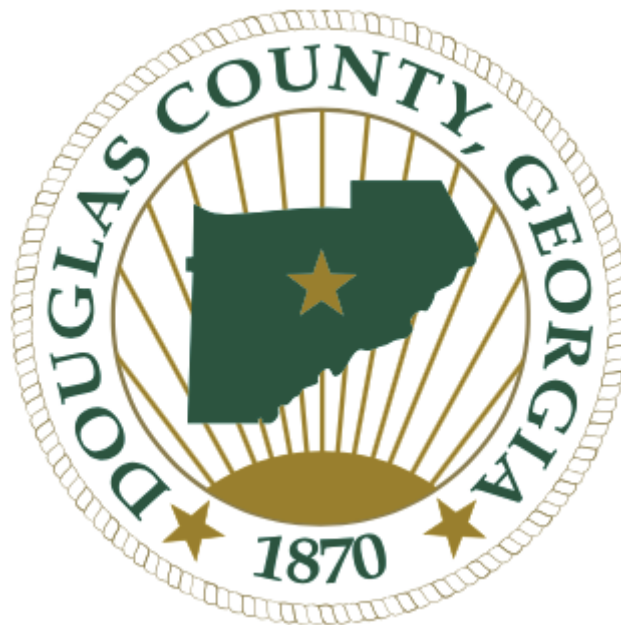


Douglas County, Georgia



Performance Audit For The Year Ended December 31, 2016

**MAULDIN
& JENKINS**

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Introduction

To the Members of the Board of Commissioners
Of Douglas County, Georgia
Douglasville, Georgia

Attn: Dr. Romona Jackson Jones, Commission Chairman

The Douglas County Board of Commissioners (the County) has requested an independent performance audit of various aspects of the County's operations in accordance with the standards for performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The independent performance audit shall:

1. Provide the County with insight into the internal control processes and procedures in specific areas, as noted in the Audit Objectives section below.
2. Examine the following: Constitutional Officers' Cash Receipting and Disbursing; the Sheriff's Office Bail Bonding and Asset Forfeiture Process; and the County's Purchasing Policies.

Audit Scope, Objectives, and Methodology

Audit Scope

Mauldin & Jenkins was engaged to conduct a performance audit of the above mentioned areas. The audit focused on these areas at the request of the Board of Commissioners.

The audit covers the County's year ended December 31, 2016. From a listing of all of the County's elected constitutional officers, we performed procedures at each office. Those procedures included inquiries into the office's activity and internal controls; sampling receipts, disbursements, and other transactions to provide the County with insight into the internal control processes and procedures in these certain areas.

Audit Objectives

The overall objective of the performance audit will be to provide the County with insight into the internal control processes and procedures in certain areas. The specific audit objectives for each of the areas mentioned above are as follows:

Constitutional Officers Cash Receipting and Disbursing:

- To review the constitutional officer's policies and procedures over the receipting and disbursement of cash, both as documented and as are being performed, in order to provide any recommendations for improvement of the policies and procedures; and
- To assess the degree to which the constitutional officers are following the County's purchasing policies or have implemented proper policies of their own (conflicts of interest, use of purchase/credit cards, etc.).

Bail Bonding and Asset Forfeiture Process:

- To determine whether the Sheriff, Court System, and the County are properly handling funds related to bail bonds and have implemented proper internal controls and procedures over the receipt, custody, and disbursement of such funds to ensure compliance with State law; and
- To determine whether the Sheriff is handling funds (and / or property) in the Sheriff's Asset Forfeiture Fund in compliance with State law.

Douglas County Purchasing Policies:

- To determine if the County's policies are adequate given the size and scope of the County's operations; and
- To determine if the County's policies properly consider conflicts of interest and use of purchase / credit cards.

Audit Methodology

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.

To ensure that the County's performance audit is adequately planned, performed and supervised, we performed the following steps:

Planning

Prior to the conduct of the audit, we determined mutual expectations with members of the County's Board of Commissioners and management in performing the engagement and meeting time lines. In our meetings with members of the Board of Commissioners and management, we discussed the areas the County perceived as having risk of noncompliance with existing policies and procedures or the risk of having procedures that are not adequate to mitigate the County's risk. Based on these discussions, with priority being given to the areas with more significant risk, the objectives of the audit, and related areas covered, were narrowed by members of the Board of Commissioners to those identified above. From there, we coordinated with management to acquire existing documented policies and procedures for the related areas and coordinated contacts within each office included in our scope. Throughout the fieldwork, progress updates were communicated and discussed with management.

