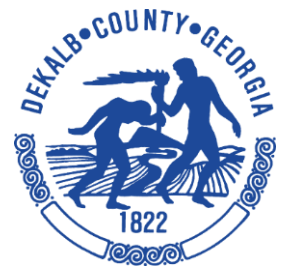


**DEKALB COUNTY GOVERNMENT**



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

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John Greene  
Chief Audit Executive

OFFICE OF INDEPENDENT INTERNAL AUDIT  
2019 ANNUAL REPORT

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**CHIEF AUDIT EXECUTIVE SUMMARY**

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I am pleased to submit the Annual Report of the Office of Independent Internal Audit (OIIA) for the period from January 1, 2019, to December 31, 2019, as required by the DeKalb County Internal Audit Code Section 10A(j)(6) to highlight the major work efforts and activities of the OIIA in 2019. Our team worked hard to meet our mission to provide an independent, objective, insightful, nonpartisan assessment of the stewardship or performance of policies, programs, and operations in promoting efficiency, effectiveness, and integrity in DeKalb County. The value and services of the OIIA can never be fully reflected in the annual report.

We remain committed to our work to promote our vision to provide excellence in our products and services as we promote positive change throughout DeKalb County with an inspired team that strives for continuous improvement. Thank you for your continued support and cooperation.

Sincerely,

*John L. Greene*

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

April 10, 2020

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## **INTRODUCTION**

The Office of Independent Internal Audit<sup>1</sup> was established in accordance with House Bill 599 (2015 Ga. Laws 3826), enacted by the Georgia General Assembly signed into law on May 12, 2015<sup>2</sup>. The OIIA consists of the Chief Audit Executive (CAE) and those assistants, employees and personnel as deemed necessary by the CAE for the efficient and effective administration of the affairs of the office, and over whom the CAE will have the sole authority to appoint, employ and remove.

The OIIA is completely independent and is not subject to control or supervision by the Chief Executive Officer, the Commission, or any other official, employee, department, or agency of the County government. The position of the CAE is nonpartisan.

An Audit Oversight Committee (AOC) was established per House Bill 599 (2015 Ga. Laws 3826) incorporated into DeKalb County, Georgia – Code of Ordinances / Organizational Act Section 10A- Independent Internal Audit. The AOC consist of five voting members. The committee:

- Ensures the independence of the OIIA.
- Selects no fewer than two or more three nominees for the position of CAE for approval by the DeKalb Board of Commissioners.
- Provides suggestions and comments for the annual audit plan.
- Proposes the internal audit budget and recommend the budget to the DeKalb County Board of Commissioners for approval.
- Receives communications from the CAE on the internal audit activity’s performance relative to its plan and other matters.
- Provides general oversight and guidance.
- Consults with CAE on technical issues.
- Coordinates with contracted audit efforts and other consulting engagements.

## **DUTIES AND RESPONSIBILITIES**

The OIIA is responsible for conducting financial and performance audits of all departments, offices, boards, activities, agencies, and programs of the County independently and objectively to determine whether:

- (1) Activities and programs being implemented have been authorized by 2015 Ga. Law 3826, other Georgia law, or applicable federal law or regulations and are being conducted and funds expended in compliance with applicable laws.
- (2) The department, office, board, or agency is acquiring, managing, protecting, and using its resources, including public funds, personnel, property, equipment, and space, economically, efficiently, effectively, and in a manner consistent with the objectives intended by the authorizing entity or enabling legislation.

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<sup>1</sup> Office of Independent Internal Audit referenced herein refers to the Office of Internal Audit as documented in House Bill 599 (2015 Ga. Laws 3826)

<sup>2</sup> Incorporated into *DeKalb County, Georgia – Code of Ordinances / Organizational Act Section 10A- Independent Internal Audit*.

**OFFICE OF INDEPENDENT INTERNAL AUDIT  
DEKALB COUNTY GOVERNMENT  
ANNUAL REPORT FOR 2019**

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- (3) The entity, programs, activities, functions, or policies are effective, including the identification of any causes of inefficiencies or uneconomical practices.
- (4) The desired results or benefits are being achieved.
- (5) Financial and other reports are being provided that disclose fairly, accurately, and fully all information required by law, to ascertain the nature and scope of programs and activities, and to establish a proper basis for evaluating the programs and activities including the collection of, accounting for, and depositing of, revenues and other resources.
- (6) Management has established adequate operating and administrative procedures and practices, systems or accounting internal control systems and internal management controls.
- (7) Indications of fraud, abuse or illegal acts are valid and need further investigation.

In addition, the OIIA:

- Coordinates and monitors auditing performed by certified public accounting firms or other organizations employed under contract by the governing authority to assist with audit-related activities.
- Participates with the AOC in the selection of the external audit firm.
- Follows up on audit recommendations to monitor the status of corrective action.

