

COUNCIL AUDITOR'S OFFICE
INVESTIGATIVE FUND AUDIT
JANUARY 1 TO DECEMBER 31, 2004
NOVEMBER 23, 2005
REPORT NO. 608



INDEPENDENT AUDITOR'S REPORT

Report No. 608

We have examined the accompanying Schedule of Cash Receipts and Disbursements of the Criminal Investigative Fund of the Office of the Sheriff, City of Jacksonville for the year ended December 31, 2004. This statement is the responsibility of the Sheriff's Office Management. 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 audit. We believe that our examination provides a reasonable basis for our opinion.

We noted eleven (11) issues involving non-compliance or weakness that we have reported to the management of the Office of the Sheriff, City of Jacksonville. Their responses to these matters have been incorporated into our attached report.

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, 2004, 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.

November 23, 2005

Richard Wallace, C.P.A.
Council Auditor

Investigative Fund Unit
Office of the Sheriff
Schedule of Cash Receipts & Disbursements
For the Year Ended December 31, 2004
Revised as of 9/13/05
Prepared By: Vanita Boston, CGFO

Criminal Informant Investigative Fund

| | | | |
|---|---------------|-----------|-------------------|
| Cash In Bank - January 1, 2004 | | \$ | 142,418.26 |
| Cash On Hand - January 1, 2004 | | \$ | 59,786.86 |
| | | | <hr/> |
| Total | | \$ | 202,205.12 |
| | | | <hr/> |
| <i>Add Receipts</i> | | | |
| (City) Receipts | \$ 289,502.00 | | |
| (Other) Receipts | 235,164.30 | | |
| | | | <hr/> |
| Total Receipts | | \$ | 524,666.30 |
| | | | <hr/> |
| <i>Less Expenditures</i> | | | |
| (Other) Expenditures | \$ 269,062.45 | | |
| Organized Crime | 196,984.75 | | |
| Patrol | 22,481.00 | | |
| Detectives | 1,160.00 | | |
| Intelligence | 16,437.09 | | |
| Homeland Security | 4,899.38 | | |
| | | | <hr/> |
| Total Expenditures | | \$ | 511,024.67 |
| | | | <hr/> |
| Cash In Bank Balance - December 31, 2004 | | \$ | 137,660.81 |
| Cash On Hand Balance - December 31, 2004 | | \$ | 78,185.94 |
| | | | <hr/> |
| Total | | \$ | 215,846.75 |
| | | | <hr/> |

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



November 23, 2005

Sheriff John H. Rutherford
City of Jacksonville

Report No. 608

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 ultimate source of funding for these operations. During calendar year 2004, \$289,502 was paid from the General Fund into the Investigative Fund.

Our examination of the cash receipts and disbursements related to the Criminal Investigative Fund for the period of January 1 through December 31, 2004 disclosed several findings.

Items that we believe should be brought to your attention are set forth below.

RECONCILIATIONS

Finding #1 – Accounting for Cash

Operational Order 5.1.7 states that “*careful and precise documentation of expense funds diminishes the potential for adverse consequences. Properly managed funds and accurate documentation of expenditures can also provide an accurate estimate of projected needs.*” Unit Procedure 9.1.3 states that “*the officer receiving funds must maintain an accounting for all funds received.*”

We found four interrelated issues concerning the Sheriff’s Office accounting of the cash possessed by the officers. These were as follows:

1. The monthly reconciliation process does not sufficiently account for the officers' cash. It does not ensure the officer has the proper amount of cash on hand; it simply checks for missing or erroneous entries in the accounting records of the Narcotics / Vice Division and the officer.

The reconciliation process does indicate the amount of Sheriff's Office cash that each officer should have on hand. The present procedure reconciles to balances as of the end of the prior month, not to the current outstanding amount.

2. We found four instances where an officer's cash on hand did not agree to the amount calculated by a reconciliation with the system journal. Specifically:
 - One officer presented \$248 less than appropriate.
 - One officer presented \$121 more than appropriate.
 - One officer presented \$1.10 more than appropriate.
 - One officer presented \$6.19 more than appropriate.
3. We found a disconnect between the individual with knowledge of the officer's cash handling abilities (the Account Technician) and the person who evaluates the officer's performance annually (their supervisor [sergeant, lieutenant, etc.]).

