



Performance Audit:

Sheriff Turnover Audit

Durham County Internal Audit Department

November 30, 2018



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November 30, 2018

Mr. Wendell Davis,
County Manager

Dear Mr. Davis:

Internal Audit completed the Sheriff Turnover Audit. The audit focused on accounts and resources under the control of the Sheriff. The audit focused on (1) determining whether equipment and items on hand agree with inventory records, (2) determining whether selected revenue accounts reconciled to bank statements and deposited timely, (3) determining whether selected expenses appeared reasonable, processed timely in accordance with County policy, were appropriately supported, documented and recorded, (4) determining whether the Sheriff maintains an evidence room log and that the entrance and evidence locker is restricted, and (5) determining whether the information per Durham County Sheriff Office (DCSO) Records Management System (RMS) agree to items within the evidence room and (6) ensuring Sheriff Andrew's access to County resources and the DCSO had been appropriately revoked prior to the new Sheriff (Clarence Birkhead) coming onboard on December 3, 2018.

Internal Audit's procedures included interviewing personnel, observation and testing. Internal Audit examined Durham County Contract Monitoring policies and procedures, a sample of the DCSO contracts during fiscal year 2018, examined selected expense accounts and supporting documentation, revenue accounts and bank reconciliations. In addition, Internal Audit reviewed Durham County's P-card policy and a sample of the DCSO P-card transactions during fiscal year 2018. Also, Internal Audit ensured Sheriff Andrews physical and financial access to the DCSO and Durham County's resources had been revoked prior to December 3, 2018. Finally, Internal Audit conducted inventory observations of the evidence room and various DCSO inventory.

Internal Audit found the following needs improvement: policies and procedures need to be updated for all DCSO functions to align with County policy, revenue and expenses should be reconciled monthly to the trial balance, contracts should be properly monitored, and deposits should be deposited in a timely manner.

Members of the DCSO management have been advised of our results and agree. **Please note that none of the findings in the report are material.**

The audit team appreciates the cooperation and assistance provided by the DCSO during this audit engagement.

Sincerely,

A handwritten signature in black ink that reads "Darlana M. Moore". The signature is written in a cursive, flowing style.

Darlana M. Moore,
Internal Audit Director

INTRODUCTION

The Audit Oversight Committee approved this audit in the fiscal year 2019 Annual Audit Plan. This audit was conducted to identify and examine departmental controls for accounts and resources under the control of the Sheriff.

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 the audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Performance audits are defined as audits that provide findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.¹

The work performed required staff to exercise professional judgment in completing the scope procedures. As the procedures were not a detailed examination of all transactions or property, there is a risk that fraud, error, or omissions were not detected during this engagement. DCSO management, therefore, retains the responsibility for the accuracy and completeness of their financial records and property and for ensuring sufficient controls are in place to detect and prevent fraud, errors, and omissions.

BACKGROUND

Sheriff Mike Andrews served as Durham County's Sheriff from 2012 to November 30, 2018. The Sheriff office is divided into several components: Animal Services, Civil, Courts, Detention, Investigations, Patrol/Traffic, School Resource Officers, Sheriff's Anti-Crime/Narcotics and Support Services. These components make up: Law Enforcement Office (LEO), Detention Office (DEO) and Animal Protective Services (APS).

"The mission of the DCSO is to enforce laws established under the Statutes of North Carolina by maintaining public safety, providing animal control services, servicing civil documents, transporting prisoners, providing court security and running a constitutionally safe and secure detention facility. Furthermore, the Sheriff's Office is a nationally accredited agency by the Commission on Accreditation for Law Enforcement Agencies (CALEA). The Sheriff's Office is also committed to fulfilling these duties by providing education, eradication, and treatment where needed to reduce crime in Durham County. The Sheriff is responsible for a \$35,000,000 budget."²

¹ Comptroller General of the United States, *Government Auditing Standards*, Washington D.C.: U.S. Governmental Accountability Office, 2011, p.17.

