

**Summit County Sheriff's Office**  
*Segregated Accounts*  
**Performance Audit General Report**

**Prepared for:**

**Sheriff Steve Barry**  
**Audit Committee**

**Approved by Audit Committee**  
**September 23, 2014**



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**EXECUTIVE SUMMARY**

**Total Number of Issues – 2**

**Internal Controls**

*Strong Internal Controls:*

Area	# Issues	Issue Description	Pg Ref.
Furtherance of Justice	0	N/A	7
Prisoner Transportation	0	N/A	7
Federal Law Enforcement Trust Fund – Patrol	0	N/A	7
Federal Law Enforcement Trust Fund – Drug	0	N/A	7
Law Enforcement Trust Fund	0	N/A	7
Law Enforcement Trust Fund – Patrol	0	N/A	7
Law Enforcement Trust Fund – Drug Unit Project Income	0	N/A	7
I.D. & Records Admin	0	N/A	7
Drug Unit Escrow	0	N/A	7
1099 Process	0	N/A	7

*Weaknesses in Internal Controls:*

Account	# Issues	Issue Description	Pg Ref.
Inmate	2	<ul style="list-style-type: none"> <li>• Bank reconciliation variances</li> <li>• Unrestricted vendor access into the accounting system</li> </ul>	6

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**GENERAL BACKGROUND**

The Summit County Sheriff's Office (Sheriff's Office) administers eleven (11) segregated bank accounts. The Sheriff's Office participates in Federal and State Law Enforcement Fund programs which restrict expenditure activity to law enforcement purposes. Additional operating accounts are utilized for day to day operations within the Sheriff's Office (e.g., Operations and Jail divisions).

A description of deposits and expenditures for each segregated account reviewed is represented in the table below:

<b>Account Name (Account Number)</b>	<b>Regulating Authority</b>	<b>Deposits</b>	<b>Expenditures</b>
Furtherance of Justice (...0254)	State of Ohio	General fund (based on Sheriff's salary)	Travel, retirement parties, promotions, staffing
Prisoner Transportation (...3484)	State of Ohio	General fund	Transportation costs
Federal Law Enforcement Trust Fund – Patrol (...2951)	Federal	Federally seized and forfeited assets	General law enforcement purposes (e.g., equipment and training)
Federal Law Enforcement Trust Fund – Drug Unit (...3721)	Federal	Federally seized and forfeited assets	Vehicles/repairs, office equipment, confidential funds, meth clean-up
Law Enforcement Trust Fund – Prior Admin NARC Unit (...9383)	State of Ohio	Mandatory drug fines from local cases	Drug-related law enforcement purposes
Law Enforcement Trust Fund – Patrol (...2978)	State of Ohio	State and local seized assets	Equipment, training, ammunition
Law Enforcement Trust Fund – Drug Unit Project Income (...8536)	State of Ohio	State and local seized assets and mandatory drug fines	General law enforcement purposes
Inmate Account (...3468)	Departmental Procedures	Funds received by/for inmates	Inmate discharge, commissary and telephone vendors, indigent fees
I.D. and Records Admin (...3476)	Departmental Procedures	CCW and background check fees, sexual predator registration fees	Pay-ins to Summit County
Drug Unit Escrow (...3916)	Contract	Escrow funds (per lease agreement)	Account to be closed and remaining funds will be used to purchase vehicles

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**AUDIT OBJECTIVE, SCOPE, AND METHODOLOGY**

The primary focus of this review was to provide the Sheriff's Office with reasonable assurance, based on the testing performed, on the adequacy of the system of management control currently in effect for the audit areas.

Management controls include the processes for planning, organizing, directing, and controlling program operations, including systems for measuring, reporting, and monitoring performance. Management is responsible for establishing and maintaining effective controls that, in general, include the plan of organization, as well as methods and procedures to ensure that goals are met. Specific audit objectives include evaluating the policies, procedures, and internal controls related to the Sheriff.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Based on the results of our review, we prepared specific issues and recommendations for improvement that were discussed with management. These recommendations, as well as management's unaltered written response, can be found in the following sections of this report.

