



**Internal Audit Division
Finance Department
DeKalb County**

SHERIFF'S OFFICE

2015 MANAGEMENT REPORT

MAY 2016

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Finance Department Internal Audit Division

Interim Chief
Executive Officer

Lee May

Board of
Commissioners

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District 3
Larry Johnson

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District 6
Kathie Gannon

District 7
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TRANSMITTAL MEMORANDUM

DATE: May 26, 2016
TO: Honorable Sheriff Jeffrey Mann, Esq.
FROM: Cornelia Louis, Deputy Director of Finance – Division of Audit
SUBJECT: Sheriff's Office
RE: 2015 Management Report

Attached is the Management Report of Sheriff's Office 2015 Annual Financial audit. The issues raised in the report were discussed with you during the Exit Conference on May 26, 2016.

Management's responses to our audit observations and recommendations are included in the following report.

If you have any questions about the audit or this report, please feel free to contact me at 404-371-2639.

Sincerely,

Cornelia Louis

cc: Appendix C



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EXECUTIVE SUMMARY

General Information

The Sheriff is an elected official responsible for the administration and operation of the agency planning, organizing, directing, and controlling the activities of four major divisions - Administrative Services, Field Services, Court Services, and Jail Services¹. Sheriff's Office collects funds from cash bonds, purges, interests income, bond forfeitures, service fees, delinquent taxes, court ordered levies on properties or court ordered property sales, among others, called fiduciary funds, "held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs."² The Sheriff's Office is a fiduciary of both Private-Purpose Trust Funds and Agency Funds. Private-Purpose Trust funds are "used to report all other trust arrangement under which principal and income benefit individuals, private organizations, or other governments."³ Agency Funds are "used to report resources held by the reporting government in a purely custodial capacity."⁴

DeKalb County Sheriff's Office (herein referred to as the Sheriff's Office) provides the following services:

"The Administrative Services Division provides for the:

- Administrative support services to all four divisions of Sheriff's Office.
- Coordination of information with internal and external partners.
- Maintenance of effective communication with community based organizations and implementation of programs to maintain public safety for seniors, jail tours, weapons and violence education among others.

The Field Services Division including Fugitive unit

- Comprises the uniform unit and criminal unit - law enforcement branch of Sheriff's Office
- Coordinates with DeKalb County police and other agencies and jurisdictions

The Court Services Division provides for the:

- Protection of citizens and employees by ensuring courthouse security
- Civil Unit to monitor the activities of the bonding companies, account for the receipts and disbursements of cash bonds, bond forfeitures, purges, and other fees, and conducts court ordered property sales, among others.

The Jail Services Division provides for the:

- Care, custody, and control of the inmates.
- Implementation of several programs for the welfare of the inmate
- Oversee the collection, deposit, disbursement, and accounting of cash bonds and others.

¹ http://www.dekalbsheriff.org/web/home_message.php

² GASB Statement No. 34, paragraph 69

³ Governmental Accounting, Auditing, and Financial Reporting (Blue Book), Chapter 4

⁴ Governmental Accounting, Auditing, and Financial Reporting (Blue Book), Chapter 4



Objective and Approach

The primary purpose of the audit is to review and analyze the financial records maintained by Sheriff's Office to provide a reasonable basis for an opinion; and to prepare a Balance Sheet, and Statement of Receipts & Disbursements. The County's external auditors reviewed the financial reports, which will be presented in the County's Comprehensive Annual Reports Report (CAFR).

We examined the financial records of the Sheriff's Office for the period January 1, 2015 to December 31, 2015.

Issued separately from this report is an audit report that includes the financial statements and our opinion thereon. The Observations, Recommendations, and Comments covered in this report are to address operational aspects of the financial activities of Sheriff's Office.

Summary of Observations

The following identify opportunities for improvement.