**AUDIT OVERSIGHT COMMITTEE**

The AOC consists of five (5) voting members. All members of the AOC shall be residents of DeKalb County, have expertise in performance auditing; and have a minimum of five (5) years' experience as a Certified Public Accountant, a Certified Internal Auditor, a Certified Performance Auditor, a Certified Management Accountant; or ten (10) years of other relevant professional experience. The AOC was made up of the following members as of December 31, 2019, as detailed below:

<b>Members</b>	<b>Appointing Authority</b>	<b>Term</b>	<b>End Date</b>
Harold Smith, Chairperson	Board of Commissioners, DeKalb County	4 Years	December 31, 2019
Harmel Codi, Vice-Chairperson	Chairman of the DeKalb Delegation to the State Senate	5 Years	December 31, 2020
Claire Cousins	Board of Commissioners, DeKalb County	5 Years	December 31, 2021
Adrienne McMillon	Chairman of the DeKalb Delegation to the State House	5 Years	December 31, 2022
Lisa Earls	Chief Executive Officer, DeKalb County	5 Years	December 31, 2023

## OFFICE OF INDEPENDENT INTERNAL AUDIT MISSION, VISIONS AND VALUES

### Mission Statement (why we exist and what we do)

Our purpose (why we exist) 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.

Our promise (what we do) is to accomplish this through financial audits, performance audits, inquiries, investigations and reviews.

### Vision Statement (where we are going)

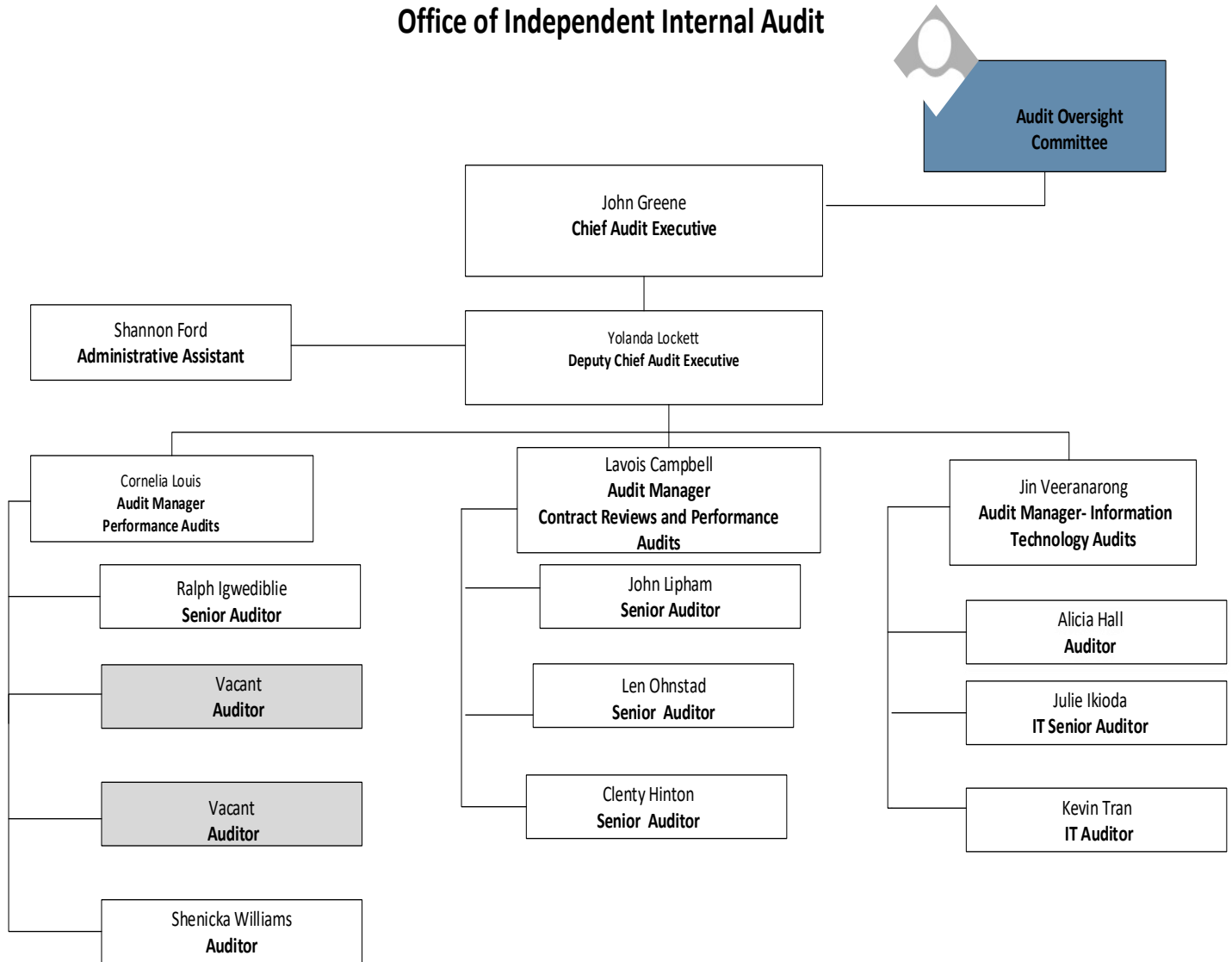
Excellence in our products and services as we promote positive change throughout DeKalb County with an inspired team that strives for continuous improvement.