That is, when the supervisor is conducting an annual review, he/she is unaware of the performance of the officer with respect to accounting for his/her transactions. This hampers the ability of the annual evaluations to appropriately reflect the performance of the officers with regard to cash handling and record keeping accuracy because the supervisor is unable to accurately describe the officer's abilities, strengths and weaknesses related to these important functions.

4. We found six monthly reconciliations (July through December 2004) that were not signed (indicating review) by a Lieutenant or the Assistant Chief until March 24, 2005.

Recommendation to Finding #1

The reconciliation process should exist to control cash and officers must be held accountable for gross errors and excessive mistakes. As such, we recommend that a detailed description of the reconciliation process be created. This would include a statement as to the goals of the reconciliation.

We recommend the reconciliation be performed using current balances. The reconciliation should encompass the balances per the Narcotics / Vice Division's accounting records, the balance per officer's accounting records and the cash the officer possesses. With this change in reconciliation methodology (current balances vs. balances of the prior month), the current language in Unit Procedure 9.1.3 which states that "Each officer will reconcile with the

Account Technician by the fifteenth of each month” would become irrelevant. As such, we would recommend that the Division devise a method of ensuring that each officer’s records are reconciled at least once each month.

We further recommend that the reconciliation process include feedback to the officer’s direct supervisor, thereby facilitating a correct and complete assessment of the officer’s abilities, strengths and weaknesses related to cash handling and record keeping responsibilities.

Narcotics / Vice management should ensure monthly reconciliations are received, reviewed and signed by appropriate supervisory personnel on a timely basis.

Sheriff’s Office Response - Finding #1

Concur. The following details are provided:

1. *Per the Auditor’s recommendation, red books are reconciled to the current date. The Sheriff’s Office is currently drafting new policy concerning red books and the reconciliation process. The new policy will correct the current deficiencies and will be implemented by early 2006.*
2. *The four errors listed by the Auditor are mistakes made by the detectives. We acknowledge a breakdown in our process and will take every step to ensure this does not occur in the future. Supervisors and detectives will be held accountable for their errors.*
- 3.-4. *Current policy states that the Lieutenants or Assistant Chief will sign and review monthly reconciliation reports. If the process is completed properly, the detective’s immediate supervisor will be made aware of weaknesses and strengths concerning cash handling and recordkeeping functions. Reconciliation reports will be reviewed in a timely manner.*

TRAVEL

Finding #2 - Overpayments

We found six (6) instances where per diem payments to travelers were in excess of the amount authorized by Section 106.708 of the Municipal Code.

Specifically :

1. An officer was reimbursed for dinner when travel ended prior to 8:00 (returned at 6:00). (\$13 overpayment)
2. Two officers were reimbursed for lunch when travel didn’t begin prior to 12:00 noon. (\$14 overpayment)
3. An officer was reimbursed for lunch when travel ended prior to 2:00pm. (\$7 overpayment)

4. Two officers were reimbursed for dinner when travel ended prior to 8:00pm (returned at 7:30pm). (\$52 overpayment)
5. Two officers were reimbursed for dinner when travel ended prior to 8:00pm (returned at 7:00pm). This occurred twice. (\$104 overpayment)

A total of \$190 was overpaid.

Recommendation to Finding #2

We recommend that the Sheriff's Office seek reimbursement from those officers who were overpaid. Going forward, as part of the travel expense approval process, the Assistant Chief should thoroughly review the figures on travel reimbursement requests for compliance with the City's travel regulations and disallow requests that are inappropriate.

Sheriff's Office Response - Finding #2

Concur. The detectives who received overpayments have reimbursed the City of Jacksonville. The current travel form will be re-designed to reduce the possibility of errors.

Finding #3 – Travel Approval

We found six (6) examples of travel approval deficiencies out of 14 trips reviewed.

In four (4) instances, required forms were missing.

- In one (1) instance only the Form 4 was missing. (A Form 4 is a Sheriff's Office memorandum, in this case used to layout travel details and document estimated costs.)
- In three (3) instances both the Travel Request form and the Form 4 were missing.

In two (2) instances, travel documentation was not properly approved.

- In one (1) instance, the travel request form was not signed by the Assistant Chief.
- In one (1) instance, the travel expense statement was not signed by the Assistant Chief.

