



Memo

TO: David Givans, Internal Auditor

FROM: Beth Raguine, Business Manager

DATE: June 17, 2016

RE: Review of previous audits

I have conducted a review of all of your previous audits for the Sheriff's Office. To my knowledge, all recommendations have been implemented, except the following:

- 1) Sheriff's Office – Inmate Services (March 2003)
 - a. Recommendation: Management should consider utilizing “positive pay” bank services to provide additional security to inmate trust checking account.
 - i. Response: The adult jail issues checks to inmates upon release, 24 hours a day, 7 days a week. Implementing positive pay would require each check to be entered into the bank system at the time it is issued. Over the course of the last two years, there have been instances where positive pay would have identified issued related to the bank reading a check inaccurately. These errors have always been identified at the time the bank statement is reconciled and corrected immediately. Due to the time associated with entering each check individually, and the monthly fee associated with this service, positive pay is not an efficient use of resources.
- 2) Sheriff's Office – Civil Services (March 2003)
 - a. Recommendation: Each employee collecting fees should be responsible for their own monies until the monies are counted for deposit and reconciled to the day's activity.
 - i. Response: New cash receipting software is in place which tracks deposits by individual and will allow for each individual to reconcile their daily receipts. New procedures are being developed to implement this recommendation.

3) Sheriff's Office Evidence Room (October 2012)

- a. Recommendation: It is recommended that the software administrator(s) develop a written manual for how they have setup the system and plan for its operation.
 - i. Response: This manual has been drafted. The Evidence Policy is currently being revised, which may impact changes to the setup and use of the evidence software. Upon finalization of the Evidence Policy, the software manual will be updated to reflect any changes.

cc: Sheriff Nelson, Captain McMaster, Captain Garrison, Captain Bocciolatt



Deschutes County,
Oregon

David Givans, CPA, CIA, CGMA
Deschutes County Internal Auditor
PO Box 6005
1300 NW Wall St
Bend, OR 97708-6005
(541) 330-4674
David.Givans@Deschutes.org

FOLLOW-UP REPORT

Sheriff's Office Transition

(Internal audit report #14/15-9 issued August 2015)

Audit committee:

Shawn Armstrong, Chair - Public member
John Barnett - Public member
Lindsey Lombard - Public member
Michael Shadrach - Public member
Wayne Yeatman - Public member
Anthony DeBone, County Commissioner
Nancy Blankenship, County Clerk
Dan Despotopulos, Fair & Expo Director



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1. Introduction

1.1 BACKGROUND

Audit Authority:

The Deschutes County Audit Committee has suggested that follow-ups occur from nine months to one year after the original report issuance. The Audit Committee's would like to make sure departments satisfactorily address recommendations.

1.2 OBJECTIVES and SCOPE

Objectives:

The objective was to follow-up on the outstanding audit recommendations.

Scope:

The follow-up included six (6) recommendations from the internal audit report on Sheriff's Office Transition for County Administration (#14/15-9 issued August 2015).

The follow-up reflects the status as of June 2016. The original internal audit report should be referenced for the full text of recommendations and discussion.

1.3 METHODOLOGY

The follow-up report was developed from information provided by Beth Raguine, Sheriff's Office Business Manager. In cases where recommendations have not been implemented, comments were sought for the reasons why and the timing for addressing these. The follow-up is, by nature, subjective. In determining the status of recommendations that were followed up, we relied on assertions provided by those involved and did not attempt to independently verify those assertions.

The updates received from the Sheriff's Office are included in **Appendix I**.

Since no substantive audit work was performed, *Government Auditing Standards* issued by the Comptroller General of the United States were not followed.

**2.
Follow-up
Results**

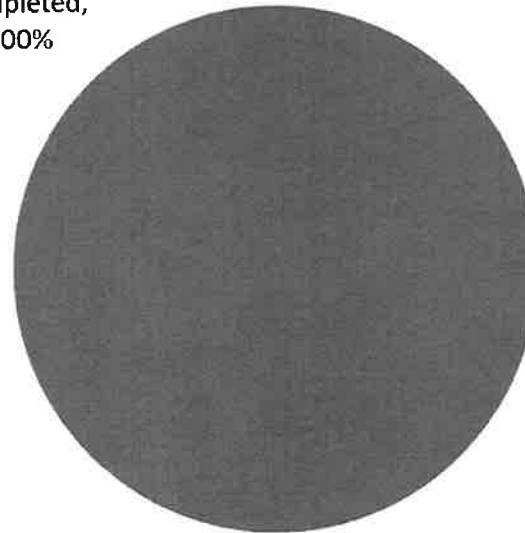
The follow-up included six (6) recommendations. Management agreed with all of the recommendations. They are to be recognized for their complete and quick response to the recommendations identified.

Figure I provides an overview of the implementation status of the recommendations. The details of the updated workplan are provided in **Appendix I**.

With this follow-up, one-hundred percent (100%) of the recommendations are completed.

**Figure I -
How were
recommendations
implemented?**

Completed,
100%



*Internal audit
recommendation
resulted in
identification of
fraud*

Fraud discovery highlights:

The report highlighted the need for "certain cash is held for investigative purposes in different places and should be logged in a master ledger" and recommended that the Sheriff's Office "include in program ledgers all investigative cash monies held by location". This finding and associated recommendation was related to a perceived lack of segregation of duties over this cash.

The Sheriff's Office staff in response to this finding explored these logs and associated cash movements. They identified the potential weakness had in fact been exploited. With limited assistance of the internal

auditor, Sheriff's Office staff and FBI assembled a case against the now former Captain Beard responsible for safeguarding those monies. It was also determined additional monies under the former Captain's oversight had also been compromised. After the investigation was completed, the case was made against the former Captain for stealing approximately \$205 thousand dollars.

The former Captain has pleaded guilty to two counts each of money laundering and theft from a program receiving federal funds. The Sheriff's Office is seeking recovery of the stolen funds from PERS retirement accounts and personal assets. He is due to be sentenced August 23, 2016 and faces up to five years in prison.

Additional follow-up procedures:

Shortly after the above fraud was discovered, the Sheriff's Office, the County and internal audit worked together at identifying additional procedures, forms and controls to prevent future issues over investigative and evidence cash handling.

In coordination with this follow-up, internal audit and the Sheriff's Office Business Manager completed a surprise cash count of investigative monies located with CODE and with the Sheriff's Office and found that monies agreed to the associated accounting records. Monies requested for investigative funds (since the fraud) were traced though to those custodian accounting records. Reports and processes were reviewed for evidence and investigative funds. The improved communications and transparency of transactions appears to be working as intended. Some minor observations were made on further improving the stated policies.

3. Appendix

Appendix I – Updated Workplan for Report #14/15-9 (Status as of July 2016)

Audit #14/15-9 workplan		Implementation Status				Sheriff's Office Comments
Rec #	Recommendations	Completed	Underway	Planned	Estimated or Actual Date of Completion	
1	It is recommended for the Sheriff's Office to establish a routine schedule for having these financial statements audited by their due date.	X				A schedule has been established to have the financial statements audited by October 31. This will allow sufficient time for the County's Finance department to process year-end invoices, and allow for scheduling with the external auditor.
2	It is recommended the Sheriff's Office include with credit card purchases a brief explanation (if it is not apparent) how these purchases fall under an "emergency situation" identified in the policy. It might be necessary for the Sheriff's Office to seek a more expanded credit card use policy from the County for certain internet purchases.	X				The Sheriff's Office has established a Credit Card Documentation Form to provide a detailed description of the use of the credit card. Internal policy has also been updated to address the appropriate use of credit cards.
3	It is recommended for staff who have custody and use of County credit cards in the Sheriff's Office be provided copies of the policy and sign an acknowledgment that they have read the policy and will comply with its terms. {Staff authorized to have credit cards have signed and provided copies of the policy for the current transition.}	X				Completed

Audit #14/15-9 workplan		Implementation Status				
Rec #	Recommendations	Completed	Underway	Planned	Estimated or Actual Date of Completion	Sheriff's Office Comments
4	It is recommended that purchase of gift cards be discouraged and practices be established to address potential use of gift cards in accordance with the credit card policy or operationally.	X				The use of gift cards is strongly discouraged. Procedures for tracking gift cards have been established.
5	It is recommended the Sheriff's Office to identify and exclude certain transactions that do not meet the reporting requirements. Accordingly, appropriate staff training will need to occur on these reporting standards.	X				Staff has been trained on the proper reporting of these transactions.
6	It is recommended the Sheriff's Office <ul style="list-style-type: none"> • have the business manager receive the bank statements and review prior to providing to the division for reconciliation; • provide the business manager and Finance copies of bank reconciliations performed for review; • establish practices to remit unclaimed property that is older than two years; and • include in program ledgers all investigative cash monies held by location. 	X				Bank statements are reviewed by the Business Manager prior to reconciliation. Once reconciled, the Administrative Analyst sends copies of the reconciled statements to the Business Manager, Corrections Captain and County Finance. Unclaimed property submittals are up to date and have been scheduled for October 2016. The Business Manager has established master logs of cash monies held by location.

