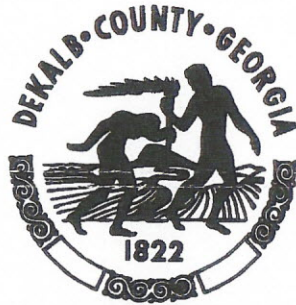


DEKALB COUNTY, GEORGIA



DEKALB COUNTY SHERIFF'S OFFICE

MANAGEMENT REPORT

FOR YEAR ENDED DECEMBER 31, 2014

**PREPARED BY
FINANCE- INTERNAL AUDIT DIVISION**

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Finance Department
Internal Audit

Interim Chief Executive
Officer

Lee May

Board of Commissioners

District 1
Nancy Jester

District 2
Jeff Rader

District 3
Larry Johnson

District 4
Sharon Barnes Sutton

District 5
Vacant

District 6
Kathie Gannon

District 7
Stan Watson

DATE: June 18, 2015
TO: Jeffery L. Mann, DeKalb County Sheriff
FROM: Cornelia Louis, Deputy Director of Finance-Internal Audit
SUBJECT: Sheriff's Office
RE: 2014 Management Letter

General Information

The Internal Audit Division has audited the financial records (Agency and Trust Funds) of the Sheriff's Office for the period, January 1, 2014 to December 31, 2014. Issued separately from this report is an audit report, which includes the financial statements and our opinion thereon. The Findings, Recommendations, and Comments covered in this report address operational aspects of the financial activities of the Sheriff's Office.

Finding I: Untimely Deposit of Cash

Cashier's checks received from redeeming two cash bond Certificate of Deposits (CD) were not deposited timely. Certificate of Deposits of \$100,000 and \$150,000, invested with Touchmark National Bank were redeemed on March 27, 2014 and September 9, 2014, respectively. The funds were reinvested on December 16, 2014 with Private Bank of Decatur Georgia. Georgia Law O.C.G.A. § 15-16-27, including Subsections (a) through (d) provides guidance on "deposit of cash bonds and reserves of professional bondspersons in interest-bearing accounts; disposition of interest."

By not depositing the funds into an interest bearing account, the Sheriff's Office relinquished possible interest income, which is remitted to Georgia Superior Court Clerk Cooperative Authority (GSCCCA) to support Georgia's Indigent Defense Program. Moreover, untimely deposits increase the risk of lost checks or misappropriation of the funds.

We reported similar occurrences of control deficiencies in the 2012 Management Report.

Recommendation I

We recommend that cash bonds be reinvested in a timely manner. By so doing, the risks of cash on hand are minimized and interest earned is maximized.

The Sheriff's Office should adopt and implement standard operating procedures (SOP) to guide investment of cash bonds. The procedure should include but not be limited to the following:

- Reasons for purchasing and for redeeming the CDs or other types of investment.
- Maximum allowable time lag between fund withdrawal and reinvestment.
- Procedures for selecting investment firm or bank.

- Supporting documentation and reporting to verify compliance.
- List of allowed investment alternatives to comply with the laws.
- Collateralization and reporting for the investments.
- Policy and SOP effective dates and revision dates should be documented.

Finding II: Inadequate Control Over Cash Bond Receipts and Deposit

While performing a walkthrough, we noted that the Sheriff's Office lacked segregation of duties and adequate cash handling procedures at the jail location. Lack of segregation of duties control deficiency was also mentioned in the external auditor's 2013 Management Report.

The following are control deficiencies in the various divisions.

- No staff in the Cash Bond Division approved the transfer of the Cash Bonds Received (CBR) and Miscellaneous Cash Received (MCR) to the Accounting Division staff.
One Accounting Division staff opened the cash envelopes, verified the funds, prepared deposit slips, and deposited the CBR to the bank and MCR to the Civil Process Unit (CPU). The process increases the risk of theft or an introduction of counterfeit monies into the system. Counterfeit bills have been found in the Cash Bond Division without traces to an inmate or a surety.
- The employee who prepares the cash bonds deposit slips also deposits the funds into the bank.

As of the report date, Sheriff's Office staff submitted an action plan to correct the control deficiency mentioned in the external auditor's 2013 Management Report. Additionally, staff developed a log for signatures by the escorting officer and Accounting Division personnel during bank deposit runs. The escorting officer merely ensures cash is safeguarded during the bank run and transferred to the CPU Division. Thus far, no other procedures were proposed to address the control deficiencies for processes prior to the bank run.