Operational Order 5.1.7 says that "officers requesting to travel will prepare a Form 4 for approval by the Unit Commanding Officer." The "Instructions for Completing Travel" state that the Request form "must be signed by the Division Chief".

Recommendation to Finding #3

We recommend that the Assistant Chief or Lieutenant ensure the accuracy of the travel documents prior to disbursement of any travel funds (either advances or reimbursements).

Sheriff's Office Response - Finding #3

Concur. The auditor's recommendation will be implemented immediately.

FLASH FUNDS

Finding #4 – Late Return

In two out of 23 instances reviewed, flash funds were not returned within 24 hours and no evidence of supervisory approval was found on the card(s).

1. An officer checked out \$1,200 on 7/6/04 and returned the funds on 7/9/04.
2. An officer checked out \$3,300 on 9/17/04 and returned the funds on 9/20/04.

Operational Order 5.1.7 states that “*Flash Roll’ funds must be returned to the Account Custodian as soon as possible and in no event shall the funds be returned later than a twenty-four (24) hour period without prior approval of a Lieutenant or higher authority.*”

Recommendation to Finding #4

The longer such large sums of money are outstanding, the higher the risk of loss becomes. We recommend that the Sheriff’s Office ensure that all flash funds are returned to the safe within 24 hours, unless prior approval has been given. The Sheriff’s Office might consider implementing a threshold system whereby flash funds in excess of a certain amount (e.g. \$10,000) must be turned in within 24 hours with no possible extension.

Sheriff’s Office Response - Finding #4

We concur, in part, with the Auditor’s recommendation. Safes have been provided to Sergeants within the Narcotics/Vice Unit. When appropriate, these safes will be utilized to mitigate risk of loss during investigative operations. Procedures will be updated to include the availability of additional safes in these areas. The final approval for the extended return of flash funds should remain in the hands of the ranking officer who approved use of the funds. Extended approval will be documented on the card.

MISCELLANEOUS CASH FINDINGS

Finding #5 – More than \$200

We found that the PRT/COPS units in the Patrol Zones were routinely requesting more than \$200 for non-specific investigations. Operational Order 5.1.7, Paragraph VII.A.5 states “*There will be a maximum limit of two hundred (\$200)... assigned to a detective/officer as an outstanding balance of funds for nonspecific investigations.*”

Recommendation to Finding #5

If the Sheriff’s Office intends to allow disbursements of more than \$200 for nonspecific investigations, the Operational Order should be written as such. Otherwise, if the intent is to

limit distributions to \$200, the practice of allowing a Form-4 for nonspecific investigations in exchange for a balance increase should cease.

Sheriff's Office Response - Finding #5

Concur. The distribution limit will be increased to \$300 for nonspecific investigations. The policy will be updated accordingly.

Finding #6 – Funds Not Returned Upon Resignation

An officer maintained a balance of Investigative Funds after leaving the Narcotics/Vice division. The officer was allowed to resign from the Sheriff's Office without returning his investigative funds to Narcotics / Vice. He had an outstanding balance of \$260.26. This money has not been recovered.

Recommendation to Finding #6

We recommend that the Sheriff's Office take appropriate action to recover the \$260.26 from the former employee.

Sheriff's Office Response - Finding #6

Concur. The funds have been requested from the former detective. Legal action will be taken if the funds are not repaid in a timely manner.

SYSTEM CONTROLS

Finding #7 – Access to the Journal

We found that opening the Excel® spreadsheet that is the current accounting system, does not require the entry of a password. Unit Procedure 10.1.3 states that “*access to the accounting system should be password protected.*”

In addition we noted that file access permissions on the folder that contains the journal (i.e. the accounting system, the spreadsheet) is currently given to both the account technician, and to administrators from the Sheriff's Information Systems Management division. Information Systems staff should not have the access needed to manipulate production level accounting data.

Recommendation to Finding #7

We recommend that a password be placed on all Excel® files that makeup the journal system.

We further recommend that the read/write access of the administrators be removed and that only permissions necessary to backup the folder/files be granted. The Account Technician should have full rights on the files. Read-only permission to the folder that contains the accounting files should be given to the Assistant Chief of Narcotics / Vice.

Other read-only permissions should be assigned as approved by the Assistant Chief of Narcotics / Vice and the Chief of Homeland Security & Narcotics / Vice.

File access auditing should be used to provide an audit trail of individuals who have accessed the files (or attempted to access the files) that makeup the journal.

