

**Sheriff's Investigative Fund 2008**

**May 29, 2009**

**Report #665**

**Released on : July 23, 2009**

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**ATTACHMENT ‘A’**

“SCHEDULE OF CASH RECEIPTS & DISBURSEMENTS”

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



May 29, 2009

Report #665

Honorable Members of the City Council  
City of Jacksonville

Honorable John H. Rutherford, 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 year ended December 31, 2008. 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 attestation standards established by the American Institute of Certified Public Accountants 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. We also conducted our examination in accordance with Generally Accepted Governmental Auditing Standards issued by the Comptroller General of the United States. 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 the receipts and disbursements of the Criminal Investigative Fund of the Office of the Sheriff, City of Jacksonville for the year ended December 31, 2008, in all material respects, 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 29, 2009

Report #665

Honorable Members of the City Council  
City of Jacksonville

Honorable John H. Rutherford, Sheriff  
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**INTRODUCTION**

Florida Statutes Section 925.055 (2) requires an annual audit of law enforcement investigative funds. Section 925.055 (1) states that “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.”

The Sheriff’s Criminal Investigative Fund is used to finance narcotics and vice operations including undercover drug buys. The City’s General Fund is the primary source of funding for many of these operations. During calendar year 2008, \$425,184 was paid from the General Fund into the Criminal Investigative Fund.

**STATEMENT OF SCOPE AND METHODOLOGY**

The scope of our examination includes all Investigative Fund transactions occurring during calendar year 2008. We tested through interviews, review of supporting documentation and observation.

**STATEMENT OF STANDARDS**

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants 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. We also conducted our examination in accordance with Generally Accepted Governmental Auditing Standards issued by the Comptroller General of the United States. 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 from Patrick Ivey, Assistant Chief JSO Narcotics/Vice Division.

## **STATEMENT OF OBJECTIVES**

The objectives of the examination were as follows:

1. To determine compliance with state statutes and the Jacksonville Sheriff's Office's (JSO) internal policies/procedures 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" for the year ended December 31, 2008 is fairly presented.

## **OVERALL CONCLUSION**

Although it appears that management needs to better communicate certain internal policies/procedures to personnel, as indicated by our findings, we believe the Statement of Cash Receipts and Disbursements (Attachment A) fairly presents the receipts and disbursements of the Criminal Investigative Fund for the calendar year ended December 31, 2008.

## **OBJECTIVE #1**

To determine compliance with state statutes and the Jacksonville Sheriff's Office's (JSO) internal policies/procedures relative to the Criminal Investigative Fund.

### **Finding 1-1**

In reviewing requests for reimbursement of the investigative fund imprest safe, we noted that check information and/or a copy of the reimbursement check itself was not included on the reimbursement memorandum upon approval in 4 out of 12 instances. This is in violation of unit procedure 04.20.00.IV.G., which states that the account manager shall record the check number, amount, date received and signature in addition to making a copy of the memorandum and check upon receipt of the check.

### **Recommendation**

We recommend that management review this procedure and communicate it to all applicable personnel.

### **JSO Response to Finding 1-1**

Management concurs and will ensure that documentation is complete. It should be noted that all reimbursements were properly processed and recorded.

## **OBJECTIVE #2**

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

### **Finding 2-1**

Form P-1746, which lists personnel authorized to enter the imprest safe, was updated months after the actual personnel changes occurred on two occasions. This is a violation of unit procedure 04.20.00.V.K., which requires each person authorized to disburse or accept cash from the safe to be documented on the form.

### **Recommendation**

We recommend that management review this procedure and communicate it to all applicable personnel.

### **JSO Response to Finding 2-1**

Management concurs and has reviewed the procedure for documenting the persons authorized to disburse or accept cash for the safe with all affected personnel. All additions to and deletions from the approved list shall be documented at the earliest possible date.

### **Finding 2-2**

We observed that two of the five personnel changes which warranted an imprest safe combination change in the past year did not result in a safe combination change in a timely manner. One personnel change, which occurred in 2008, resulted in no combination change at all, while another combination change in 2009 appeared to reflect two personnel changes that occurred within two weeks of each other. These are in violation of Unit Procedure 04.20.00.III.C., which requires the combination to be changed when any individual with knowledge of the combination either leaves the unit or is reassigned to a duty which does not require access to the safe.

