

Report No. 2017-012- SAN
November 2018

DEKALB COUNTY GOVERNMENT

Public Works – Sanitation Division

FINAL REPORT



John L. Greene, CIA, CIG, CGAP, CGFM
Chief Audit Executive

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John Greene
Chief Audit Executive

PUBLIC WORKS-SANITATION OTHER PROFESSIONAL SERVICES AUDIT REPORT NO. 2017-012-SAN

FINAL REPORT

What We Did

In accordance with the Office of Independent Internal Audit (OIIA) Annual Audit Plan for 2017, we conducted a performance audit of the Sanitation's Other Professional Service (OPS) expenditures. We examined OPS transactions executed from January 1, 2015 to May 31, 2017 to determine whether items paid for by the Sanitation Division (Sanitation) were received, justified in accordance with standard business operation, and approved Sanitation related expenditures. In addition, we identified opportunities to strengthen the effectiveness and efficiency of the Sanitation's procurement process.

What We Found

We identified control deficiencies and instances of noncompliance with DeKalb County's Purchasing Policy as summarized below:

- No written Standard Operating Procedures (SOP) existed to guide staff over the procurement process which resulted in several inconsistencies when goods or services were procured.
- 28 out of 40, or 70 % of OPS purchase orders (PO) were created after the receipt of goods or services and invoices.
- Three (3) out of 40 OPS expenditures were between \$5,001 and \$25,000, which require three telephone quotes. All three OPS transactions had no evidence that the required quotes were obtained.
- Inadequate segregation of duties existed within the procurement cycle.
- 33 out of 40, or 83% of OPS expenditures examined did not have sufficient documentation such as packing slips or other receiving and work completion documents, to verify that goods and services were received.
- 40 out of 40, or 100% of OPS expenditures were classified incorrectly.

What We Recommend

We recommend that the Sanitation Management consider the following opportunities to strengthen the procurement process as summarized below:

- Develop and implement written SOP for procuring goods and services.
- Obtain required quotes when procuring goods or services as mentioned in the County's Purchasing Policy.
- Implement procedures to comply with the County's Purchasing Policy for creating requisitions.
- Develop and implement controls to segregate key duties so that no one employee creates the requisition and receives the goods or signs off on the services received.
- Implement compensating controls when segregating duties is not feasible.

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- Develop and implement controls to ensure appropriate documentation is maintained for goods and services received.
- Obtain documentation on the Chart of Accounts' object code descriptions from the Finance Department to assist staff in coding transactions to the appropriate object codes.

Additionally, Chief Procurement Officer should:

- Develop and implement countywide general procurement procedures as a guide in establishing internal controls for the decentralization of procuring goods and services by user departments.
- Periodically, provide countywide refresher training on the requirements of the Purchasing Policy for County personnel involved in the process of procuring goods and services.

Finance Department and Office of Management and Budget (OMB) should work together to provide periodic countywide training to employees involved in the procurement process on how to assign expenditures to the appropriate object codes.

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BACKGROUND AND INTRODUCTION

Sanitation is one of the four divisions within DeKalb County Public Works Department. Initially, the division consisted of 23 cost centers. Effective March 1, 2016, the division reorganized into nine consolidated cost centers as follow:

1. Administration (8015)
2. Keep DeKalb Beautiful (8106)
3. Transfer Station (8120)
4. North Residential (8125)
5. Central Residential (8130)
6. South Residential (8135)
7. Mowing (8138)
8. Commercial (8142)
9. Landfill (8145)

In 2017, Keep DeKalb Beautiful (8106) and Mowing (8138) joined with Beautification Department and ceased to be cost centers of Public Works - Sanitation.

Sanitation's mission is to provide an efficient, cost effective, and sustainable integrated solid waste management program through garbage, recyclable materials, and yard trimmings collection, processing and disposal services for residents and businesses in unincorporated DeKalb, and the cities of Brookhaven, Dunwoody, Lithonia, Stonecrest, and Tucker with a sustained focus on customer service excellence.

"DeKalb County Sanitation Division is a self-sustaining enterprise fund operation"¹, which receives revenues from collecting and managing solid wastes of DeKalb's single-family residential and commercial customers. The activities of the agency is accounted for in the Enterprise Fund. Operational expenses and cost of capital assets, among others, are paid from revenues received from the external service users.

