

DEKALB COUNTY, GEORGIA



DEKALB COUNTY SHERIFF'S OFFICE

MANAGEMENT REPORT

FOR YEAR ENDED DECEMBER 31, 2012

PREPARED BY
FINANCE- INTERNAL AUDIT DIVISION



Finance – Internal Audit & Licensing

Cornelia Louis
Interim Deputy Director of Finance

Chief Executive Officer

W. Burrell Ellis, Jr.

Board of Commissioners

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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: July 24, 2013
TO: Thomas E. Brown, DeKalb County Sheriff
FROM: Interim Deputy Director of Finance, Internal Audit & Licensing
SUBJECT: 2012 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, 2012 to December 31, 2012. Issued separately from this report is an audit report that includes the financial statements and our opinion thereon. The Significant Deficiencies, Observation, and Comments covered in this report are to address operational aspects of the financial activities of the Sheriff's Office.

Internal Audit requests that the Sheriff's Office provide a written response to the audit findings and recommendations. As a follow-up, we solicit a response at least two times subsequent to the release of the audit report: at six months and one year. We rely upon written responses to the findings and recommendations to determine whether corrective, if any, have been taken.

Significant Deficiency I: Inadequate Controls over Asset

A Certificate of Deposit in the amount of \$250,000, held with Fidelity Bank was redeemed on December 31, 2012. The bank paid cash bonds with official checks representing sums of \$100,000 and \$150,000. However, the monies were not reinvested or deposited in a timely manner. On February 20, 2013, only \$100,000 of the cash bond was deposited in Touchmark National Bank. On April 11, 2013, the balance was invested in Citizen's Trust Bank.

Georgia Law O.C.G.A. § 15-16-27 including Subsections (a) through (c) provides guidance how "cash bonds and reserves of professional bondspersons in interest-bearing accounts and deposition of interests shall be managed." According to the law, cash bonds should be deposited into regular checking accounts or invested in accordance with the Law (O.C.G.A. § 17-6-4). By not depositing the funds into an interest bearing account, the Sheriff's Office forfeited an opportunity to earn interest intended for the use of Georgia's Indigent Defense Program. Moreover, holding undeposited cash creates a control deficiency over safeguarding the Sheriff's Office assets; thereby, it may be perceived that misuse or misappropriation of funds exists.

Recommendation I

We recommend that after redeeming cash bonds, funds should be deposited immediately into either the cash bond interest bearing checking account at Fidelity Bank or reinvested in another financial institution. Cash bonds investment should be continuous from one

financial institution to another without a significant time lag between date of redemption and date of deposit. This will ensure assets are safeguarded adequately, while earning interests.

The Sheriff's Office should implement an investment policy and procedure manual to assist in reducing control risk associated with investments. The document should include but not limited to the following:

- Reason for purchase and redemption of CDs/investments
- Maximum allowable time lag between reinvestments of funds
- Procedures for selecting investment firm or bank
- Required documents to support investment procedures
- Types of investments that are legal and/or authorized
- Obtaining collateralization for investment and/or deposits

Significant Deficiency II: Inadequate Controls over Cash Deposit and Disbursement.

Internal Audit observed that two checks received from the bonding company for bond forfeiture in the amount of \$2,990 and \$1,340 did not clear the bank before staff disbursed payment to a third party as required per court order. The checks were returned due to insufficient funds. As a result, the amount submitted to the Division of Treasury and Accounting Services (DTAS) was \$4,330 (2,990 & 1,340) less than the amount due to the County. The bonding company issued replacement checks for \$2,990 and \$1,340 to satisfy the outstanding balance of \$4,330. No return check fee or administrative fee was assessed on the return checks issued by the bonding company. Currently, the Sheriff's Office does not charge a fee for return checks.

The bonding company maintains collateral CDs with the Sheriff's Office, in the event the company fails to make the payment.

Recommendation II

We recommend the Sheriff's Office ensure deposits restricted to a third-party per court order clear the bank prior to disbursement. The Sheriff's Office should establish procedures that outline maximum waiting period before writing checks against those funds; this may depend on the bank policy and the check category (local or non-local). In addition, the Office might request from the bank, account verification access "only" to verify that funds are available.

