



Audit Follow-up Review:

County Cash Audit

Durham County Internal Audit Department

March 1, 2022



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March 1, 2022

Ms. Claudia Hager,
Interim County Manager

Dear Ms. Claudia Hager:

Internal Audit completed its audit follow-up of internal controls related to the County Cash audit dated February 10, 2020. In response to the audit, the Library, Department of Social Services, and the Office of the Sheriff submitted a detailed corrective action plan to address the twenty-two (22) findings in the report. Based on our review, we determined thirteen (13) recommendations were implemented, and nine (9) recommendations are in-progress.

Table 1 summarizes the implementation status of each finding and concern.

We classified the Departments' implementation status as follows:

- **Implemented** – The Department has fully implemented the recommendation.
- **Partially Implemented** – The Department has partially implemented the recommendation.
- **In Progress** – The Department intends to fully implement the recommendation.
- **Not Implemented** – The Department has not implemented the recommendation.

The audit team appreciates the cooperation and assistance provided by department directors, the Sheriff, and their staff during this audit engagement.

Sincerely,

Darlana M. Moore

Darlana M. Moore, Internal Audit Director

INTRODUCTION

The Internal Audit Department (Policy B5.3) requires the department to perform follow-up reviews on all report recommendations. Policy B5.3 states:

“Management of the audited entity is primarily responsible for deciding the action to be taken on reported audit findings and recommendations. Auditors, however, have the responsibility of making quality recommendations and following up to see that action has been taken.¹”

“Follow-up on audit findings and recommendations is important to ensure that management has taken appropriate action to resolve deficiencies, and to ensure that intended results are achieved. The Internal Audit Department has implemented a follow-up process to determine the adequacy, effectiveness, and timeliness of management’s actions on reported findings and recommendations.¹”

The Audit Oversight Committee approved this follow-up review in the fiscal year 2022 Annual Audit Plan. The review was conducted to determine whether management carried out corrective actions to effectively address the findings noted in the February 10, 2020, report.

Audit Follow-up

Section “6.12 Auditors should follow-up on significant findings and recommendations from previous audits that could affect the audit objectives. They should do this to determine whether timely and appropriate corrective actions have been taken by auditee officials. The audit report should disclose the status of uncorrected significant findings and recommendations from prior audits that affect the audit objectives.²”

Section “6.13 Much of the benefit from audit work is not in the findings reported or the recommendations made, but in their effective resolution. Auditee management is responsible for resolving audit findings and recommendations and having a process to track their status can help it fulfill this responsibility. If management does not have such a process, auditors may wish to establish their own. Continued attention to significant findings and recommendations can help auditors assure that the benefits of their work are realized.²”

“Standard – 2500 Monitoring Progress – The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.³”

“**2500.A1** – The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.³”

¹ Internal Audit Department Standard Operating Procedures, Section B5.3 – “Audit Follow-up,” page 100. Approved April 21, 2020.

² Government Auditing Standards, Chapter 6 – “Fieldwork Standards for Performance Audits,” page 68. Issued June 1994.

³ Institute of Internal Auditors – International Standards for the Professional Practice of Internal Auditing (Standards). Section 2500 Monitoring Progress. Page 18. Issued 2013.

BACKGROUND

Office of the Sheriff

The Durham County Office of the Sheriff (Sheriff's Office) is an agency subject to the budgetary appropriation of the Durham County Board of County Commissioners. Its mission is to serve the Durham community with the belief that doing so also serves itself. The Sheriff's Office provides a variety of public services, including, but not limited to animal services, auctions, civil processing, detention services, criminal investigations, patrol, community outreach, gun permitting, and finger printing.

Department of Social Services

The Durham County Department of Social Services' (DSS) mission is to partner with individuals, families, and the community to help county residents achieve physical, social, and financial well-being. Social Services provides support to families, disabled adults, and the elderly. There are multiple services provided by the department including protective services for adults and children, as well as financial support. Financial support services include program areas such as Medicaid, food stamps, day care, child support, and emergency assistance.