**Objectives:**

- To review the segregated account internal control structure through employee interviews and observations.
- To ensure IRS Form 1099's are processed according to IRS regulations.

**Scope:**

An overview and evaluation of the existing policies, processes, procedures, contracts and internal control structure utilized by the Sheriff from January 1, 2014 through June 30, 2014.

The following were the major audit steps performed:

**OBJECTIVE 1 – REVIEW OF SEGREGATED ACCOUNT INTERNAL CONTROLS**

1. Meet with the appropriate personnel to obtain an understanding of the control environment.
2. Document the existing control procedures in narratives and/or flowcharts.
3. Test procedures for compliance where applicable, noting all exceptions.
4. Investigate discrepancies and summarize results.
5. Make recommendations where appropriate.

**OBJECTIVE 2 – IRS FORM 1099 PROCESSING**

1. Meet with the appropriate personnel to obtain an understanding of the department's process.
2. Document the existing control procedures in narratives and/or flowcharts.
3. Ensure the 1099 process is performed in accordance with IRS regulations.
4. Investigate discrepancies and summarize results.
5. Make recommendations where appropriate.

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**DETAILED COMMENTS**

**I. Segregated Account Internal Control Testing:**

Sheriff's Office policies and procedures and applicable legislation were reviewed, staff interviews were conducted, and flowcharts were created and approved to gain an understanding of the laws and regulations, deposit and expenditure processes, and internal controls in place for the following segregated accounts:

- Furtherance of Justice
- Prisoner Transportation
- Federal Law Enforcement Trust Fund – Patrol
- Federal Law Enforcement Trust Fund – Drug
- Law Enforcement Trust Fund – Prior Admin NARC
- Law Enforcement Trust Fund – Patrol
- Law Enforcement Trust Fund – Drug Project Income
- Inmate Account
- I.D. & Records Administration
- Drug Unit Escrow

All deposits and expenditures were selected from the Federal Law Enforcement Trust Fund accounts (Patrol and Drug) and samples of deposits and expenditures were selected from the remaining accounts. Detail testing was performed to ensure adequate support was maintained, activity was in compliance with rules and regulations, and proper approval.

The following issues were noted:

INMATE ACCOUNT (...3468)

1. Issue:

Upon detail testing of the Sheriff's Office manual and system (Keefe) bank reconciliations, IAD noted outstanding check variances in six (6) of six (6) months, totaling \$6,257.10.

Recommendation:

IAD recommends that the Sheriff's Office determine the cause and correct the outstanding check variances. This will help to ensure completeness and accuracy of financial information and monthly bank reconciliations.

Management Action Plan:

Keefe is currently working with the Inmate Account Supervisor to resolve what is causing the variances between the manual and Keefe banking system. The amount differs from month to month. Both the manual and Keefe banking system reconcile monthly with the bank statement so it has been determined that the problem is in the way the outstanding checks are tracked in the two systems.

Estimated Target Date: November 1, 2014

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2. Issue:

Upon discussion with the Inmate Account Supervisor, IAD noted that the Keefe Accounting System vendor has unrestricted access to the accounting system, creating the opportunity for unauthorized changes to be made in the system resulting in inaccurate data.

Recommendation:

IAD recommends that the Sheriff's Office disable vendor access to the accounting system and when vendor changes are needed, the vendor shall notify the Inmate Account Supervisor before accessing the system and making changes. This will help to ensure the Sheriff's Office is fully aware of all changes being made to the accounting system and be able to ensure accuracy of the account.

Management Action Plan:

Keefe has been notified of this issue and is working on a way that the vendor must notify the Inmate Account Supervisor before accessing the system and making any changes.

Estimated Target Date: November 1, 2014

No issues were noted with the other nine (9) accounts.

**II. IRS FORM 1099 Process:**

Staff interviews were conducted to gain an understanding of the IRS Form 1099 (1099) process for the above noted accounts. The 1099 process was reviewed to ensure procedures are performed in accordance with IRS regulations.

No issues noted.