



Council Auditor's Office

Sheriff's Investigative Fund 2012

July 17, 2013

Report #746

Released on: February 26, 2014

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ATTACHMENT ‘A’

“SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS”

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



July 17, 2013

Report #746

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, 2012. 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 year ended December 31, 2012 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



July 17, 2013

Report #746

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 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 calendar year 2012, \$420,000 was transferred from the Sheriff’s Criminal Investigative Fund into the investigative checking account. 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 year ended December 31, 2012.

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 2012. 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. There were

approximately 4,130 transactions that occurred within the Narcotics/Vice imprest account during calendar year 2012. 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 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 February 14, 2014 from Bill Clement, Chief of Budget and Management and Patrick Ivey, Chief Patrol – West Division.

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 year ended December 31, 2012 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 an internal control weakness and a finding 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 calendar year ended December 31, 2012.
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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.

Internal Control Weakness 2-1 *Cash advance*

The Sheriff's Office Chief of Budget and Management Division is authorized to disburse integrity investigative funds pursuant to Unit Procedure ADMIN 01.01.00. The authorized amount of the integrity investigative fund is \$5,000. In March 2012, \$2,500 was advanced to the Integrity Unit from this fund. The funds were properly requested by means of a P-1590 Request of Funds form; however, the field indicating the name of the officer who requested the funds was left blank and no specific case or investigation was identified on the form. At the time of testing in June 2013, we noted that the cash advance was being replenished from the integrity investigative fund monthly to maintain the \$2,500 amount.

Recommendation

The Chief of Budget and Management Division is the designated custodian of the integrity investigative fund, but custody of the funds is essentially being shared between the Chief and the Integrity Unit. This practice is circumventing the intent of the current procedure. If the Sheriff's Office determines that this is a necessary practice, we recommend the policies be updated to authorize a specified portion of the \$5,000 integrity investigative fund be maintained by the

Integrity Unit. Otherwise, custody of the entire \$5,000 should remain with the Chief of the Budget and Management Division.

JSO Response to Internal Control Weakness 2-1

Management Response / Corrective Action Plan

Agree Disagree Partially Agree

The Budget & Management Division agrees with the Internal Control Weakness but does not agree with the recommendation. Custody of the integrity investigative fund will be transferred to the Integrity Unit Lieutenant. The applicable operational orders and unit procedures will be updated to reflect this change.

Finding 2-2 *Procedure Not Followed*

The Narcotics/Vice Section uses the QuickBooks accounting software to record investigative fund transactions. In the QuickBooks accounting software, outstanding funds are accounted for by responsible officer. During our testing, we obtained the balance sheet as of that particular date, performed cash counts, and obtained all applicable forms to reconcile with the balance listed for each officer on the balance sheet. We noted the following inaccuracies:

- When reconciling the balance recorded for one officer, we noted that in two instances, unspent funds were not returned to the Narcotics/Vice Section safe within ten (10) calendar days after the receipt of those funds, as required by Unit Procedure INHS 04.20.00.
- When reconciling the balance recorded for another officer, we noted two expense forms that had not been submitted within ten (10) calendar days of the transactions per Unit Procedure INHS 04.20.00 and were still outstanding. This caused the outstanding balance recorded for that officer to be overstated at the time of our testing. However, the officer was able to submit the forms to the Narcotics/Vice Section Account Manager before the reporting period was closed in QuickBooks.
- When reconciling the balance for the Vice Unit’s credit card, we noted three expense forms that had not been submitted within ten (10) calendar days of the transactions per Unit Procedure INHS 04.20.00 and were still outstanding. Two of the expense forms were for monthly account fees incurred earlier in 2013 and one expense form was for a transaction that occurred in 2012. Expenses paid with the credit card had been deducted against the card’s prepaid balance.

In addition, we selected a sample of transactions recorded in the QuickBooks accounting software during calendar year 2012 for detailed testing.

- In two of fifty-five expense transactions tested, we noted that expense forms were not submitted to the Account Manager within ten (10) calendar days of the transactions. Both forms were submitted late, after the reporting period was closed and locked from editing in QuickBooks. 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.

Recommendation

We recommend that Unit Procedure INHS 04.20.00 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. Additionally, we recommend that the Narcotics/Vice Section Account Manager reconcile with the credit card custodian at least monthly to ensure that expense forms have been submitted and all activity is recorded in the QuickBooks system.

JSO Response to Finding 2-2

Management Response / Corrective Action Plan

Agree Disagree Partially Agree

Narcotics/Vice management concurs with the recommendation and the finding. Currently, Officers are required to turn in and reconcile all documentation to the Narcotics / Vice Section Account Manager by the 10th of the month.

OBJECTIVE #3

To determine whether the “Schedule of Cash Receipts and Disbursements” for the year ended December 31, 2012 is fairly presented.

Opportunity for Improvement 3-1 *Input Errors*

We noted two out of sixty-one transactions tested contained input errors within the QuickBooks accounting software. The transaction date for both transactions did not agree with the dates on the associated P-1776 expense forms. 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 #725.