- Employees' duties within the Court Ordered Sales section were not adequately segregated.
- Securities pledged by Citizens Trust Bank (CTB) to secure the balances in the account-and Certificates of Deposits (CD) were inadequate.
- Sheriff's Office did not escheat \$5,272 to the State as required by Georgia Law.
- Interests received from various financial institutions due to investment of cash bonds in CDs were not remitted to Georgia Superior Court Clerk Cooperative Authority (GSCCCA) in a timely manner.
- As of December 31, 2015, Sheriff Fee totaling \$1,962 were not remitted to the County in error.
- Comprehensive cash handling policies and procedures do not exist within the Sheriff's Office to ensure accountability and safeguarding of assets within all divisions.
- No written Standard Operating Procedures (SOP) exists in key functional areas.
- Cash Bond Section issues manual receipts, which were out of sequence.
- The existing internal controls in detecting counterfeit bills were inadequate, within the Cash Bond Section.
- Unclaimed cash bonds of \$472,067.30 were not remitted to the County as of December 31, 2015.



- The process of recording, processing, summarizing, and reporting of the cash receipts and disbursement at the CPU is inefficient and primarily manual.

Overall Recommendation

Our tests afford a reasonable basis to believe that the financial information was fairly presented in the books by management. While management has implemented some controls to safeguard assets, we recommend management implement written Standard Operating Procedures (SOP) across all divisions, units, and functions as a guide for performing the duties that currently lack adequate internal controls and are in non-conformance with the Georgia Laws as cited in this report. Acting on the recommendations will reduce, considerably, the risks of errors, fraud, or irregularities.



Approvals:

Original Signed by:

Cornelia Louis

Cornelia Louis

Deputy Director of Finance
Internal Audit Division
Department of Finance
DeKalb County



OBSERVATIONS DETAILS

1. Inadequate Segregation of Duties (SOD)

Lack of segregation of duties exists within the Central Processing Unit (CPU), Court Ordered Properties Sales functions. One employee performs the sales, receives the sales proceeds and posts the transactions to the Civil Serve System, opens bank statements, reconciles the bank account, and authorizes the transfer of funds between accounts. "Segregation of duties helps prevent fraud, waste, and abuse in the internal control system."⁵

Lack of SOD increases a risk of occupational fraud of asset misappropriation and intentional financial mismanagement.

Recommendation

We recommend the Sheriff's Office reallocate roles among personnel to enhance segregation of duties. Duties should be segregated amongst employees who authorize transactions, record transactions, and maintain custody of the assets. As of April 5, 2016, the functions of receiving funds, posting, and issuing receipts were reassigned to another staff during the court ordered property sales.

Management's Response

DKSO acknowledge and agree that segregation of duties help to prevent fraud, waste and abuse in the internal control system. It is important to note that Internal Audit did not discover any fraud, waste or abuse during their examination.

During the course of the audit, well before the audit exit meeting, changes in responsibilities were implemented. The required steps for processing Court Ordered Property Sales were separated and changes implemented while the auditor was onsite. The auditor stated that the action taken while onsite was acceptable.

2. Inadequate Collateralization of Asset

Citizens Trust Bank (CTB) did not pledge sufficient collateral to secure cash in the bank and Certificate of Deposits (CD) with a combined face value of \$1,115,237.75 in the event of a market crash or bank failure.

Georgia Law O.C.G.A 50-17-59 or O.C.G.A 45-8-12 requires a depository to pledge an asset valued at 110% of the public fund less the \$250,000 covered by Federal Deposit Insurance Corporation (FDIC). Although CTB confirmed the CD balance of \$20,012.38 as of December 31, 2015, CTB excluded the CD, in error, from the collateral analysis. CTB pledged additional securities on January 19, 2016; however, it exceeded the 10-day law requirement to insure the account to a secured level.

The Sheriff's Office does not have written Standard Operating Procedures (SOP) and necessary controls in place to ensure staff reviews the collateral pledge reports monthly.