The Business office is a division within DSS. The Business Office is responsible for various functions, including payment, collection, budget creation, and authorizing and monitoring expenditures related to many different DSS programs.

Durham County Library

The mission of the Durham County Library is to provide books, services, and other resources to the entire community that inform, inspire learning, cultivate understanding, and excite the imagination. The library offers services such as providing space for meetings as well as providing books, tapes, and other educational and informational services. To conduct its mission the library has seven locations: East Regional, North Regional, South Regional, Southwest Regional, Stanford L. Warren, Main, and Bragtown library.

Libraries no longer collect fees for late books. Libraries can charge a fine for items returned damaged. Each branch is responsible for accounting for its revenue.

REVIEW OBJECTIVE

The objectives of the review were to determine whether appropriate and effective corrective actions were taken to resolve the findings and recommendations addressed in the February 10, 2020, audit report.

SCOPE AND METHODOLOGY

To conduct our review, we

1. Reviewed findings in the County Cash Audit internal audit report dated February 10, 2020,
2. Communicated with management regarding the status of corrective actions taken to resolve the findings,
3. Reviewed documentation provided by management to support their statements regarding the status of corrective actions, and performed testing where necessary, and
4. Determined whether corrective actions have been implemented, partially implemented, are in progress, or have not been implemented.

The scope of this review is January through February 2022.

Conclusions, Findings, and Recommendations

	Findings	Recommendations	Corrective Action Plan	Current Status
1	Library – Cash Count Locations	We recommend that cash counts be conducted in a secure location away from the public.	Locations moved cash counting to areas out of public sight as recommended by the audit.	Implemented
2	Library – Copier Revenue	We recommend the library create policies and procedures concerning copier cash collection, balancing the cash drawer, daily reporting, and depositing cash. The same process should be followed by each library.	Management developed adequate policies and procedures to address copier cash collection, balancing the cash drawer, daily reporting, and depositing cash for all library locations. Library staff and management were trained for proper implementation of the new guidelines.	Implemented
3	Library – Counterfeit Money	We recommend library management create policies and procedures to include the process of receiving, determining, rejecting, and notifying police when counterfeit money has been received. Also, we recommend staff is trained concerning the same.	Library management has created a policy that all bill \$20 and higher are to be marked with a counterfeit pen. All relevant staff underwent training on April 27 th ,2021.	Implemented
4	Library – Manual Receipt Books	We recommend all library locations keep their manual receipt books in a secured centralized location and limit personnel access to employees who require access for the performance of their job duties. Also, we recommend a routine audit be conducted and documented throughout the year. Formal policies and procedures should be written to address the storing, accounting, handling, and auditing of manual receipt books.	All locations store their manual receipt books in a locked safe. Circulation managers at each location routinely audit manual receipt books. Management developed adequate policies and procedures to address manual receipt book storage and audits.	Implemented
5	Library – Petty Cash	We recommend that management update their policies and procedures	Petty cash procedures were updated to required dual verification. Petty cash count forms now have	Implemented

	Findings	Recommendations	Corrective Action Plan	Current Status
		regarding petty cash handling to use a dual verification of petty cash at the end of each shift, and that all locations restrict the number of employees who have access to petty cash.	signature lines for two staff members.	
6	Library – Friends of the Library (FOTL)	We recommend that management halts the operation with FOTL until a written contract is made and a set of proper policies and procedures are established.	The Friends of the Library have not sold books at Library locations since the time of the County Cash Audit. Policies and procedures have not yet been created. The Library and Friends of the Library are currently drafting a Memorandum of Understanding. This MOU is expected to be finalized by June 30, 2022.	In Progress
7	Library – Refunds, Voids, Overages, and Shortages	We recommend library management create formal written policies and procedures concerning refunds, voids, overages, and shortages. In addition, a) keys should be removed from registers b) the appropriate level of authority introduced into the process to ensure the adequate processing of refunds and voids, c) management should keep a log of all refunds, voids, overages, and shortages to track employees who are potential repeat offenders and, d) staff should be trained concerning all new policies and procedures.	Formal policies concerning refunds, voids, overages, and shortages were created by Library management. Void keys are kept in a lock box in a separate room from the register. It is policy that only the Circulation Manager or Manager on Duty can perform refunds or voids. Refunds, voids, overages, and shortages are tracked on their count sheets and copies of their deposit packets sent to finance. Relevant staff underwent training on April 27 th , 2021.	Implemented