Preliminary Analytical Review

The preliminary analytical review provided direction to our audit approach. While this was done, primarily, in establishing the objectives and scope of our audit, as discussed in the Planning section of this report, we did, prior to our communication with each selected office or department, obtain any relevant policies and procedures – as well as consider how these functions are performed at various other county governments in Georgia. This consideration allowed us to establish a base line of what we would expect to be performed by the County in these areas in order to mitigate the County's risks. During the audit, tests were designed to confirm the expectations developed during our preliminary analytical review.

Risk Assessment

Our audit approach is risk-based, whereby we assess risks for each identified objective. These assessments include an assessment of inherent and control risks to determine a combined risk assessment. We also took into account the risks and concerns identified in our pre-audit meetings with members of the County Board of Commissioners and management. Depending on the combined risk assessment, we designed audit procedures to meet the related objectives. These assessments were made during the planning process and throughout the engagement.

Understanding the Control Environment and Key Controls

We reviewed and discussed policies and procedures, methodologies, and other relevant aspects of the County's Financial Policies and Procedures with relevant staff. We sent internal control questionnaires to each constitutional officer of the County and requested that they provide information related to the processing of cash receipts and disbursements in his or her office. We requested various reports, including the accounting detail for each office and discussed with them the general timeline of providing these details, our selection of samples, and our visit to his or her office to perform relevant testing of selected key controls and to conduct interviews.

Preparation of a Tailored Audit Plan

Based upon preliminary analytical review, review of the County's Financial Policies and Procedures manuals, and control documentation, a tailored audit plan was designed for the remaining procedures necessary in order for conclusions to be reached for each audit objective.

Reporting

At the conclusion of the performance audit, we prepared a preliminary report of findings and a written analysis of proposed recommendations in draft form. This preliminary report and analysis was presented to the Board of Commissioners and management. Upon completion of the presentation and review of the report and analysis by the County's representatives, we provided a comprehensive report of the results of the performance audit for the year ended December 31, 2016.

Audit Results

We performed tests for each of the audit objectives of our performance audit. The following are the specific results of our audit:

Objective #1: To review the Constitutional Officers’ policies and procedures over the receipting and disbursement of cash, both as documented and as are being performed, in order to provide any recommendation for improvement of the policies and procedures.

Procedures: In achieving the objectives, we performed the following procedures:

1. Met with and interviewed the following elected officials including any of their key personnel:
 - * For Probate Judge Hal Hamrick, we met with Charlene Searcy, Chief Clerk of Probate Court
 - * For Magistrate Judge Susan Camp, we met with Susan Conner, Clerk of Magistrate Court
 - * For Juvenile Court Judge Peggy Walker, we met with Donna Wentz, Clerk of Juvenile Court
 - * Clerk of Superior Court and State Court Tammy Howard
 - * For District Attorney Brian Fortner, we met with Laura Thompson, Administrative/Fiscal Services Manager in the District Attorney’s Office.
 - * For Tax Commissioner Greg Baker, we met with Jennifer Liersch, Deputy Tax Commissioner and Loretta Ford, Head Bookkeeper
 - * For Sheriff Tim Pounds, we met with Jennifer Ferguson, Administrative Accounting Manager and Kellyn Barnes, Administrative Assistant

From our initial inquires with the following officials, it was determined that these officials or their office: did not collect or disburse any cash during the year ended December 31, 2016; hold or have any access to a cash account; or have a purchase or credit card. Any invoices they receive for payment, using appropriated funding, are routed, and paid, through the County’s Finance Department. Any court cash receipting or related disbursements is performed by the Clerk of the Court. As a result, we did not meet further with the following officials:

- * Superior Court Judge David Emerson
 - * Superior Court Judge Beau McClain
 - * State Court Judge William Dettmering
 - * State Court Judge Eddie Barker
 - * Solicitor Matthew Krull
 - * Coroner Renee Godwin
2. We obtained and reviewed any documented policies and procedures related to the receipting and disbursing of cash for the above listed officials who handle any cash. We also had each of these elected officials, or their appropriate personnel, complete an internal control questionnaire regarding the controls that are in place in his or her office over the receipt and disbursement of cash. From these questionnaires, we prepared a summary of the transaction cycles.

3. We then selected a sample of receipts and disbursements within each office, from the population of receipts and disbursements for the year ended December 31, 2016, and tested the degree to which these offices have implemented the key internal controls they reported to us based on the interviews and questionnaires.

