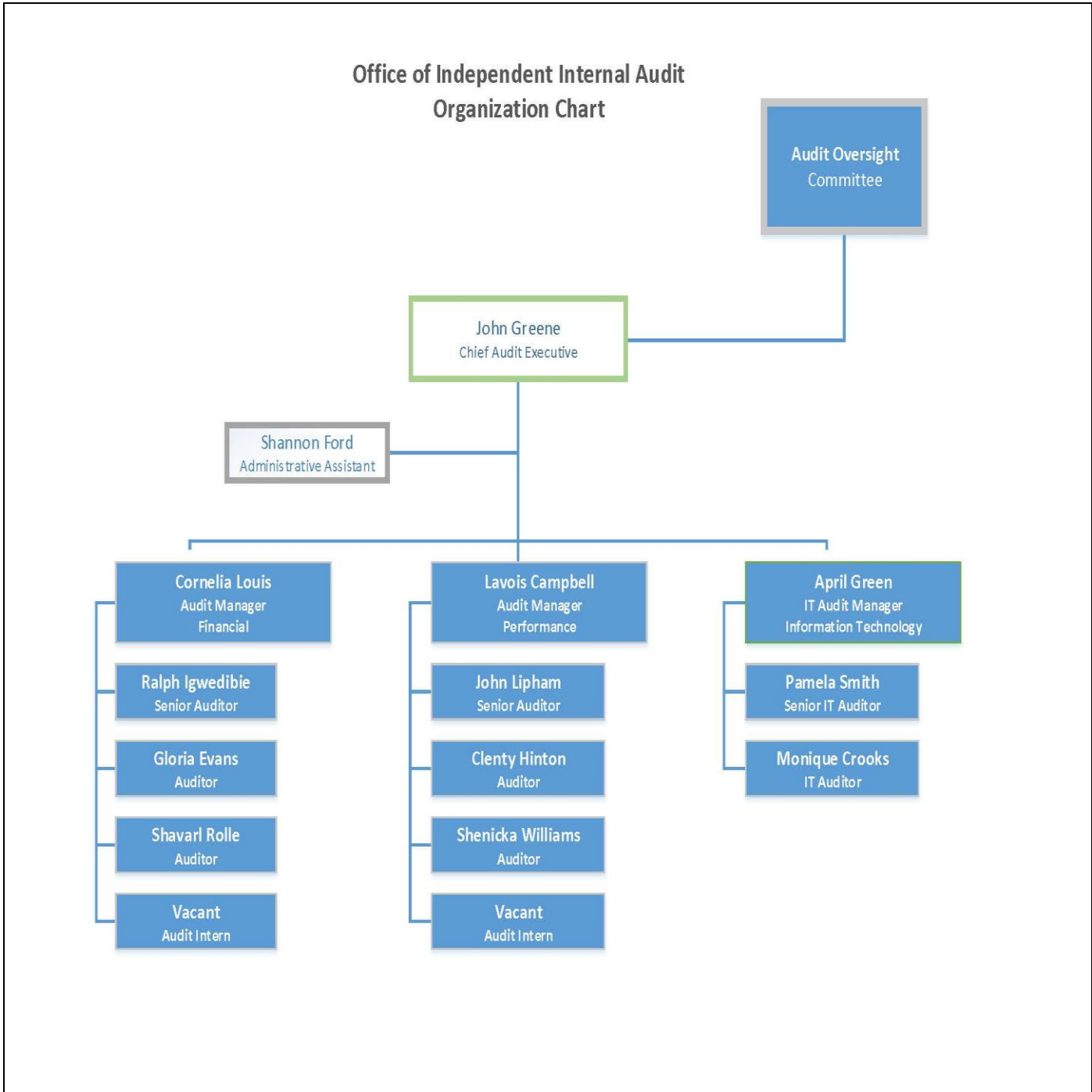
Vision Statement (where we are going)

Excellence in our products and services as we promote positive change throughout DeKalb County with an inspired team that strives for continuous improvement.



OFFICE OF INDEPENDENT INTERNAL AUDIT ORGANIZATION AND STAFF

The CAE reports to the AOC as established by Georgia State Law via DeKalb County Code of Ordinance and the OIIA has unrestricted access to employees, information, and records including electronic data within their custody regarding powers, duties, activities, organization, property, financial transactions, contracts and methods of business required to conduct an audit or otherwise perform audit duties. The OIIA currently consists of 12 professional positions and one administrative assistant as detailed below:



SUMMARY OF ACTIVITIES

The following paragraphs contain a summary of the various activities completed during the year of 2017. The information contained in the Summary of Activities Section of this report was extracted from reports issued by the OIIA and may only disclose essential information.