**OFFICE OF INDEPENDENT INTERNAL AUDIT ORGANIZATION AND STAFF**

The CAE reports to the AOC as established by Georgia State Law via DeKalb County Code of Ordinances and the OIIA has unrestricted access to employees, information, and records including electronic data within their custody regarding powers, duties, activities, organization, property, financial transactions, contracts and methods of business required to conduct an audit or otherwise perform audit duties. The OIIA currently consists of 15 professional positions and one administrative assistant as detailed below:

**Office of Independent Internal Audit**



**SUMMARY OF ACTIVITIES**

The following paragraphs contain summaries of the various activities completed in 2019. The material contained in this section of the report was extracted from reports issued by the OIIA and only discloses essential information.



## AUDIT ACTIVITIES

### **AUDIT OF SEWER CLEANING CONTRACTS 971933, 971934, and 971935-AUDIT REPORT NO. 2018-010-WM**

We examined the abstract of bid prices, performed a comparative analysis of the contract line items' quantity estimates in the current solicitation to the actual quantities invoiced for the current and prior contracts, and County's sewer pipe inventory records. In addition, we examined vendor invoices along with the supporting data and the Watershed Management Department (WMD) contract inspection process.

We determined that the sewer cleaning contracts 971933, 971934, and 971935 were not awarded and administered effectively to help meet the intent of the Consent Decree imposed by the U.S. EPA. Specifically, two of the three awarded contractors, namely Crawford Enterprises, Inc (hereafter referred to as 'Crawford Enterprises") and Pipe Logistics, Inc (hereafter referred to as Pipe Logistics) submitted bids which were materially unbalanced on the Invitation to Bid (ITB) Number 3003449. The factors contributing to the material unbalanced bids were

- Inaccurate quantity estimates used in the solicitation as a basis for the unit bid prices.
- Lack of an independent cost estimate to assist procurement agents in evaluating bid prices.

We found an error made by the procurement agent, in the bid tabulation that understated one awarded contractor's bid price by \$252,000.

In addition, inspection procedures and contract specifications needed improvement. Specifically:

- Inadequate validation/inspection of invoiced sewer and manhole cleaning was not conducted prior to payment.
- Some invoices had inaccurate quantity and/or dollar amounts resulting in an overstatement in the amount paid to the vendor.
- Questionable invoiced output quantities not identified and reviewed. For example, contractors with the higher prices for some line items were invoicing significantly higher quantities for those items and conversely, contractors with lower prices were invoicing a small portion of those work units.
- Two of the three contractors did not submit invoices consistent with the bid schedule as they did not provide sufficient details to determine the specific line item service performed.

Contributing to these conditions was a lack of:

- Key controls and processes as per best practices to ensure adequate inspection/validation of invoiced work.
- Clear definition of what constitutes some service items such as manhole cleaning.
- Reviews of individual invoices to ensure contractors were paid accurately and consistently with the submitted bid prices.

- Periodic analytical reviews of invoices paid to identify unusual trends and patterns or to detect questionable output levels over time.

Because of the inadequate award and administration procedures, the County:

- Paid more for sewer and manhole cleaning than necessary.
- Experienced potential funding shortfalls which impacted the available monies to perform cleaning services. No cleaning services were performed by vendors for a six-month period ended June 2017 which increased the County's risks of not meeting the Consent Decree

We recommended that the Watershed Management Department interim director:

- Review historical quantity outputs, County pipe inventory records, spill/overflow data and any other relevant factors/information to help ensure more accurate quantity estimates for sewer and manhole cleaning in future solicitations.
- Prepare an independent cost estimate to assist the procurement agent as a basis to evaluate bid prices submitted.
- Strengthen contract surveillance procedures to ensure that sewer pipe and manhole cleaning was conducted prior to payment.
- Incorporate provisions in future bid solicitations/contracts to clearly specify requirements for manhole cleaning.

In addition, we recommended that the Purchasing and Contracting Department director:

- Ensure that independent cost estimates are obtained from the user departments, request the user department review the cost estimate if there are significant variations between the vendor prices and historical prices.
- Evaluate bids by utilizing the independent cost estimate and competitor's unit prices to detect unbalanced bids.
- Request the user department to review the accuracy of the quantity estimates if there is a significant deviation between the independent cost estimate and the competitors' prices.
- Reject any bid price that is materially unbalanced including not exercising options to renew contracts based on unbalanced bids.
- Ensure that submitted bid prices are calculated correctly.

**AUDIT OF DEKALB COUNTY DATA CENTER PHYSICAL SECURITY  
AUDIT REPORT NO. 2018-007-IT **CONFIDENTIAL****

**Note:** The details of this report are confidential under the exemptions noted in Georgia Open Records Act #50-18- 72(a). The details of this report would put the organization at risk. Questions and further information should be requested from the Chief Audit Executive of the Office of Independent Internal Audit.