{END OF REPORT}



Deschutes County,
Oregon

David Givans, CPA, CIA, CGMA
Deschutes County Internal Auditor
PO Box 6005
1300 NW Wall St, Suite 200
Bend, OR 97708-6005
(541) 330-4674
David.Givans@Deschutes.org

Sheriff's Office transition (7/1/2015)

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Audit committee:

Shawn Armstrong, Chair - Public member
Chris Earnest - Public member
Lindsey Lombard – Public member
Michael Shadrach - Public member
Jennifer Welander, Chair - Public member
Anthony DeBone, County Commissioner
Nancy Blankenship, County Clerk
Dan Despotopulos, Fair & Expo Director



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1. Introduction

1.1 BACKGROUND ON AUDIT

Audit Authority:

The Deschutes County Audit Committee authorized the review of the Sheriff's Office transition in the amended Internal Audit Program Work Plan for FY 14/15. Internal audit has had a practice of reviewing operations for elected officials on transition in their office. Sheriff Larry Blanton announced his retirement on December 20, 2014 and the date of transition was set for July 1, 2015.

On February 25, 2015 L. Shane Nelson (the Captain overseeing Jail operations) was appointed by the Board of County Commissioners to complete Sheriff Blanton's term as Sheriff effective on July 1, 2015.

1.2 OBJECTIVES and SCOPE

Objectives:

The audit objectives include:

- 1) Observe the conveyance of the Office of Sheriff in accordance with ORS §206.
- 2) Review prepared accounting of all monies (Jail, Bail, Civil, and other).
- 3) Inquire into process to suspend authorizations and access to critical law enforcement and County systems.
- 4) Determine that assets assigned directly to the Sheriff have been returned to the Sheriff's Office.
Determine how the Sheriff's duty firearm will be handled.
- 5) Judgmentally selected and review transactions by the Sheriff.

Scope:

The Sheriff's last day was July 1, 2015(Wednesday). The scope included observations and interviews with Sheriff's Office staff up through the transition on July 1, 2015. Internal audit work on this project was primarily in June 2015. The significant laws, regulations and guidance identified for these audit objectives included ORS 206. The limited scope of the audit objectives precluded a thorough review of internal controls employed. Selected internal controls were inquired about and were operating as understood.

1.3 METHODOLOGY

Audit procedures included:

- Observing and interviewing selected staff on transitional procedures,
- Reviewed April 2015 bank reconciliations with staff,
- Reviewed for recent Sheriff expense reimbursements,

- Analyzed and reviewed recent expense trends by account and vendor,
- Reviewed recent contracts executed by the Sheriff's Office,
- Researching the cash resolutions and agreeing to cash on hand,
- Followed up with IT staff on access rights to County systems,
- Reviewing recent credit card statements and supporting expenses,
- Inquired about handling of any assets utilized by Sheriff and their disposition,
- Attended recent auctions carried out by Sheriff's Office, and
- Reviewed for any outstanding internal audit recommendations from prior internal audit reports (none).

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.

(2011 Revision of Government Auditing Standards, issued by the Comptroller General of the United States.)

2. Findings

The Sheriff's Office staff followed the state dictated procedures (ORS §206) for transition of the Office of the Sheriff. The Sheriff's Office and Sheriff sufficiently planned and executed their responsibilities in regards to the requisite forms to be signed and provided on transition between the retiring Sheriff Blanton and newly appointed Sheriff Nelson. The findings identified relate primarily to other observations during review of Sheriff's Office activity, which were included in the internal audit.

No significant deficiencies were found in this audit. A significant deficiency is defined as an internal control deficiency that could adversely affect the entity's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The findings noted were primarily compliance and efficiency matters.

Audit findings result from incidents of non-compliance with stated procedures and/or departures from prudent operation. The findings are, by nature, subjective. The audit disclosed certain policies, procedures and practices that could be improved. The audit was neither designed nor intended to be a detailed study of every relevant system, procedure or transaction. Accordingly, the opportunities for improvement presented in the report may not be all-inclusive of areas where improvement may be needed.

Transition procedures performed and observations.

1. Inquired as to suspension of authorizations and access to critical law enforcement and County systems.

Observation

Sheriff's Office is having Larry Blanton continue to provide some advisory services to the Office and therefore the authorizations will continue until such time that the employment ceases.

2. Inquired as to any assets to be retained by retiring Sheriff Blanton that should be returned to the Sheriff's Office.

Observation

All assets were returned. The retiring Sheriff's duty firearm was given to him by the Board of County Commissioners in gratitude for his many years of service.

3. Inquired about incoming Sheriff's qualifications under ORS 206.015

Observations

The Oregon Department of Public Safety Standards and Training issued a letter to L. Shane Nelson indicating that he met the requirements as established by the state to be eligible to hold the office of Sheriff. The County Board of Commissioners also considered his experience and qualifications during their appointment process.

4. Delivery of jail/asset information, processes, prisoners and pending documents to new Sheriff pursuant to ORS 206.090.

Observations

These documents were prepared by staff and delivered on July 1, 2015. There was only one minor observation brought to the attention of staff.

5. Certificate of appointment served on Sheriff on date of transition pursuant to ORS 206.080.

Observation

Swearing in occurred on July 1. Appointment papers were submitted to retiring Sheriff Blanton by L. Shane Nelson.

6. The Sheriff's office utilizes County trust accounts to disburse funds collected for others. This primarily occurs with auctions.

Observation

Trust accounts were reviewed with Finance who indicates that Sheriff's Office staff are clearing trust funds in a timely manner. These auctions were carried out in a professional manner. Monies were deposited with County Finance in a timely manner.

8. Inquired about financial statements for Central Oregon Law Enforcement Services (COLES) for FY 2014. COLES is an intergovernmental entity that oversees the Central Oregon Drug Enforcement team. The Sheriff's Office has been involved in the financial affairs of these organizations including the arrangement of financial audits.

Observation

The fiscal year 2014 financial statements were required to be completed by 12/31/2014. The auditors were not contacted in a timely manner and the reports are now delinquent.

Recommendation

It is recommended for the Sheriff's Office to establish a routine schedule for having these financial statements audited by their due date.

Additional documentation supporting credit card usage is needed.

The County has authorized four credit cards for specific purposes in the Sheriff's Office. The cards are issued to the Sheriff and the three Captains. These have specified limits and by policy are supposed to be used only for "emergency situations" (County Policy F-3) that are unforeseen and immediate. So far in FY 2015, the credit cards incurred less than \$5,000 in expenses. Staff indicate they are careful in their use of these cards. The credit cards have been used for emergency situations but some uses are for internet purchases that do not indicate how these meet policy. It is unclear whether they are emergency situations. The Sheriff's Office has an internal policy governing credit cards requiring that documentation explain the expenditure. It is possible some of these expenses could have been handled under employee reimbursement or direct billing to the County.

The policy specifies use of the Sheriff's Office credit cards for only emergency situations. In no event will the credit card be used for normal or routine training or travel expenditures. The policy also requires that

staff utilizing the credit cards sign off on the policy. It was not clear whether this occurred since no signed copies could be located. The Sheriff's Office has an internal policy on use of the credit cards that was reviewed and acknowledged by the credit card holders.