² Durham County Fiscal Year 2017-2018 Approved Budget, 2017, p.145.

AUDIT OBJECTIVES

The audit objectives were to (1) determine whether equipment and items on hand agreed with inventory records, (2) determine whether selected revenue accounts were reconciled to bank statements and deposited timely, (3) determine whether selected expenses appeared reasonable, were processed timely and in accordance with County policy, and were appropriately supported, documented and recorded, (4) determine whether the Sheriff maintained an evidence room log and, if so, whether the entrance and evidence room/locker was restricted, (5) determine whether the information per DCSO Records Management System (RMS) agreed with items within the evidence room, and (6) ensure that Sheriff Andrew's access to County resources and the DCSO had been appropriately revoked prior to the new Sheriff coming onboard on December 3, 2018.

AUDIT METHODOLOGY AND SCOPE

In order to conduct our review, we:

1. selected several revenue and expense accounts,
2. reviewed banks statements, supporting documentation, journal entries and related policies and procedures,
3. reviewed Durham County policies and procedures related to contract execution, and contract monitoring,
4. reviewed DCSO and Durham County policies concerning Fiscal Management,
5. researched and reviewed laws governing the Sheriff Office,
6. tested a sample of P-card transactions,
7. reviewed Durham County P-card policy,
8. conducted inventory observations,
9. reviewed evidence of logs,
10. tested a sample of contract files,
11. compared best practices to departmental policies and practices, and
12. interviewed departmental staff.

The audit scope was transactions that were completed during fiscal year 2018 (July 1, 2017-June 30, 2018).

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

Internal Audit identified the following findings and discussed conclusions and recommendations.

Sheriff Access to Physical and Financial Access to Durham County and DCSO

Regarding transactions that were approved or initiated by Sheriff Mike Andrews, we found that he did not have direct access to the accounting system. This appeared reasonable given the organizational structure of the DCSO. We reviewed relevant documentation and confirmed that purchase card charges, travel, meals and miscellaneous expenses during the review period were reasonable, appropriate and processed within Durham County policy.

The evidence room is secured by badged entry. The evidence log is signed upon guest arrival and exist. The guest is always escorted by DCSO personnel. The evidence room/locker is appropriately restricted. Upon our review, all evidence (per our sample) reconciled to the RMS report and was appropriately located without any exceptions. For items that were no longer in the evidence room, Internal Audit was provided a Chain of Custody document detailing what happened to the item(s).

Physical inventory was verified against County Finance documents and DCSO documents without exceptions.

We were advised that Sheriff Andrews did not have signatory access to any County bank accounts. In addition, he did not have signatory access to the Detention Center bank account, as well. We witnessed the destruction of Sheriff Andrews purchase card and the disabling of the same. We also confirmed Sheriff Andrews logical access to County and DCSO resources, including network and computer systems, had been revoked. We additionally confirmed Sheriff Andrews security card had been disabled and all facility keys returned to DCSO officials. Sheriff Andrews did not have any indebtedness to Durham County as of the date of this report.

Durham County Sheriff Office Policies and Procedures

Policies and Procedures

Internal Audit found that there are a few written policies and procedures within the Sheriff Office; however, policies and procedures are not accessible for all DCSO accounting functions for: Law Enforcement Office (LEO), Detention Office (DEO) and Animal Protection Services (APS). Written policies ensure proper guidance for staff, compliance with laws and regulations, proper safeguarding of assets, efficient management of cash flow, adequate segregation of duties and accurate and timely financial reporting. The lack of policies and procedures can result in a weak internal control system, inadequate segregation of duties, improper safeguarding of assets, inaccurate financial reporting and noncompliance with laws and regulations.

Recommendation: We recommend policies and procedures are created for LEO, DEO and APS or an accounting manual incorporating all areas.