The Sheriff's Office should consider assessing an administrative fee or return check fee for each deposited item returned for insufficient funds or any other reason. A significant amount of time and resources is spent to ensure defaulted payments are collected; this may involve an officer ascertain that payers returned to the office to make good on outstanding balances or staff contact payers. Therefore, an administrative fee or return check fee would help subsidize the resources used by the Sheriff's Office for return checks.

Significant Deficiency III: Dormant Checking at CTB

The balance of the account at Citizen Trust Bank has been relatively the same for numerous years without activity. The account was initially opened to purchase equipment for inmates of the County jail. The current purpose of the account cannot be determined. Based on bank confirmations, the balances at 12/31/2012 and 12/31/2011 were \$2,584.60 and \$2,592.25,

respectively. The difference between the two balances consists of a bank charge of \$10 and interest of \$2.35.

Recommendation III

We recommend that the Sheriff's Office close the account permanently and remit the balance to the DTAS.

Significant Deficiency IV: 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, and adjusting entries are handwritten on a ledger sheet and the page totals are calculated using an adding machine. The data lacks clarity when errors are corrected or adjustments are made using pencil. This process increases the risk of 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:

- Later deposit by staff to replace counterfeits received with not trail of the sources of fund.
- Returned checks adjustments on the Cash Receipts and Disbursements Journal should be a double-entry versus single entry.
- 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 IV

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 is capable 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 V: Verification of Bonding Companies for Business License

Georgia Law requires all bonding companies obtain business licenses in the jurisdiction where bonds will be written and requires the Sheriff to verify that these companies have maintained a valid license before registration (O.C.G.A §17-6-15). Presently, there is no procedure in place for verifying that each bonding company has obtained a valid business license from DeKalb County.

Recommendation V

We recommend that the Sheriff's Office incorporate into their procedures, annual verification of a valid DeKalb County business license for current bonding companies that conduct business with the Sheriff's Office. Also, we recommend that copies of the licenses be retained in their files.

Observation I: Reporting Unclaimed Cash Bond

Georgia Law O.C.G.A §17-6-4 Code section c (2012) 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 on 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."

Generally, unclaimed cash bonds are remitted to the DTAS by December 31, 2012. The Sheriff's Office adopted a procedure to disburse one check to DTAS for all the unclaimed cash bonds that would have been individually been due at various times during the year. However, for the past two years the Sheriff's Office have not been paid the unclaimed cash bonds to the County until February of the following year; 2012 unclaimed funds were paid on February 19, 2013. This was a result of staff not being properly cross-trained. When a certain employee was absent, no other employee could perform the function required to remit the funds to the County at year end. This hinders operational continuity and effectiveness when employees are absent.

Recommendation I

We recommend that the Sheriff's Office ensure that staff is adequately cross-trained to ascertain operational continuity and effectiveness.

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, 2010, and 2011 Management Reports, we recommend that the Sheriff's Office included the bank charges in the annual budget to expedite reimbursements of the charges to the account, or request a refund directly from the division.

Audit of the Inmates Commissary and Trust Funds

As of report date, Internal Audit has not received the independent audit report of the Inmates Commissary and Trust Funds Accounts. However, we have received a copy of the engagement letter. The Sheriff's Office has informed the Finance-Division of Internal Audit and Licensing (DIAL) that the report may be available by end of month, May, 2013. Internal Audit recognizes that the Sheriff's Office has made significant improvement in providing independent auditors' reports for the Trust Accounts and other areas over the years. However, we recommend that the Sheriff engages the auditors before the end of the year to ensure that Internal Audit receives the auditors' report prior to the completion of Internal Audit's annual audit.

Bonding Companies Collateral

Georgia Law regarding Reserve for Bonding Companies and interest earned on the reserves should be reevaluated to ensure that the Sheriff's Office is appropriately disbursing the interest as required by law. Currently, the interest is remitted to the issuing bond company. The Sheriff's Office should seek legal advice pertaining to O.C.G.A § 17-16-27 and related

laws to ensure interest from these accounts are not monies that should be remitted to GSCCCA.

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Cornelia Louis", is written over a horizontal line.

Cornelia Louis

CL/RI

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