According to the Deputy Director of Sanitation, there are no written standard operating procedures (SOP) for the procurement process. To gain an understanding of Sanitation's process for procuring (requisitioning and obtaining approvals and purchase orders, receiving the goods and services, and processing invoices for payment) goods and services, we relied on several interviews with members of the management and staff who were involved in the procurement process and performed a walkthrough of the process. The following diagram depicts our understanding of the Sanitation's procurement process.

¹ <https://www.dekalbcountyga.gov/search/site/Key%20Elements%20of%20New%20Sanitation>



AUDIT RESULTS

We obtained the data for audit testing from the Department of Innovation and Technology (DoIT) to ensure completeness and accuracy of all OPS expenditures at the various Sanitation's Cost Centers. The total amount of OPS expenditures was \$7,503,553.65, which included 973 transactions. We judgementally selected 40 transactions (\$230,213.74) to test the appropriateness of OPS expenditures. In addition, we reviewed best practices to identify opportunities to strengthen the effectiveness and efficiency of the Sanitation's OPS expenditure classification and procurement process.

Sanitation has implemented effective management approval controls within the Oracle Financial System (Oracle) for all requisitions. Our test of 40 OPS expenditures indicated that Deputy Director of Sanitation and other management personnel approved 100% of the requisitions for OPS expenditures. However, 70% of approved requisitions were processed after the receipt of goods or services and the applicable invoices.

In accordance with the audit objective, we identified several opportunities to strengthen controls within the procurement process as outlined in our findings and recommendations.

FINDING 1- LACK OF WRITTEN STANDARD OPERATING PROCEDURES

Objective: To test adequacy of the procurement process for Other Professional Services transactions and consistency in the application of established procedures.

Criteria: A component of the internal control framework is Control Activities, which are “actions established through policies and procedures that help to ensure that management’s directives to mitigate risks to the achievement of objectives are carried out.”² In addition, Control Activities ensure “written documentation exists covering the agency’s [division’s] internal control structure and for all significant transactions and events”.³ Such control activities “include a wide range of diverse activities, such as approvals, authorizations, verifications, reconciliations, performance reviews, security activities, and the production of records and documentation.”⁴

Condition: Sanitation lacks a written SOP for the procurement process. In addition, the current procurement process for OPS expenditures does not correspond with the procedures described to the auditor. For example, we observed the following inconsistencies in the process:

- There were 4 out of 40 OPS expenditures examined, where the Superintendent confirmed receipt of goods and the Deputy Director of Sanitation initialed the invoices or shipping documents.
- Invoices were initialed without dates. Some invoices were neither initialed “Okay to Pay” nor dated, yet they were paid.
- Evidences to support the receipt of the goods and services were not provided upon request; 33 out of 40, or 83% of OPS expenditures examined did not have supporting documentation such as packing slips and receiving or work completed documents.
- Invoices processed by the administrative staff showed that some requested additional supporting documents while others paid without supporting information.

Cause: Sanitation management relied on the County’s Purchasing Policy, which does not provide detail guidelines governing the Decentralized Procurement of goods and services.

Consequence: Lack of internal SOP for procurement may result in purchases being made without the purchase order and documentation to support the receipt of goods and services.

Recommendation

Sanitation management should:

- Develop and implement written SOP for their internal procurement process.
- Ensure the procedures within the written SOP corresponds with the County’s Purchasing Policy.
- Disseminate the SOP to all Sanitation employees in charge of purchasing.
- Review and update the SOP periodically to ensure efficiency and effectiveness.

In addition, the Chief Procurement Officer should develop and implement countywide general procurement procedures as a guide in establishing internal controls for the decentralization of

² <https://www2.deloitte.com/ng/en/pages/audit/articles/financial-reporting/coso-an-approach-to-internal-control-framework.html>

³ GAO-01-1008G - Internal Control Management and Evaluation Tool

⁴ <https://www.gao.gov/assets/80/76615.pdf>

procuring goods and services by user departments. User departments should customize the general procurement procedures specific to their businesses.