## **INDEPENDENT ASSESSMENT OF DEKALB COUNTY PURCHASING & CONTRACTING PROGRAM**

We engaged the Hartman Firm, LLC (Hartman Firm) to work with Office of Internal Independent Audit (OIIA) and the DeKalb Board of Ethics Office to independently assess the County's procurement program, investigate various allegations which had been brought to OIIA's attention, and assess the County's susceptibility to waste, fraud, corruption, and abuse in its procurement program.

The engagement included over 40 interviews of Purchasing and Contracting Department of DeKalb County (P&C) personnel and over 20 interviews of personnel in user departments, including the Department of Watershed Management (DWM), Sanitation Department, Roads and Drainage, and Recreation, Parks & Cultural Affairs. The Hartman Firm reviewed certain solicitations and procurement contracts and investigated issues that arose during the engagement.

In this report, they specifically defined fraud and corruption and the associated controls that can mitigate these risks. Below is a succinct summary of the work performed by the Hartman Firm.

Hard controls are the policies and procedures that guide employees through financial management, procurement, or the handling of assets. The test of hard controls can be done through auditing, and the OIIA has conducted several audits of P&C's policies and procedures. The Hartman Firm did not attempt to validate or replicate OIIA's audits: rather, they assessed hard controls through interviews of all P&C employees and those in the County's user departments, and through document review.

Soft controls are intangible factors derived from an organization's culture or a department's subculture that guides employees through their decision-making process. Key factors involve the strength of the organization's trust, competency, integrity, training, and shared values. In P&C, the stated values are: Productivity, Accountability, Communication, and Teamwork (PACT). The test of soft controls seeks to identify the gaps between the stated organizational values and the values that were practiced in reality.

Due to corruption's inherent collusive nature, hard controls alone cannot be relied upon to deter corruption. Accordingly, soft controls generally play a more significant role in creating a corruption-resistant organization. When hard and soft controls are strong, the organization is at low risk for waste, fraud, corruption, and abuse. When hard and soft controls are weak, the organization is at high risk for waste, fraud, corruption, and abuse.

The Hartman Firm found the hard controls to be weak. The hard controls for the County's P&C program are found in two places: the Purchasing Policy and the Procedures Manual. DeKalb County is not in compliance with House Bill 598, passed on May 12, 2015, because the County failed to adopt a Procurement Policy Ordinance.

P&C implements its Policy through the processes found in the Procedures Manual. The Hartman Firm heard nearly universal complaints of the constantly changing Procedures Manual. Changing

procedures during a procurement can raise the specter of corruption. In the absence of a controlling policy, a P&C official may be required to make a subjective decision that can favorably impact one vendor over another. The P&C does not follow its own Policy requiring Chief Executive Officer (CEO) approval for each of the myriad of changes to the Procedures Manual that have occurred since it was adopted.

During the Hartman Firm's engagement, P&C hired a consultant to review the Purchase and Procedures Manual. The Hartman Firm expressed that this review should occur after a Procurement Policy Ordinance has been approved by the Board of Commissioners.

The Hartman Firm reviewed the OIIA's audits which raised significant issues involving Low Bid Procurement Processes, Sole Source Contracting Processes, Emergency Purchases, and both Informal and Formal Procurements.

A significant control failure is the failure to maintain documentation. Fundamental to the testing of any hard control is the ability to have accurate data to test. The failure to keep documentation means controls cannot be properly tested. The net effect is those charged with DeKalb County's governance cannot place any level of confidence in the control activities.

Vendor protests are not captured by DeKalb County. These protests can be a rich source of information for management to assess procurement irregularities. Due to the County's policies, vendors are actually discouraged from protesting.

The County has purchased a software solution to assist in its procurement program known as Oracle Advanced Procurement Suite (APS). APS was purchased in August of 2014. It has continued implementation delays and its costs greatly exceed \$2,438,820.83. The Hartman Firm believes that the exact and ongoing costs cannot be calculated because no one is tracking the expenses. The implementation requires sufficient resources in both P&C and the user departments, along with the leadership that is knowledgeable and can coordinate a difficult project through multiple DeKalb County stakeholders. The Hartman Firm believes that the delay in the full implementation of the APS is a leadership failure.

The Hartman Firm found that the soft controls are extremely weak. The culture, morale and leadership in P&C is very problematic. They noted that the P&C Director inherited a department with a systemically-high employee turnover rate, a recent reorganization, and significant personnel issues. These issues may not be the Director's fault, but they are her responsibility to resolve them. Unfortunately, she has been unable to right the ship. They found that the Department, the Director, and others had won procurement-related awards for their achievements.

There is a serious rift among P&C employees. The Director described the issue as having silos, or isolation between teams. A significant number of employees used the following terms to describe P&C: "toxic, hostile, dysfunctional, revolving door, clique, communication failure, changing processes, no direction, low morale, lack of training, and failure to cooperate."

