



Council Auditor's Office

Sheriff's Investigative Fund Fiscal Year 2012/13

May 14, 2015

Report #775

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ATTACHMENT ‘A’

“SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS”

OFFICE OF THE COUNCIL AUDITOR
Suite 200, St. James Building



May 14, 2015

Report #775

Honorable Members of the City Council
City of Jacksonville

Honorable Mike Williams, Sheriff
City of Jacksonville

INDEPENDENT AUDITOR'S REPORT

We have examined the accompanying Schedule of Cash Receipts and Disbursements (see Attachment A) of the Criminal Investigative Fund of the Office of the Sheriff, City of Jacksonville for the fiscal year ended September 30, 2013. This statement is the responsibility of the Sheriff's Office Budget & Management Division. Our responsibility is to express an opinion on this statement based on our examination.

Our examination was conducted in accordance with Generally Accepted Governmental Auditing Standards issued by the Comptroller General of the United States and, accordingly, included examining on a test basis, evidence supporting the Schedule of Cash Receipts and Disbursements and performing such other procedures, as we considered necessary in the circumstances. Those standards require that we plan and perform the examination to afford a reasonable basis for our judgments and conclusions regarding the activity under examination. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the Schedule of Cash Receipts and Disbursements referred to above presents, in all material respects, the receipts and disbursements of the Criminal Investigative Fund of the Office of the Sheriff, City of Jacksonville, for the fiscal year ended September 30, 2013 based on the requirements of Section 925.055 (2), Florida Statutes.

This report is intended for use in connection with the funds to which it refers in compliance with Section 925.055 (2), Florida Statutes, and is to be used for no other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Kirk A. Sherman, CPA
Council Auditor

OFFICE OF THE COUNCIL AUDITOR
Suite 200, St. James Building



May 14, 2015

Report #775

Honorable Members of the City Council
City of Jacksonville

Honorable Mike Williams, Sheriff
City of Jacksonville

INTRODUCTION

Florida Statutes Section 925.055 (2) requires an annual financial audit of law enforcement investigative funds. Section 925.055 (1) states that “state and local law enforcement agencies which receive investigative and evidence funds from their budgetary authority or which receive special law enforcement trust funds for complex or protracted investigations shall adopt policies which provide for accountability of the expenditures of such funds.” Pursuant to Florida Statutes Section 925.055 (2), Section 5.10 of the Charter of the City of Jacksonville, and Chapter 102 of the Municipal Code, we examined the Sheriff’s Criminal Investigative Fund.

Court costs imposed and collected for recovering the cost of prosecution and investigation of convicted persons are the primary source of funding for the Sheriff’s Criminal Investigative Fund. The Sheriff’s Criminal Investigative Fund supports a checking account that is used to fund criminal investigations. During fiscal year 2012/13, \$420,000 was transferred from the Sheriff’s Criminal Investigative Fund to the investigative checking account, which is managed by the Jacksonville Sheriff’s Office (JSO) Budget and Management Division. The investigative checking account replenishes an imprest account under the custody of the Sheriff’s Office Narcotics/Vice Section, which funds the investigation of narcotics and vice-related activities. The “Schedule of Cash Receipts and Disbursements” (Attachment A) shows the activity of the Sheriff’s Criminal Investigative Fund, including the checking account and Narcotics/Vice imprest account, for the fiscal year ended September 30, 2013.

The auditor’s report is shown on page one. This letter is presented as supplementary information of our examination.

STATEMENT OF SCOPE AND METHODOLOGY

The scope of our examination includes all Investigative Fund transactions which occurred during the 2012/13 fiscal year. These transactions took place within the City’s trust fund account, the investigative checking account, and the Narcotics/Vice Section imprest account. We tested through interviews, observation, and review of supporting documentation to determine compliance with Florida Statutes, the City’s Municipal Code, and JSO internal policies and procedures. The population for testing within the trust fund was 491 expenditure transactions.

Our sample for detailed testing consisted of 20 expenditures of \$5,000 or less (selected at random), all expenditures greater than \$5,000 (13 transactions), and five out of 27 payroll interfaces (selected at random). In addition, the population for testing with the Narcotics/Vice imprest account was 3,527 transactions and our random sample for detailed testing consisted of 61 transactions.

Our report is structured to identify Internal Control Weaknesses, Findings, and Opportunities for Improvement as they relate to our objectives. Internal control is a process implemented by the auditee to provide reasonable assurance that they achieve their objectives in relation to the effectiveness and efficiency of operations and compliance with applicable laws and regulations. An Internal Control Weakness is therefore defined as either a defect in the design or operation of the auditee's internal controls or is an area in which there are currently no internal controls in place to ensure that objectives are met. A Finding is an instance where management has established internal controls and procedures, but responsible parties are not operating in compliance with the established controls and procedures. An Opportunity for Improvement is a suggestion that we believe could enhance operations.