FINDING 2- NONCOMPLIANCE WITH THE COUNTY PROCUREMENT POLICY

Objective: To test for compliance with DeKalb County’s Purchasing Policy as it relates to obtaining sufficient quotes and purchase orders.

Criteria: “Each user department is granted the authority, at the discretion of the Department Director, to handle purchases where the cost is less than \$25,000.00. Three telephone quotations are required for purchases where cost is \$5,001.00 or greater but less than \$25,000.00.”⁵

“The Purchasing policy defines a Purchase Order as “a written sales contract between the County and third party supplier(s) authorizing the delivery of goods or services and detailing the exact products or services to be rendered including such information as prices, descriptions, payment terms, quantities, date of performance, shipping and all other conditions and obligations. A purchase order is a contract ...”⁶

Condition: Sanitation personnel did not adhere to DeKalb County’s Purchasing Policy in maintaining “written documentation of applicable phone quotations and receipts for each purchase in separate files.”⁷ Three (3) out of 40 OPS expenditures were between \$5,001 and \$25,000, which required three telephone quotes. We found that all three did not have the required quotes.

A significant number of POs were created after-the-fact. 28 out of 40 transactions, or 70% (\$139,674.33) OPS purchase orders were created after the related goods or services and invoices were received.

Cause: Lack of a written SOP to guide staff over the procurement process is a contributing factor for Sanitation’s non-compliance with the County’s Purchasing Policy.

Consequence: When sufficient quotes are not obtained, it may result in purchasing goods and services at inflated prices. In addition, not obtaining the required quotes, as outlined in the Procurement Policy, can potentially lead to fraud or collusion with vendors.

After-the-fact purchase orders are an unapproved obligation to purchase goods or services, which may result in the following:

- Duplicate payments.
- Higher costs for goods and services.
- Unfavorable terms and conditions signed by department personnel not authorized agents for the County.
- Untimely payment of outstanding invoices.
- Overstatement of available funds which results in an understatement of encumbrances.

⁵ DeKalb County Purchasing Policy, August 6, 2014, p. 21

⁶ DeKalb County Purchasing Policy, August 6, 2014, p. 38

⁷ DeKalb County Purchasing Policy, August 6, 2014, p. 21

Recommendation

Sanitation management should:

- Obtain the required quotes as mentioned in the County's Purchasing Policy when procuring goods or services.
- Implement procedures to comply with the County's Purchasing Policy for creating requisitions. Such procedures shall include, but not limited to, obtaining approved POs prior to receiving the goods or services and related invoices.

In addition, the Chief Procurement Officer should:

- Periodically, provide countywide refresher training on the requirements of the Purchasing Policy for County personnel involved in the process of procuring goods and services.
- Ensure employees acknowledge that they understood the training and will apply the procurement requirements when procuring goods and services.

FINDING 3- INADEQUATE SEGREGATION OF DUTIES WITHIN THE SANITATION'S PURCHASING CYCLE

Objective: To test whether adequate segregation of duties exist within Sanitation's internal procurement process.

Criteria: Appropriate separation of function ensures that no one individual should approve a purchase requisition, take custody or receive the items purchased, and approve invoices for payment. "Best practice is to have different people:

- Approve purchases
- Received ordered materials
- Approve invoices for payment
- Review and reconcile financial records"⁸

Condition: Staff who created the requisition also received the goods in Oracle; 36 out of 40 (90%) OPS purchase requisitions where same individuals created requisition and received the goods. There were only 4 out of 40 (10%) OPS expenditures where the superintendents validated the goods and the Deputy Director of Sanitation initialed the invoices or shipping documents. The latter provides evidence that someone other than the requisitioner received the goods and verified the completion of the services.

In addition, 17 of the 36 corresponding OPS invoices/documents mentioned in the previous paragraph, that we examined have management's initials without signatures and dates of the receivers confirming the receipt of the goods and services. Hence, it is implied Sanitation management verified that goods and services were received. The remaining 19 out of 36 (53%) OPS invoices/documents examined were without management's signature; however, they were also paid as indicated in Oracle.

Cause: Due to the limited size of staff in the administrative or field offices, the requisitioner created and received goods.