	Findings	Recommendations	Corrective Action Plan	Current Status
8	Library – Safe Access	We recommend policies and procedures are created concerning the access, authorization, and managing of the safe. Staff should be trained concerning any new policies and procedures. In addition, a safe access log should be created for each site to document all staff with access. Also, we recommend the Stanford L Warren location to utilize the safe instead of keeping the money in the drawer.	Written policies and procedures for Safe Access are in place. In addition, a Safe Access Log is in place where staff notate when the safe is accessed anytime throughout the day. There is space for dual signatures to ensure no one is accessing the safe alone as well as a time stamp. The Safe Access Permission Sheet notates who has access to the safe. The log is updated by Location Managers and the safe code is changed whenever there is a change in staff (departure or arrival). These procedures began in August 2021.	Implemented
9	Library – PCI DSS Compliance	We recommend the establishment of policies and procedures that adhere to PCI-DSS requirements. In addition, we recommend mandatory training for all employees who are involved with credit card processing. Also, we recommend that contracts should be updated to put all ownership on the vendor.	PCI DSS training was conducted for all staff on 2/16/21. All PCI certificates were renewed for this year on January 28, 2022.	Implemented
10	Library – Deposit Packets Testing	We recommend the library’s management to take the necessary actions to revise the existing procedures for all locations and have them under a unified written policies and procedures to mitigate further risks.	Management created and implemented formal written policies August 2021 for cash handling at all library locations.	Implemented

	Findings	Recommendations	Corrective Action Plan	Current Status
11	Library – Surveillance Cameras	We recommend the department install new cameras at each location. In addition, a) cameras should be adequately positioned, and b) the recordings backed up to prevent and monitor any potential theft and illegal activities.	<ul style="list-style-type: none"> • Bragtown Library, North and South Regional Libraries camera have been installed. • East and Southwest Regional Libraries are included in Security Manager’s overall S2 Security System (Camera/Badge) conversion strategy from Andover to S2. The last update received the library is included in Phase III of the strategy. ** FYI-Phase II of the Strategy-BOCC Agenda 2/14/2022 Consent Agenda Item 22-0080** • Stanford Warren was scheduled to have camera installed; project is on hold until after Water Intrusion Project is complete. • As a New Initiative for the Main Library for FY 23 Budget, worked with Security Manager on additional cameras needed for this location, which included the installation of a camera for the cash register. 	In Progress

	Findings	Recommendations	Corrective Action Plan	Current Status
12	DSS - Program Integrity, Child Support, and Emergency Assistance	<p>We recommend the following:</p> <ul style="list-style-type: none"> • Controls are put in place to ensure the information from manual receipts are correctly logged on the Log of Cash Receipts. • All logs are updated to reflect the establishment of dual control whereby two staff members are counting, documenting, and depositing all cash receipts. • Cash is deposited daily. • Controls are put in place to monitor all processes concerning cash receipts. • Controls are put in place to ensure the proper level of authority is obtained prior to the release of any funds. • Policies and procedures are updated to reflect all changes. 	<ul style="list-style-type: none"> • A cash receipts log of all receipts issued is maintained and stored in a locked safe when not in use. • The Cash Receipts Log contains the initials of the person who received payment and the initials of the person who deposited payments. These are different people. • Cash is deposited daily or when cash on hand reaches \$100. • There is proper segregation of duties in the cash handling process. • Policies and procedures have been drafted but have not yet been formally approved by management. This approval is expected to occur by June 30, 2022. 	Partially Implemented
13	DSS – Food and Bus Card Spending Authorization	<p>During our testing, we noticed that 11 out of 30 (37%) samples reviewed were missing the Spending Authorization form.</p>	<p>Spending Authorization forms are maintained with food and bus card spending authorization packets.</p>	Implemented