Documentation reviewed for credit card expenses appeared sufficient except for a purchase of two prepaid gift cards at McDonalds that were used to cover the cost of food for volunteers working an emergency. Gift cards are not a disbursement until used and can require additional safeguards. Gift cards are like cash and require further tracking of the use of the gift card to substantiate how the funds were used. In this situation, these were food gift cards but it would be necessary to know those were used as part of the emergency.

During the course of operations for the Sheriff's Office, there are situations requiring immediate action or that involve vendors that will not establish an account with the Sheriff's Office. The Sheriff's Office would prefer not to require employees to use personal credit cards to pay for operational costs and seek reimbursement. The County prefers not to issue credit cards and tightly limits their usage. The County has authorized some department credit cards for use in transacting business on the internet.

The potential non-emergency usage of credit cards was brought up during the last transition audit and has not been fully resolved.

It is recommended the Sheriff's Office include with credit card purchases a brief explanation (if it is not apparent) how these purchases fall under an "emergency situation" identified in the policy. It might be necessary for the Sheriff's Office to seek a more expanded credit card use policy from the County for certain internet purchases.

It is recommended for staff who have custody and use of County credit cards in the Sheriff's Office be provided copies of the policy and sign an acknowledgment that they have read the policy and will comply with its terms.

{Staff authorized to have credit cards have signed and provided copies of the policy for the current transition.}

It is recommended that purchase of gift cards be discouraged and practices be established to address potential use of gift cards in accordance with the credit card policy or operationally.

Staff dealing with Bail monies may be over-reporting transactions.

The Sheriff's Office has the opportunity to increase efficiencies related to reporting certain bail monies received. The County provides information on bail monies received for information reporting requirements on certain bail monies received. The Jail, occasionally, receives monies from inmates in excess of \$10,000 used for bail. The Sheriff's Office provides information for the Court Clerk to complete the information reporting for monies received. Cashiers' checks and money orders in excess of \$10,000 are excludable from the determination of reportable amounts. In a unique circumstance, staff reported a bail transaction when a majority of the bail was comprised of a cashier's check in excess of \$10,000. This resulted in the transaction being reported when it was not necessary and increased work performed by the Sheriff's Office and the Court Clerk.

As agents for the Court Clerk, the Sheriff's Office is responsible for obtaining and providing sufficient information the Court Clerk needs for information reporting purposes.

It is recommended the Sheriff's Office to identify and exclude certain transactions that do not meet the reporting requirements. Accordingly, appropriate staff training will need to occur on these reporting standards.

Some additional controls needed for bank accounts and cash

During review of the checking accounts used in the Jail and other cash monies, identified some areas for improvement. Including

- Segregation of duties could be improved by having the business manager review the bank statements prior to completion of the bank reconciliation before it is handed over to Jail staff for reconciliation. In addition, the completed bank reconciliation should be reviewed by the business manager and shared with Finance.
- Remitting outstanding checks held beyond two years. The inmate account is currently holding some checks greater than two years.
- Certain cash is held for investigative purposes in different places and should be logged in a master ledger.

Segregation of duties focusses on splitting up some incompatible accounting duties. No individual should authorize a transaction, record the transaction in the accounting records, and maintain custody of the

assets resulting from the transaction. When these functions cannot be separated, due to limited personnel, a detailed supervisory review of related activities may be used as a compensating control activity. County resolution requires the bail and inmate bank reconciliations be provided to Finance.

In the absence of sufficient controls, it may be difficult to identify in a timely manner whether all monies have been collected and deposited.

Oregon's unclaimed property program currently requires that outstanding checks (of this type) be remitted when they are older than two years. The Jail has \$2,300 of outstanding checks (693 checks) that should have been remitted by November 1, 2014. It appears this was a misunderstanding and they will be remitting those with their next unclaimed property check.

Certain Sheriff programs require investigative cash and should have any monies cashed logged in a centralized location by amount, date, and location. These are periodically audited by independent staff.

It is recommended the Sheriff's Office

- ***have the business manager receive the bank statements and review prior to providing to the division for reconciliation;***
- ***provide the business manager and Finance copies of bank reconciliations performed for review;***
- ***establish practices to remit unclaimed property that is older than two years; and***
- ***include in program ledgers all investigative cash monies held by location.***

3. Management response

Sheriff's Office



Memo

TO: David Givans, Internal Auditor
FROM: Beth Raguine, Business Manager
DATE: August 7, 2015
RE: Sheriff's Office Transition Audit Response

Thank you for conducting the audit. We appreciate your input through recommendations in your report. The Sheriff's Office has reviewed the findings and has already taken some steps to implement some of the recommendations. Responses to specific recommendations follow:

Audit of FY 2014 COLES/CODE financial statements are delinquent.

The audit of FY 2014 and FY 2015 CODE/COLES financial statements is currently being conducted. These audits will be scheduled annually in September or October, to allow sufficient time for the County to close of the fiscal year and to accommodate the schedule of the outside auditor.

It is recommended the Sheriff's Office include with credit card purchases a brief explanation (if not apparent) how these purchases fall under and "emergency situation" as identified in the policy. It might be necessary for the Sheriff's Office to seek a more expanded credit card use policy from the County for certain internet purchases.

The Sheriff's Office is in the emergency business and operates in the most efficient and fiscally responsible manner while conducting business. Some situations may call for immediate action and payment via credit card may be the only option available. We explore other options when possible, to include setting up an account

with the vendor.

The Sheriff's Office maintains and operates by an internal policy regarding credit card usage. This policy is under review based on the audit findings. As recommended, the Sheriff's Office staff will include additional documentation with credit card receipts to document the items purchased and describe the urgency that required use of a credit card.

The audit refers to credit card usage for online purchases. These purchases were for software that was only available online from an international vendor who would not accept any other form of payment. Since this software was required for criminal investigations, the Sheriff's Office determined this to be an emergent situation, justifying the use of the credit card in compliance with our internal policy.

The Sheriff's Office is in agreement that a review of the current County policy is needed to address situations where a credit card is the only form of payment accepted by the vendor (such as online orders from international companies) but the situation is not considered an "emergency" under the current policy. The Sheriff's Office is addressing these situations in the internal policy.

It is recommended for staff who have custody and use of County credit cards in the Sheriff's Office be provided with copies of the policy and sign an acknowledgement that they have read the policy and will comply with its terms.

This has been completed. The Sheriff's Office maintains an internal policy related to credit cards which has been reviewed and acknowledged by all credit card holders.

It is recommended that purchase of gift cards be discouraged and practices be established to address potential use of gift card in accordance with the credit card policy or operationally.

Gift cards are used very rarely by the Sheriff's Office. The purchase of two McDonalds gift cards noted in this audit was during a fire emergency (the Two Bulls Fire) during which Sheriff's volunteers and personnel were working to protect the community. Volunteers are a valuable asset to the Sheriff's Office. There are over 400 individuals contributing nearly \$1 million in service hours to the community each year. In this circumstance, there was a need to provide lunch for numerous volunteers and staff working multiple locations. A McDonalds restaurant was identified as a location in close proximity to these sites, but the restaurant would not bill the Sheriff's Office for meals. Gift cards were purchased via credit card and retained at the restaurant. Volunteers and staff were able to go to the restaurant, present their identification, and receive a meal before returning to the fire.

Gift cards are controlled by the Sheriff's Office Finance and additional procedures will be reviewed in light of the

recommendations.

It is recommended that the Sheriff's Office exclude certain transactions that do not meet the reporting requirement. Accordingly, appropriate staff training will need to occur on these reporting standards.

The Sheriff's Office was previously reporting all transactions over \$10,000, and this audit has identified certain transactions that are excluded from these reporting requirements. Staff will be trained on these reporting standards.

It is recommended the Sheriff's Office have the business manager receive the bank statements and review prior to providing to the division for reconciliation;

The bank statements are currently reconciled by the division using a software system. The business manager will review bank statements prior to providing to the division for reconciliation.

- **provide the business manager and Finance copies of bank reconciliations performed for review;**

Copies of bank reconciliations are currently being sent to Finance and the Jail Captain. A copy will also be sent to the business manager for review.