Recommendation II

We recommend that the Accounting staff open the cash envelopes and verify the cash with Cash Bond staff. Afterwards, the two should sign the necessary documents acknowledging verification has been performed. The cash should be sealed in a bag and secured for deposit to the bank and delivery to the CPU.

Staff that is not involved in the verification, bookkeeping, and preparation of deposit slips should deposit the CBR to the bank and MCR to the CPU to ensure adequate separation of duties.

Staff should be trained in appropriate cash management procedures to understand the principles of good cash handling and the risks.

The newly designed log for the bank run should be expanded to include spaces for the amounts the staff will be validating and signature. The log has not mitigated the risks associated with inadequate segregation of duties.

Finding III: Untimely Remittance of Interest Income from Cash Bond Investment

The interest earned from cash bond CDs during 2014 was not remitted to GSCCCA as of December 31, 2014. The accumulated unremitted interest was \$13,028, which includes 2013 unremitted interest of \$1,492.09. The 2013 unremitted interest was reported in the 2013 Management Report.

Internal Audit was not provided sufficient documents to confirm the balances and to verify the timing of remittances. As a result, we obtained records from the third party, GSCCCA. We received further information from the banks that interest checks were disbursed to the Sheriff's Office, but remained outstanding. The banks have voided and reissued the 2013 stale dated checks to the Sheriff's Office.

Recommendation III

We recommend the Sheriff's Office remit the cash bond interest checks to GSCCCA "by the last day of the month following the month they were received from the banks" (*O.C.G.A. § 15-6-76.1*). The accumulated interest as of December 31, 2014 should be remitted to GSCCCA.

In addition, all relevant supporting documents including, but not limited to, the monthly interest remittance reports, and copies of disbursed checks should be maintained.

Finding IV: Untimely Transfer of Unclaimed Cash Bonds

Unclaimed cash bonds were not transferred to the County's General Fund on time. A total of \$430,611.21 unclaimed cash bonds, due throughout 2014, were transferred to the Division of Treasury and Accounting Services (DTAS) on January 12, 2015. According to Georgia Law, the cash bonds were due to the County's General Fund on different dates in 2014. Georgia Law O.C.G.A §17-6-4 Code Section C guides the transfer of unclaimed cash bonds and states:

"In the event that any cash bail posted pursuant to this Code section or Code Section 17-6-5 is not later claimed by the surety of such bond after a period of seven years from the later of either the date on which the defendant was required to appear in court or the date of disposition of the case by the prosecutor or the court, including any appeal of a verdict or sentence, then the cash shall be paid into the general fund of the county having trial venue on the case, as in the case of forfeited cash bonds, provided that the officer who accepted such cash bail shall first have notified the surety, by mailing notice to such surety at the last address given by the surety, that such funds shall be forfeited if they are not claimed within 90 days following the date of mailing of such notice."

Staff explained that inconsistent data in the various systems might have contributed to the untimely remittance of cash bonds.

Recommendation IV

We recommend that Sheriff's Office transfer cash bonds to the County's General Fund, as they are due, instead of remitting the funds in a lump sum after the end of the year.

Finding V: Manual Accounting Process and System

The recording, processing, summarizing, and reporting of the cash receipts and cash disbursements at the CPU involve a tedious manual process. Current procedures require posting cash bond payments in two systems: Civil Serve Cash Bond Management System (Civil Serve) and Civil 2000 Cash Bond Management System (Civil 2000). Cash bond disbursements are processed in Civil Serve and manually re-entered in Civil 2000. Such manual entries are susceptible to data entry errors. For example, the balance of the cash bonds in the Civil 2000 database does not correspond with the reconciled cash bond bank balance per the audit. Cash bond receipts from January 1, 2014 to December 31, 2014 in the Civil 2000 did not correspond with the total receipts on the Cash Receipts and Disbursements Journal and monthly reports maintained by the Accounting Division at the County Jail. The balances of the latter two reports agreed. Staff indicated that the data in the Civil 2000 is inaccurate because some refunds and new cash bonds were not posted to the system. This issue has contributed to the untimely processing of unclaimed cash bonds.

CPU staff records and foots all receipts and disbursements manually on ledger sheets. Corrections are performed by changing/erasing or crossing-out previously posted amounts. The process is time-consuming, inefficient, and can lead to inaccurate data.

Recommendation V

We recommend complete automation of the manual accounting system, processes, and effective utilization of a system by the CPU and the Jail Division. The capabilities of the Civil Serve should be reevaluated to determine the system's ability to perform full cycle accounting. Continuing to enter the cash bonds into any new software will lead to similar results the staff is now experiencing. Alternatively, the Sheriff's Office may consider investing in a system that can process cash bonds and miscellaneous receipts, and performs full cycle accounting.