Results: Based on the results of our tests, the County's constitutional officers appear to have appropriate policies and procedures over the receipting and disbursement of cash. In our testing of the offices listed in item #1 on the previous page, no issues were noted for the Magistrate Court, Clerk of Superior and State Court, District Attorney, or the Tax Commissioner. For the remaining offices tested, the only issues noted in these offices pertain to the following exceptions and items for possible improvement:

1. During our testing and review of the Probate Court's policies and procedures, the Chief Clerk of Probate Court reported to us that the Probate Court Judge will often review the bank reconciliation or observe as it is being prepared; however, documentation does not exist to demonstrate these reviews occurring. We recommend the Probate Court create a coversheet to accompany each monthly bank reconciliation or a control log to document the preparation and subsequent review of the bank reconciliation.
2. During our testing and review of the Juvenile Court's policies and procedures, it was reported to us that the monthly bank reconciliation is prepared by the Administrative Assistant and reviewed by the Clerk of Juvenile Court; however, documentation does not exist to demonstrate these reviews occurring. We recommend that the Juvenile Court create a coversheet to accompany each monthly bank reconciliation or a control log to document the preparation and subsequent review of the bank reconciliation.
3. During the testing conducted at the Juvenile Court, we noted that there is not currently in place a policy or procedure to perform a periodic accounting and reconciliation of the receipt books used to record cash receipts. Given the volume of activity in the Juvenile Court, a best practice would be to reconcile the number and amount of cash receipts detailed in the receipt books to the deposits reported in the bank statement. This reconciliation should be performed by someone other than an individual who has access and responsibility to record cash receipts in the receipt book. We recommend the Juvenile Court implement these procedures in accordance with a sound internal control environment.
4. During the testing conducted at the Sheriff's Office, we noted that a general lack of segregation of duties exists with regard to the custody of assets, recordkeeping, and reconciliation functions as all three (3) of these aspects of the transaction cycle for each account at the Sheriff's Office is performed by one (1) individual. Segregation of duties is an important practice in an effective internal control structure, whereby certain responsibilities are divided among different employees so as to minimize the ability for any one individual to, intentionally or unintentionally, misappropriate assets. Having one individual involved in several aspects of the cash receipting and disbursing functions is not an appropriate segregation of duties. See a further discussion on segregation of duties in the Other Items section of this report. Due to the small size of office staff, this is a fairly common problem in constitutional offices around the state and the cost of hiring additional staff should be weighed against the benefits to improving the internal control.

5. Additionally, in our testing at the Sheriff's Office, we noted one (1) disbursement from the Sheriff's Special Projects Account that was not approved on a "Sheriff's Special Expenditure Request" form and one (1) instance where the wrong bank account was used to remit cash bonds collected by the Sheriff's Office to the County's courts. We recommend the Sheriff's Office review the accounts over which it has control and consider ways to improve the segregation of duties using existing Sheriff's Office or County resources and, if deemed necessary and cost-effective, consider hiring additional personnel. This should ensure errors like those noted above do not occur in the future.

Response(s) of the Respective Elected Official: The Probate Court provided the following response: "Because there were internal problems with the reconciliations, we have been working it together and both initialing the reconciliation report we print. But, if you think a monthly coversheet should be created, that can be done as well."

The Juvenile Court agreed with our recommendations and stated that they would be put into practice effective July 1, 2017.

The Sheriff's Office provided the following response: "There is more oversight on these accounts under Sheriff Pounds' administration. Both the state and federal asset forfeiture account bank statements come directly to me (Kenneth Conner, Chief Deputy). I review them and compare each statement with the known and authorized expenditures before forwarding them to Kellyn Barnes to reconcile the accounts."

Objective #2: To assess the degree to which the constitutional officers are following the County's purchasing policies or have implemented proper policies of their own (conflicts of interest, use of purchase/credit cards, etc.).

Procedures: In achieving the objectives, we performed the following procedures:

1. For those officials who handle cash, we inquired about the existence of a formal purchasing policy in his or her office or if they are following the County's purchasing policies. If they had a purchasing policy, then we obtained it. We also inquired specifically about the existence of a formal conflict of interest policy and any purchase/credit cards in use and the policies in place governing the use of such cards.
2. We then selected a sample of purchases and purchase/credit card usage, from the population of disbursements for the year ended December 31, 2016, and tested for adherence to the stated policies and procedures related to these activities.

Results: Based on the results of the testing performed, the constitutional officers appear to be adequately utilizing the County's purchasing policies and are reliant upon the County's purchasing system for the operations of their offices. During our interviews with the constitutional officers, none of them reported to us that separate purchasing policies existed and, aside from the cards issued to them by the County Board of Commissioners, none of the constitutional officers reported having separate purchase/credit cards. As a result, these offices are governed by the County's conflict of interest policy and any use of purchase/credit cards would flow through the County's use and review process for these cards.