⁵ Government Accountability Office, Standards for Internal Control in the Federal Government (Green Book), September 2014



The control may have enabled the staff to identify the shortfall of the CD securities pledged and to respond accordingly.

Non-conformance to Georgia Law *O.C.G.A 50-17-59* or *O.C.G.A 45-8-12* increases the risk that the County could forfeit the amount of the shortfall, in the event the financial institution failed.

Recommendation

We recommend that Sheriff's Office ascertain CTB comply with collateral securities pledge as required by Georgia State Law. Furthermore, staff should evaluate the pledge reports monthly and communicate discrepancies to the financial institution.

Management's Response

DKSO concurs with this recommendation.

3. Failure to Escheat Unclaimed Property to the State

The Sheriff's Office did not escheat \$4,220 and \$1,052 in the Fidelity Bank and SunTrust Bank, respectively, as of December 31, 2015. Failure to escheat unclaimed property violated Georgia Law guiding the process of reporting and remitting held assets to Georgia Commissioner of Revenue. No written SOP exists within the Sheriff's Office to provide guidance for processing of unclaimed funds in accordance with Georgia Law.

Georgia Law, *O.C.G.A. § 44-12-204* deems all funds held for owners beyond five years from the issue date as abandoned. Such funds should be escheated to Georgia Revenue Commissioner in accordance with the law (*O.C.G.A 44-12-214*).

By not escheating the abandoned assets to the State of Georgia, the Sheriff's Office is in violation of the law - *O. C. G. A § 44-12-227*, which states:

A person, firm, or corporation who willfully fails to render any report or perform other duties required under this article shall pay a civil penalty of \$100.00 for each day the report is withheld or the duty is not performed, but not more than \$5,000.00. A person, firm, or corporation who willfully fails to pay or deliver property to the commissioner as required under this article shall pay a civil penalty equal to 25 percent of the value of the property that should have been paid or delivered.

Recommendation

The Sheriff's Office should comply with Georgia Law by escheating unclaimed funds, which have met the requirement of the law for abandoned property/asset. Management should implement SOP to guide the staff to report and remit the unclaimed property timely.

Management's Response

DKSO concurs with this recommendation. In May 2016, DKSO attempted to reach owners of unclaimed property. For those who responded, the funds were provided to the owners. For those that did not respond, the funds were remitted to the state as recommended.



4. Untimely Remittance of Interest Income

Interest incomes received from CD investment were not remitted to GSCCCA in a timely manner. The untimely remittance is attributable to lack of written operating procedures to provide guidance for processing and remitting interest income to the GSCCCA.

The following table lists examples of untimely remittance of interest income checks.

Check #	Check Date	Amount	Remittance Date
131676	04/19/15	\$863.01	11/10/15
132000	05/28/15	\$579.11	11/10/15
132150	06/17/15	\$176.44	11/10/15
4000353	07/19/15	\$882.19	11/10/15
4002326	08/28/15	\$63.69	11/10/15
4003407	09/17/15	\$178.35	11/10/15
4005497	10/19/15	\$882.19	11/10/15

We reported similar issue in the 2014 and 2013 Management Reports.

Georgia Law requires Sheriff's Office to remit the interest income 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 and 15-21A-1).

Late remittance or non-remittance of the income to GSCCCA can result in a violation of Georgia Laws (O. C. G.A §15-21A-8 and 15-21A-1). Lack of availability of the funds, which the GSCCCA serves as custodial trustee for several State designated beneficiaries indicated in the law, have a negative impact on the beneficiaries' ability to receive assistance as the laws required. A harsh penalty awaits any Clerk of a court, officer, or agent, which receives funds subject to the law and knowingly fails to pay it over to the GSCCCA. The officer shall be guilty of a misdemeanor or felony; in the latter event, the officer is punishable by imprisonment for not less than one day and not more than ten years

Recommendation

We recommend that Sheriff's Office remit interest income to GSCCCA as prescribed by Georgia Law. Additionally, staff should maintain relevant journal and documents to account for the interest received and disbursed. The journal should include check receipt date, check remittance date, duplicate check copies, and appropriately completed remittance advices.

