

DEKALB COUNTY, GEORGIA

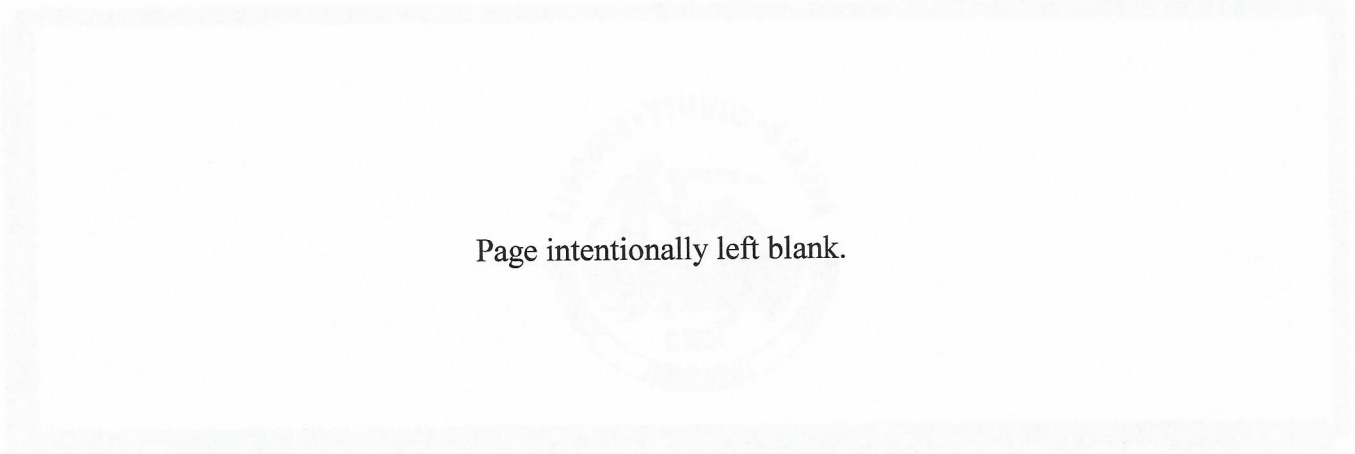


LAW LIBRARY

2014 MANAGEMENT REPORT

PREPARED BY
FINANCE- INTERNAL AUDIT DIVISION

DEKALB COUNTY GEORGIA



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Internal Audit

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DATE: April 28, 2015
TO: Tangela Barrie, Chief Judge – Superior Court
FROM: Cornelia Louis, Deputy Director of Finance – Internal Audit
SUBJECT: Law Library
RE: 2014 Management Report

General Information

Internal Audit has examined the financial records of the Law Library for the period January 1, 2014 to December 31, 2014. Issued separately from this report is an audit report that includes the financial statements and our opinion thereon. The Findings, Recommendations and Comments covered in this report are to address operational aspects of the financial activities of the Law Library.

Finding I: Segregation of Duties

The Law Library accounting functions are not adequately segregated. The following duties are performed by the Manager: (1) Processes payment received from agencies and Librarian, (2) Reconciles or balance cash, (3) Prepares and deposits funds into the bank account and (4) Processes payments to vendors. The Manager is also responsible for oversight of the accounting function. Separation of duties is a procedure in internal control process to reduce the risk of fraud, loss, or undetected error in the financial system.

Recommendation I

We recommend that Law Library management segregate incompatible accounting functions. In addition, due to insufficient staffing resources within the department, we recommend another level of review and approval by a knowledgeable individual independent of the process. Review and approval are controls to help management monitor the achievement of operational goals and objectives. In so doing, the risk of errors or fraud is minimized.

Finding II: Inadequate Control to Safeguard Cash Collected and Other Assets

- A. The Law Library offers copy and print service to the public for a nominal fee of \$0.15 per page. The fee is charged to recoup the maintenance cost of operating the printers and copy machines. Total monthly maintenance cost of the copier consist of a flat rental fee (\$110.07), combine with a per image charge (\$0.0075). At times, the “Honor System” is used to calculate the cost of copies and prints made by customers. When the honor system is utilized, verification of the number of copies and prints made is not performed to

determine cost; staff merely accepts the total amount of copies and prints stated by the customer to determine the cost. Currently, inadequate control exists for the copy machine (MP2852CP) to verify the number of printed copies. No current controls exist to verify the amount of prints made from the two workstations.

- B. Used obsolete (*2 years old*) books are sold to the public or transferred to the County's surplus inventory. The staff determines salable books and the selling price, which varies. Sometimes the price may be one-third of the new edition or professional judgment is exercised. Minimal records were available to determine the sale date and proof of sale (*receipts available only upon request by customer*) for books sold. Currently, no information exists to verify discarded books and the date sent to surplus.

Recommendation II

- A. We recommend the implementation of a self-serve and payment system to streamline the copy and print service offered to the public. This will enable the users to print or copy and pay without the aid of Law Library staff. In so doing, the users will be more accountable for the number of prints or copies made, minimize waste, and increase staff productivity.
- B. We recommend Law Library Management establish an inventory system to track the deposition of all used books. Management should approve the list of salable books, selling prices, and books recommended for surplus. Pre-numbered receipts, containing details of the transaction, should be provided to each customer for used books sales. Receipt copies should be maintained for record keeping purposes. By utilizing a tracking system and implementing pre-numbered receipts, management can ascertain that the financial records accurately reflect financial transactions that have occurred.

