FINANCE DEPARTMENT
MEMO
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To: David Ellis, County Manager
Sheriff Gerald Baker
Scott Warren, County Attorney

From: Emily Lucas, Chief Financial Officer

Re: Sheriff's Department Budget & Fiscal Controls

Date: July 26, 2019

CC: Michelle Venditto, Budget & Management Services Director
John Stephenson, Internal Audit Director

County staff has worked with the Sheriff's Department over the past several months to inform and empower new Department staff with fiscal and/or budgetary roles. As with any transition, we expect a time of adjustment, and work to build relationships and offer guidance.

Several processes administered by the Sheriff's Department have been inconsistent with County policies, procedures, and guidelines. The list below outlines areas we seek to emphasize with the Department to make certain they operate within the County's fiscal and budgetary framework.

Contracts:

The County's institutional practice of competing services promotes accountability by vendors and transparency to the public. Although competition for most services is not required by NC General Statutes, the Board-adopted Procurement Policy outlines how services should be competed.

For services under $50,000, departments should submit information about the competition process to Finance. For services over $50,000, Finance should either manage the competition process and/or provide guidance to departments during the process.

In some instances, departments may believe that competition of a service is not practical, given the circumstances. The justification to not compete a service should be submitted to and approved by Finance prior to the engaging a new vendor contract.

Departments should use County-approved contract templates. All contracts, including vendor-generated documents, must be reviewed by Finance, Budget, Risk Management, and the County Attorney's Office prior to commencement of services. Departments should engage Finance well in advance of the commencement of services to enable adequate contract reviews and approvals.

The County Attorney's Office and Finance should be consulted when departments plan to terminate services with a vendor. This protects the County against litigation and allows for consideration of how contract termination may impact other departments and services.

Pre-Audit of Contracts:

State statutes require pre-auditing all contracts and purchases to ensure availability of funds. To fulfill this requirement for contracts, the assigned Budget & Management Services analyst reviews contracts as part of the approval process to ensure sufficient budget remains to fulfill the agreement and the contracts are in line with the mission of the County and its programs.

Disbursements:

Finance follows a specified process for disbursement requests to verify public purposes, confirm availability of funds, and ensure accurate payments.

Vendors should have all information up to date in the financial system prior to requesting payments. To maintain internal controls, only vendors can make account changes by contacting Finance directly or using the Vendor Self-Service system.

Only authorized employees should approve invoices, which typically includes the department head and key management or fiscal staff. Each department should keep an updated list of authorized approvers on file with Finance.

Finance will process a payment once the payment request is entered in the financial system and the documentation supporting the request is delivered to Finance. Processing vendor payments takes place on Tuesdays and Thursdays.

Due to the volume of payment requests, it may take up to 10 business days to process a payment. Vendors should be made aware of these timeframes. Payments will not be made on demand.

Documentation for Resident Pay must be verified by the Department and submitted in a timely manner and in the format specified by Finance in order to process Resident Pay.

Travel:

Overnight travel must be approved in writing prior to making travel arrangements, including conference registrations, hotel reservations, and transportation. Supporting information may be requested to substantiate the travel request. If prior authorization is not obtained, the employee may be required to reimburse the County for expenses incurred.

Food Purchasing:

Food purchases are allowed for the general public for an event that further the County's mission or a business activity involving employees that meets specified criteria in the Food Policy. A Food Authorization form for each event should be complete prior to the purchase of food.

P-Cards:

P-Cards enable departments to make small dollar, low volume purchases, typically less than the County's purchase order limit of $2,500. P-card policies and procedures promote responsible use and management of p-cards in the County.

P-card limits may be temporarily changed to accommodate travel arrangements for several employees when Travel Authorizations forms are completed and approved by the appropriate supervisor prior to making the arrangements.

Unauthorized uses include, but are not limited to, meals, splitting transactions to avoid purchase order limits, personal purchases, and contract services of $1,000 or more.

Any unauthorized p-card uses are to be reimbursed by the employee. Repeated violations of the County's p-card policies can result in suspension of p-cards.

