

Sheriff's Investigative Fund 2011

September 24, 2012

Report #725

Released on: November 6, 2012

CONTENTS OF REPORT

REPORT #725

INDEPENDENT AUDITOR’S REPORT - 1 -

INTRODUCTION..... - 2 -

STATEMENT OF SCOPE AND METHODOLOGY - 2 -

STATEMENT OF STANDARDS - 3 -

AUDITEE RESPONSES - 3 -

STATEMENT OF OBJECTIVES - 3 -

AUDIT CONCLUSIONS - 4 -

OBJECTIVE #1..... - 4 -

OBJECTIVE #2..... - 4 -

OBJECTIVE #3..... - 5 -

ATTACHMENT ‘A’

“SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS”

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



September 24, 2012

Report #725

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, 2011. 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, 2011, 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



September 24, 2012

Report #725

Honorable Members of the City Council
City of Jacksonville

Honorable John H. Rutherford, 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.

The Sheriff’s Criminal Investigative Fund supports a checking account that is used to fund narcotics and vice operations. 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. During calendar year 2011, \$350,000 was transferred from the Sheriff’s Criminal Investigative Fund into the investigative checking account. The “Schedule of Cash Receipts and Disbursements” (Attachment A) shows the activity of the Sheriff’s Criminal Investigative Fund, including the checking account, for the year ended December 31, 2011.

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 calendar year 2011. These transactions took place within the City’s trust fund account, the investigative checking account, and the Narcotics/Vice Division. 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.

For the purposes of the audit results discussed in detail below, all findings involve transactions that occurred within the Narcotics/Vice imprest account. There were approximately 2,600 transactions

that occurred within the Narcotics/Vice imprest account during calendar year 2011. Our 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 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 in letters dated October 19, 2012 from Patrick Ivey, Assistant Chief JSO Narcotics/Vice Division and October 18, 2012 from Russell Caffey, JSO Budget and Management. The Clerk of the Court was given an opportunity to respond to Finding 3-6 but opted not to comment.

STATEMENT OF OBJECTIVES

The objectives of the examination were as follows:

1. To determine compliance with Florida Statutes Section 925.055 relevant 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 year ended December 31, 2011 is fairly presented.

AUDIT CONCLUSIONS

1. JSO appears to be 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.
 3. The Schedule 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, 2011; however, we did note several findings as discussed below.
-

OBJECTIVE #1

To determine compliance with Florida Statutes Section 925.055 relevant 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.

Internal Control Weakness 2-1 *Special Accounts*

Special accounts are established on an as needed basis to assist with long-term investigations targeting a specific suspect, group of suspects or location. Current policies and procedures offer limited guidance on special accounts and do not specify key controls, such as where the funds should be stored or required reconciliation frequency.

Recommendation

Policies and procedures to address special accounts should be reviewed by management and expanded.

JSO Response to Internal Control Weakness 2-1

Management Response / Corrective Action Plan

Agree Disagree Partially Agree

Narcotics/Vice Management concurs and shall expand the current policy to include verbiage that special account funds shall be secured within the assigned members Sergeant's safe when not in use.

OBJECTIVE #3

To determine whether the “Schedule of Cash Receipts and Disbursements” for the year ended December 31, 2011 is fairly presented.

Finding 3-1 *Input Errors*

We noted three transactions entered into the QuickBooks accounting system by the Account Manager that contained input errors. Two errors involved inputting the incorrect transaction date. One error was the omission of the officer name in the transaction description.

Recommendation

We recommend that the Account Manager verify that the information keyed into the QuickBooks accounting system matches the applicable supporting documentation during the input process.

JSO Response to Finding 3-1

Management Response / Corrective Action Plan

Agree Disagree Partially Agree

Narcotics/Vice Management concurs and the Account Administrator will verify all information keyed into QuickBooks during the input process, additionally Narcotics and Vice Clerical Support staff will be utilized to check the accuracy of the information that is entered in QuickBooks accounting system. The input errors mentioned did not have any negative impact on the financial statement.

Finding 3-2 *Incorrect CCR Numbers*

Two transactions reviewed in our sample had an incorrect Central Communications Report (CCR) number written on Criminal Investigative Form P-1776. The CCR number written on Criminal Investigative Form P-1776 by the officer completing the form did not correspond to the CCR number listed on the Property Storage Card, which is issued by drug vault personnel during the evidence intake process.

