

DEKALB COUNTY, GEORGIA



DEKALB COUNTY SHERIFF'S OFFICE

AUDIT REPORT

FOR YEAR ENDED DECEMBER 31, 2008

**PREPARED BY
FINANCE- INTERNAL AUDIT DIVISION**



DeKalb County

Department of Finance

Internal Audit and Licensing

DeKalb County Administration Building / 1300 Commerce Drive / Decatur, Georgia 30030
Phone: (404) 371-2977, Fax: (404) 371-2055

April 16, 2009

TO: Thomas E. Brown, DeKalb County Sheriff
FROM: Deputy Director of Finance, Internal Audit & Licensing
SUBJECT: Executive Summary of 2008 Financial Controls and Revenue Collection Audit

We audited the books and records of the Sheriff's Office. The audit was limited to examination of the internal controls over cash collections and disbursements cycle. The period audited was from January 1, 2008 through December 31, 2008.

During our examination, we noted the following:

1. Cash Bond Release Forms prepared by the Solicitor General's Office were not always completed correctly by the agency. However, the Civil Unit processed and paid the refunds.
2. Identification submitted for cash bond refunds payees and claimants did not always comply with the requirements of the Sheriff's Office.
3. A cash bond certificate of deposit account held as investment and bonding companies' certificates of deposit and lines of credit held as collaterals against bond forfeitures were not disclosed to us on our disclosure forms.
4. Required signatures on checks were not on all disbursements.
5. Verification procedures of monies received by the Civil Unit from the Jail Unit were not performed.

Although the comments in the later part of the report (see pages 3-5) are not considered deficiencies, attention to some of them would increase the efficiency of operations of the Office in particular, and the County in general. The comments pertain to following.

1. The alleged impropriety and subsequent indictment against three individuals regarding Cash Bonds.
2. Proposed enhancements to the Released Inmates Report.
3. The Cash Bond Receipts and Disbursements report.
4. Petty Cash
5. DeKalb Sheriff's revenue sources.

Sincerely,

Eugene O' Mard
Deputy Director of Finance, Internal Audit & Licensing
DeKalb County, Georgia

cc: Dr. Michael J. Bell, Chief Financial Officer
Jeff L. Mann, Chief of Staff – Sheriff's Office

Dekalb County, Georgia
Sheriff's Office
Comparative Statement Of Assets, Liabilities and Fund Balance
As of December 31, 2008 and 2007

	<u>December 31,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>	<u>Increase</u> <u>(Decrease)</u>
<u>ASSETS:</u>			
Petty Cash	\$ 3,800	\$ 3,800	\$ -
Operating Fund	7,624	28,437	(20,813)
Cash Bond	4,794,013	4,558,701	235,312
Overbid Fund	112,544	222,822	(110,278)
GA Sup. Ct. Clerk Coop. Auth.	3,189	19,998	(16,809)
Minor Trust Fund	-	-	-
Other Cash Account	2,569	\$ 1,238	1,331
Total Cash	\$ 4,923,739	\$ 4,834,996	\$ 87,412
Due From Others	\$ 108	\$ -	-
TOTAL ASSETS	\$ 4,923,847	\$ 4,834,996	\$ 87,412
<u>LIABILITIES:</u>			
<i>Other Funds:</i>			
Cash Bonds:			
Bonds	\$ 4,794,013	\$ 4,558,701	\$ 235,312
Other Cash Account	2,569	1,238	1,331
GA Sup. Ct. Clerk Coop. Auth.	3,186	19,996	(16,810)
Minor Trust Fund	-	-	-
Total - other Funds	\$ 4,799,768	\$ 4,579,935	\$ 219,833
<i>Funds Due to Others:</i>			
Overbid Fund/Prin. & Attorney	\$ 120,149	\$ 251,131	\$ (130,982)
<i>Due to DeKalb County:</i>			
Miscellaneous bank charges	\$ -	\$ -	\$ -
Advertizing & Storage	-	-	-
Sheriff's Fees	-	-	-
Sheriff's Sales Commission	127	127	-
Bond Forfeitures and Jail Fees	-	-	-
Petty Cash Fund	3,800	3,800	-
Total Fund - Due Dekalb	\$ 124,076	\$ 255,058	\$ (130,982)
TOTAL LIABILITIES & FUND BAL.	\$ 4,923,847	\$ 4,834,996	\$ 88,851

Dekalb County, Georgia
 Sheriff's Office
 Comparative Statement of Cash Receipts and Expenditures
 Years Ending December 31, 2008 and 2007