⁸ <https://blink.ucsd.edu/finance/accountability/controls/practices/accounts-payable.html>

Consequence: Lack of adequate segregation of duties within the procurement cycle increases the risk of erroneous or unauthorized purchases, which may result in theft of goods and payment for unauthorized purchases.

Recommendation

Sanitation management should implement controls to segregate duties so that different individuals create requisition, receive goods with appropriate documentation, and approve invoices for payment. In addition, itemized list of goods or services should be signed and dated by the individual who received them before the final approval of invoices by a person independent of requisition and receiving functions.

When it is not practicable to segregate duties due to limited staff size, management should periodically print a report of POs and subsequent payments from the Oracle and have a supervisory level employee independent of purchasing process review the report for accuracy. A special focus should be on payments to new vendors where fraud is likely to occur.

FINDING 4- INSUFFICIENT DOCUMENTATION TO SUPPORT GOODS AND SERVICES RECEIVED

Objective: To test whether paid transactions have the appropriate documentation to support the receipt of goods or services.

Criteria: Staff who receive goods and services stated that packing slips, bill of lading, or similar documents are signed and dated by the responsible individual indicating that the goods were received or services were performed. A good internal control structure requires that “all documentation and records are properly managed, maintained, and periodically updated.”⁹

Condition: Invoices for the goods purchased did not have relevant supporting documentation such as packing slips/sheets indicating item number; quantity and unit of measure; part number and description of the goods shipped. In addition, there was no documentation to support the services invoiced and dates of services. 33 out of 40 transactions or 83% (\$185,893.22) did not have relevant supporting documentation in Oracle. Staff did not maintain copies of the supporting documents.

Cause: Sanitation lack written procedures to ensure consistency in the procurement process for collection and maintenance of relevant documents to support goods or services received.

Consequence: Lack of documentation to support the goods or services received is a control deficiency that increases the risk of errors or misstatement of invoices, and may result in overpayments. In addition, it increases the risk of paying suppliers' invoices when suboptimal goods and services are received or not provided at all.

Recommendation

Sanitation management should ensure that staff obtains and maintains supporting documentation to verify receipt of goods and services. Supporting documentation should include, but not limited to packing slips/sheet, bill of lading, invoices, quotes, work orders, and sign off sheets.

⁹ United States General Accounting Office (2001). Internal Control Management and Evaluation Tool. p.43

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FINDING 5- CLASSIFYING EXPENDITURES INCORRECTLY AS OPS

Objective: To test whether OPS expenditures were classified appropriately.

Criteria: Expenditures for goods and services used for operation should be recorded in the general ledger accounts or object codes that best reflect the substance, real meaning, or true nature of the product or services received. "Transactions and events are appropriately classified and promptly recorded so that they maintain their relevance, value, and usefulness to management in controlling operations and making decisions."¹⁰

Condition: Expenditures that should be reported in other object codes were classified as OPS incorrectly; 40 out of 40, or 100% were classified incorrectly. The following are the reclassifications of a few Sanitation's OPS expenditures.

RECLASSIFICATION OF OTHER PROFESSIONAL SERVICES EXPENDITURES JANUARY 1, 2015 TO MAY 31, 2017 EXHIBIT 1				
PURCHASE ORDER	TRANSACTION DESCRIPTION	OBJECT CODE	OBJECT CODE DESCRIPTION	AMOUNT
1024050	Temp Service 7/25-7/31	521104	Temp Personnel Service	\$ 4,604
1009740	Advertising "Recycling Containers"	523301	Advertising Services	\$ 1,405
970110	Printing of Frequently Asked Questions	523401	Printing Service	\$ 17,589
965541	Gold Sponsorship SWANA	523301	Advertising Service	\$ 750
1025376	Gold Sponsorship - R&B Jazz Series	523301	Advertising Service	\$ 2,500
1067520	Temporary Personnel Services	521105	Security Services	\$ 2,689
918975	Fleet Washing Service	551104	Vehicle Maintenance Charges	\$ 112

The balance of OPS expenditure was considerably overstated. The gross amount of the OPS expenditure tested was \$230,123.74, which should have been reclassified to other object codes in the chart of accounts.

Cause: Staff mentioned that they were not aware of object codes description in the chart of accounts.