- **establish practices to remit unclaimed property that is older than two years; and**

Additional training from the State clarified the timing of submittals. The submittal in October 2015 will bring the Sheriff's Office up to date.

- **include in program ledgers all investigative cash monies held by location.**

The business manager will create a master log of investigative cash and will conduct quarterly audits of cash monies held by location.

Note: An opportunity was provided to Retired Sheriff Larry Blanton to review and provide written comment. No written response was received.

{End of Report}

Please take a survey on this report by clicking on the attached link:

<https://www.surveymonkey.com/r/SheriffsOfficeTransition1415-9>



Deschutes County,
Oregon

David Givans, CPA, CIA, CGMA
Deschutes County Internal Auditor
PO Box 6005
1300 NW Wall St, Suite 200
Bend, OR 97708-6005
(541) 330-4674
David.Givans@Deschutes.org

Sheriff's Office – Evidence room (Evidence data conversion)

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Audit committee:
Jennifer Welander, Chair - Public member
Chris Earnest - Public member
Gayle McConnell - Public member
Jean Pedelty - Public member
Michael Shadrach - Public member
Anthony DeBone, County Commissioner
Dan Despotopulos, Fair & Expo Director
Nancy Blankenship, County Clerk



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HIGHLIGHTS

Sheriff's Office – Evidence room (data conversion)

Why this audit was performed:

The Sheriff's Office underwent a replacement of their evidence software. At the time of a previous audit (#11/12-10), the evidence data conversion had not taken place. This audit addresses the data conversion piece of the software conversion.

What is recommended

Recommendations included:

- researching and resolving data not in the new system.
- establishing (from a County perspective) expectations during conversions. In this conversion, it would have included a review for data completeness.

What was found

The Sheriff's Office has transitioned to new evidence room software. A previous audit (#11/12-10) reviewed the physical inventory of evidence items and general controls within the new software system. This audit completes the objective previously contemplated of assessing the completeness of the data conversion.

With the audit, substantially all data was confirmed in the new system (99.9%). Considering the large amount of data and types of data that were part of the system, that is a very good result. The audit provided evidence room staff with the data that could not be located in the new system that required additional research. Staff was to assess whether changes to the data was required.

{As of January 2014, evidence room staff have completed their research of the evidence items provided and updated the new system as necessary.}

Given the significance of the data, it would have been appropriate for County and departmental staff to arrange for a reconciliation of data to be addressed in the conversion process. No such reconciling process occurred. In the absence of this audit work, it is not clear a reconciliation for completeness of data conversion would have been performed.

1. Introduction

1.1 BACKGROUND ON AUDIT

Audit Authority:

The Deschutes County Audit Committee authorized the review of the Sheriff Office's evidence room software implementation in the Internal Audit Program Work Plan for FY 11/13. The Sheriff's Office has transitioned to new evidence room software. A previous audit (#11/12-10) reviewed the physical inventory of evidence items and general controls within the new software system. This audit completes the objective previously contemplated of assessing the completeness of the data conversion.

1.2 OBJECTIVES and SCOPE

Objectives:

Internal Audit previously reported in 11/12-10 on other objectives of the software conversion. This audit objective can now be performed since the data conversion has occurred.

- a) Review completeness of conversion of evidence records to the new software system

Scope:

The conversion was completed in June 2013. The scope of the audit was limited only to tracking the evidence records in the prior system to the new system.

1.3 METHODOLOGY

Audit procedures included:

- Obtaining evidence data in both software systems
- Reviewing and analyzing evidence conversion data. Normalizing the data so it can be compared.
- Identifying any inventory records not present in the new system.
- Meeting with evidence room staff to resolve questions.

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.

(2011 Revision of Government Auditing Standards, issued by the Comptroller General of the United States.)

2. **Background**

Evidence room staff maintain a property management system that ensures accuracy and completeness of records. The chain of custody for evidence is strictly maintained from receipt to disposal. This is critical for the successful conviction of criminals.

Audit procedures included obtaining the prior evidence room records in the old software system and comparing them through the use of data mining techniques to the records of the new software system.

Employees of the Sheriff's Office take their duties seriously. Management and staff appear diligent in their efforts to develop an environment supporting internal controls. Evidence room staff were open and professional and had a positive attitude towards making improvements in the control system.

Sheriff's Office staff have completed a physical inventory of most of the evidence room items using the new software system. No significant issues were reported.

3. **Findings**

These findings require some confirmation and work from Sheriff's Office personnel. Though intended to be complete and accurate, any identified unmatched records may be due to the underlying computerized data techniques employed.

The audit was neither designed nor intended to be a detailed study of every relevant system, procedure or transaction. Accordingly, the opportunities for improvement presented in the report may not be all-inclusive of areas where improvement may be needed and does not replace efforts needed to design an effective system of internal control.

A significant deficiency is defined as an internal control deficiency that could adversely affect the entity's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Findings would not be considered as significant deficiencies.

Evidence data conversion

There were only a few items to resolve in evidence data conversion.

Ninety Nine and nine tenths percent (99.9%) of the evidence records were matched into the new software system. The unmatched evidence records identified were provided to evidence room staff for resolution. Initial research indicates that some of the unmatched records do not have a case number field entry that was

present in the old system. Only a few data records could not be located.

The software for evidence maintains records for past and present evidence held. There were over a hundred thousand evidence records. Sheriff's Office staff did not have a proactive way to address the completeness for their data conversion. This has occurred with other County department software conversions. Evidence room staff noted they had identified a couple of evidence records not converted that they have identified and have entered into the new software system. An evidence inventory performed recently by evidence room staff does help assure the overall completeness of the current evidence inventory in the system. Additional work was performed reconciling one location not included in the evidence inventory performed and all records were matched up but there were some case numbers missing.

Standard practices for project management of this type would include appropriate planning for data conversion. Data completeness standards would anticipate monitoring the data conversion between the systems. During conversions, a strategy should be identified to provide for the integrity of data being moved. This usually occurs through input from staff with experience in accounting, operational and technology disciplines.

In the absence of a completed inventory and specific steps to assure completeness of data, it is difficult to ascertain the integrity and completeness of data migrated from one system to another. Given the importance of evidence records in law enforcement it is critical that the data is verified and found to be accurate and complete.

A report of the unmatched evidence items was developed and provided to the Sheriff's Office requiring additional research and resolution by evidence room staff.

It is recommended that evidence room staff research and resolve the unmatched items in a reasonable timeframe.

{As of January, 2014, evidence room staff have completed their research of the evidence items provided and updated the new system as necessary. No additional follow-up required. }

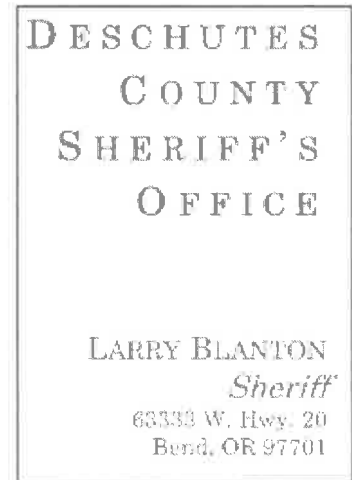
It is recommended the County establish expectations for departments (with the assistance of the IT Department) in software conversions to provide greater guidance on what is expected. The IT Department can help assure appropriate planning and support is considered. When necessary, additional resources should be identified and utilized.

**4.
MANAGEMENT
RESPONSES –**

**Deschutes
County
Sheriff's
Office,
Captain Scott
Beard**

January 29, 2014
To: David Givans
From: Captain Scott Beard

I have reviewed the report and talked with our evidence staff. I believe we have completed our work on these issues and will continue to maintain our records in a complete manner.



**Deschutes
County
Information
Technology,
Joe Sadony,
Director**



Information Technology

14 NW Kearney, Bend, OR 97701
Fax (541) 317-3180
www.co.deschutes.or.us

February 12, 2014

To: David Givans
County Internal Auditor

From: Joe Sadony
Director, Deschutes County Information Technology

**MANAGEMENT
RESPONSES –
continued****RE: MANAGEMENT RESPONSE TO THE REPORT TITLED “Sheriff’s Office – Evidence room”**

We are pleased with the work of the Internal Auditor and the information put forth in the audit report. The report is correct in making the assertion that further controls are required for data conversions. The Information Technology department recognizes the importance of accuracy in converting data from one software system to another and acknowledges the assertion to include a reconciliation process on all data conversions. Going forward, Information Technology will work with departments to ensure the inclusion of defined reconciliation processes in the data conversion portions of software contracts. In addition, Information Technology will further work on ensuring the right personnel are aware and involved in the execution of these data reconciliation processes.