STATEMENT OF STANDARDS

Our examination was conducted in accordance with Generally Accepted Governmental Auditing Standards issued by the Comptroller General of the United States and, accordingly, included examining on a test basis, evidence supporting the Schedule of Cash Receipts and Disbursements and performing such other procedures, as we considered necessary in the circumstances. Those standards require that we plan and perform the examination to afford a reasonable basis for our judgments and conclusions regarding the activity under examination. We believe that our examination provides a reasonable basis for our opinion.

AUDITEE RESPONSES

Responses from the auditee have been inserted after the respective findings and recommendations. We received these responses in letters dated January 26, 2016 from William Clement, Chief of Budget and Management Division, and February 11, 2016 from William Johnson, Assistant Chief of Homeland Security, Narcotics/Vice.

STATEMENT OF OBJECTIVES

The objectives of the examination were as follows:

1. To determine compliance with Florida Statutes Section 925.055 relative to the Criminal Investigative Fund.
2. To determine whether management controls over cash are properly working to safeguard and account for funds.

3. To determine whether the “Schedule of Cash Receipts and Disbursements” (Attachment A) for the fiscal year ended September 30, 2013 is fairly presented.

AUDIT CONCLUSIONS

1. JSO is in compliance with Florida Statutes Section 925.055 relative to the Criminal Investigative Fund.
 2. It appears that management controls over cash are properly working to safeguard and account for funds; however, we noted two findings as discussed below.
 3. The Schedule of Cash Receipts and Disbursements (Attachment A) fairly presents the receipts and disbursements of the Criminal Investigative Fund for the fiscal year ended September 30, 2013. We noted one opportunity for improvement as discussed below.
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OBJECTIVE #1

To determine compliance with Florida Statutes Section 925.055 relative to the Criminal Investigative Fund.

We noted no findings for Objective 1.

OBJECTIVE #2

To determine whether management controls over cash are properly working to safeguard and account for funds.

Finding 2-1 *Expense paid from wrong trust fund*

One out of 33 transactions reviewed from the City trust fund account was not an allowable use of the funds. An invoice for \$2,490 related to the maintenance and repair of a forfeited vehicle that would later be sold at a JSO auction was paid from the Sheriff’s Criminal Investigative Fund. This invoice should have been paid from the Sheriff’s Confidential Vehicle Maintenance Fund instead of the Sheriff’s Investigative Fund. Per Ordinance Code Section 111.305, the Sheriff’s Confidential Vehicle Maintenance Fund is to be utilized for the acquisition and maintenance of vehicles forfeited to the Office of the Sheriff under the provisions of the Florida Contraband Transportation Act or any applicable future state law. After bringing this to the attention of JSO Budget and Management personnel, the expense was moved to the appropriate fund through a journal entry.

Recommendation

We recommend that JSO Budget and Management Division personnel carefully examine invoices submitted for payment in order to accurately code expenses to the correct account/fund. Additionally, JSO's Internal Auditor has incorporated review and testing of the Sheriff's investigative fund trust fund expenditures (expenses paid directly from the City account) beginning in fiscal year 2013/14, which will serve as a detective control in ensuring that expenditures are paid from the appropriate accounts.

JSO Response to Finding 2-1

Agree Disagree Partially Agree

Invoices will be carefully examined by the JSO Budget & Management Division's Manager of Trust Fund Accounting to ensure appropriate coding of expenditures is performed.

Finding 2-2 *Procedures Not Followed*

We noted several instances where internal policies and procedures were not followed:

- The balances recorded in QuickBooks for two accounts reconciled did not accurately reflect cash on hand plus outstanding expense forms for those accounts. One account was understated by \$6.27 due to a credit that had not been entered in QuickBooks and the other account was understated by \$40.00 due to an expense that was entered twice in error by the Account Manager. Per Unit Procedure INHS 04.20.00, officers are required to reconcile with the Account Manager once a month. Both issues were subsequently corrected after the Account Manager was informed of the errors.
- Three expense forms were approved by a sergeant beyond the four (4) working day requirement.
- One of the three expense forms mentioned above was not submitted to the Account Manager in a timely manner. The expense form was submitted to the Account Manager nearly three months after the expense was incurred. Per Unit Procedure INHS 04.20.00, completed expense forms (or unspent funds) must be returned to the Narcotics/Vice Section within ten (10) calendar days.
- A returned funds form (used to document unspent cash being returned to the safe) had the "to" and "from" officers' names reversed. The form showed that cash was returned by a lieutenant to an officer instead of vice-versa.
- Two out of 14 reimbursement request memorandums reviewed did not have all fields completed. One memo did not have the "date received" field completed and the other memo did not have the "date received" field or "received by" signature of the individual receiving the check completed.
- One out of ten weekly time sheets reviewed was not signed by the employee's supervisor.

Recommendations

- We recommend that Unit Procedure INHS 04.20.00 and Operational Order 05.01.13 be reviewed with all applicable personnel. The Narcotics/Vice Section Account Manager should reconcile with officers who receive cash directly from the imprest account at least

monthly to ensure that expense forms have been submitted, unspent cash has been returned, and all activity is recorded in the QuickBooks software.