The Director communicated to the Hartman Firm that she believed that the County's Policies and Procedures are hard to circumvent. She did not identify any weaknesses or lead information that could have assisted them in their engagement. The Director advised that neither she nor her staff

had received training on awareness of fraud or corruption in the procurement process.

The free lunch is the “gateway drug” to corruption. A zero-tolerance rule that prohibits all County employees from accepting any meal or gift from a vendor doing business with the County should be adopted. There was evidence that County employees received meals from vendors doing business with the County. A 2014 Executive Order expressly permits merit exempt employees (senior officials) to receive meals and gifts from a vendor doing business with the County, while merit employees (lower-level employees) are prohibited. That Executive Order also appears to allow merit-exempt employees to receive unlimited meals and travel from a vendor doing business with the County during the attendance of conferences. This provision will likely be in direct conflict with the DeKalb County’s Ethics Code when the gift giver is a vendor. The Ethics Code is controlling state law.

The Hartman Firm reviewed the results of the University of North Georgia’s BB&T Center for Ethical Leadership’s (Center) Ethical Culture Indicator. DeKalb County ranked extremely low on many indicators of an ethical culture. Unfortunately, their findings are consistent with the Center’s report.

They found the P&C workload to be too high, which is directly attributable to the high attrition rate in the Department. P&C employees need more training, especially the new employees. Senior employees would benefit from additional professional development. This training should also extend to the user departments. We believe that the P&C should be given an adequate budget to accomplish these goals. The P&C has two auditors who report to the Director. These auditors’ efforts have been significantly stymied due to DWM management’s failure to provide, in a timely manner, audit evidence including contractor invoices. They noted that the OIIA has the authority to correct this type of evasive conduct. The Hartman Firm found the auditors assigned to P&C are not independent because part of their audit work involves auditing P&C processes and the auditors do not have unimpeded access to those charged with DeKalb County’s governance in order to report significant findings. Due to the number and magnitude of DWM contracts, we recommend that a minimum of two full-time auditors be assigned to audit DWM contracts. To resolve these independence and reporting issues, we recommend that the two auditor positions from P&C be reassigned to the OIIA.

The Hartman Firm believed that the hard controls over DeKalb County’s procurement program are weak. In addition, they believe the soft controls over DeKalb County’s procurement program are extremely weak and due to these weaknesses, DeKalb County’s procurement program is at high risk for waste, fraud, corruption, and abuse.

They were also asked to review other issues and some matters that came to their attention which were of such concern that merited attention in the report.

The Hartman Firm found no evidence of P&C not complying with the Georgia Open Records Act and found no evidence of any P&C personnel obstructing an OIIA audit or intentionally hiding documentation from auditors. They do believe that P&C has lost an appreciable amount of its records; this can give the appearance of obstructing an audit.

They found that P&C employees need to be better informed on the County’s reimbursement of expense policy so that they do not have to personally incur expenses. They found that the County

mismanaged its contract with the operator of Mystery Valley Golf Course. DeKalb County may be owed significant sums under the contract, and the course is a liability to the County due to the risk of falling trees.

The Hartman Firm found issues associated with the DeKalb First Local Small Business Enterprise Ordinance. The P&C has not provided the CEO and Board of Commissioners (BOC) with specific information required by the Ordinance. They found that the ordinance has resulted in anti-competitiveness, low contractor participation, the delivery of substandard services, and higher prices for services.

Based on their findings, the Hartman Firm made a significant number of recommendations. Below are the recommendations by area:

### **Purchasing Ordinance & Purchase and Procedures Manual**

1. In the drafting of a DeKalb County Purchasing Ordinance, all County stakeholders have a voice in the process, including P&C, OIIA, and County user departments.
2. The enactment of a Purchasing Ordinance be made a priority for DeKalb County.
3. After the enactment of a Purchasing Ordinance, the Purchasing Policy & Procedures Manual be updated and approved by the CEO.

### **Hard Controls**

4. The following provision be added to DeKalb County's Purchasing Policy: The BOC will not approve any contract in an amount of \$1 million or greater until the OIIA has been given the opportunity to issue a report. The OIIA may issue a written report to the BOC advising if the contract file is consistent with DeKalb County's Policy and Procurement Procedures and/or note areas of deficiencies. Upon request by the CEO, BOC, or on its own initiative, the OIIA may also review any solicitation of any dollar amount.
5. In order to implement the safeguard recommended in #4, above, the OIIA be funded to increase its staffing level by two auditors. This staffing enhancement is in addition to recommendation #21, below, regarding the reassignment of auditor positions.
6. P&C management reevaluate the use of procurement agents as voting members on the RFP committees.

### **Data Analysis**

7. The Oracle Advanced Procurement Suite be programmed to track emergency and sole source purchases and be equipped to assist with split-purchase analysis.
8. The OIIA conducts split-purchase analysis on a periodic basis.