Sheriff's Office Response - Finding #7

Concur. A password has been placed on Excel® files for the current journal system. Furthermore, read/write access of the administrators will be removed and only privileges necessary to backup and restore folder/files will be granted. Since journal files are password protected and administrators' read/write permissions will be removed, the need for access auditing has been properly mitigated.

Finding #8 – Accounting System

The current accounting system has inadequate controls over data entry, relies on extensive manual work and does not provide for efficient data reporting.

Specifically:

1. No “edit checks” exist over data entry.
2. The user interface is cumbersome and requires excessive scrolling which increases the likelihood of erroneous entries.
3. Data reporting functionality is non-existent. No built-in reports allow for presentation of information in a concise manner. The spreadsheet, as used, does not allow for the creation of management reports in an efficient, cost-effective manner.
4. The monthly “close” process (moving from one month to another) is overly manual and requires the re-keying / copying of data which increases the likelihood of data errors.
5. The system is not setup in a transactional manner. It is nothing more than an Excel® spreadsheet. It does not contain history of any sort; and consequently, manipulation is harder to detect.

Recommendation to Finding #8

We recommend that the Narcotics / Vice Unit work to identify accounting systems compatible with the functionality it requires. The system should allow for effective data reporting (e.g. a report showing total payments to a particular informant) and should possess the ability to control data entry. The system should prohibit the manipulation of historic data.

Sheriff's Office Response - Finding #8

Concur. We are in the process of exploring different types of accounting software. The Assistant Management Improvement Officer (AMIO) currently assigned to the office is scheduled for training in QuickBooks as a possible alternative to the current accounting system.

Finding #9 – Changes After Month Close

Accounting procedures would dictate that once a month has “closed” no changes should be made to that data. However, we found three instances where changes had been made to the electronic copies of the spreadsheets after the printed copies had been signed by the various Assistant Chiefs.

Recommendation to Finding #9

We recommend that Narcotics / Vice ensure that no transactions are entered into an historic month. Once the journals are printed no changes should occur in the underlying data. Correcting entries should be made in the current month (with obvious documentation as to what the entries are correcting).

Sheriff’s Office Response - Finding #9

Concur. This recommendation will be implemented immediately.

GENERAL FINDINGS

Finding #10 – Missing Procedure

The Narcotics / Vice division relied on another division to supply at least one Unit Procedure that should have been maintained on-site. Unit Procedure 9.1.3 could not be located on-site by Narcotics / Vice personnel and had to be obtained from Inspections. “The purpose of this Unit Procedure is to establish procedures for the operation of the investigative imprest funds including disbursements, audits and accounting, physical safeguards, replenishment of funds, and miscellaneous procedures.”

Recommendation to Finding #10

We recommend the responsibility of maintaining up-to-date Narcotics / Vice Unit Procedures (Operational Orders, etc.) be delegated to a specific employee within Narcotics / Vice.

This employee should be responsible for maintaining the most recent versions of all of the orders, procedures and directives that govern the operation of the Narcotics / Vice Division. This would create a repository where management could locate the most up-to-date copy of an order for purposes such as new employee orientation. This employee might also be tasked with ensuring that all employees are notified of changes to orders, procedures, etc.

Sheriff’s Office Response - Finding #10

Concur. The Assistant Management Improvement Officer (AMIO) currently assigned to the office is responsible for maintaining current written directives.

Finding #11 – No Position Manual

There is currently no “position manual” outlining the duties and responsibilities of and documenting the procedures to be performed by the Account Technician for the Narcotics / Vice Division.

The desire to provide for continuity of business operations necessitates the creation of a manual that would serve to educate an incoming employee as to the procedures that need to be performed. A manual would also serve as a point of reference when the current Account Technician is performing an infrequent task.

Recommendation to Finding #11

We recommend that a “position manual” that outlines the various job functions that the Account Technician is expected to perform be created and/or assembled. Such a manual would contain specific details and steps on how to perform certain tasks such as the reconciliation process. This manual should be constructed in such a manner as to allow for the continuation of best practices from one Account Technician to the next.

Sheriff’s Office Response - Finding #11

Concur. An Assistant Management Improvement Officer (AMIO) position control manual has been completed.

Sincerely,

Richard Wallace, C.P.A.
Council Auditor

Audit Performed by:

Adam Mathews

Timothy Page