¹⁰ United States General Accounting Office (2001). Internal Control Management and Evaluation Tool. p.41

Consequence: Reporting expenditures in incorrect object codes negatively affects the validity and reliability of the financial statement and may be used by staff to conceal fraud or irregularities. In addition, incorrectly classifying expenditures in object codes may adversely affect the forecasting of OPS and other object codes' expenditures.

Recommendation

The Finance Department and OMB should work together to provide periodic countywide training to employees involved in the procurement process on how to assign expenditures to appropriate object codes. In addition, the training materials should be made available online for future reference.

Selecting appropriate object codes will improve the accuracy and reliability of the County's financial reporting and assist Sanitation management with controlling costs within their budget, forecasting expenditures, and making decisions. Sanitation management should obtain the Chart of Accounts' object code descriptions from the Finance department to assist its staff in charging transactions to the appropriate object codes.

ADDITIONAL ITEMS FOR CONSIDERATION

INAPPROPRIATE EXPENDITURE CHARGED TO SANITATION COST CENTER

We found one photography service expenditure charged to OPS (Object Code 521209) of Sanitation's Administration Cost Center, 08105, on behalf of the former elected CEO's office. The photograph, according to the Deputy Director of Sanitation, was to support the Community Hero's event held by former elected CEO at the Decatur Courthouse.

"The most important function of a cost center is the tracking of expenditures associated with a specific function."¹¹ The assignment of a cost center to each unit, such as administration (08105), Seminole Landfill (08112), or South Lot (08135), allows for transparent and accurate review of public funds expenditures of each unit over certain period and their budgets accordingly.

Charging expenditures of one cost center to another unrelated cost center increases the opportunity to conceal expenditures or fraud. This practice does not allow for proper analysis of the budgeted expenditures and actual costs, prevents accurate financial reporting and adequate assessment of financial performance.

CHART OF ACCOUNTS CLEANUP AND DEFINITION OF THE OBJECT CODES

The Chart of Accounts has some duplicate objects codes that will require cleaning up and additional definitions of the object codes to ensure understandability by users. This will enable accurate coding of the transactions to the object codes by users. For example, the current chart of account has two "Maintenance and Repair Services" with object codes 522201 and 522202. The two object codes identify the same service and one object code should be used in the chart of accounts for the service. There may be similar occurrences in the chart of accounts, which may require data cleanup. When transactions are posted to these different object codes within the general ledger, the trial balance may contain numerous duplicate accounts of similar

¹¹ <http://smallbusiness.chron.com/functions-cost-center-management-accounting-system-76935.html>

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transactions, which are subsequently reclassified by journal entries prior to the preparation of the financial statements.

For the definitions of the object codes, we recommend a model by Georgia State Accounting Office (SAO), which has three columns: Accounts, Account Names, and Account Definitions. DeKalb Chart of Accounts does not include the last item, which users with least accounting knowledge and experience can easily understand and use during the procurement process. “Professional Service” and “Other Professional Services” Expenditures should be further described to indicate more precisely the expenditures that will go into them.

The object codes should be expanded to incorporate Professional Services as defined in Georgia Law, O.C.G.A. section 48-13-9(c), Paragraphs 1 through 18. DeKalb Ordinance defined Professional Services in respect to Business Occupational License Ordinance, Sec. 15-34 - Professionals classified in O.C.G.A. section 48-13-9(c), Paragraphs 1 through 18. The law specifically mentioned “Lawyers, Physicians licensed under Chapter 34 of Title 43, Osteopaths licensed under Chapter 34 of Title 43, Chiropractors, Podiatrists, Dentists, Optometrists, Psychologists, Veterinarians, Landscape architects, Land surveyors, Practitioners of physiotherapy, Public accountants, Embalmers, Funeral directors, Civil, mechanical, hydraulic, or electrical engineers, Architects, Marriage and family therapists, social workers, and professional counselors.”¹² In addition, it included any other profession for which state licensure or registration is required by state law, unless the state law regulating such business, profession, or occupation specifically allows for regulation by local governments. DeKalb Chart of Accounts listed eight professions. The Professional Services, as listed in the law, which have not been specifically mentioned as object codes in the Chart of Accounts should be coded as OPS.