### **Ethics**

9. P&C adopt a written policy that departmental employees cannot receive gifts from those doing business with the County.
10. Executive Order No. 2014-4 be modified to prohibit merit-exempt employees from receiving gifts from "interested sources."
11. Executive Order 2014-4 be modified so that it is not in conflict with the Ethics Code §22A(c)(2)(A)(ii), (B)(i).
12. The University of North Georgia, BB&T Center for Ethical Leadership's survey results from the Ethical Culture Indicator (ECI) be used as a baseline, and that the ECI be administered



in future years to track progress.

13. The ECI be mandatory for all employees.

14. The ECI results be broken down by each individual DeKalb County Department, so that the results can be more useful.

### **Workload**

15. Management should consider flex-time and staggered work schedules for the purpose of retaining and attracting employees.

### **Training**

16. The P&C University PowerPoint training presentation be updated. The implementation of a structured training program for new employees, including a procedure for management to track progress.

17. The use of a dedicated trainer to train P&C employees and the constituents in the many user departments, at least on a temporary basis.

18. The P&C Department be provided with an adequate training budget to bring in professional trainers, incentivize employees to obtain relevant credentials, and send employees to outside training where they can bring best practices back to the Department.

### **Workplace Conditions**

19. P&C be provided with adequate storage space for files.

### **Department of Watershed Management**

20. A minimum of two full-time auditors be assigned to audit payments to contractors in the DWM.

21. The auditor positions assigned to P&C be reassigned to OIIA for the purpose of establishing independence and reporting.

### **Use of DeKalb Vehicles; Expense Reimbursement**

22. DeKalb County amends its policies to prohibit DeKalb County personnel from transporting non-DeKalb County personnel in a DeKalb County vehicle.

23. DeKalb County adopts a policy that requires any employee submitting a request for expense reimbursement sign a paper document or provide a secure electronic signature which certifies the truth and accuracy of their submission and provides a warning that an intentional violation of County policy will subject the employee to disciplinary action up to and including criminal prosecution.

### **Mystery Valley**

24. DeKalb County's executive management initiate an additional investigation based on the findings in this report.

25. We recommend that the County take immediate action to address the dead and leaning trees at Mystery Valley.

### **DeKalb First Local Small Business Enterprise Ordinance**

26. A study be commissioned to conduct a cost-benefits analysis of the LSBE program.

27. P&C comply, in a timely manner, with the LSBE Ordinance's requirement to provide all seven categories of information to the CEO and BOC.

## **COORDINATION WITH EXTERNAL AUDITOR**

During 2019, the OIIA coordinated and monitored the external auditing services performed by Mauldin and Jenkins, LLC (M&J) under their contract. M&J provided an independent audit of the DeKalb County, Georgia financial statements and DeKalb County, Georgia Single Audit Reports for the year ended December 31, 2018.

## **ROUTINE AUDIT ACTIVITIES**

## **FOLLOW- UP REPORTS ON CORRECTIVE ACTION TAKEN IN RESPONSE TO OIIA AUDITS**

As required by DeKalb County, Georgia – Code of Ordinances / Organizational Act Section 10A-Independent Internal Audit (I), the Office of Independent Internal Audit conducts a review on the status of corrective action taken by DeKalb County management in response to the recommendations made by the OIIA. During this calendar year, the OIIA issued the following status reports on recommendations:

[Status Report on Recommendations to Audit Findings for Sole Source Audit Report Number 2017-005-PC Purchasing and Contracting Department issued on April 29, 2019](#)

[Status Report on Recommendations to Audit Findings for Emergency Purchases Audit Report Number 2017-006-PC Purchasing and Contracting Department issued on April 30, 2019](#)

[Status Report on Recommendations to Audit Findings for Informal and Formal Procurement Audit Report Number 2017-007-PC Purchasing & Contracting Department issued August 7, 2019](#)

## **PREVIOUSLY REPORTED AUDIT FINDINGS**

OIIA Audit Report Findings reported in prior annual reports are outlined in Appendix I.

## **ANNUAL RISK ASSESSMENT AND AUDIT PLANNING**

As required by House Bill 599 (2015 Ga. Laws 3826), enacted by the Georgia General Assembly signed into law on May 12, 2015, the Office conducted a risk assessment to use as a basis for preparing the annual audit plan. A chart of potential auditable areas was identified from attending various management and Board meetings and used to formulate a listing into a Draft Think Sheet of Potential Audits (Think Sheet) and provided it to the OIIA Audit Managers who solicited other potential audit topics from their staff members. The results of current risk events, previous audits, management reviews, and investigations performed during the current and prior years identified areas for potential improvement in the County operations and this was used to draft a work plan. The work plan was presented to the Audit Oversight Committee for approval.