Management's Response

In an effort to finally resolve this matter, DKSO will not renew any cash bond CDs as interest on CDs cannot be ACH directly to GSCCCA. Instead, the funds will be held in a transaction account, although a less favorable interest rate typically applies to transaction accounts. Having funds in a transaction account will allow for monthly interest to be paid and sent directly to GSCCCA.



5. Failure to Remit Revenue to the County

As of December 31, 2015, Sheriff Fees totaling \$1,962 were not remitted to the County. The Sheriff's Office deducted the accumulated bank charges from October 2015 to December 2015 payments to the County. The accumulated bank charges were from 2008 to 2015.

The fees collected in an agency capacity without deducting the bank charges were to be escheated to the County and reported under fund financial statement, not under government-wide financial statement since the resources cannot be used to fund the government-wide activities⁶. For this reason, fees collected should not be used for the operation of the Sheriff's Office. Operating expenditures such as the monthly bank charges should be classified and recorded in the ledger accordingly.

Such practice did not conform to double entry accounting methodology prescribed in Generally Accepted Accounting Principles (GAAP). The practice increased the risk of fraud or impropriety by staff.

Recommendation

We recommend that Sheriff's Office remit \$1,962 to the County and establish a budget for the operating expenditures such as bank charges, check printing fees, stop payment fees, etc. This would enable staff to seek reimbursement of banking fees through their operating budget. The consequence for not seeking reimbursement would result in a deficit of the bank balance. Staff mentioned key employees within Finance Department were contacted to assist in reimbursement process.

Management's Response

DKSO's CPU issued a check for \$1,962.29 to DeKalb County on July 12, 2016 to resolve the previous amount deducted as previously recommended by Internal Audit. On the same day, DeKalb County issued a check for \$1,962.29 charging DeKalb County Sheriff's Office operating budget miscellaneous fees account for the accumulated bank fees. There is no need to create a separate line in the operating budget for such expenses as one already exists.

6. Lack of Cash Handling Procedures

The Sheriff's Office has not established appropriate cash handling guidelines to provide divisions with a framework for developing effective cash handling policies and procedures. Lack of effective, written policies and procedures for cash handling activities may increase the risk of loss, misuse and misappropriation of assets.

We have identified the following inconsistencies over cash handling activities.

- Although Civil Serve System generates automated sequential receipts, the Cash Bond Section at the jail does not use the Civil Serve System to issue cash bond receipts. However, the CPU section uses the Civil Serve System to issue receipts when accepting payments.

⁶ GASB Statement No. 34, par.13



- While performing a walkthrough, we noted that the Sheriff's Office implemented additional controls over the cash bonds receipt functions to safeguard the asset and to segregate employee duties over custody of assets and bookkeeping in the Jail. However, the staff of the Accounting and Cash Bond Sections did not verify and approve the accuracy of the funds prior to transferring the funds to Accounting Section.

Recommendation

We recommend that Sheriff's Office establish comprehensive cash handling policies and procedures for the use of all division within the Sheriff's office to ensure accountability and safeguarding of assets. In addition, the CPU and Cash Bond Sections should consistently use the Civil Serve System to issue receipts for payments received. Furthermore, the Cash Bond staff and Accounting staff should acknowledge the transfer and receipt of funds by verifying and approving cash receipts.

Management's Response

Please see response to item #7.

7. Lack of Standard Operating Procedures

No written Standard Operating Procedures (SOP) exists for key functional units/divisions such as Central Processing Unit (CPU), court ordered properties sales operation, bonding companies operation, cash bond CD investment/accounting, cash bond receiving among others. Upon requests for the SOPs, staff mentioned existing procedures were being updated. However, Sheriff's Office implemented written operating procedures for most petty cash funds operations.