	2008	2007	Increase (Decrease)
<u>RECEIPTS:</u>			
<i>Operating Fund:</i>			
Sheriff's Fees	\$ 96,038	\$ 102,897	\$ (6,859)
Bond Forfeitures & Jail Fees	329,095	297,962	31,133
Sheriff's Sales Commission	558	22,270	(21,713)
Jail Staff & Const. Fund	2,450	4,696	(2,246)
Advertising and Storage	920	1,767	(847)
Overbid Fund/Principal & Attorney	581,126	1,028,866	(447,740)
State Revenue Assessment	3,500	1,550	1,950
Miscellaneous & Clerk's Fee	-	80	(80)
<i>Total Operating Fund</i>	<u>\$ 1,013,686</u>	<u>\$ 1,460,088</u>	<u>\$ (446,402)</u>
<i>Other Funds:</i>			
Cash Bond:			
Bonds	2,414,266	2,646,553	(232,287)
GA Sup. Ct. Clerk Coop. Auth.	181,998	220,162	(38,164)
Other Cash Account	1,331	1,238	93
Overbid Fund	820	1,870	(1,050)
<i>Total - Other Fund</i>	<u>\$ 2,598,415</u>	<u>\$ 2,869,823</u>	<u>\$ (271,408)</u>
<i>Total Receipts</i>	<u>\$ 3,612,101</u>	<u>\$ 4,329,911</u>	<u>\$ (717,810)</u>
<u>DISBURSEMENTS:</u>			
<i>Operating Fund:</i>			
Dekalb County:			
Sheriff's Fees	\$ 96,146	\$ 103,143	\$ (6,997)
Sheriff's Sales Commission	558	22,270	(21,713)
Bond Forfeitures & Jail Fees	329,095	297,962	31,133
Jail Staff & Const. Fund	2,450	4,696	(2,246)
Others:			
Advertising and Storage	920	2,040	(1,120)
Miscellaneous & Clerk Fee	-	80	(80)
<i>Total Operating Fund</i>	<u>\$ 429,168</u>	<u>\$ 430,191</u>	<u>\$ (1,023)</u>
<i>Other Funds:</i>			
Cash Bonds:			
GA Sup. Ct. Clerk Coop. Auth.	\$ 186,033	\$ 210,268	\$ (24,235)
State Revenue Assessment	3,500	1,550	1,950
Cash Bonds	2,192,645	4,076,890	(1,884,246)
Minors Trust Fund	-	40,838	(40,838)
Overbid Fund	711,903	1,520,223	(808,320)
<i>Total Other Funds</i>	<u>\$ 3,094,081</u>	<u>\$ 5,849,769</u>	<u>\$ (2,755,688)</u>
<i>Total Disbursements</i>	<u>\$3,523,249</u>	<u>\$6,279,961</u>	<u>(\$2,756,712)</u>
<i>Net Receipts / (Disbursements)</i>	<u>\$ 88,851</u>	<u>\$ (1,950,050)</u>	<u>\$ 2,038,901</u>
<i>Cash, January 1</i>	<u>\$ 4,834,996</u>	<u>\$ 6,785,046</u>	<u>\$ (1,950,050)</u>
<i>Cash, December 31, 2008</i>	<u>\$ 4,923,847</u>	<u>\$ 4,834,996</u>	<u>\$ 88,851</u>



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April 16, 2009

TO: Thomas E. Brown, DeKalb County Sheriff
FROM: Deputy Director of Finance, Internal Audit & Licensing
SUBJECT: 2008 Management Report

General Information

Internal Audit and Licensing Division have reviewed the financial operations of the Sheriff's Office for the period, January 1, 2008 to December 31 2008. Issued separately from this report is an audit report that includes financial statements and our opinion thereon. The significant deficiencies covered in this report address operational aspects of the financial activities of the Sheriff's Office.

Significant Deficiency I: Cash Bond Refunds

We found occasions where cash bond Release Forms were incorrectly filled out by staff of the Solicitor General and District Attorney's offices. Although forms were incorrectly filled out, the Civil Unit processed and refunded the cash bonds. Some examples included release forms with blank spaces for the amounts to be refunded, wrong surety name, wrong inmate name and wrong receipt number.

Recommendation I

Improperly filled out release forms should be returned to the District Attorney or Solicitor's office for correction prior to issuing a refund.

The Sheriff Office should consider meeting with the management of the two agencies to reaffirm the responsibilities of each party in the cash bond refund process, and to emphasize the need for all involved to be diligent and cooperative in furnishing reliable data that would lead to correct amount refunded to qualified individuals.