AUDIT ACTIVITIES

KPMG AUDIT REPORT OF DEKALB COUNTY WATER METERING AND BILLING

We contracted with KPMG to conduct an assessment of the County's water metering and billing through the authority derived from Georgia House Bill 599 (2015 Ga. Laws 3826). The assessment reviewed meter and billing data, system capabilities, technology enablement, asset management and utilization, staffing models, resource management and training, processes and controls, and customer service to develop recommendations to rectify current issues, support positive transformation, and enhance the County's water metering and billing operations. KPMG's assessment focused on the following functional areas that comprised the metering and billing process:

- Account Set Up
- Meter Reading
- Billing
- Field Services

In addition, they reviewed the administration and organization of the departments providing meter reading and billing functions.

KPMG's project objectives were aimed at determining the root causes related to the inaccuracy of water meter readings and water billings and recommended actions to help correct and mitigate the identified issues. Project tasks included a review of key water meter reading and billing processes, technologies, controls, and personnel. KPMG reviewed:

- Water metering and billing technology
- Business processes related to meter reading, billing, customer account management, field services, and back office data analysis
- Water metering and billing procedures and governance
- Water metering and billing staffing
- Water metering and billing personnel and training
- Water metering and billing customer service

The KPMG report issued on December 15, 2017 had 22 issues and recommendations and the strategic next steps.

Based on fieldwork, observations and recommendations, KPMG identified complex challenges with DeKalb County's water metering and billing operations. They identified numerous observations and recommendations in this report for rectifying historic and current meter reading and billing issues. There are numerous issues, as opposed to a single event, that contributed to the abnormally high volume of inaccurate water bills. Below is a succinct summary of contributing

issues causing inaccurate water metering and billing:

- Governance, management, organizational reporting, and operations are bifurcated between two departments - the Department of Watershed Management and the Finance Department's Utility Customer Operations Division. The two functions reside in differing departments reporting to differing department directors which does not allow for a single person to be accountable and manage end-to-end water metering and billing processes
- Many business processes are manual and use hardcopy forms (as opposed to electronic) which results in mistakes by human error
- Many business processes are inefficient and ineffective causing rework and delays
- There are multiple disparate (not integrated) technology systems supporting various functions of operations causing duplicative data entry and lack of a consolidated view of work order status in a single system
- Key operations such as meter installation is reliant on a third party contractor which without strong vendor management protocols limits the County's control over the process and personnel performing the process
- There is heavy use of temporary employees, as opposed to full time employees within operations. Temporary employees are prone to higher turnover rates causing less consistency in service delivery and knowledge retention
- A significant portion of current water meters are aged resulting in an increased need for manual readings (more prone to human error)
- Meter read routes are not optimized or workload balanced across meter readers resulting in certain routes having less budgeted time per meter read
- Existing technology has the capability to produce multiple operational/exception reports that are not being utilized
- There are multiple types of water meters with different methods for reading and recording meter data
- There is limited documentation/desktop procedures for estimating, correcting or releasing bills

Below are the key recommendations:

- Merge the two bifurcated water metering and billing functions into a single organizational unit governed by a single department director that can oversee and manage end-to-end water metering and billing processes for the County.
- Create new supervisory unit with increased input into overall DWM strategy and improvement efforts, including meter reading and field services teams responding to routine UCO requests
- Develop quality control objectives for critical billing data inputs
- Replace manually read and other older meters based on their age
- Consolidate and strengthen management and controls between UCO and DWM billing functions
- Prepare standard procedures for releasing bills "as is" and estimating and calculating revised bills
- Establish quality control objectives and data requirements for Field Services processes based on customer and billing needs to avoid rework/duplicate requests

- Revise business processes to optimize capabilities and use of Cityworks system
- Develop and provide Meter Readers with quick reference card for manual meter reads
- Leverage existing AutoRead System Reports to control errors and omissions prior to CPAK upload
- Implement a program to promote high performing temporary staff to full-time positions
- Evaluate alternative interface designs for AutoRead, Cityworks, and warehouse/inventory systems to enable effective data exchange
- Ensure equipment is in serviceable condition before being deployed to the field and develop a program with parameters regarding replacing equipment that is nearing the end of its useful life
- DWM and UCO should prioritize filling vacancies with personnel who possess the necessary skill sets and ensure incoming staff are receiving adequate knowledge of daily roles and responsibilities
- Improve the detail and flexibility of exception reporting to meet the needs of multiple purposes and users (Billing Specialists)
- Develop robust vendor management protocols within their contract terms, conditions and contract management processes
- Expand Advanced Metering Infrastructure (AMI)/Automated Meter Reading (AMR) technology capability system-wide to eliminate time-intensive manual processes and reduce meter reading errors
- Develop formal desktop procedures, knowledge base content and succession planning to help ensure that the skill and experience of tenured staff members is maintained within the Department
- Review and appropriately redistribute the number of meters assigned per routes to ensure routes are being read in the most efficient and effective manner
- Make initial application for new water service and intake steps electronic
- Establish processes to integrated related data components in the current billing system and work order system into the newly selected water billing system
- Consider co-locating some meter application and installation personnel to help expedite the process of sharing application information