A SOP is a document, which describes an entity, unit, division, or functional area's recurring activities relevant to the quality of the operation; the purpose is to ensure accuracy, consistency, and accountability of operations.⁷

Failure to have written SOPs may result in undefined procedures that can lead to errors and inconsistencies in processes. In addition, having the SOP helps to reinforce employee learning and to ensure accountability.

Recommendation

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

Management's Response

DKSO agrees with the need for SOPs. However, in order to develop SOPs for the agency, DKSO recognized the need for a thorough review of all of the agencies' policies and procedures from which SOPs are developed. On January 21, 2016, DKSO was proactive in notifying Internal Audit in writing that DKSO had engaged the services of a consultant

⁷ <http://www.fao.org/docrep/w7295e/w7295e04.htm>



and created a Policy Review Committee to review all 2016 policies that govern the operations of the agency. The SOPs recommended will be developed once the Policy Review Committee completes the policy revisions for the agency.

DKSO notified Internal Audit during the audit exit discussion that DKSO was in negotiations to purchase and implement a new records management system. The implementation of a new system will involve implementing new processes. Therefore, we cannot create new policies, and ultimately new SOPs, until the new records management system is implemented. The anticipated date for go-live of the new system is April 2017. Policies/SOPs for the new system cannot be fully completed until after the new system is operational.

DKSO is not clear why there are two separate recommendations for development of SOPs. Cash Handling Procedures described in item #6 would be an SOP as would other SOPs recommended in item #7.

8. Lack of Sequence of Cash Bond Receipts

The Cash Bond Section issues manual receipts, which were out of sequence. The following are examples of non-sequential cash receipts issued out of sequence.

Date of Issue	Cash Bond Receipts Numbers
01/02/2015 – 12/31/2015.	82162 - 85571
08/28/2015 – 09/02/2015	14647 - 14683
09/17/2015	81563
12/18/2015	14751

Use of manual receipts for cash bonds payments are inefficient and increase the risk of misappropriate or fraud through skimming.

Recommendation

We recommend that management implement automated receipt capability of Civil Serve as the CPU employees have done. Maintaining numerical sequence of the receipts works well when also issued progressively.

Management's Response

DKSO acknowledges and fully agrees with the need to increase automation in the Bonding, Accounting and Civil Processing Units. The 2016 Operating/CIP Budget Request and 2016 Mid-Year Budget Request for DKSO included a request for funding to purchase and implement a new records management system. The system would fully automate the financial management of all of the accounting functions and would resolve Internal Audit's concerns regarding issuing manual receipts.

The funding request for a new system for DKSO was DENIED for both the 2016 Operating/CIP Budget Request AND 2016 Mid-Year Budget Request. DKSO is in negotiations to move forward with the new records management system.



9. Inadequate Control Over Receipt of Counterfeit Bills

“Counterfeit money is still the most popular method of counterfeiting, but is growing increasingly difficult in the United States due to newly designed bills.”⁸ Staff received a combined amount of \$60.00 in counterfeit bills, which were detected by the bank tellers during deposits.

The non-detection by staff was due to lack of adequate internal controls for detecting counterfeit bills. The counterfeit money detectors are deficient and employees were not trained regularly to recognize counterfeit bills. We observed three small counterfeit money detectors acquired in 2015; however, on several occasions, we noted the machines allowed one bill at a time. The machine at the CPU was inoperable, as it rejected all bills.

By not identifying the counterfeits instantaneously, a risk of undetected larger counterfeit bills during the normal course of business is increased.

Recommendation

We recommend that the Sheriff's Office ensure counterfeit money detectors are effective and efficient. In addition, sufficient training should be provided to cashiers in modern techniques of counterfeit bill detection.