¹² <https://advance.lexis.com/documentpage2>

APPENDIX

Appendix I – Purpose, Scope and Methodology

Purpose

The purpose of the engagement was to:

- Determine whether the items and services paid for were received and justified in accordance with standard business operations and are approved Sanitation related expenses.
- Identify opportunities to strengthen the effectiveness and efficiency of the process for expending and reporting Sanitation related expenses.

Scope and Methodology

The scope of the engagement was to examine documentation relative to OPS expenditures charged to the Sanitation cost centers from January 1, 2015 to May 31, 2017.

The methodology included, but not limited to the following:

- Review of DeKalb County Public Works-Sanitation policies and procedures as it relates to processing expenditures.
- Examine supporting documentation of expenditures to verify accuracy, proper authorization, receipts of goods or services and assess justification of expenditures in accordance with standard business operations.
- Examine controls over the effectiveness and efficiency of procedures for processing and reporting OPS expenditures.
- Interview appropriate personnel and relevant external parties.
- Review other applicable documentation in support of the transactions.

Appendix II – Management Response



Chief Executive Officer
Michael L. Thurmond

Board of Commissioners

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District 7
Gregory Adams Sr.

Memorandum

To: John L. Greene, Chief Audit Executive

From: Tracy Hutchinson, Division Director

Date: November 9, 2018

Re: Audit Report No. 2017-012-SAN

This memorandum will serve as the official response of the final draft audit report dated August 2018 of the Department of Public Works – Sanitation Division on Other Professional Services. After a thorough review of the audit report regarding Other Professional Services, Sanitation Division responds as follows:

Finding 1 – Lack of Written Standard Operating Procedures

Recommendation

Sanitation management should:

- *Develop and implement written SOP for their internal procurement process.*
- *Ensure the procedures within the written SOP corresponds with the County's Purchasing Policy.*
- *Disseminate the SOP to all Sanitation employees in charge of purchasing.*
- *Review and update the SOP periodically to ensure efficiency and effectiveness.*

In addition, the Chief Procurement Officer should develop and implement countywide general procurement procedures as a guide in establishing internal controls for the decentralization of procuring goods and services by user departments. User departments should customize the general procurement procedures specific to their businesses.

Management Response

Sanitation Division follows the current P&C SOP. The Department will establish a purchasing procedures/SOP that coincides with the Purchasing Policy and will conduct a mandatory training session for employees in charge of purchasing function.

Finding 2 – Noncompliance with the County Procurement Policy

Recommendation

Sanitation management should:

- *Obtain the required quotes as mentioned in the County's Purchasing Policy when procuring goods or services.*
- *Implement procedures to comply with the County's Purchasing Policy for creating requisitions. Such procedures shall include, but not limited to, obtaining approved POs prior to receiving the goods or services and related invoices.*

In addition, the Chief Procurement Officer should:

- *Periodically, provide countywide refresher training on the requirements of the Purchasing Policy for County personnel involved in the process of procuring goods and services.*
- *Ensure employees acknowledge that they understood the training and will apply the procurement requirements when procuring goods and services.*

Management Response

The Department will request P&C to conduct a mandatory training session for Sanitation employees in charge of purchasing function.

Finding 3 – Inadequate Segregation of Duties within the Sanitation's Purchasing Cycle

Recommendation

Sanitation management should implement controls to segregate duties so that different individuals create requisition, receive goods with appropriate documentation, and approve invoices for payment. In addition, itemized list of goods or services should be signed and dated by the individual who received them before the final approval of invoices by a person independent of requisition and receiving functions.

When it is not practicable to segregate duties due to limited staff size, management should periodically print a report of POs and subsequent payments from the Oracle and have a supervisory level employee independent of purchasing process review the report for accuracy. A special focus should be on payments to new vendors where fraud is likely to occur.

Management Response

Sanitation Division will establish an internal SOP for the procurement process to piggyback P&C SOP. Training will be conducted to employees in charge of purchasing function. Sanitation Division will ensure itemized list of goods or services is signed and dated by the individual who received them before the final approval of invoices for payment.

Finding 4 – Insufficient Documentation to Support Goods and Services Received

Recommendation

Sanitation management should ensure that staff obtains and maintains supporting documentation to verify receipt of goods and services. Supporting documentation should include, but not limited to packing slips/sheet, bill of lading, invoices, quotes, work orders, and sign off sheets.