## **NON-AUDIT ACTIVITIES**

### **CONTRACT REVIEWS**

These reviews are limited to the contract reviews requested by the BOC. Also, these reviews are limited to the pre-award supporting documentation for the respective proposed contract, renewal(s), and change order(s). These requests may involve but are not limited to the following procurement activities:

- Invitation to Bid (ITBs)
- Request for Proposals (RFPs)
- Renewals to an existing contract(s)
- Change orders to an existing contract(s)

These reviews provide the BOC with assurance of the processes performed by management in performing their procurement and contracting responsibilities. They are not intended to substitute for management's responsibilities for procurement, purchasing, and contracting. In addition, these reviews constitute non-audit services as outlined by Government Auditing Standards.

Since we begin these reviews in late 2018, we reviewed 32 BOC agenda items totaling \$289,760,938.49. Our reviews generated funding reduction of \$25,068,370.00 and generated cost saving of \$5,635,329.00 for a total reduction in contracts of \$30,703,699.00.

### **IMPLEMENTATION OF GOVERNMENT AUDITING STANDARDS UPDATE**

Significant updates were made to the Government Auditing Standards in 2018 and these changes required implementation this year beginning on or after July 1, 2019. The updates required a complete review of OIIA policies and procedures to identify changes that needed to be made. Once the policies and procedural manual were updated, internal training was provided to staff.

### **INTERNAL QUALITY CONTROL AND ASSURANCE PROGRAM**

Professional standards require internal quality control and assurance program and monitoring procedures to assess compliance with professional standards and internal policies and procedures. The OIIA's internal quality control and assurance program is ongoing and includes continuous supervision and internal reviews of audit work to ensure accuracy and compliance with standards and internal policies and procedures. During 2019, the OIIA monitoring procedures, supervision, and internal reviews were assessed to be operating effectively. In addition, the OIIA completed an internal self-assessment of policies and procedures in preparation for the peer review in 2021. The self-assessment was completed after the implementation of the changes to the Government Auditing Standards and concluded that the policies and procedures generally complied with the standards.

### **TRAINING, CERTIFICATIONS AND AFFILIATIONS**

Professional standards require the staff to be proficient, competent, and collectively possess and apply knowledge, skills, and experience when performing audit work. Additionally, auditors are

**OFFICE OF INDEPENDENT INTERNAL AUDIT  
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required to complete Continuing Professional Education (CPE) courses related to their primary responsibilities. Our auditors adhere to the Government Auditing Standards by completing 80 CPE hours in two years, with 24 of those hours being related to government auditing. In addition, one of the Internal Audit Managers participated in a peer review assessment for the Association of Local Government Auditors as a part of the Office’s efforts to gain more knowledge on peer review requirements.

Collectively, the staff has backgrounds and experiences in a variety of disciplines in the public and private sectors. These disciplines include accounting, auditing, program evaluation, computer science, and management. Also, staff possesses professional certifications and some staff members have advanced degrees. Internal Procedure 5.03 – Continuous Development and CPE, has guidance to ensure that staff develops and maintains professional competence to perform critical job tasks effectively.

The staff demonstrates their expertise through affiliations and certifications in the following professional organizations:



Certifications	Count
Certified Inspector General (CIG)	1
Certified Public Accountant (CPA)	2
Certified Fraud Examiner (CFE)	1
Certified Internal Auditor (CIA)	4
Chartered Professional Accountant (CPA)	1
Certified Government Audit Professional (CGAP)	2
Certified Information Systems Auditor (CISA)	2
Certified Government Financial Manager (CGFM)	1
Chartered Global Management Accountant (CGMA)	1
Certified in Risk and Information Systems Controls (CRISC)	1
Project Management Professional (PMP)	1
AWS Certified Cloud Practitioner, Amazon Web Services (CCP)	1
Certified Construction Auditor (CCA)	1

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**APPENDIX I**

<b>STATUS OF OPEN AUDIT FINDINGS (as of March 16, 2020)</b>				
<b>Report Number</b>	<b>Report Title</b>	<b>Published Date</b>	<b>Finding Title</b>	<b>Status</b>
<b>Facilities Management</b>				
2017-018-FM	Audit of Animal Shelter Post Contract Completion	6/25/18	Final Inspection Report Not Available In File	C
<b>Finance - Utility Customer Operations</b>				
2017-012-UCO	Audit of Finance - Utility Customer Operations Temporary Personnel Services Contracts	10/19/18	Low Retention Rate Among Temporary Hires	O
2017-012-UCO	Audit of Finance - Utility Customer Operations Temporary Personnel Services Contracts	10/19/18	Vendor Not Compliant with Requirement 17	O
2017-012-UCO	Audit of Finance - Utility Customer Operations Temporary Personnel Services Contracts	10/19/18	Vendor Not Compliant with Requirement 18 & 19	O
<b>Purchasing and Contracting</b>				
2017-008-PC	Procurement Policy Review	1/12/18	Several key procurement areas are not included or needs improvement in the purchasing policy	O
2017-006-PC	Emergency Contracting	2/21/18	Use of emergency purchases as an alternative for lack of planning and risk management	O
2017-006-PC	Emergency Contracting	2/21/18	Emergency purchases were not ratified by the BOC	O
2017-006-PC	Emergency Contracting	2/21/18	Improvement in the approval process of the non-competitive purchase request form	C
2017-006-PC	Emergency Contracting	2/21/18	Lack of accurate reporting of emergency purchases	C
2017-006-PC	Emergency Contracting	2/21/18	Lack of compensating controls when segregation of duties are inadequate	O