### **Recommendation**

We recommend that management review this procedure and communicate it to all applicable personnel.

### **JSO Response to Finding 2-2**

Management concurs and has reviewed the procedure with affected personnel. Management shall ensure the safe combination is changed to reflect any personnel changes for authorized persons and shall maintain documentation in regards to when the safe combination change was requested and when the combination change was actually completed. This documentation will be noted on form P-1746.

### **Finding 2-3**

We noted that there are two designees in addition to the Chief of Budget who are authorized to disburse funds from the integrity safe, which is one more designee than was allowed by the applicable procedure. Per General Order LXVI.3.IX.E.1, "The person(s) designated to disburse integrity funds is the Chief or his designee of the Budget Division;" In addition, we noted that one of the two designees is also charged with compiling the year-end financials of the investigative

fund. This is an inadequate separation of duties as one individual is capable of handling cash and maintaining records of cash.

### **Recommendation**

We recommend that the individual with recordkeeping duties be removed as a custodian of the integrity safe. Upon removal, the combination of the safe should be changed to safeguard from unauthorized entry. In addition, management should review the procedure and communicate it to all applicable personnel as well as review and communicate the importance of separating duties which involve the handling and recordkeeping of cash.

### **JSO Response to Finding 2-3**

Management does not concur. Per General Order 66, the designee is identified, at point in time of need, from two qualified employees. The purpose of segregating duties is to reduce the risk that an error or fraud may go undetected in the normal course of an individual's duties. However, due to organizational constraints, such as employee availability, segregation of duties may not be achieved at a reasonable cost. Therefore, compensating controls are implemented to mitigate the control risk. It should be noted that there were no discrepancies in the Integrity Fund.

The following compensating controls are employed in this process:

- The underlying data is audited on a quarterly basis and on an annual basis by the JSO Internal Auditor.
- Petty cash transactions are completed in the presence of two people and dual signatures are required on every transaction involving petty cash.
- Weekly cash counts are performed by the designees.
- Unannounced cash counts are performed by the JSO Chief of Budget.
- Unannounced cash counts are performed by JSO Internal Audit with 100% transaction testing on a quarterly basis.

### **Council Auditor Rebuttal**

General Order 66 does not specifically state that more than one designee may be utilized at a point in time of need. While compensating controls may be in place, they do not eliminate the control deficiency that is created by inadequate separation of duties in an environment that handles and records cash.

### **Opportunity for Improvement 2-1**

We noted the existence of a sergeant's safe within the Integrity unit, which is not addressed within Operational Order 5.1.10. This Operational Order specifically permits the use of sergeant safes within the Narcotics/Vice, Intelligence and Tactical Support (TSU) units.

Subsequent to the discovery of this finding, we were notified that the Investigative fund unit procedures are currently being revised. A draft copy of the revision includes a provision stating that a sergeant's safe may be established in any unit as designated by the Assistant Chief of Narcotics/Vice.

### **Recommendation**

We recommend that JSO adopt the draft revisions into an official Operational Order.

**JSO Response to OFI 2-1**

Management does not concur that the safe location or assignment is in violation of Operational Order 5.1.10. The safe was assigned to a sergeant that was in the Intelligence Unit who has since been reassigned to Integrity/Special Investigations to better align the officer's mission with the appropriate unit. The use of these funds is still in line with the intent of the Criminal Investigative Funds and is thus being secured appropriately. In an attempt to clarify the intent of the Operational Order, the revision referred in the aforementioned comment has been approved.

**Council Auditor Rebuttal**

We note that JSO has since complied with our recommendation.

**OBJECTIVE #3**

To determine whether the "Schedule of Cash Receipts and Disbursements" for the year ended December 31, 2008 is fairly presented.

**Finding 3-1**

None of the voided receipt cards for 2008 were initialed by the account manager, as required per unit procedure 04.20.00.V.C.

**Recommendation**

We recommend that management review this procedure and communicate it to all applicable personnel.