Management Response

Sanitation Division will establish a tracking/record keeping system to verify receipt of goods and services, including but not limited to packing slips/sheet, bill of lading, invoices, quotes, work orders and sign off sheets.

Finding 5 – Classifying Expenditures Incorrectly as OPS

Recommendation

The Finance Department and OMB should work together to provide periodic countywide training to employees involved in the procurement process on how to assign expenditures to appropriate object codes. In addition, the training materials should be made available online for future reference.

Selecting appropriate object codes will improve the accuracy and reliability of the County's financial reporting and assist Sanitation management with controlling costs within their budget, forecasting expenditures, and making decisions. Sanitation management should obtain the Chart of Accounts' object code descriptions from the Finance department to assist its staff in charging transactions to the appropriate object codes.

Management Response

Sanitation Division has implemented the process of assigning expenditures to the appropriate object codes.

Appendix III – Definitions and Abbreviations

Acronyms and Abbreviation

GAO	Government Accounting Office
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Key Definitions

Control Activities: “actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity’s information system.”¹³

Enterprise Fund: An Enterprise Fund is a proprietary fund “used to report an activity for which a fee is charged to external users for goods and services.”¹⁴

Segregation of Duties: “Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.”¹⁵

Compensating Control: “An activity that, if key controls do not fully operate effectively, may help to reduce the related risk. Such controls also can back up or duplicate multiple controls and may operate across multiple processes and risks. A compensating control will not, by itself, reduce risk to an acceptable level.”¹⁶

Decentralized Procurement: “An organizational structure in which designated personnel/operating departments from within the organization have the delegated authority to decide on sources of supply and contract directly with suppliers without consulting or receiving the approval from the Chief Procurement Officer (CPO). It should be noted that the scope and degree, if any, of decentralized procurement varies from agency to agency.”¹⁷

¹³ GAO-14-704G Federal Internal Control Standards, pg. 44

¹⁴ Gauthier, S. J. (2012). Governmental accounting, auditing, and financial reporting (Blue book). GFOA of United States and Canada: Chicago, IL.

¹⁵ GAO-14-704G Federal Internal Control Standards, pg. 47

¹⁶ http://daf.csulb.edu/admin_guidelines/policies/sig_auth.html

¹⁷ <http://www.nigp.org/home/find-procurement-resources/dictionary-of-terms>

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Stacey Kalberman, Ethics Officer, DeKalb Board of Ethics

William (Ted) Rhinehart, Deputy Chief Operating Officer for Infrastructure

Richard (Rick) W. Lemke, Director of Public Works

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PROJECT TEAM

This report submitted by:



Ralph Igwedibie, MPA, CPA, CGMA
Senior Auditor
Office of Independent Internal Audit



Date

This report reviewed by:

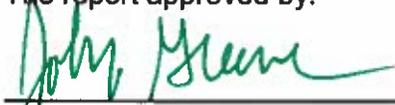


Cornelia Louis
Internal Audit Financial Manager
Office of Independent Internal Audit



Date

The report approved by:



John Greene, CIA, CIG, CGAP, CGFM
Chief Audit Executive
Office of Independent Internal Audit



Date

STATEMENT OF ACCORDANCE

Statement of Accordance

The mission of DeKalb County is to make the priorities of the citizens of DeKalb County; the priorities of County government - by achieving a safer DeKalb, building stronger neighborhoods, creating a fiscally accountable and more efficient county government and uniting the citizens of DeKalb County.

The mission of the Office of Independent Internal Audit is to provide independent, objective, insightful, nonpartisan assessment of the stewardship or performance of policies, programs and operations in promoting efficiency, effectiveness and integrity in DeKalb County.

This performance audit was prepared pursuant to DeKalb County, Georgia – Code Ordinances/Organizational Act Section 10A- Independent Internal Audit. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This report is intended for the use of the agency to which it was disseminated and may contain information that is exempt from disclosure under applicable law. Do not release without prior coordination with the Office of Independent Internal Audit.

Please address inquiries regarding this report to the Office of Independent Internal Audit at 404-371-2765.