{End of Report}

Please take a survey on this report by clicking on the attached link:

https://www.surveymonkey.com/s/SO_EvidenceRm_Data_Conversion_1314-6



Deschutes County,
Oregon

David Givans, CPA, CIA, CGMA
Deschutes County Internal Auditor
1300 NW Wall St
PO Box 6005
Bend, OR 97708-6005
(541) 330-4674
David.Givans@Deschutes.org

FOLLOW-UP REPORT

Sheriff's Office Evidence

(Internal audit report #11/12-10 issued October 2012)

Audit committee:

Gayle McConnell, Chair - Public member
Chris Earnest - Public member
Jean Pedelty - Public member
Michael Shadrach - Public member
Jennifer Welander - Public member
Anthony DeBone, County Commissioner
Dan Despotopoulos, Fair & Expo Director
Nancy Blankenship, County Clerk



To request this information in an alternate format, please call (541) 330-4674 or send email to David.Givans@Deschutes.org

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1. Introduction

1.1 BACKGROUND

Audit Authority:

The Deschutes County Audit Committee has suggested that follow-ups occur from nine months to one year after the original report issuance. The Audit Committee's would like to make sure departments satisfactorily address recommendations.

1.2 OBJECTIVES and SCOPE

Objectives:

The objective was to follow-up on the outstanding audit recommendations.

Scope:

The follow-up included twenty (20) recommendations from the internal audit report on Sheriff's Office Evidence (#11/12-10) (issued October 2012).

The follow-up reflects the status as of August 2013. The original internal audit report should be referenced for the full text of recommendations and discussion.

1.3 METHODOLOGY

The follow-up report was developed from information provided by Tom Anderson, County Administrator, Captain Tim Edwards and Dana Whitehurst, Administrative Supervisor. In cases where recommendations have not been implemented, comments were sought for the reasons why and the timing for addressing these. The follow-up is, by nature, subjective. In determining the status of recommendations that were followed up, we relied on assertions provided by those involved and did not attempt to independently verify those assertions.

The Sheriff's Office should be acknowledged for their work in addressing these recommendations.

Since no substantive audit work was performed, *Government Auditing Standards* issued by the Comptroller General of the United States were not followed.

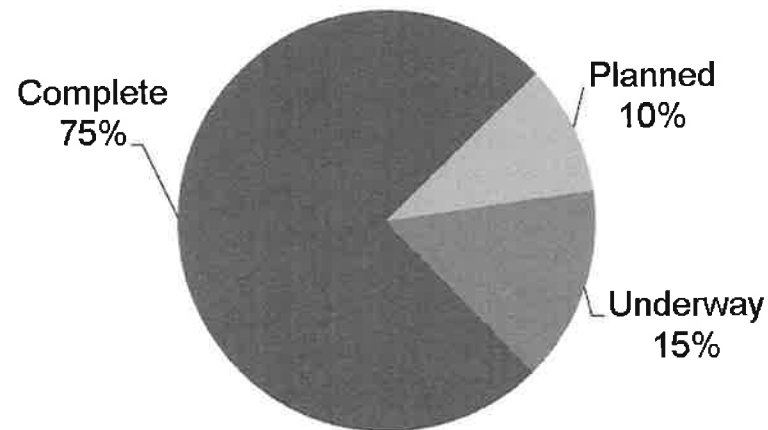
2. Follow-up Results

The follow-up included twenty (20) recommendations. Management agreed with all of the recommendations.

Figure I provides an overview of the implementation status of the recommendations. The details of the updated workplan are provided in **Appendix I**.

With this follow-up, 15 of the recommendations (75%) have been sufficiently completed. County Administration and the Sheriff's Office are working on the remaining 5 recommendations.

**Figure I -
How were
recommenda-
tions
implemented?**



During the follow-up, it was determined the data migration of the prior evidence room data to the new system had been completed. A prior audit objective that had not been completed was to review the completeness of the conversion of evidence records. Performance of those internal audit additional procedures will be discussed with the Sheriff's Office to see if they are still warranted.

3. Appendix

Appendix I –Updated Workplan for Report #11/12-10 (Status as of August 2013)

Rec #	Recommendation text	Agreement	Updated Status	Estimated Completion Date	Responsible Party	Updated Department Comments
1	It is recommended for staff to establish additional procedures to assure "blank" location entries are not utilized until the movement of those items are confirmed. It is recommended the department consider utilizing/developing an audit trail report available under the new software system to monitor location changes of evidence items to assure proper handling.	Agree	Complete			New RMS System prevents this from happening.
2	It is recommended for separate Sheriff's Office staff perform a more extensive review of items for destruction (i.e. it could be determined that all controlled substances would be audited).	Agree	Complete			Staff are performing a complete inventory of evidence to be destroyed and this is overseen by a separate Captain.
3	It is recommended the Sheriff's Office develop procedures to be systematic about how they locate evidence in the evidence system. It is recommended for the Sheriff's Office to develop and implement consistent practices around evidence locations.	Agree	Complete			New RMS System prevents this from happening.
4	It is recommended that staff utilize meaningful descriptions in their system for inventory requiring special handling.	Agree	Complete			New RMS System prevents this from happening.

Rec #	Recommendation text	Agreement	Updated Status	Estimated Completion Date	Responsible Party	Updated Department Comments
5	It is recommended for the Sheriff's Office to establish evidence documentation and preparation procedures that will provide and require meaningful weight, measures and descriptions for controlled substances.	Agree	Complete			Additional procedures established. Officers still struggle with compliance issues.
6	It is recommended that evidence that is potentially a hazardous material be specifically identified and located as such for the safety of personnel. The description for non-hazardous material location could also be changed.	Agree	Complete			Very limited hazardous materials held as evidence. New RMS system and procedures will help on this.
7	It is recommended that evidence room staff periodically reconcile the information present in the two systems for managing electronic media.	Agree	Ongoing/Complete			Will continue to address in RMS.
8	It is recommended for the department to consider additional procedures for electronic media evidence that will help assure more efficient and effective management of the information.	Agree	Ongoing/Complete			The Sheriff's Office will continue to address in RMS.
9	It is recommended for evidence room staff to resolve all discrepancies identified during inventory prior to the conversion to the new system.	Agree	Complete			Identified issues have been resolved.
10	It is recommended that management consider how evidence currently located as "hazardous materials", "shop" and "not received" should be handled for controlling the chain of custody and providing adequate safekeeping for those items.	Agree	Complete			Established additional procedures in RMS.
10.1	It is recommended that staff should notify supervisors if evidence information is submitted without the corresponding evidence. The custodian of that evidence should handle the associated evidence sheets. Separate evidence room sheets could be utilized or shared by different custodians.	Agree	Complete			New procedures established

Rec #	Recommendation text	Agreement	Updated Status	Estimated Completion Date	Responsible Party	Updated Department Comments
10.2	It is recommended for the Sheriff's Office in coordination with their peers in drug enforcement (C.O.D.E.) develop and implement a combined and uniform approach to handling their evidence.	Agree	Complete			New procedures established
10.3	It is recommended C.O.D.E. assign a limited number of staff to perform the role as evidence custodians to limit access, provide better accountability and better manage the evidence system.	Agree	Complete			New procedures established
10.4	In order to consolidate C.O.D.E.'s current evidence items, it is recommended they accumulate current evidence information from all of the team members, inventory all evidence, compare and resolve all discrepancies to the inventory. Additional inquiry and resolution should occur with any evidence not properly accounted for.	Agree	Complete			New procedures established
11	It is recommended for software administrators assure the reports in the system (especially the security role reports) be fixed so that appropriate settings can be confirmed.	Agree	Underway	November-2013	RMS Software vendor	Anticipate RMS upgrades and fixes as requested.
12	It is recommended for software administrators receive an operational user login for daily usage. Usage of their administrator rights should be limited to when necessary.	Agree	Underway	January-2014	Software Administrator	Administrator has created an operating ID, but not using until system fully installed. RMS still under development.
13	It is recommended for the department to develop a process to provide oversight over the infrequent need to delete electronic evidence records.	Agree	Complete			New procedures established
14	It is recommended the software administrator(s) develop a written manual for how they have setup the system and plan for its operation.	Agree	Underway	December-2014	Software Administrator	Need to develop operationalized procedures. Some universal procedures already established.