Response: We concur completely with this finding and recommendation. The Finance team has already met, we are compiling the existing policies to coincide with procedures for each accounting function with the DCSO. Because there have never been procedures in place for the accounting functions within this office, it may take a little longer than simply updating existing procedures. We anticipate an April 1, 2019 completion date.

Revenue Recognition

Account Reconciliation

Internal Audit found one account (Inmate Welfare) in the amount of \$14,211.83 (less than 1% of total revenue) was posted to the incorrect fiscal year due to the lack of monthly reconciling to the trial balance. This amount is immaterial to the financial statements; however, it is being reported as an internal control weakness that could result in a material weakness, if not addressed. This finding occurred due to the lack of proper reconciliation. Monthly reconciliations

of accounts ensure accuracy, completeness and appropriate cut-off. The lack of reconciling could result in material misstatements to the financial statements.

Recommendation: We recommend all revenue and expense accounts are reconciled monthly to the trial balance.

Response: Although this was an isolated case, we absolutely agree with your recommendation and a procedure for reconciling all expenses and revenue accounts monthly. This process is currently being developed.

Departmental Contract Monitoring During the Pre-Contract Phase

Performance Bonds

One of eight (13%) contracts (Animal Protection Society of Durham, Inc.) required a performance bond for employees who have the responsibility of handling, collecting or transferring money as part of APS's management of the shelter. Performance bonds were not provided for staff at APS who handle cash. The Contract Administrator did not ensure the bond(s) were appropriately received. The absence of a performance bond increases the risk that more tax-payer dollars will be spent in the event a contractor does not complete contracted work and/or in the event of theft.

Recommendation: Internal Audit recommends that Contract Administrators ensure that performance bonds are submitted when required.

Response: For the past 20 years, APS of Durham has had a Crime Policy in addition to the required liability in place. In a subsequent follow-up with APS management, they stated they were waiting on further clarification from the auditor with regards to if the bonds were necessary or if the crime policy would suffice. Regardless, the contract clearly stipulates that the bonds are required for personnel who handle cash; therefore, we will work with the vendor to ensure that bonds are in place within the next 60 days.

Departmental Contract Monitoring During the Contract Phase

On-going Monitoring

Eight of eight (100%) of contract files reviewed did not contain evidence of on-going monitoring. The Contract Control Manual states that on-going monitoring shall be administered by the DCSO.³ The DCSO should hold the vendor responsible for meeting all contract requirements for quality, quantity, and timeliness. The lack of on-going monitoring creates the risk that vendors are not providing required contract deliverables prior to payment. The DSCO did not perform on-going monitoring and did not comply with County policies and procedures.

Recommendation: We recommend that Contract Administrators perform on-going monitoring for all contracts and include documentation of on-going monitoring in contract files for seven years. Also, follow Durham County Contract Manual and Guide.

³ "Durham County Contract Control Manual," Purchasing Division, March 2018, Section 7.

Response: The Contract Administrator position has been vacant for over a year and in reviewing prior year's contract files, I cannot find where these procedures have ever been in place at the DCSO. The position is currently in the process of being posted, once a full-time permanent person is in place, their initial training will be to review the Durham County Contract Monitoring Manual and to write procedures to insure the DCSO is complying, especially regarding contract monitoring.

Durham County Sheriff Office Contract Monitoring During the Post-Contract Phase

Contract Close-out Procedures

Eight of eight (100%) contract files did not contain contract close-out procedures. The County's Contract Manual provides that formal, written close-out procedures should be used at the completion stage of the contract.⁴ These close-out procedures ensure that all contract related actions, such as paying invoices and performing evaluations, have been completed. The Contract Administrators are responsible for ensuring that contract files contain all necessary documentation before close-out.

Recommendations: We recommend that Contract Administrators implement contract close-out procedures for all contract files to ensure DCSO receives its contracted goods and services prior to payments.

Response: Same response as stated above.

⁴ "Durham County Contract Control Manual," Purchasing Division, March 2018, Section 7.