Finding VI: Review of Bank Reconciliations

Some bank reconciliations lack the signature and approval dates of the preparer and the reviewer. Other bank reconciliations were approved, but were inaccurate. The lack of proper oversight can lead to the risk that discrepancies will not be detected or resolved in a timely manner, and also can lead to a higher risk of theft by employees.

Recommendation VI

Bank reconciliations should be signed and dated by the preparer. The reviewer, a supervisor or manager knowledgeable of the process, should also sign and date the reconciliation.

Finding VII: Bonding Companies Operating without Business Occupational Tax Certificate

A-Action Bonding Company remains the only bonding company that does not have a DeKalb County Business Occupational Tax Certificate, a violation of the Georgia Law. Although this is a significant improvement by the Sheriff's Office from the four (4) companies without Business Occupational Tax Certificate reported in the 2013 Management report, the unit does not have written procedures to assure bonding companies have obtained a valid business occupational tax certificate. A-Action Bonding Company has not paid the appropriate taxes and fees to the County, thereby, reducing to cash flow.

Recommendation VII

The Sheriff's Office should ensure that all bonding companies comply with Georgia Law by requiring copies of their business occupational tax certificate for the three years. Staff should maintain copies of the certificates on file as evidence that bonding companies have complied with statutory requirements.

Finding VIII: Lack of Standard Operating Procedures (SOP)

We found the Sheriff's Office lacked SOPs in some areas including CPU Division, cash bond investment function, and Jail-Accounting Unit. Lack of SOPs increases the likelihood of errors and inconsistency.

The following are examples of transactions requiring corrections and adjustments that were performed incorrectly.

- When staff took in a counterfeit bill, which was detected by bank personnel, instead of adjusting the book balance, staff added the amount to the bank balance. The adjustment resulted in an overstatement of the book and reconciled bank balances by the amount of the counterfeit.
- Returned items due to insufficient funds (Customer NSF Checks) sometimes are recorded on the bank reconciliations as a reconciling item. Other times return items are deducted from the book balance.

We attributed the inconsistencies to lack of adequate knowledge and understanding by staff.

Recommendation VIII

We recommend that Sheriff's Office prepare and implement approved SOPs for each operation, section, and division to guide staff in the performance of their duties. The SOPs should include examples of scenarios that require adjustments and/or corrections and appropriate entries to resolve them.

Also, we recommend additional training for personnel who perform bank reconciliations, bookkeeping, and cash management, and supervisors who approve their work. This will contribute to the reliability of the financial reports.

Comments

Operating Account (Sun Trust Bank) Bank Charges

Requests for reimbursement of bank charges were not submitted by the Sheriff's Office to DTAS. As stated in our 2009, 2010, 2011, 2012, and 2013 Management Reports, we recommend that the Sheriff's Office include the bank charges in the annual operating budget to expedite reimbursements from DTAS.

Audit of the Inmates Commissary and Trust Funds

As of the report date, the Division of Internal Audit (DIA) has not received the independent audit report for the Inmates Commissary and Trust Fund Accounts. However, DIA received a copy of the engagement letter to PJC Group LLC, dated December 16, 2014. The Sheriff's Office has indicated the auditors would begin work in April 2015. Internal Audit recognizes the Sheriff's Office's significant improvement in engaging an independent

auditor and providing their reports for the commissary and inmates' trust funds over the years. However, the engagement agreement should include commencing work earlier to ensure timely completion of the audit.

Returned Check Charge and Replacement Check Fee

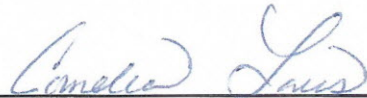
The Finance Department's practice is to charge a \$30 fee for return checks. Currently, the Sheriff's Office does not charge a fee for return checks. The Sheriff's Office should consider charging a \$30 minimum fee per return check. Though returned items are minimal, these charges would increase revenue and may minimize the risk of returned checks.

Replacement of Counterfeit Bills

The Sheriff's Office received a counterfeit bill of \$100 in 2014. The counterfeit note was confirmed by the bank. The Sheriff's Office replaced the funds later. Internal Audit inquired about the source of the funds, but received no response. We made a similar comment about counterfeit bills in the 2013 Management Report.

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

CL/RI

cc: Board of Commissioners (BOC)
Zach Williams, Executive Assistant/Chief Operating Officer (COO)
Gwen Brown-Patterson, Interim Chief Financial Officer (ICFO), Finance Director
Claudette Leak, Assistant to COO