	Findings	Recommendations	Corrective Action Plan	Current Status
14	DSS – Manual Receipt Books	We recommend policies and procedures are updated to reflect the safeguarding and periodic auditing of manual receipt books.	DSS has revised the procedure for logging manual receipt books which include the receipt book numbers, where the receipt book is located and has the signature of the person when changes in the status of the receipt book occur. There is no documentation that manual receipt book audits are being conducted. Policies and procedures have been drafted but have not yet been formally approved by management. This approval is expected to occur by June 30, 2022.	In Progress
15	DSS – Cards and Voucher Stock	We recommend management update current policies and procedures to include a process for monitoring and auditing the food cards, bus passes, and clothing vouchers.	Policies and procedures have been drafted but have not yet been formally approved by management. This approval is expected to occur by June 30, 2022. Management will begin conducting periodic audits of food cards, bus passes, and clothing voucher stock in February 2022.	In Progress
16	DSS – Deposit Verification	We recommend the department revise its procedures to ensure the signatures of all staff involved in preparing the deposit are documented. Also, we recommend the department update the Daily Cash Log to reflect dual controls concerning cash receipts. Finally, we recommend policies and procedures are updated to reflect the implementation of dual controls concerning bank deposits and cash receipts.	<p>Policies and procedures have been drafted but have not yet been formally approved by management. This approval is expected to occur by June 30, 2022.</p> <p>The Cash Receipts Log contains the initials of the person who received payment and the initials of the person who deposited payments. These are different people.</p>	In Progress

	Findings	Recommendations	Corrective Action Plan	Current Status
17	DSS – Child Support Fees	We recommend management update policies and procedures to reflect daily deposits. We also recommend management implement a monitoring control to ensure deposits are being made timely.	Policies and procedures have been drafted but have not yet been formally approved by management. This approval is expected to occur by June 30, 2022. DSS has changed the frequency of Child Support deposits to a weekly basis or if the amount collected exceeds the County designated threshold of \$100.	In Progress
18	DSS – Written Policies and Procedures	We recommend that DSS create formal, documented department-level policies and procedures for all programs. Personnel should be trained concerning the new policies and procedures to ensure their understanding. Management should implement processes by which to monitor for compliance.	Policies and procedures have been drafted but have not yet been formally approved by management. This approval is expected to occur by June 30, 2022. DSS plans to provide training to all supervisors in the next Supervisors meeting in August of 2022.	In Progress
19	OOS – Jail Daily Packets	We recommend personnel to strictly adhere to the policies and procedures of the department and ensure the use of system generated numbers when preparing the daily packets.	The Detention Center Money Intake Log is reconciled daily to system generated transaction reports. Moneys received by mail at the courthouse are recorded in a separate log.	Implemented
20	OOS – Deposit Testing	We recommend all Office of the Sheriff personnel ensure deposits are made daily.	All collections are deposited by the next business day and deposit information is sent to management for verification.	Implemented

	Findings	Recommendations	Corrective Action Plan	Current Status
21	OOS – Manual Receipt Books	We recommend a routine audit to be conducted and documented throughout the year. Formal policies and procedures should be written concerning the storing, accounting, handling, and auditing of manual receipt books.	The Manual Receipt Books Policies and Procedures were created by Jennifer Matteo, Accounts Receivable Supervisor, and approved by the Sheriff in November of 2020. The manual receipt book log also tracks when audits of the log are being performed.	Implemented
22	OOS – Animal Protection Society (APS)	We recommend management reviews deposit packets ensuring they adequately balance, and all forms agree.	APS donations are now separated from APS fees and processed as separate transactions. The deposit packets now balance, and all forms agree.	Implemented