Rec #	Recommendation text	Agreement	Updated Status	Estimated Completion Date	Responsible Party	Updated Department Comments
15	It is recommended for the County to implement additional procedures to identify and budget non-recurring capital expenditures.	Agree	Planned	June-2014	County Administrator	The County anticipates improving capital budgeting process in next budget cycle.
16	It is recommended for capital projects, the County consider improving the County's process for capital budgeting to follow the guidance provided by GFOA.	Agree	Planned	June-2014	County Administrator	The County anticipates improving capital budgeting process in next budget cycle.

{END OF REPORT}



**Deschutes County,
Oregon**

David Givans, CPA, CIA
Deschutes County Internal Auditor
PO Box 6005
1300 NW Wall St, Suite 200
Bend, OR 97708-6005
(541) 330-4674
David.Givans@Deschutes.org

**Sheriff's Office –
Evidence room
(Physical observation and new software controls)**

Audit committee:

Gayle McConnell, Chair - Public member
Chris Earnest - Public member
Jean Pedelty - Public member
Greg Quesnel - Public member
Michael Shadrach - Public member
Jennifer Welander - Public member
Anthony DeBone, County Commissioner
Dan Despotopulos, Fair & Expo Director
Scot Langton, County Assessor



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4. MANAGEMENT RESPONSE – Deschutes County Sheriff's Office 11-14

HIGHLIGHTS

Sheriff's Office – Evidence room

Why this audit was performed:

The Sheriff's Office is undergoing a replacement of their evidence software and wanted a review of controls. It also made good sense to perform an inventory of their current evidence.

What is recommended

Significant recommendations included:

- Developing additional procedures to improve control over items to be destroyed, items not under direct custody, and location information.
- Improving guidelines for evidence documentation
- Resolving that electronic system reports are functioning
- Developing additional procedures to assure the proper planning and budgeting of capital expenditures.

What was found

The evidence inventory inspection indicated overall good tracking and only minor issues. Areas where there were suggestions for improvement included:

- Evidence was observed that was not supposed to be there. There were some 16 evidence items (.08%) located that were supposed to have been gone.
- 8% of the inventory was not under the direct custodianship of the evidence room's staff and the location information was not being updated. These included:
 - items "not received" by evidence room staff (7%); These represent evidence items where evidence staff could not confirm receiving an item.
 - items located as hazardous materials (1%);
 - items located at the shops (de minimus). These include large items, heavy items, vehicles, or other designated items.
- Evidence information collected could be improved. It was noted that descriptions and identifiers could be improved, including:
 - weight or measure descriptions for controlled substances,
 - using a location identified for hazardous materials however only a small portion of that evidence may be hazardous (~3%), and
 - case tracking for digital evidence held in a media library is not always in agreement with records of evidence maintained in the evidence tracking systems.

A review of software controls identified some areas to work on. The most significant one was that reports for the system were not getting updated, including some security role reports, evidenced by old information in the reports.

The evidence room software was part of a larger law enforcement records management software purchase (\$1.2 million) through the 911 County Service District tax levy. The non-recurring capital expenditure was not included in the initial budgets for FY 2011 or in FY 2012. This purchase was anticipated in the tax levy passed for the 911 CSD. There were no details in the various published budget documents of the nature of these anticipated capital improvements over the two years. Subsequent resolutions were required to provide sufficient appropriations in the revised budgets for FY 2011 and again in FY 2012.

1. Introduction

1.1 BACKGROUND ON AUDIT

Audit Authority:

The Deschutes County Audit Committee authorized the review of the Sheriff Office's evidence room software implementation in the Internal Audit Program Work Plan for FY 11/13. The Sheriff's Office is in the process of transitioning to a new evidence room software in early 2012. Certain identified procedures including an evidence inventory observation will be performed.

1.2 OBJECTIVES and SCOPE

Objectives:

Assess new software implementation for the evidence room.

- a) Assist department in inventory of evidence on transition.
- b) Review of selected general and application controls for new software.
- c) Review completeness of conversion of evidence records. *{On hold – conversion of evidence to new software has not taken place as planned and this objective and any associated procedures are deferred until the conversion takes place. A future addendum to this report will address that additional work.}*

Scope:

The focus of the review was on selected aspects of the transition to the new evidence room software. The inventory observations were performed in June 2012 for selected areas. The scope of the audit did not include all aspects of internal controls employed. Highly sensitive items such as cash, firearms and controlled substances were given additional attention.

1.3 METHODOLOGY

Audit procedures included:

- Observing and interviewing staff on their inventory taking procedures,
- Observe and interview staff on the new evidence room systems and selected aspects of general and application level controls. These include areas such as
 - Security controls
 - Processing controls
 - Audit trails
 - Data controls
 - Output controls
- Reviewing written procedures and documents provided, and
- Reviewing and analyzing inventory detail reports.

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.

(2011 Revision of Government Auditing Standards, issued by the Comptroller General of the United States.)

2. Background

Evidence room staff maintain a property management system that ensures accuracy and completeness of records. The chain of custody for evidence is strictly maintained from receipt to disposal. This is critical for the successful conviction of criminals. Audit procedures included developing an understanding of evidence room procedures, determining whether procedures are being followed, locating evidence, and establishing that evidence is properly safeguarded. Currently, there are two dedicated staff with sole access to the evidence room. Immediate supervision comes from the Detective Captain.

A new multi-jurisdictional software system is being developed and implemented. The system will replace the current evidence room software that was developed by the County. As of the date of this report, the old software was still being used for previous evidence items. The prior evidence data is planned to be converted over to the new system any time now. The inventory of evidence included all items for selected locations. The inventory was performed with the assistance of selected Sheriff's Office staff. The Detective Captain has already internally reported many of the findings included herein and is already developing and responding to the recommendations.

Employees of the Sheriff's Office take their duties seriously. The high security involved in the Sheriff's facilities (especially evidence) results in a high level of safeguarding of assets. Management and staff appear diligent in their efforts to develop an environment supporting internal controls. Evidence room staff were open and professional and had a positive attitude towards making improvements in the control system.

3. Findings

The audit included a review of selected aspects of the newly implemented evidence software system as well as an inventory of evidence room items. Audit findings result from incidents of non-compliance with stated procedures and/or departures from prudent operation. The findings are, by nature, subjective. The audit disclosed certain policies, procedures and practices that could be improved. The audit was neither designed nor intended to be a detailed study of every relevant system, procedure or transaction. Accordingly, the opportunities for improvement presented in the report may not be all-inclusive of areas where improvement may be needed and does not replace efforts needed to design an effective system of internal control.

A significant deficiency is defined as an internal control deficiency that could adversely affect the entity's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The findings noted were not considered significant deficiencies.

Evidence inventory observation

Evidence inspection indicated overall good tracking and only minor issues.

The primary inventory observation went through 92% of the evidence inventory in the system and 100% of the evidence the Sheriff's Office staff maintains. There were some 23 thousand items of evidence that are cataloged, tracked and protected. There were six (6) items that could not be located at the time of the inventory and for which staff will look to resolve. That error rate of .02%, given the number of items reviewed, is very low.

We also identified evidence items:

- not properly located (.4%);
- that were not updated for being released, destroyed or auctioned (.14%); and
- that were present but marked as destroyed or auctioned (.08%).

Though a 100% inventory would be desirable and an expectation set by the Sheriff's Office, the observed error rate seems low. The observation did not identify any significant nor systemic issues with the systems or procedures in place.

Evidence was observed that was not supposed to be there.