RFP PROCESS FOR 2017 EXTERNAL AUDITOR

The AOC and the CAE submitted a solicitation through a Request for Proposal (RFP No. 17-500467) for Certified Public Accounting firms with experience in government auditing to conduct an audit examination of its financial statements for five successive fiscal years. The CAE and some members of the AOC participated on the Selection Committee of the solicitation that sought to procure external auditing services to be performed in accordance with Generally Accepted Accounting Principles, Generally Accepted Auditing Standards and the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

The Selection Committee evaluated the bids for External Auditing Services and recommended Mauldin and Jenkins, LLC as the selected firm to the DeKalb County Board of Commissioners

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(BOC). On November 14, 2017, the BOC approved the recommendation to award Mauldin & Jenkins, LLC for External Auditing Services, RFP No. 17-500467.

A Notice to Proceed (NTP) meeting was held on January 9, 2018 with the Selection Committee members and Mauldin and Jenkins, LLC representatives. During this meeting, Mauldin and Jenkins, LLC representative(s) was presented a NTP Letter and acknowledged the receipt that authorized them to proceed to provide external auditing services under their contract.

ONGOING AUDIT ACTIVITIES

The following audit activities had an engagement letter issued as we began to staff the OIIA in 2017 and audit reports should be issued in 2018:

Audit	Report Number
Low Bid Procurement Process	2017-004-PC
Sole Source Procurement Process	2017-005-PC
Emergency Purchases	2017-006-PC
Informal and Formal Procurements	2017-007-PC
DeKalb County Purchasing Policy	2017-008-PC
County compliance processes relating to Safety Sensitive classified employees including Commercial Driver's License (CDL) holders	2017-009-HR
Recreation, Parks & Cultural Affairs Cash Handling Procedures	2017-011-RPCA
Sanitation Division's Other Professional Services Expenditures	2017-012-SAN
Temporary Service Contract	2017-013-UCO
Alcohol Privilege License Application Process	2017-016-PSBS
Animal Shelter Post Contract Completions	2017-018-FM

TRAINING, CERTIFICATIONS AND AFFILIATIONS

Professional standards require the OIIA’s staff to be proficient, competent, and collectively possess and apply knowledge, skills and experience when performing audit work. Additionally, auditors should complete Continuing Professional Education (CPE) courses related to their primary responsibilities.

Our auditors adhere to the Government Auditing Standards for completing 80 CPE hours in a 2-year period with 24 of those hours being related to government auditing.

Collectively, OIIA staff have backgrounds and experiences in a variety of disciplines in the public and private sectors. These disciplines include accounting, auditing, program evaluation, computer science and management. OIIA staff possess professional certifications and some staff members have advanced degrees. OIIA’s Internal Procedure 5.03 – Continuous Development and CPE, has guidance to ensure that staff develop and maintain professional competence to effectively perform critical job tasks.

Staff demonstrates their expertise through affiliations and certifications in the following professional organizations:



Certifications	Count
Certified Inspector General (CIG)	1
Certified Public Accountant (CPA)	3
Certified Fraud Examiner (CFE)	2
Certified Internal Auditor (CIA)	3
Certified General Accountant (CGA)	1
Certified Government Audit Professional (CGAP)	1
Certified Information Systems Auditor (CISA)	1
Certified Government Financial Manager (CGFM)	1
Chartered Global Management Accountant (CGMA)	1
Chartered Professional Accountant (CPA)	1

DISTRIBUTION

Statutory Distribution:

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Kathie Gannon, Board of Commissioners District 6

Gregory Adams, Board of Commissioners District 7

Gena Major, Chairperson, Audit Oversight Committee

Harold Smith, Vice Chairperson, Audit Oversight Committee

Monica Miles, CPA, CFE, Audit Oversight Committee

Harmel Codi, Audit Oversight Committee

Information Distribution:

Zachary L. Williams, Chief Operating Officer/ Executive Assistant

Vivian Ernstes, Interim County Attorney

La'Keitha D. Carlos, CEO's Chief of Staff

Antwyn Brown, Chief of Staff, Board of Commissioners

Stacey Kalberman, Ethics Officer, DeKalb Board of Ethics

Representative Howard Mosby, House District 83, Chairman of the DeKalb Delegation to the State House

Senator Emanuel Jones, Senate District 10, Chairman of the DeKalb Delegation to the State Senate