Recommendation

We recommend that officers submitting evidence review the Property Storage Card when completing Criminal Investigative Form P-1776 to ensure correct information is included on the form.

JSO Response to Finding 3-2

Management Response / Corrective Action Plan

Agree Disagree Partially Agree

Narcotics/Vice Management concurs and shall stress to all members the importance of correct CCR numbers for proper record keeping. The two incidents listed on the audit report have been corrected and the members have both been informally counseled for the errors.

Finding 3-3 *Missing Signature of Witnessing Officer*

One Criminal Investigative Form P-1776 that documented a payment to a confidential informant was not signed by a witnessing officer. Pursuant to Operational Order 05.02.07, another police officer must sign the Criminal Investigative Form P-1776 witnessing the confidential informant's signature in order to pay the confidential informant. This requirement is also printed on the bottom of the Criminal Investigative Form P-1776 template.

Recommendation

We recommend that Operational Order 05.02.07 be reviewed with the officer who made the payment and their supervisor in order to maintain accountability and integrity in transactions involving cash payments to confidential informants.

JSO Response to Finding 3-3

Management Response / Corrective Action Plan

Agree Disagree Partially Agree

Narcotics/Vice Management concurs the listed form was missing the witness signature. The listed investigator's sergeant was a witness to the confidential informant payment but failed to sign the form as a witness. The integrity of the transaction was intact by a witness being present but the error on the form is correct.

Finding 3-4 *Missing Criminal Investigative Form P-1776*

We were unable to locate a Criminal Investigative Form P-1776 for one transaction in which the form should have been submitted. Pursuant to Operational Order 05.01.12, within two (2) working days the detectives will provide the sergeant with a Criminal Investigative Form (P-1776) documenting the use of funds. The Account Manager shall maintain a record of transactions, including any forms used in the transaction. The Criminal Investigative Form P-1776 must be completed to document the use of funds to purchase contraband, evidence, pay a confidential informant, or pay miscellaneous expenses incurred during the investigation.

Recommendation

We recommend that all form P-1776s be submitted, maintained and filed in accordance with Operational Order 05.01.12.

JSO Response to Finding 3-4

Management Response / Corrective Action Plan

Agree Disagree Partially Agree

Narcotics/Vice Management concurs and the Narcotics/Vice Account Administrator will maintain complete and accurate records of all transactions pertaining to the Investigative Fund in accordance with Operational Order 05.01.12. All transactions will be filed by investigator name and placed in a designated location so that all files can be easily located.

Finding 3-5 *Evidence Labeled Incorrectly*

We identified two evidence items that were labeled differently than as described on Criminal Investigative Form P-1776. The evidence items' weights were correctly labeled but the evidence description did not match Form P-1776.

Recommendation

We recommend that the evidence labels be corrected to accurately reflect the items inside. We recommend that the officer submitting the evidence verify the evidence description on the Property Storage Card when submitting the item(s).

JSO Response to Finding 3-5

Management Response / Corrective Action Plan

Agree Disagree Partially Agree

Narcotics/Vice Management concurs with the finding. The listed errors were a result of entering the wrong evidence description on the drop down menus on the property room terminals. In both incidents the listed investigators entered the evidence as "crack cocaine" when the evidence was "powder cocaine" The two incidents listed on the audit report have been corrected and the members have both been informally counseled for the errors.

Finding 3-6 *Trust Funds Combined Without Council Approval*

We noted through review of the City's accounting system that balances for the Sheriff's Investigative Fund (SHPS64QIF) were transferred to the Sheriff's Criminal Investigative Fund (SHPS64SSH) in April 2011. The trust funds are codified in Jacksonville's Municipal Code Sections 111.330 and 111.333 respectively and each is designated as "a permanent, ongoing trust fund of the City, which shall carry forward each fiscal year." The Sheriff's Investigative Fund (SHPS64QIF) is authorized to receive revenue from court ordered payments and donations in order to replace or purchase surveillance or investigative equipment or supplies as deemed necessary by the Sheriff. The Sheriff's Criminal Investigative Fund (SHPS64SSH) is authorized to accept gifts, fees, State and federal grants, seized and forfeited property, funds and proceeds, appropriations and other donations and contributions for use in support of long term narcotics and other investigations. City Council approval was not obtained for the fund balance transfers.