- The Account Manager should review all forms when inputting the transactions to check for noticeable errors and omissions.
- JSO Budget and Management personnel should verify that the reimbursement request memorandum is complete prior to issuing the check.
- All time sheets should be reviewed in order to ensure accurate payment. We recommend that supervisors review and sign all employee time sheets to document their approval.

JSO Response to Finding 2-2

Agree

Disagree

Partially Agree

1) The Account Manager will review applicable unit procedures and operational orders to ensure the policies and procedures are being followed. The Account Manager will ensure that all officers who receive cash directly from the imprest account are submitting all required documentation, that all unspent cash has been returned, and will enter the information in QuickBooks timely and accurately and will also ensure that all accounts are reconciled monthly. 2) Forms received by the Account Manager will be reviewed during the input process for noticeable errors and omissions so that corrections can be made. 3) Supervisors were notified of the error and appropriate training was implemented. Furthermore the supervisors were advised to review and sign all time sheets.

JSO Budget & Management Division personnel will ensure reimbursement request memoranda are fully completed.

OBJECTIVE #3

To determine whether the “Schedule of Cash Receipts and Disbursements” for the fiscal year ended September 30, 2013 is fairly presented.

Opportunity for Improvement 3-1 *Input Errors*

We noted three out of sixty-one transactions reviewed contained input errors within the QuickBooks accounting software: one incorrect transaction date, one incorrect transaction description, and one incorrect Central Communication Report (CCR) number. However, none of the input errors we identified caused the Schedule of Cash Receipts and Disbursements to be misstated. Per Operational Order 05.01.13, the Account Manager of the Narcotics/Vice Section is responsible for maintaining the Sheriff's Office records of the fund. We noted similar input errors in the prior year attestation report #746.

Recommendation

We recommend that the Account Manager continue efforts to reduce posting errors in QuickBooks.

JSO Response to Opportunity For Improvement 3-1

Agree

Disagree

Partially Agree

The Account Manager will continue to make every effort to reduce QuickBooks posting errors.

We appreciate the assistance and cooperation we received from the Sheriff's Office through the course of this examination.

Kirk A. Sherman, CPA
Council Auditor

**Investigative Fund Unit
Office of the Sheriff
Schedule of Cash Receipts & Disbursements
For the Year Ended September 30, 2013**

Criminal Informant Investigative Fund

| | | |
|--|---------------|-----------------|
| Cash In Bank - October 1, 2012 | | \$ 70,833.80 |
| Cash On Hand - October 1, 2012 | | 50,514.20 |
| | | \$ 121,348.00 |
| Total Cash Balance - Beginning | | |
| <i>Add Receipts</i> | | |
| (City) Receipts | | |
| Trust Funds | \$ 420,000.00 | |
| (Other) Receipts | | 657.65 |
| | | \$ 420,657.65 |
| Total Receipts | | |
| <i>Less Expenditures</i> | | |
| Other Expenditures | \$ 46,593.24 | |
| Narcotics/Vice Unit Cash Fund: | | |
| Organized Crime | \$ 342,345.70 | |
| Patrol | 659.91 | |
| Detectives | 22,182.54 | |
| Intelligence | 1,124.11 | |
| Integrity | 754.44 | |
| Homeland Security | 32,335.70 | |
| Total Expenditures - Narcotics/Vice Unit Cash Fund | | \$ 399,402.40 |
| | | \$ 445,995.64 |
| Total Expenditures | | |
| Total Cash Balance - End | | |
| | | \$ 96,010.01 |
| Cash In Bank - September 30, 2013 | | \$ 42,275.22 |
| Cash On Hand - September 30, 2013 | | 53,734.79 |
| | | \$ 96,010.01 |
| Total Cash Balance - End | | |
| Investigative Trust Fund - SHPS64SSH | | |
| Fund Balance - October 1, 2012 | | \$ 1,462,478.40 |
| <i>Add Receipts</i> | | |
| Sheriff Investigative Funds | \$ 904,462.61 | |
| Investment Pool Earnings | 5,822.85 | |
| Contributions from Private Sources | | 28,300.00 |
| | | \$ 938,585.46 |
| Total Receipts | | |
| <i>Less Expenditures</i> | | |
| Salaries and Benefits | \$ 114,752.83 | |
| General Liability Insurance | 31.51 | |
| Reimbursements to Investigative Checking Account | 420,000.00 | |
| Trust Fund Expenditures | 373,546.55 | |
| Specialized Equipment | 104,738.00 | |
| Intrafund Transfer | 125,000.00 | |
| | | \$ 1,138,068.89 |
| Total Expenditures | | |
| Total Trust Fund Balance - September 30, 2013 | | \$ 1,262,994.97 |
| Grand Total - September 30, 2013 | | \$ 1,359,004.98 |