Objective #3: To determine whether the Sheriff, Court System, and the County are properly handling funds related to bail bonds and have implemented proper internal controls and procedures over the receipt, custody, and disbursement of such funds to ensure compliance with State law; and, to determine whether the Sheriff is handling funds (and/or property) in the Sheriff's Asset Forfeiture Fund in compliance with State law.

Procedures: In achieving the objectives, we performed the following procedures:

Bail Bonding

1. We interviewed the related personnel involved in the bail bonding process and prepared a narrative describing the transaction cycle. These interviews included personnel from the District Attorney's Office; the Magistrate Court; the Clerk of Superior Court and State Court; and the Sheriff's Office. We compared the procedures in place related to this process to the requirements included in State law as well as best practices from other Georgia jurisdictions.
2. Based on this narrative, we identified key controls that are in place and tested a sample of bonds collected, during the year ended December 31, 2016, to determine the degree to which these internal controls have been implemented and the transactions were compliant with State law. Furthermore, we requested of the Clerk of Superior Court a report showing all bonds collected by the County from a bonding company where the accused party subsequently failed to appear in court and a judgment was entered by the County for the bonding company to forfeit the full amount of the bond. Based on our discussions with the Clerk of Superior Court, no such report exists – a fact that was checked and verified with the District Attorney.

Asset Forfeiture

3. We interviewed key personnel in the Sheriff's Office and prepared a narrative describing the transaction cycle related to the handling of assets in the Asset Forfeiture Fund. We compared the procedures in place related to this process to the requirements included in State law.
4. Based on this narrative, we identified key controls that are in place and tested a sample of forfeited assets collected by the Sheriff's Office to determine the degree to which these internal controls have been implemented and the transactions were compliant with State law.

Results: Based on the results of the testing performed on bail bonds and the expenditure of Asset Forfeiture Funds, the County has adequate procedures in place over these transaction cycles, with the exception of the following items:

Asset Forfeiture

1. During our testing of transactions from the bond account at the Sheriff's Office, we noted one (1) check that was made out to the Douglas County Sheriff Asset Forfeiture Account. In our discussions with the personnel at the Sheriff's Office in charge of this account, this check was written to reimburse the forfeiture account as it had been incorrectly used to remit bond funds to various County courts. The error was caught and corrected by personnel in the Sheriff's Office during the monthly reconciliation process; however, errors such as this would have a smaller chance of occurring with the implementation of some of the recommendations noted below in the Other Items section of our report.

2. During our testing of transactions from the Asset Forfeiture Account, we noted one (1) check written to Best Buy in the amount of \$499.95 for which no “Sheriff’s Special Expenditure Request Form” had been completed and no receipt or other documentation was returned that described the charge and the item’s purchase. As a result, we were unable to test this transaction for compliance with the requirements of the Official Code of Georgia Annotated (O.C.G.A.) §9-16-19 which governs the expenditure of these funds.

Bail Bonding

3. With regard to the County’s bonding procedures, based on our discussions with Tammy Howard, Clerk of Superior Court and Brian Fortner, District Attorney, we noted that when a bonded party fails to appear in court, it is the County’s practice to require the bonding company to forfeit to the County 5% of the total bond (which was collected at the time of the initial release of the accused) and not the total amount of the established bond. Based on our knowledge and discussions with several other county governments in the region, we noted that this was not a typical practice. Customarily, once a bond forfeiture order has been entered, that order is used to collect the full amount of the bond from the bonding company. Some counties will give the bond companies a period of time (usually 48-72 hours) to track down the party(ies) to appear in court but after that time has elapsed, the full amount of the bond is then due.

Response(s) of the Respective Elected Official: The Sheriff’s Office provided the following response: “The 499.95 Best Buy Transaction was discovered and brought to Sheriff Tim Pounds’ attention shortly after he took office in January 2017. This was a purchase made in 2016 by the prior Sheriff or his administration and we were unable to locate any documentation on the transaction.”

Objective #4: To determine if the County’s purchasing policies are adequate given the size and scope of the County’s operations; and, to determine if the County’s policies properly consider conflicts of interest and use of purchase/credit cards.

Procedures: In achieving the objectives, we performed the following procedures:

1. We obtained the most recent version of the County’s Purchasing Manual as well as the Purchasing Card and Credit Card Policy document. We reviewed the County’s policies and compared them to the policies of other counties in Georgia of similar size as well as to industry acknowledged best practices.
2. Based on this understanding, we identified key internal controls that are in place and selected a sample of purchases and procurement/credit card transactions and tested the degree to which the key internal controls have been implemented. As part of this testing, we examined payments to vendors that were just below certain thresholds in the County’s purchasing policies to specifically test for purchases made to circumvent certain approvals. We also selected a sample of transactions from each of the credit/purchasing cards in use at the County (Bank of North Georgia, Bank of America, and SunTrust) and tested the transactions for compliance with the County’s Purchasing Card and Credit Card Policy Document.