Finding III: Inadequate Cash Handling Procedures

Transaction Log that accounts for cash collected from used books sales, copies, and print service, totaled \$16,539.70. We discovered only \$16,289.70 was deposited, resulting in a \$250.00 difference. The manager signed the Cash Deposits Form acknowledging receipt of the \$16,289.70, but no signature exists for the person who remitted the cash. Subsequent to our audit, management stated the discrepancy of \$250.00 was a result of error and duplicate entries entered in the Transaction Log.

Currently, there are no written cash handling procedures to account for daily cash collected from used book sales, copies, and print service. Cash collected by staff is stored in a lock box, which is kept in a desk drawer for a few days until it is given to the Manager for deposit.

Recommendation III

We recommend that Law Library management implement a daily cash closeout procedure that requires two people to reconcile cash collected with the copier's meter reading, cash receipts and/or inventory sales. Two staff members must verify and approve the amounts on the Cash Report by signing the report. Un-deposited funds should be stored in the controlled access vault or safe daily. The implementation of the above recommendation will help ensure adequate safeguards over cash.

Finding IV: Non-compliance with County's iProcurement Procedures

The purchase of Dell computer and software did not comply with DeKalb County's Computer Hardware, Software and Related Maintenance/Support Purchasing Policy. DeKalb County Information Technology (IT) department is liable for all equipment and software installed on such equipment connected to the County's network. The addition of equipment and software to the County's network that is not purchase through the procurement procedures can have an adverse effect on the following controls:

1. Security System Controls (*Increase risk of system breach*) - Various files are push to equipment on the network to ensure consistent protection from viruses and malware. Without prior knowledge of additional equipment and/or not having the correct security software installed, increases the risk of County's network becoming vulnerable to viruses and malware intrusion.
2. Software License Controls (*Increase risk of licensing agreement infringement*) –The operating systems along with any other software that may be utilized while connected to resources through DeKalb County's network needs to be accounted for and appropriately licensed. Having unaccounted and unappropriated license software, increases the County's risk of infringement of licensing agreements and potential liability.

Recommendation IV

We recommend purchasing computer hardware and software through Oracle iProcurement. As stated in DeKalb County's Computer Hardware, Software and Related Maintenance/Support Purchasing Policy, IT department is able "to ensure compliance with licensing agreements, to avoid unnecessary potential liability, to protect a significant DeKalb County investment, and to ensure compliance with approved standards for hardware equipment and software." By complying with the DeKalb County's policies, the risk associated with the security system and software license controls are minimized.

Finding V: Untimely Cash Deposits

Eight (8) out of the twenty-three (23) receipts selected for testing were not deposited timely. In some instances, cash collected were deposited thirteen (13) days after receipt. For example, cash received for \$120.00 on March 14, 2014 was not deposit until March 27, 2014. Un-deposited funds submitted to the manager by staff are stored in a secure vault in the manager's office until funds are deposited. Engaging in such practice increases the risk of loss or misappropriation of funds.

Recommendation V

Internal Audit recommends that cash and checks be deposited within two (2) business days from receipt. The risk of loss or misappropriation is minimized when funds are deposited in a timely manner.

Finding VI: Bank Reconciliation

Bank reconciliations are not prepared for Law Library's operating account. An excel spreadsheet is used to record and account for cash transactions.

Recommendation VI

We recommend Law Library personnel perform monthly account reconciliation, which should include but not limited to the following:

- 1) Documentation supporting the account balances should be included with the reconciliation
- 2) Reconciliations should be prepared and reviewed on a timely basis at the end of the period
- 3) The periods for the related set of records (bank balance and books balance) that are reconciled should match. *(Example: Reconciliation for September 2014 would include Bank Balance as of September 30, 2014 and Book Balance as of September 30, 2014)*
- 4) The reconciliation should support the bank balance and is not just a repeat of the ledger or a roll-forward of the balance

Preparing bank reconciliation statement allows management to account for fees, identify pending transactions and errors, discover dishonored checks, and detect fraud. As of the report date, Law Library personnel implemented bank reconciliation procedures.

Comment I

Law Library reimburses the County annually for prior year payroll expenses. No payment was remitted to the County in 2014 for fiscal year 2013 payroll expenses. We recommend that Law Library management coordinate with the Office of Management and Budget to obtain the necessary report to ensure accurate and timely reimbursement.

Comment II

Check # 3088, dated March 29, 2013 for \$3,937.50, from Clerk of Superior Court was deposited into Law Library account in error; the funds should be transferred to the ADR account.

Internal Audit expresses appreciation for the assistance provided by your staff during our review. Please let us know if you have any questions or concerns.

Sincerely,



Cornelia Louis
Deputy Director of Finance – Internal Audit
DeKalb County, Georgia

CL/OP

cc: Board of Commissioners (BOC)
Zachary Williams, Chief Operating Officer/Executive Assistant
Gwendolyn Brown-Patterson, Interim Chief Financial Officer/Finance Director
Claudette Leak, Administrative Project Manager