Significant Deficiency II: Identities of Cash Bond Refund Recipients

1. Picture identification required to authenticate refunds recipients were not always obtained. In one circumstance we examined, a portion of the identification card including the image of the payee was cut off.
2. In another situation, the copy of the identification card obtained that accompanied the paid vouchers was that of the inmate, who was not the surety, payee or the person approved by the Solicitor's Office to receive the refund. It was not clear who received the check.

3. Also, sometimes, the name on the picture identity card was different from one in the JMS, Solicitor General's approved release form, booking records and cash bond receipts. In one occasion in which the inmate was the surety also, the picture identification card on file bore different last name from what was on the booking record, SOL approved release form, or cash bond receipt record.

Recommendation II

Staff should carefully examine identification presented for cash bond refunds noting the name, image and signature. This information should then be compared to supporting documentation such as the properly completed released forms prepared by the Solicitor General and District Attorney's offices indicating the proper recipient.

Significant Deficiency III: Financial Accounts, Instruments and Securities

1. A Certificate of Deposit was not included in the list of the financial accounts, securities and revenue sources furnished to us initially.
2. The bonding companies' Certificates of Deposit and Lines of Credit pledged as collateral against bond forfeitures were not disclosed to us. When combined, the required amounts were more than \$1,350,000 ($\$150,000 * 9$). A sum of \$150,000 each is required to be posted against bond forfeiture.
3. We found that two account numbers verified were different from those furnished by the Office and that were on the CDs on file. The two bonding companies affected and their banks were BBH Bonding and Free At Last Bonding, Bank of America and the Capitol City Bank, respectively.
4. The collaterals posted by Hosea's Bonding Company, Inc. were Lines of Credit, which we were informed could be withdrawn by writing check(s) on the accounts. We tried but were unable to obtain further clarification on whether check written on the accounts required the Sheriff's Office approval.
5. Also, the C & F Bonding posted a collateral amount of \$205,923.36, which is \$55,923.36 in excess of required \$150,000.

Recommendation III

1. The Sheriff's Office should report all financial accounts, instruments, securities and revenue sources requested by Internal Audit.
2. The Office should consider requesting the banks involved in the collateral management to furnish statements of the accounts periodically. Further, it should verify that no withdrawal from the accounts may be conducted without the Sheriff's approval. The statements and notices will assist the Sheriff's Office to review and update the accounts regularly as needed.
3. Updated accounts numbers and revised copies of the Certificates of Deposit should be obtained to replace those currently on file. Staff may want to know why they were different from ones on file.
4. Staff should confirm with the bank that no check shall be written by the bonding company against the lines of credit without the Sheriff's signature, and any reduction of the credit line should be reported to the Sheriff's Office.
5. The Office should consider releasing the excess collateral over required \$150,000 to related bonding companies.

Significant Deficiency IV: Check Writing and Authorization

We observed a disbursement for \$200 with a check number 14082, dated 11/24/08 from the SunTrust Bank account, signed by only one staff. The recipient cashed the check without being noticed by the bank.

Recommendation IV

Staff should follow the Sheriff's Office guideline of requiring two signatures by the Sheriff's Office for writing, approving and reviewing checks.

Significant Deficiency V: Verification of Cash Receipt.

In our previous year's audit report, we noted that funds in cash and on the deposit slips, and supporting documents from the Jail Accounting Division delivered to the Civil Process Unit were verified by the delivering and receiving personnel, each initialing the receipt book in agreement of the amount. Instead, we found that staff at the Civil Unit has discontinued the process of verifying by counting the Cash received as the delivering staff observed.

Recommendation V

Verifying and signing off on all cash received by the Civil Unit from its Jail counterparts are essential control procedures that should prevent possible errors of omission and/or misappropriation of the funds. To minimize any possibility of such occurrence, the Civil Unit and the Jail Accounting Division should resume the verification process of each initialing the receipt book to show their concurrence with the amount delivered and received.

As an alternative, the Jail Accounting Staff may be required to deposit the amounts directly at the bank, the same as it does the Cash bonds. The staff shall then deliver only the deposit slips and other accompanying documents to the Civil Unit. This is a preferred method because it would not only be deposited timely, but also would reduce the potential of loss or irregularity.

COMMENTS

Misappropriation of Cash Bond and Overbid Fund

On February 26, the Atlanta Journal Constitution reported that the DeKalb Sherriff's Office Cash Bond was a subject of investigation by the DeKalb County Grand Jury. The District Attorney's Office has handed down charges against three individuals as a result. The paper reported an estimated sum of Three Hundred and Fifty thousand (\$350,000) dollars as stolen through a scam. We would need more details of the amounts and accounts involved in order to make the adjustments in the financial statements once the case is adjudicated. Moreover, the DeKalb Risk Management Division may be informed for possible recovery of the stolen funds from the county's insurance.