3. As a result of risk assessment procedures performed with input from the Board of Commissioners and County management, we performed specific testing of a sample of expenditures charged to the Coroner's department during the period of January 1, 2016 through December 31, 2016.

Results: Based on the results of the testing performed, the County's policies appear adequate given the size and scope of the County's operations and we did not identify any deviations from the established policies in the samples tested. With regard to the County's purchasing policy, we noted that the Purchasing Director periodically sends the purchasing manual out to the County's departments. However, there is no formal process that specifies timelines (i.e., how often the policy is sent out for review) nor is there a requirement to review the policy and acknowledge its contents. We recommend the County formalize an annual process that requires the review and acknowledgement of the County's purchasing manual (or, at a minimum, Section 3 – Code of Ethics) by all key employees of the County with the authority to request or approve purchases. This annual review is a good control noted to be in place at other counties in Georgia of similar size as well as to industry acknowledged best practices.

With regard to our testing of the Coroner's department expenditures, the following items were noted:

1. Check #73475 dated 11/16/2016 was written to JPS Technology Solutions, Inc. for the purchase of a laptop for the Coroner. In our review of this invoice and based on discussions with County personnel, it was noted that the laptop was not returned to the County upon the Coroner's departure from office. Furthermore, we noted that the County does not have a formal policy regarding IT equipment purchases. We recommend the County develop and implement a policy regarding IT equipment purchases in an attempt to prevent situations such as the above from occurring in the future. The policy should require, at a minimum, that all purchases be handled through the County's purchasing and IT departments; all equipment be tagged and logged so that inventory can be tracked; and require signed employee user agreements acknowledging that the equipment being used is the property of Douglas County and is required to be returned to the County in the event that job duties or status changes occur.
2. Check #74463 dated 12/14/2016 was written to Georgia Floors and More, Decon LLC and contained a charge for \$100 for the transport of Marcus Rone (the decedent) to the GBI Medical Examiners Lab on 11/17/2016. Additionally, check #75160 dated 12/31/2016 was written to Mike D. Axley d/b/a Axley Transport and contained a \$100 charge for transporting this same decedent to the GBI on 11/14/2016, based on the invoice details.

Response(s) of the Respective Elected Official: No response was received from the prior Coroner.

Other Items

During the course of the Performance Audit we noted several instances where improvements could be made related to the segregation of duties in place at various constitutional officers. The recommendations we have made are noted above; however, the below information includes more specific details and best practice recommendations related to the segregation of duties.

A lack of segregation of duties results when one (1) person controls the vast majority of a transaction from start to finish. When there is a lack of segregation of duties, the opportunity for misstatements or misappropriation of assets (as a result of errors or fraud) increases significantly. Typically, it is ideal to segregate the following responsibilities:

- Custody of assets;
- Authorization of a transaction;
- Recording of a transaction (record-keeping); and
- Reconciliation.

For example with duties surrounding cash disbursements, typically the following responsibilities should be performed by different individuals:

- Initiate payments,
- Prepare checks,
- Review, authorize, or sign checks/approve electronic payments,
- Mail checks,
- Edit the vendor master file,
- Investigate discrepancies or issues involving expenditures,
- Open the mail or copy checks received, and
- Reconcile bank accounts.

In many instances in small offices, it is unlikely that a complete segregation of duties can be achieved, whereby the responsibility for each of the four (4) main responsibilities rests with different personnel. It is possible, however, to implement compensating controls that are designed to address situations where personnel numbers are limited. Compensating controls could consist of the following:

- Periodically change the person reconciling the bank accounts;
- Cross-train employees to reconcile the accounts of another person;
- Require employees who are involved in the transaction processing / accounting function to take mandatory vacation and do not place the processing of transactions on hold during the time the employee is away;
- Require two (2) signatures on checks.

Recommendations Resulting From Audit

As noted above there are several instances noted in our testing where the internal controls at various constitutional officers could be strengthened. We recommend the constitutional officers work together with management of the County to establish sound internal control and financial reporting systems that provide for the greatest protection of taxpayer funds.

Closing

This report is intended solely for the information and use of the Douglas County Board of Commissioners and its management and other officials, and is not intended to be and should not be used by anyone other than these specified parties.



Atlanta, Georgia
August 1, 2017