

DEKALB COUNTY, GEORGIA



DEKALB COUNTY SHERIFF'S OFFICE

MANAGEMENT REPORT

FOR YEAR ENDED DECEMBER 31, 2011

**PREPARED BY
FINANCE- INTERNAL AUDIT DIVISION**



Finance – Internal Audit & Licensing
Cornelia Louis
Acting Deputy Director of Finance

Chief Executive Officer

W. Burrell Ellis, Jr.

Board of Commissioners

District 1
Elaine Boyer

District 2
Jeff Rader

District 3
Larry Johnson

District 4
Sharon Barnes Sutton

District 5
Lee May

District 6
Kathie Gannon

District 7
Stan Watson

Date: May 8, 2012
TO: Thomas E. Brown, DeKalb County Sheriff
FROM: Acting Deputy Director of Finance, Internal Audit & Licensing
SUBJECT: 2011 Management Report

General Information

The Internal Audit and Licensing Division have reviewed the financial operations of the Sheriff's Office for the period, January 1, 2011 to December 31, 2011. Issued separately from this report is an audit report that includes the financial statements and our opinion thereon. The significant deficiencies and comments covered in this report address operational aspects of the financial activities of the Sheriff's Office. Please respond in writing to actions taken in reference to the deficiencies indicated below.

Significant Deficiency I: Inadequate Controls over Bookkeeping and Reporting

During our review, we noted that some cash receipts recorded in the cash receipts journal were changed into negative amounts and the page totals were recalculated by staff. This was performed to reduce the total cash receipts by the value of return checks due to insufficient funds. By changing the initial recording, no audit trail is provided for the initial receipt transaction.

Recommendation I

Staff should not change a transaction after it has been posted to the cash receipts and disbursements journal. We recommend that when a check is returned, staff should prepare and post an adjusting entry, such as a debit memo, on the day staff becomes aware of the transaction. This ensures that there is documentation and an audit trail to reflect the original transaction. The Sheriff's Office should prepare a comprehensive written policy to provide detailed guidance related to the process of return checks; detailed guidance should include accounting adjustments, redeposit procedures, return check charges, and effective follow-up procedures.

Significant Deficiency II: Cash Bond Ledger report by Civil Serve in Error

The cash bond general ledger report from the Civil Serve System that summarized the cash bond receipts, disbursements, and balance at December 31, 2011 was incorrect. The cash bond report balance was greater than reconciled audited bank balance by \$2,718,397.46. Internal Audit observed that the report included entries, not in whole dollars; cash bond amounts are whole dollar amounts. This is an indication that wrong amounts might have been posted to the system.

Recommendation II

We recommend that staff review the data previously entered into the Civil Service System to identify the erroneous data and correct them, accordingly. Staff should incorporate in their Standard Operating Procedures (SOP), daily procedures for reviewing the previous days' transactions at the Jail and Civil Process Division; this will ensure the integrity of the data on the report.

Significant Deficiency III: Use of Manual Accounting System

The recording of the cash receipts and disbursements to the cash receipts and disbursement journals involves manual and tedious accounting procedures. Receipts, disbursements, adjusting entries are handwritten on a ledger sheet and the page totals calculated using an adding machine. The data lacks clarity when errors are corrected using correction fluid. This process increases the risk to data deficiency and manipulation, thereby, reducing the internal control environment. Some of the issues surrounding manual bookkeeping we observed include, but not limited to the following:

- Returned checks adjustments on the Cash Receipts and Disbursements Journal should be a double-entry versus single entry. Return checks are deducted from the Fees column only instead of the Fees and Deposit Totals columns.
- Post-dated checks were written and posted to the current period.
- Current month or year's cash receipts were recorded in the subsequent period.
- Remaining balances of the previous month or year were not carried forward to the subsequent period.
- The manual bookkeeping process allows staff to manually make changes to the previously recorded customers' cash receipts without an audit trail.