Cash Bonds: Existence, Valuation and Presentation of Cash Bonds.

While our test to verify the existence, valuation and presentation of Cash Bond collected at the Jail did not reveal any case of serious errors or any kind of malfeasance based on the sample examined, we observed certain conditions of the reports – Released Inmate Report and Cash Bond Receipts and Disbursement Reports, that management should be aware. If these conditions are corrected, the reliability of the report may be enhanced.

RELEASED INMATE REPORTS

Condition of the Report

1. Release Types were sometimes incorrectly applied on the release report. Sometimes instead of "Cash Bond", a bonding company name was indicated. In some, it was left blank.
2. The release type "Cash Bond" was used for all cash bonds relating to Magistrate, Superior, State and Recorder's Courts. This means that one release type was used for all four courts' cash bonds.

Recommendation

The release type "Cash bond" should be further broken down into more detailed categories. For example, because of the various release situation and conditions involved, in our opinion, the report's "Release Types" could be expanded to include but not limited to the following:

Cash Bond – Recorder's Court

Cash Bond – Other Courts (Magistrate, Superior, Probate or State Court)

Other – Charges dropped/dismissed

Other – City inmate

Other – Sentenced

Other – Time served

Other – Released to probation

CASH BOND RECEIPT AND DISBURSEMENT REPORT

Condition of the Report

Because the Civil Unit reentered all cash bonds received from the Jail into its separate system, chances of error due to data entry might have increased unintentionally. We found occasions when date of cash bond intake was entered erroneously. As a result, the particular released inmate involved was reported in that system on a date quite after the cash bond was disbursed. In another situation, the first and last names were reversed or even different. The result of these types of errors was that during our test, we were unable to locate inmates that were on the Released Inmate Report, who should be on the Receipt and Disbursement Report for the same period because the inmate names or dates of cash bond were incorrectly entered into the Civil Unit's system. The booking numbers helped significantly to locate and resolve the problems.

Recommendation:

Until the new system is in operation, after each day's data entry of the cash bond from the jail, a temporary report of day's data entry should be run. Another staff of the Civil Unit who has not been involved in the entry job should be assigned to compare the report entries with the original documents. Corrections should be made in the system based on this edit check. The process should enhance the reliability and integrity of the data, and the Receipts and Disbursement Report. The target should be to maintain consistency of the information on the Receipts and Disbursement and the Released Inmate Reports.

SEARCH FOR NEW REVENUE SOURCES

The Finance Department is looking for ways to improve the County's revenues. As a result, we have identified potential new revenue or existing sources, which may be increased to yield additional revenue for the county. The following are the current and prospective revenue sources, and we ask that you review them for potential increases from current state.

Sheriff's Services & Registration fees

Below are the various fees which are currently in effect at the Sheriff's Office. We suggest that these fees be reviewed, and if in order be increased

Bond Processing Fee - \$13.00

Sheriff's Service fee, especially services out of state - \$25.00

Notarization of Document – \$2.00

Bonding companies annual renewal fee - \$500.00

Bonding companies new employee registrations - \$76.00

Bonds processing Fee for Cities' Inmates

Currently, the Sheriff Office does not levy any Processing Fee on bonds paid on behalf of inmates who live within county's various municipalities. Their sureties pay the bonds and assessments directly to the respective municipalities. It is worth mentioning that while the Recorder's Court collects it cash bond and assessment paid at the jail by sureties, each one of those bonds are levied the processing fees. In our opinion, the cities inmates should do the same.

Sheriff Sales Commission

Currently, the Sheriff's Sales commission is based on \$34.00 plus 3% of sales in excess of \$550.00. That too should be reviewed and brought up to the prevailing metro counties and cities prices.

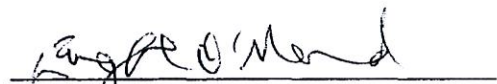
Petty Cash Fund

The Petty Cash Fund in the custody of Lt. Jeff Leslie has a balance of \$1,665.46, instead of \$1,500, on the count date. Included as part of the audited balance was a DeKalb County's check number 00654918 for \$150, which was the Fund's reimbursement by the Finance Department.

Staff should follow the Office's procedure for petty cash fund expenditures and reimbursements. Periodically, the fund managers should verify the cash balance and expenditures, and reconcile them with the budgeted amount. Reimbursement requests should be approved by authorized personnel upon review of fund activities and balance.

Internal Audit expresses appreciation for assistance granted by the Sheriff's Office.

Sincerely,



Eugene O'Mard

EO/RI

cc: Dr. Michael J. Bell, Chief Financial Officer
Jeffrey L. Mann, Chief of Staff