Management's Response

During 2015, cash in the amount of \$2,821,845.41 was deposited in the Cash Bond account. Internal Audit reports that \$60, or three (3) \$20 bills, went undetected at DKSO but were detected by the bank during the deposit process. DKSO considers this complimentary of the staff if only three bills went undetected. The report does not reflect that staff oftentimes detect and confiscate counterfeit bills.

In addition, in September 2015 DKSO purchased advanced counterfeit detection machines to aid in the detection of counterfeit bills. It is the opinion of this agency that the implementation was successful if only three (3) \$20 bills went undetected in deposits totalling \$2,821,845.41 during 2015. We strongly feel that our current process and equipment is effective and efficient with only three bills making it past the in-house detection system.

10. Transfer of Unclaimed Cash Bonds

A sum of \$472,067.30, which includes 1,147 unclaimed cash bonds accounts, was not remitted to the County in a timely manner. The amount was transferred on March 9, 2016.

Georgia Law O.C.G.A §17-6-4 Code Section C dictates the procedures to transfer 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,

⁸ www.federalcharges.com



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.

The unclaimed cash bonds were due to the County's General Fund on different dates in 2015.

The cause for the late remittance was lack of the skilled Information Technology staff, due to staff turnover, and an inefficient process for collecting and reporting relevant cash bond data. Moreover, the relevant cash bond data produced on the unclaimed cash bond reports and other reports were retained in two systems - Civil 2000 and Civil Serve, which do not interface with each other. Initially, cash bonds are posted to Civil Serve and re-entered into Civil 2000. These deficiencies contributed to untimely remittance of cash bond funds to the County and noncompliance with State Law.

In addition, the duplicative processing of cash bonds in two systems increases the risk of incorrect disbursements to County.

Recommendation

We recommend that Sheriff's Office comply with Georgia Law by submitting cash bond funds to the County timely. All receipts and disbursements should occur in one system, which is capable of interfacing with Civil Serve and producing a myriad of reports as needed within a reasonable time.

Management's Response

As addressed in previous other areas of this audit and response, DKSO acknowledges the need for a replacement to merge the CivilServe and Civil 2000 systems. This task will be accomplished by the implementation of the new records management system. This will also resolve the inefficiencies noted in the process by having the capability to process all transactions in one system.

11. Inefficient Accounting Process and System

The process for recording, processing, summarizing, and reporting of the cash receipts and disbursements at the CPU is inefficient; the process is primarily manual.

A sound accounting systems is one "organized with a set of manual and computerized accounting methods, procedures, and controls established to gather, record, classify, analyze, summarize, interpret, and present accurate and timely financial data for management decisions".⁹

The following are two examples of manual processes found.

⁹ <http://www.businessdictionary.com/definition/accounting-system.html>



- The cash bond and miscellaneous receipts and disbursements were posted to manual Receipts and Disbursements Journals (R&DJ) and reconciled daily and monthly. Corrections were performed by changing/erasing or crossing-out erroneous amounts to amend figures. In addition, CPU staff records and foots all receipts and disbursements manually on ledger sheets. Such manual entries are susceptible to data entry errors. The process is time-consuming, inefficient, and increased risks of inaccuracy and fraud.
- The current system procedures require posting cash bond payments in two systems, Civil Serve and Civil 2000 systems. Cash bond disbursements are processed in the Civil Serve system and are re-entered into the Civil 2000 system. Cash bond information, such as cash bond receipt numbers, check numbers, and check amounts, were found to be inaccurate because of re-entering the data, which already exist in the Civil Serve system. Additionally, a report of the cash bond receipts from the Civil 2000 system from January 1, 2015 to December 31, 2015 did not correspond with the total receipts on the R&DJ and monthly reports maintained by the Accounting Division at the Jail. The balances of the latter two reports agreed. The condition of the current accounting system has contributed to the untimely processing of unclaimed cash bonds and other reports, which are required for efficient processing of payments and other transactions.