Cash Handling/Receiving Payments:

The accurate and timely accounting of revenues remains of utmost importance to maintain public trust. Policies and procedures related to cash handling reflect efforts to protect all County funds.

All employees who handle cash and their supervisors must take the online cash handling training prior to being allowed to accept funds on behalf of the County.

Duties related to cash handling, banking services, and revenue reconciliation should be properly segregated to protect County funds.

Funds collected must be reconciled daily and deposited with the bank in accordance with County policies. Deposits should be recorded in the financial system and the deposit package submitted to Finance daily.

Electronic Commerce:

The County seeks to modernize the way citizens interact with the County, including the use of electronic commerce. The County's PCI (Payment Card Industry) Policy outlines how to implement and maintain e-commerce systems in a safe and effective manner in accordance with PCI regulations.

Departments seeking to utilize online and card payment systems should submit a request to Finance. Any new or changes to existing systems must be reviewed by Finance and Information Systems to ensure PCI compliance and security standards prior to executing a contract.

All employees who handle cardholder data must take PCI compliance training. Security of cardholder data must always be maintained, and no cardholder data should be stored electronically. If hard copies of cardholder data are maintained, data should be stored in a locked location with controlled access and should be destroyed via cross-cutting shredding.

Budget Management:

Departments are expected to manage expenditures within the resources provided by the Board of Commissioners in the annual operating budget. Budget & Management Services centrally monitors expenditures to identify trends and make projections. Throughout the fiscal year a department's assigned analyst will contact departments to ask questions and address unexpected variances in expenditures. Regular communication and information sharing keeps Budget staff aware of changes in operations that have the potential to impact the department's ability to stay within budget.

Position Management:

Budget & Management Services is responsible for oversight and enforcement of the Position Authorization Ordinance which is adopted each fiscal year with the annual budget. This Ordinance establishes the total amount of FTEs (full-time equivalent positions) for each department. Any changes (increase or decrease) to these FTE amounts must be approved by the Board.

The County Manager is authorized to reclassify positions approved within the ordinance. Departmental requests to reclassify positions are reviewed by Human Resources and Budget as part of the approval process. The department's assigned budget analyst may reach out for additional information about the request to determine whether the request will impact the department's ability to stay within budget.

Risk Management:

The County's risk program establishes policies and procedures to protect employees, property, and the public. This includes procedures around those authorized to drive for the County.

Certain job functions require a Motor Vehicle Record form on file with Finance prior to the employee being allowed to drive. A completed form acknowledges the employee has read and understands the procedures and the consequences for on-the-job accidents and off-the-job vehicle infractions.

Recommendations:

As CFO, I recommend the following actions to enhance budgetary and fiscal accountability:

- Create a Service Level Agreement between the Sheriff's Department and the County to establish roles, responsibility, and authority. The County has successfully used and managed such agreements between departments headed by elected officials as well as for County-wide efforts led by multiple departments.

- Schedule recurring, in-person meetings between the Sheriff's Department, Budget & Management Services, and Finance. These meetings can be used to build relationships and understanding about the vision and goals of the Sheriff's Department while facilitating discussion about the best budgetary and fiscal approaches to achieving these goals.

- Provide training for Sheriff's Department staff within 30 days of starting in a fiscal or budgetary role. Training provides context around County's policies, procedures, and guidelines and staff an opportunity to establish lines of communication.

The following online resources are available to County departments:

- Up-to-date Finance policies, procedures, and forms can be found on The Wire (Wake Spaces > Policies & Procedures > Finance).

- Current contract templates are located on the County's public shared drive (Contract folder).

- Budget guidelines can be found on The Wire (Wake Spaces > Money Matters).

- Information on how to access and utilize the County's ERP system (finance, budget, HR, and reporting) can be found on The Wire (Wake Spaces > eWake Services).

We look forward to working with Sheriff Baker and his staff to enhance collaborative efforts and implement the best fiscal and budgetary practices.