In addition, while reviewing documentation provided by JSO Internal Audit for the transfer of balances noted above, we were informed of revenues that were posted to the wrong revenue subobject, but still posted within the correct trust fund. For example, donations/contributions from private sources were posted as Clerk of Court remittances and Clerk of Court remittances were posted as employee assistance program revenues. The cash receipts were incorrectly coded to the wrong revenue subobject when the revenue was entered in the cash receipt system. The largest error

involved a \$60,678 deposit that was posted as an “employee assistance program contribution” that should have been posted as “sheriff’s investigative funds”. Posting errors were made by both JSO Budget and Management and Clerk of the Court personnel. The errors were never corrected and the balances that were transferred from the Sheriff’s Investigative Fund (SHPS64QIF) to the Sheriff’s Criminal Investigative Fund (SHPS64SSH) reflect these posting errors.

Recommendations

Per guidance received from the Office of General Counsel, we recommend that the JSO Budget and Management Division propose legislation to ratify all past transfers between the two trust funds and eliminate from the Municipal Code the trust fund that is no longer needed. Although funds are still being used for investigative activities overall, Council approval is needed to modify the structure established by Council.

Additionally, we recommend that the revenue subobjects be corrected via journal entry to accurately reflect the true balance of each revenue type (donation, Clerk of Court remittance, etc.) in the City’s accounting system.

We recommend that as administrator of the Sheriff’s Investigative Fund, the JSO Budget and Management Division perform routine reconciliations with FAMIS, the City’s accounting system, to ensure input and posting errors are identified and corrected in a timely manner.

JSO Response to Finding 3-6

Management Response / Corrective Action Plan

Agree Disagree Partially Agree

Prior to transferring fund balances, the JSO sought guidance from the City’s Comptroller. During the audit, members of the JSO, Council Auditor’s Office and Office of General Counsel met to discuss the journal entry made by City Accounting. The Office of General Counsel suggested that the JSO submit legislation to Council to close the account as a “housekeeping” measure. Budget and Management Division will submit legislation to eliminate the unused fund.

Budget and Management will record a journal entry to correct the self-reported posting errors.

Budget and Management will be reconciling the fund to FAMIS on a quarterly basis as a result of modifications to the fund’s financial statements.

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

Respectfully submitted,

Kirk A. Sherman, CPA
Council Auditor

**Office of the Sheriff
Investigative Fund Unit
Schedule of Cash Receipts and Disbursements
For the Year Ended December 31, 2011**

Prepared By: Russell Caffey 69007

Criminal Informant Investigative Fund

Investigative Checking Account

Cash In Bank - January 1, 2011	\$	53,117.91	
Cash On Hand - January 1, 2011		35,601.56	
Total Cash Balance - Beginning			\$ 88,719.47
 <i>Add Receipts:</i>			
City Receipts			
City Reimbursements	\$	350,000.00	
Other Receipts		750.00	
Total Receipts			\$ 350,750.00
 <i>Less Expenditures:</i>			
Other Expenditures	\$	6,207.75	
Narcotics/Vice Unit Cash Fund:			
Organized Crime	\$	337,117.64	
Detectives		1,615.07	
Intelligence		4,291.62	
Integrity		1,926.91	
Homeland Security		30.00	
Total Expenditures - Narcotics/Vice Unit Cash Fund			\$ 344,981.24
 Total Expenditures			 \$ 351,188.99
Total Cash Balance - End			\$ 88,280.48

Cash In Bank Balance - December 31, 2011	\$	68,357.40	
Cash On Hand Balance - December 31, 2011		19,923.08	
Total Cash Balance - End			\$ 88,280.48

Investigative Trust Fund

SHPS64QIF Balance - January 1, 2011	\$	1,000,408.17	
SHPS64SSH Balance - January 1, 2011		16,524.98	
Total Fund Balance - Beginning			\$ 1,016,933.15
 <i>Add Receipts</i>			
Sheriff Investigative Funds	\$	801,608.27	
Investment Pool Earnings		25,100.90	
Miscellaneous Sales		68.93	
Total Receipts			\$ 826,778.10
 <i>Less Expenditures</i>			
Salaries and Benefits	\$	123,524.88	
General Liability Insurance		24.39	
Reimbursements to Investigative Checking Account		350,000.00	
Trust Fund Expenditures		26,429.59	
Specialized Equipment		6,052.00	
Total Expenditures			\$ 506,030.86
Fund Balance - December 31, 2011			\$ 1,337,680.39
 Grand Total Balance - December 31, 2011			 \$ 1,425,960.87