**JSO Response to Finding 3-1**

Management concurs. A copy of a Form 4 to the file has been provided to the Council Auditors to document acknowledgement of future adherence to the procedures.

**Finding 3-2**

During the testing of flash fund transactions, we discovered one transaction where the extension for return of funds appeared to be authorized on the date of the return, based on the written record. Operational Order 5.1.10.VIII.C. requires that approval for extensions be granted before the end of the 24-hour return period. Per JSO, approval was given over the phone, but not noted on the written record.

**Recommendation**

We recommend that all extensions (including verbal), be noted on the written record.

**JSO Response to Finding 3-2**

Management concurs and has reviewed the procedure with affected personnel.

**Finding 3-3**

None of the flash fund receipt cards were marked "returned in full" upon return of the funds, as required per Operational Order 5.1.10.VIII.D.

**Recommendation**

We recommend that management review this procedure and communicate it to all applicable personnel.

**JSO Response to Finding 3-3**

Management concurs. A copy of a Form 4 to the file has been provided to the Council Auditors to document acknowledgement of future adherence to the procedures.

**Opportunity for Improvement 3-1**

During our testing, we discovered some transactions that were input into QuickBooks as “voids” that were not voids in nature. Upon research of the voids, it was discovered that some transactions that were incorrectly input were being marked with the term “void” in their description and then input again with the correct information.

**Recommendation**

The only transactions that should be considered voids are pre-numbered cash receipt cards (P-114) that are marked on but ultimately not used, subsequently marked “void” and retained, in order to account for gaps in numbering. For valid transactions, management should replace the term “void” with some other verbiage which more accurately describes the nature of the transaction (example: “correction of error”).

**JSO Response to OFI 3-1**

Management concurs. A memorandum notation will be entered on the “Quickbooks” voided transaction to further document the correction entry.

Respectfully submitted,

Kirk A. Sherman, CPA  
Council Auditor

**Investigative Fund Unit  
Office of the Sheriff  
Schedule of Cash Receipts & Disbursements  
For the Year Ended December 31, 2008**

Prepared By: Vanita Boston 1/23/09

**Criminal Informant Investigative Fund**

|   |                             |                                    |
|---|-----------------------------|------------------------------------|
| <b>Cash In Bank - January 1, 2008</b>               | \$ 162,711.31               |                                    |
| <b>Cash On Hand - January 1, 2008</b>               | 73,214.46                   |                                    |
|   | <u>                    </u> |                                    |
| Total   |                             | \$ <u>235,925.77</u>               |
| <br><i>Add Receipts</i>                             |                             |                                    |
| (City) Receipts                                     | \$ 425,184.00               |                                    |
| (Other) Receipts                                    | 19,985.91                   |                                    |
|   | <u>                    </u> |                                    |
| Total Receipts                                      |                             | \$ <u>445,169.91</u>               |
| <br><i>Less Expenditures</i>                        |                             |                                    |
| Other Expenditures                                  | \$ 194,814.82               |                                    |
| Organized Crime                                     | 258,810.04                  |                                    |
| Patrol  | 19,550.00                   |                                    |
| Community Affairs                                   | -                           |                                    |
| Detectives  | 7,920.00                    |                                    |
| Intelligence  | 2,337.05                    |                                    |
| Integrity   | 7,500.00                    |                                    |
| Internal  | 1,798.11                    |                                    |
| Homeland Security                                   | 695.00                      |                                    |
|   | <u>                    </u> |                                    |
| Total Expenditures                                  |                             | \$ <u>493,425.02</u>               |
| <br><b>Total</b>                                    |                             |                                    |
|   |                             | <b>\$ <u><u>187,670.66</u></u></b> |
| <br><b>Cash In Bank Balance - December 31, 2008</b> |                             |                                    |
|   |                             | \$ 122,801.19                      |
| <b>Cash On Hand Balance - December 31, 2008</b>     |                             |                                    |
|   |                             | 64,869.47                          |
| <br><b>Total</b>                                    |                             |                                    |
|   |                             | <b>\$ <u><u>187,670.66</u></u></b> |

**Attachment A**