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<b>Report Number</b>	<b>Report Title</b>	<b>Published Date</b>	<b>Finding Title</b>	<b>Status</b>
2017-006-PC	Emergency Contracting	2/21/18	Ineffective procedures to communicate contract information prior to expiration	O
2017-006-PC	Emergency Contracting	2/21/18	Inconsistency between the policy and procedures manual	O
2017-005-PC	Sole Source Contracting Process	3/21/18	Insufficient maintenance of documentation for sole source vendor request	O
2017-005-PC	Sole Source Contracting Process	3/21/18	Incomplete sole source vendor request application	O
2017-005-PC	Sole Source Contracting Process	3/21/18	Inadequate evidence to validate sole source vendor's status	C
2017-005-PC	Sole Source Contracting Process	3/21/18	Insufficient evidence of approval process of sole source requests	C
2017-005-PC	Sole Source Contracting Process	3/21/18	Inadequate evidence of board approval on sole source requests over \$100,000 and change orders	C
2017-007-PC	Informal and Formal Procurements	4/23/18	Inadequate quotes	O
2017-007-PC	Informal and Formal Procurements	4/23/18	Inconsistent policies and procedures	O
2017-007-PC	Informal and Formal Procurements	4/23/18	Inappropriate application of exemptions and vendor performance on expired contracts	O
2017-004-PC	Low Bid Procurement Process	5/11/18	Insufficient documentation to verify performance of key ITB activities/ compliance with policies and procedures	FIP
2017-004-PC	Low Bid Procurement Process	5/11/18	The user department role and responsibilities in the bid evaluation process needs to be clarified	FIP
2017-018-FM	Audit of Animal Shelter Post Contract Completion	6/25/18	Notice to proceed letter not prepared.	CPV

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<b>Recreation, Parks and Cultural Affairs</b>				
2017-011-RPCA	Audit of Cash Handling Procedures for Recreation, Parks and Cultural Affairs	10/12/18	Insufficient Documentation and Controls to Accurately Account for all Revenue Collected	PC
2017-011-RPCA	Audit of Cash Handling Procedures for Recreation, Parks and Cultural Affairs	10/12/18	Inadequate Security/ Safeguarding of Cash Collected	CPV
2017-011-RPCA	Audit of Cash Handling Procedures for Recreation, Parks and Cultural Affairs	10/12/18	Discrepancies and Inadequacies in Documentation Showing Transfer of Custody of Revenue Collected	CPV
2017-011-RPCA	Audit of Cash Handling Procedures for Recreation, Parks and Cultural Affairs	10/12/18	All Revenue is not Deposited within 24 hours of Receipt and Aquatics Revenue is not Deposited Daily	CPV
2017-011-RPCA	Audit of Cash Handling Procedures for Recreation, Parks and Cultural Affairs	10/12/18	Lack of Segregation of Duties	CPV
2017-011-RPCA	Audit of Cash Handling Procedures for Recreation, Parks and Cultural Affairs	10/12/18	Inadequate Management Oversight /Monitoring	PC
<b>Sanitation</b>				
2017-012-SAN	Audit of Other Professional Services	11/20/18	Lack of Written Standard Operating Procedures	O
2017-012-SAN	Audit of Other Professional Services	11/20/18	Noncompliance with the County Procurement Policy	O
2017-012-SAN	Audit of Other Professional Services	11/20/18	Inadequate Segregation of Duties within the Sanitation's Purchasing Cycle	O
2017-012-SAN	Audit of Other Professional Services	11/20/18	Insufficient Documentation to Support Goods and Services Received	O
2017-012-SAN	Audit of Other Professional Services	11/20/18	Classifying Expenditures Incorrectly as Ops	O

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<b>Watershed Management</b>				
2017-013-WMCS	Audit of Temporary Personnel Services Contract	11/1/18	Vendor Not Compliant with Requirements 17 & 18 of Contract	CPV
2018-010-WM	Audit of Sewer Cleaning Contracts 971933, 971934, and 971935	1/23/19	Contract Award Procedures	FIP
2018-010-WM	Audit of Sewer Cleaning Contracts 971933, 971934, and 971935	1/23/19	Contract Administration Procedures	FIP
<b>Department of Innovation and Technology (DoIT)</b>				
2018-007-IT	Audit of Data Center Physical Security	8/13/2019	Confidential Audit	FND
<b>O = Open, MAR = Management Assumed Risk, PC = Partially Complete, CPV = Complete Pending Verification by OIIA, C = Closed, FIP= Follow-up in Process, FND= Follow-up Not Due</b>				

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