There were some 16 evidence items (.08%) located that were supposed to have been gone. Nine of these items were identified as controlled substances were marked as having been destroyed. The destruction dates spanned from 2008 through 2011. On discovery, these items were put back into the inventory system and identified for destruction. The prior and current evidence room software encourages staff to utilize a blank location to indicate evidence that is no longer in custody. However, it appears that in certain circumstances the location was not updated and left blank or items marked as gone or moved to destruction that were not.

The absence of a location is data quality issue. However, the current evidence software system and the new one prefer to use blanks to limit reporting for evidence that is no longer under custody. In the absence of tight controls over destruction, items may be diverted from control. Items that have marked as gone no longer have any oversight and control over their disposition.

Location type fixes constituted the one of the larger errors identified at roughly .4%. Items readied for destruction are randomly tested by separate staff but not to a significant extent. Evidence marked for destruction can include firearms and controlled substances. The department has seen a significant increase in the amount of materials being sent for destruction. They also handle the destruction of found items and items relinquished by the public.

Systems were designed to utilize the blank location field to indicate they no longer have the item. This will require greater caution in providing meaningful notes and remarks when items are moved. The new software system has added audit trails that can track modifications to location.

It is recommended for staff to establish additional procedures to assure "blank" location entries are not utilized until the movement of those items are confirmed. It is recommended the department consider utilizing/developing an audit trail report available under the new software system to monitor location changes of evidence items to assure proper handling.

It is recommended for separate Sheriff's Office staff perform a more extensive review of items for destruction (i.e. it could be determined that all controlled substances would be audited).

Evidence information collected could be improved.

It was noted that a number of areas with descriptions and identifiers could be improved. These include:

- Location type fixes constituted the one of the larger errors identified at roughly .4%.
- Approximately a third of the evidence descriptions for controlled substances lack specificity as to weight or measure. Evidence staff do not open the evidence but it is not clear what amounts they are taking into custody.
- Staff have been using the location identifier "NR" for evidence not received by evidence room staff (~7%);
- There is a location identified for hazardous materials however only a small portion of that evidence may be hazardous (~3%). "Hazardous material" is a technical term. A majority of the items are related to drug seizure evidence and though these materials have issues with odor and safety they

- are not technically considered hazardous materials.
- For the items not part of the inspections, there were many items (some 19%) that had location notes, which included the terms “auctioned”, “released”, or “destroyed” and were still associated with a location.
- Case tracking for digital evidence held in a media library is not always in agreement with records of evidence maintained in the evidence tracking systems. Seven percent of the cases could not be matched up and require further research and resolution.

Evidence rooms need to be able to control the evidence placed under their care, this requires empirical descriptions of items, accurate locations and sufficient information to understand whether there should be special handling. Professional standards from the International Association of Property and Evidence, Inc. (IAPE) indicate controlled substances should be weighed. Best practices identified around digital evidence indicate that sufficient operating procedures should be developed for their admissibility.

In the absence of the sufficient descriptions, which include appropriate weight or quantity measures, it would be unclear how much was collected as evidence and placed under custody of the evidence room. In the absence of proper locations, evidence could be lost. In the absence of special handling instructions, the evidence could be compromised or the safety of personnel jeopardized.

The department's policy does not expressly require measures, but a number of evidence item descriptions included sufficient information on weights. In many of these cases, staff needs to take the time to make sure they are being thorough. It appears the current practice should be to remove the location identifier when the evidence is no longer in custody or being tracked. This streamlines reports that account for items by locations. Officers are responsible for loading the media evidence on the media storage system and they may not be consistent or careful in how they place it in the system.

It is recommended the Sheriff's Office develop procedures to be systematic about how they locate evidence in the evidence system. It is recommended for the Sheriff's Office to develop and implement consistent practices around evidence locations.

It is recommended that staff utilize meaningful descriptions in their system for inventory requiring special handling.

It is recommended for the Sheriff's Office to establish evidence documentation and preparation procedures that will provide and require meaningful weight, measures and descriptions for controlled substances.

It is recommended that evidence that is potentially a hazardous material be specifically identified and located as such for the safety of personnel. The description for non-hazardous material location could also be changed.

It is recommended that evidence room staff periodically reconcile the information present in the two systems for managing electronic media.

It is recommended for the department to consider additional procedures for electronic media evidence that will help assure more efficient and effective management of the information.

Evidence room staff lack control over certain areas.

The 8% of inventory not observed were items that did not come under the direct custody of evidence room staff and were identified as

- Not received by evidence room staff (7%); These represent evidence items where evidence staff could not confirm receiving an item.
- Located as hazardous materials (1%); Certain substances that could pose a health hazard if retained in the evidence room. It is not clear that there are steps being currently taken to remove items from the inventory listing that have been destroyed.
- Located at the shops (de minimus). These include large items, heavy items, vehicles, or other designated items.

Some of these were items included items like: vehicles, recreational vehicles or controlled substance items. Deschutes County and other regional law enforcement agencies have employees directly assigned to drug enforcement efforts. Evidence is reported in the evidence system for the law enforcement unit in charge of the arrest. This creates a number of potential obstacles in managing the evidence. No one law enforcement agency has the entire list of evidence and the agency housing the evidence does not have a complete listing of the evidence at its location.

As previously stated, the evidence system's information should be complete for those items entered into it and systems should be developed to assure there are staff responsible for updating and assuring that it accurate. Evidence room staff cannot control or be accountable for items not under their direct control. This could jeopardize active law enforcement investigations and trials.

In the absence of specific procedures for handling these items, it is difficult to assure the safeguarding and

chain of custody of those items and it would be difficult to ascertain if something was missing.

It is not clear that consistent evidence policies have been created over all items. Evidence room staff are not given authority of these items even though they are asked to assign these items tracking numbers as evidence. It is not clear that alternative staff were made responsible for updating this information. Old systems did not provide a way to manage the multi-jurisdictional evidence. The new software system has a more accessible structure for handling these items.

It is recommended for evidence room staff to resolve all discrepancies identified during inventory prior to the conversion to the new system.

It is recommended that management consider how evidence currently located as "hazardous materials", "shop" and "not received" should be handled for controlling the chain of custody and providing adequate safekeeping for those items.

It is recommended that staff should notify supervisors if evidence information is submitted without the corresponding evidence. The custodian of that evidence should handle the associated evidence sheets. Separate evidence room sheets could be utilized or shared by different custodians.

It is recommended for the Sheriff's Office in coordination with their peers in drug enforcement (C.O.D.E.) develop and implement a combined and uniform approach to handling their evidence.

It is recommended C.O.D.E. assign a limited number of staff to perform the role as evidence custodians to limit access, provide better accountability and better manage the evidence system.

In order to consolidate C.O.D.E.'s current evidence items, it is recommended they accumulate current evidence information from all of the team members, inventory all evidence, compare and resolve all discrepancies to the inventory. Additional inquiry and resolution should occur with any evidence not properly accounted for.

Evidence software implementation

Review of software controls identified some areas to work on.

A number of selected areas were reviewed for the software. A number of items were noted that were not resolved at the time.

- The software administrators (with unchecked user rights) have not established a separate login name for themselves that would be more appropriate for their daily work.
- Reports for the system, including some security role reports, were not being updated with new information and may not be including the appropriate information. This limits their effectiveness and it could not be determined what the current settings were over the entire system. This included the current user security settings.
- Evidence room staff could have the ability to delete evidence entries. With custody over items, the evidence room staff should not have direct delete rights to the entries. A supervisor or the software administrator can perform this for those limited circumstances.
- There is a comprehensive help system built into the software, however, staff have not had time yet to document in writing their particular settings and procedures.

The noted areas are potential weaknesses in associated software controls.

There are no specific effects at this point, but the impact could undermine efficiencies or effectiveness of systems.

The system is still being rolled out and these systems and reports will continue to evolve.

It is recommended for software administrators assure the reports in the system (especially the security role reports) be fixed so that appropriate settings can be confirmed.

It is recommended for software administrators receive an operational user login for daily usage. Usage of their administrator rights should be limited to when necessary.

It is recommended for the department to develop a process to provide oversight over the infrequent need to delete electronic evidence records.

It is recommended the software administrator(s) develop a written manual for how they have setup the system and plan for its operation.