Recommendation

We recommend that the Account Manager continue efforts to reduce posting errors in QuickBooks. When entering transactions into QuickBooks, special attention should be paid to changing the default date to the date listed on the P-1776 form.

JSO Response to Opportunity For Improvement 3-1

Management Response / Corrective Action Plan

Agree Disagree Partially Agree

Narcotics/Vice management concurs with the recommendation and findings; however we would also like to note that the errors did not impair the accuracy of Investigative Fund Financial Statements. Additionally, The Account Administrator will pay special attention to all transactions

posted to QuickBooks. The Account Administrator will also verify all information posted to QuickBooks during and after the input process in an effort to reduce posting errors.

Opportunity for Improvement 3-2 *Expenditure Authorization*

Expenditure authorization levels are inconsistent among the investigative checking account, investigative trust fund, and the Narcotics/Vice imprest account, even though the source of funding for all three accounts is the same. The checking account and trust fund are accounted for by the JSO Budget and Management Division, while the Narcotics/Vice imprest account is under the custody of the Assistant Chief of Narcotics/Vice Section. The determination of which account an expenditure will be paid from is based on several factors, including the nature of the purchase and time constraints.

Per the JSO Budget and Management Division, the investigative trust fund follows the expenditure authorization levels set forth in General Order 54, which are as follows:

Amount:	Required Authorization
\$1 - \$2,500	Assistant Chief or higher
\$2,501 - \$5,000	Chief or higher
\$5,001 & up	Director or higher

The investigative checking account and Narcotics/Vice imprest account follow the expenditure authorization levels set forth in Operational Order 05.01.13, which are as follows:

Amounts up to:	Patrol and Investigations	Narcotics/Vice, Intelligence, Tactical Support Unit, Integrity/Special Investigation
\$200	Assistant Chief	Detective
\$500	Assistant Chief	Sergeant
\$1,000	Assistant Chief	Lieutenant
\$5,000	Chief	Lieutenant
\$20,000	Director of Patrol & Enforcement	Assistant Chief
\$100,000	Director of Investigations & Homeland Security	Chief of Homeland Security and Director of Investigations and Homeland Security
Over \$100,000	Sheriff	Sheriff

Recommendation

We recommend that the Sheriff’s Office review current policies to determine if authorization levels should be made uniform.

JSO Response to Opportunity for Improvement 3-2

Management Response / Corrective Action Plan

Agree

Disagree

Partially Agree

Narcotics and Vice Management has reviewed the aforementioned policies. Operationally the amounts listed in General Order 54 are not adequate to allow long-term investigations to continue. On multiple occasions amounts in excess of five thousand dollars are used in the continuance of an investigation. Most of the time these types of investigations are fluid and require approvals after hours or quickly and therefore are easier to control at the Assistant Chief or Narcotics level. In order to provide clarity, a notation that excludes the investigative fund will be added to General Order 54.

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 December 31, 2012**

Prepared By: Russell Caffey 69007

Criminal Informant Investigative Fund

Cash In Bank -	January 1, 2012	\$	68,357.40
Cash On Hand -	January 1, 2012		19,923.08
Total Cash Balance - Beginning			\$ 88,280.48
<i>Add Receipts</i>			
	(City) Receipts		
	Trust Funds	\$	420,000.00
	(Other) Receipts		6,218.36
Total Receipts			\$ 426,218.36
<i>Less Expenditures</i>			
	Other Expenditures	\$	10,394.92
	Narcotics/Vice Unit Cash Fund:		
	Organized Crime	\$	390,315.88
	Detectives		6,349.84
	Intelligence		901.95
	Integrity		2,338.51
	Homeland Security		13,917.20
	Total Expenditures - Narcotics/Vice Unit Cash Fund	\$	413,823.38
Total Expenditures			\$ 424,218.30
Total Cash Balance - End			\$ 90,280.54
Cash In Bank -	December 31, 2012	\$	60,681.90
Cash On Hand -	December 31, 2012		29,598.64
Total Cash Balance - End			\$ 90,280.54

Investigative Trust Fund - SHPS64SSH

Fund Balance -	January 1, 2012		\$ 1,337,680.39
<i>Add Receipts</i>			
	Sheriff Investigative Funds	\$	699,596.13
	Investment Pool Earnings		60,294.04
	Contributions from Private Sources		29,895.00
	Miscellaneous Sales		3,700.00
Total Receipts			\$ 793,485.17
<i>Less Expenditures</i>			
	Salaries and Benefits	\$	91,967.06
	General Liability Insurance		16.42
	Reimbursements to Investigative Checking Account		420,000.00
	Trust Fund Expenditures		162,901.08
	Specialized Equipment		141,228.51
Total Expenditures			\$ 816,113.07
Total Trust Fund Balance -			
	December 31, 2012		\$ 1,315,052.49
Grand Total -	December 31, 2012		\$ 1,405,333.03