Recommendation

We recommend complete automation of the manual accounting system, processes, and effective utilization of one system by the CPU and the Jail Division. Staff should re-evaluate the capabilities of Civil Serve to determine the system's ability to perform full cycle accounting. Continuing to enter the cash bonds into any new software, which does not communicate with Civil Serve, will yield similar results such as the staff currently experiences.

Alternatively, the Sheriff's Office may consider investing in a system with the capabilities to process the cash bonds, miscellaneous receipts, and disbursement with the capabilities to perform general ledger accounting and reporting. Such a system could offer staff the flexibility to produce a variety of reports as needed.

Management's Response

DKSO acknowledges and fully agrees with the need to increase automation in the Bonding, Accounting and Civil Processing Units. The 2016 Operating/CIP Budget Request and 2016 Mid-Year Budget Request for DKSO included a request for funding to purchase and implement a new records management system. The records management system would fully automate the financial management of all of the accounting functions for DKSO.

The funding request for a new records management system for DKSO was DENIED for both the 2016 Operating/CIP Budget Request AND 2016 Mid-Year Budget Request.

During 2015, DKSO trained and certified four (4) financial services employees on QuickBooks Pro. DKSO staff can now perform routine bank reconciliations and manage



bank accounts using QuickBooks Pro. DeKalb Internal Audit staff was advised of this process and ultimate certification in November 2015. While it does not completely resolve the need for automation, we have taken steps to begin the automation that should also be acknowledged.

Comments

Maintain Copies of Court Orders in the CPU

Currently, staff sends the original court orders for the collections and disbursements of court ordered purges and other funds to parties and the court. Staff should make a copy of the orders and maintain them with cancelled/paid documents in the division for viewing as needed.

Management's Response

During the onsite review, Internal Audit staff discussed concerns with DKSO staff and DKSO staff

DKSO has followed the same procedure for collections and disbursements of court ordered purges and other funds to parties and the court for many years. The procedure used Civil Serve management system to reference the court order and send the original to Superior Court housed in the same building. The court orders are readily available at any time.

DKSO is striving to move to a paperless office. With that in mind, once the Jail's Management System is fully implemented in 2017, the new process of keeping hard copies as requested by Internal Audit and implemented by DKSO's CPU in March 2016 will cease once the new records management system is implemented.

Replacement of Counterfeit Bills

As mentioned in the Observation about counterfeit bills, the Sheriff's Office received total counterfeit bills of \$60. A \$20 bill came from an inmate; the agency collected the amount from the inmate's Trust account and deposited the \$20 reimbursement to the Cash Bond bank account. ***Auditor observed that replacement funds for the other two counterfeits were deposited to the cash bond bank account; however, staff did not state the source(s) of the replacement funds.***

Management's Response

During 2015, cash in the amount of \$2,821,845.41 was deposited in the Cash Bond account. Internal Audit reports that \$60, or three (3) \$20 bills, went undetected at DKSO but were detected by the bank during the deposit process. DKSO considers this complimentary of the staff if only three bills went undetected. The report does not reflect that staff oftentimes detect and confiscate counterfeit bills prior to reaching the financial institution.

In addition, in September 2015 DKSO purchased advanced counterfeit detection machines to aid in the detection of counterfeit bills. Again, it is the opinion of this agency that the



implementation was successful if only three (3) \$20 bills went undetected in deposits totalling \$2,821,845.41.

DKSO is uncertain what staff member was questioned regarding the source of replacement funds for counterfeit items. All counterfeit funds for 2015, three (3) bills of \$2,821,845.41 in total deposits, were replaced by the party presenting the original bills and there was \$0 loss to DKSO or DeKalb County.

Outdated Signature Card in Banks

We have not been able to confirm the balances of the collateral CDs of DeKalb Bonding Specialist at Renasant Bank since the end of 2013. Personnel of the bank informed the Sheriff was an unauthorized signer in the account. We found several instances the CD interest checks were still in the former Sheriff's name. While it may be difficult to cancel and reissue certificates for the CDs, staff can, at least, update the signature cards at the banks to ensure that confirmation of bank balances proceeds unimpeded and the interests checks are in current Sheriff's name.