Recommendation III

We recommend an automation of the accounting process for use in the Civil Process Division. The capabilities of the Civil Serve System should be reevaluated to determine if it the capability of performing full cycle accounting required to input and process cash receipts and disbursements, report account detail and balances, thereof. The system should incorporate control processes that will allow disciplined approaches to bookkeeping.

Significant Deficiency IV: Inadequate Controls Over Bonding Companies' CDs

Some Certificates of Deposits (CDs) submitted to us for testing no longer exist the CDs were redeemed and/or replaced by other CDs. For example, some CDs by BBH Bonding were closed on December 28, 2004. Other CDs replaced the former. The Certificate of Deposit account numbers were not on the list provided to Internal Audit by the Sheriff's Office personnel.

Levette-Phillips Confidential Bonding Company redeemed three CDs, jointly-owned with the DeKalb County Sheriff, without the Sheriff's approval. There were inadequate controls in place at the Sheriff's Office to detect the violation prior the occurrence. Prior year's audit revealed that the company had seven CD accounts, with a combined value of \$172,381.69. We verified during the current audit period that three of the seven CDs had been redeemed; their combined amount is \$33,245.13. The Sheriff's Office guide requires that each bonding

company maintains a confidential collateral bond of \$150,000, which cannot be redeemed without the Sheriff's approval. By redeeming the CDs, the bonding company fell short of the required amount by \$10,863.44. This incident occurred with another bonding company and was mentioned in our 2010 Management Report.

Recommendation IV

We recommend that the Sheriff's Office emphasize to the bonding company and bank the importance of following its established procedures.

As of the report date, Levette-Phillips Bonding has opened other CDs, appropriately signed by all parties, and Internal Audit has obtained copies of the new CD receipts.

The Sheriff's Office should request from the bank periodic statements to enable the staff to perform a reconciliation of confidential collateral CDs. Each CD should include the following: account number, date opened, and amount, among other attributes. In addition, staff should compare statements with the CD accounts data on file. This will ensure that the Sheriff's Office has a reliable record of CDs. Any discrepancy should be resolved with the bonding companies.

Comments

Operating Account (Sun Trust Bank) Bank Charges

Request for reimbursement of bank charges was not submitted by the Sheriff's Office to the Division of Treasury and Accounting Services (DTAS). As stated in our 2009 and 2010 Management Report, we recommend that the Sheriff's Office included the bank charges in the annual budget to expedite reimbursements of these charges, or request a refund directly from the division.

Cash Bond Transactions Entered Twice


Staff at the Civil Process Division (CPU) continues to enter cash bond receipts into Offender Management Systems (OMS), the old database, and the Civil Serve System, the current database. The data entered into Civil Serve System at the Jail is accessible to the CPU staff. In the past, the process was completed by the CPU staff to build a reliable database. The CPU staff currently processes cash disbursements (refunds) within the Civil Serve System. There is no benefit achieved in entering the cash bonds into OMS. This process is inefficient. We recommend that the duplicate entry in OMS be discontinued. The capabilities of the Civil Serve System should be reevaluated for completeness, as mentioned in our previous recommendation, prior to discontinuing entries into the OMS.

Audit of the Inmates Commissary and Trust Funds

We have not received the audit reports from the third-party Accounting Firm for the audit of the Inmates Commissary and Trust Funds. However, we have received a copy of the engagement letter, indicating that an audit has been scheduled to review these funds. We recommend that the Sheriff's Office request that the audit be performed earlier in the year to ensure that Internal Audit receives the audit report and other financial information prior to the completion of Internal Audit's annual audit.

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

Sincerely,

A handwritten signature in cursive script, appearing to read "Cornelia Louis", is written above a horizontal line.

Cornelia Louis

CL/RI

cc: Richard Stogner, Chief Operating Officer / Executive Assistant
Joel Gottlieb, Chief Financial Officer
Jeffrey L. Mann, Chief of Staff, Sheriff's Office.