Management's Response

As of the audit exit meeting, all signature cards for the bonding companies have been updated. The names on actual CDs have not been changed and cannot be changed until the maturity date.

Inadequacy of Bonding Company Collateral CDs

The balance confirmed by Bank of North Georgia for C&F Bonding company collateral CDs was \$100,000; however, the balance should be \$150,000. The reason was the bonding company's owner, alone, unknown to the Sheriff's Office, cashed some CDs that should be jointly owned by the Sheriff and the bonding company. A similar event occurred in 2014. Staff should review bonding companies' collaterals on a regular basis to ensure they meet required threshold. It is important the banks as well as the bonding companies understand their obligations to the Sheriff's Office regarding cash bond collaterals.

Management's Response

DKSO staff has changed the review process from semi-annually to quarterly to ensure timely identification of collateral deficiencies if they should occur. Further, DKSO staff reminded all bonding company management of their responsibilities to maintain compliance with collateral levels.

Technology Grant CD

CTB confirmed a Certificate of Deposit (CD) balance of \$20,012.38 as of December 31, 2015. In the 2013 Management Report, we reported a CD for \$10,000.00, which according to staff, was a grant paid to the Sheriff's Office by Securus, a vendor contracted to provide Inmates Telephone Systems, Video Visitation, and Inmate Accounting Systems for the Sheriff's Office. The additional \$10,000 received by CTB on January 17, 2015 was from the same vendor.





Appendix A – Acknowledgements

We would like to thank the management and staff of the Sheriff's Office for their assistance during this engagement.

Conducted by:

Ralph Igwedibie, CPA, CGMA
Principal Auditor
Finance Department - Internal Audit Division

Reviewed by:

Cornelia Louis
Deputy Director of Finance
Finance Department - Internal Audit Division



APPENDIX B – DEFINITIONS AND ABBREVIATIONS

Acronyms and Abbreviation

Civil Serve - 2000 - Cash Bond Management System

Civil Serve - Civil Serve Jail Management System

CPU - Central Processing Unit (Court Division of the Sheriff's Office)

R&DJ - Receipts and Disbursement Journal

FDIC - Federal Deposit Insurance Corporation

GFOA - Government Finance Officers Association

GAAP - Generally Acceptable Accounting Principles

GASB - Government Auditing Standard Board

GOA - General Accounting Office

GSCCCA - Georgia Superior Court Cooperative Council Authority

County - DeKalb County, Georgia

SOP – Standard Operating Procedures

SOD - Segregation of Duties

Key Definitions

Standard Operating Procedures (SOP) - The SOP is a document, which describes an entity, unit, division, or functional area's recurring operations relevant to the quality of the operation¹⁰. The purpose of a SOP is to carry out the operations correctly and always in the same manner. A SOP should be available at the place where the worksite.

Efficient Accounting System (AS) - An efficient accounting systems is one "organized with a set of manual and computerized accounting methods, procedures, and controls established to gather, record, classify, analyze, summarize, interpret, and present accurate and timely financial data for management decisions"¹¹.

¹⁰ <http://www.fao.org/docrep/w7295e/w7295e04.htm>

¹¹ <http://www.businessdictionary.com/definition/accounting-system.html>



APPENDIX C – DISTRIBUTION LIST

This report has been distributed to the following individuals:

DeKalb County Board of Commissioners

Lee May, Interim Chief Executive Officer

Zachary L. Williams, Chief Operating Officer/ Executive Assistant

Preston Stephens, Interim Assistant Finance Director

Claudette Leak, Assistant to the Chief Operating Officer

Reginald B. Scandrett, Chief Deputy, Sheriff's Office