Budgetary issue**Budgeting for non-recurring capital expenditure could be improved.**

The County's capital budgeting which includes the 911 County Service District (CSD) budget for the countywide records management system was not included in initial budgets for FY 2011 or in FY 2012. This software (which includes that used by evidence) was anticipated to cost \$1.2 million dollars and was anticipated in the tax levy passed for the 911 CSD. There were no details in the various published budget documents of the nature of these capital improvements amounting to \$1.2 million over the two years. Subsequent resolutions were required to provide sufficient appropriations in the revised budgets for FY 2011 and again in FY 2012.

The budget process consists of activities that encompass the development, implementation, and evaluation of a plan for the provision of services and capital assets. Best practices are laid out by the Government Finance Officers Association (GFOA) in their *"Recommended Budget Practices: A Framework For Improved State and Local Government Budgeting"*. If the entity has any significant, nonrecurring capital expenditures, the document should describe these items (i.e. indicate the project's purpose and funding sources) and indicate the amount appropriated for the project during the budget year(s). In addition, the document should include the amount appropriated for significant, nonrecurring capital expenditures in the budget year. The criteria are also used for the GFOA's distinguished budget presentation awards program that the County participates in.

GFOA recommends that state and local governments prepare and adopt comprehensive multi-year capital plans to ensure effective management of capital assets. A prudent multi-year capital plan identifies and prioritizes expected needs based on a community's strategic plan, establishes project scope and cost, details estimated amounts of funding from various sources, and projects future operating and maintenance costs. A capital plan should cover a period of at least three years, preferably five or more. Some of the more significant aspects include:

- describe estimated costs of the project, based on recent and accurate sources of information.
- describe the schedule for completion of the project, including specific phases of a project, estimated funding requirements for the upcoming year(s), and planned timing for acquisition, design, and construction activities;
- describe if and to what extent significant nonrecurring capital expenditures will affect the entity's current and future operating budget and the services that the entity provides;
- describe anticipated operating costs associated with significant nonrecurring capital expenditures

described and quantified;

- identify specific significant financial impacts upon current and future years that are likely to result from significant nonrecurring capital expenditures (other than the cost of the improvements themselves.) The entity may make its own determination of what is "significant." Examples could include whether it
 - would require an increase in the tax rate,
 - would result in a reduction in spending elsewhere in the budget , or
 - would require additional staff.
- describe and quantify additional anticipated revenues and expenditure reductions;
- Identify funding sources for all aspects of the project, specifically referencing any financing requirements for the upcoming fiscal year.
- describe funding authority based either on total estimated project cost, or on estimated project costs for the upcoming fiscal year. Consideration should be given to carry-forward funding for projects previously authorized.

In the absence of adequate capital planning for expenditures of this magnitude, there may not be sufficient funds to complete a project or know whether it was properly carried out. The missing budgetary appropriations indicate a lack of a system for adequately accumulating and identifying these capital asset projects and where they are in progress.

The 911 CSD was provided ample resources from the tax levy to fund this software acquisition. During this time frame, the 911 CSD was transitioning between executive directors and they were not aware of some of these capital budgeting requirements. However, County management should have had a process to accumulate and report on the anticipated capital assets being acquired and that were identified in actual expenditures, budgetary revisions and other planning documents.

It is recommended for the County to implement additional procedures to identify and budget non-recurring capital expenditures.

It is recommended for capital projects, the County consider improving the County's process for capital budgeting to follow the guidance provided by GFOA.

**4.
MANAGEMENT
RESPONSE –**

**Deschutes
County
Sheriff's
Office**

October 1, 2012

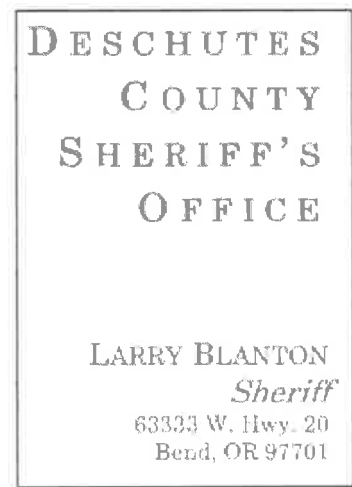
To: David Givans, County Auditor

From: Captain Tim Edwards

Response to Sheriff's Evidence Room Audit

In May/June 2012 a complete inventory of the Sheriff's Office Evidence Room was conducted by County Auditor David Givans with assistance from Sheriff's Office staff. The purpose of the inventory was 2 fold; first, that a new computerized report writing system for the Sheriff's Office went live earlier in the month, and accurate conversion of the evidence data from the old system into the new system was essential; Secondly, Capt. Mills who oversees the Evidence Unit, was leaving the agency and Sheriff's Office policy requires a full inventory whenever there is a personnel change in that position.

The Sheriff's Office takes it's Evidence function very seriously, and strives to maintain the best practices in Evidence management, which are critical to criminal prosecution as well as the reputation of the agency. For these reasons the Sheriff's Office welcomed the audit/inventory by Mr. Givans. It is always better to have someone from outside your agency evaluate compliance with your own policies and recommend areas for improvement.



**MANAGEMENT
RESPONSE –
continued**

Areas Identified for Improvement

The audit/inventory revealed that overall the Sheriff's Office does a good job tracking and maintaining evidence, however there were some areas identified for improvement.

1. There were some items still located in the evidence room that were listed as auctioned, released, or destroyed.
2. Evidence not in direct custody of the Evidence Technicians was listed as "Not received".
3. Evidence procedures for CODE Haz Mat locker.
4. Deputies not indicating weights or accurate description of controlled substances submitted to Evidence.
5. Case tracking of digital evidence in DIMS was not always in agreement with evidence maintained in the tracking system.
6. Software Administrators do not have a separate login name for themselves when working on or accessing Evidence computers.
7. Evidence room staff has ability to delete evidence entries.

Plan for Addressing Identified Areas

Even prior to receiving the written audit report David Givans gave me verbal feedback regarding some of the areas he had identified for improvement, and I began a plan to address those issues even before receiving his report.

1. The primary concern here was with controlled substances being listed as destroyed but still sitting in evidence. Beginning with our most recent evidence destruction run 2 weeks ago, Capt. Nelson did a complete inventory of all controlled substances being sent for

**MANAGEMENT
RESPONSE –
continued**

- destruction rather than simply auditing a few pieces of evidence. This new procedure should insure that all controlled substances identified are destroyed. The new procedure will be written into agency policy.
2. This issue was solved by the new report writing software which does not allow "not received" as an entry. All evidence even if not directly received by Evidence staff will list a location where the evidence is stored. I agree that DCSO Evidence staff should not be held responsible for evidence stored at off sight locations not directly under their control. However, having them indicate the location of that evidence does assist in tracking it.
 3. The CODE Haz Mat locker is another entire issue which I am currently addressing. 2 weeks ago myself, CODE Supervisors and DCSO Detective supervisors did a complete inventory of the Haz Mat locker. We are currently in the process of devising a better way of tracking evidence, primarily controlled substances, stored in the Haz Mat locker. Our plan is to have CODE designated as a separate agency in the new report writing software so that those items stored in the Haz Mat locker will have CODE case numbers rather than a variety of case numbers from CODE member agencies. The 2 CODE supervisors will be the evidence custodians and the CODE Office Assistant will handle evidence tracking in the computer system.
 4. I recently put out an e-mail to all sworn personnel reminding them that all controlled substances being submitted to evidence must be weighed and described on their evidence page. This will be added to agency policy.
 5. When we first started the DIMS system we didn't completely trust it to accurately save our data. For the first few months of the program we saved digital evidence onto a CD in addition to saving them in DIMS. As a result the old COPS system just shows a CD and does not accurately

**MANAGEMENT
RESPONSE –
continued**

reflect the DIMS data. We are in the process of going through all the old CD's to reconcile DIMS data. In addition we have noted that Deputies occasionally are using unrecognized case numbers when entering their digital data into DIMS. We will be doing some briefing training to insure consistent accurate entry by Deputies.

6. Currently exploring the need for IT personnel to have their own login name when working in Evidence.
7. Evidence room staff should not have the ability to delete evidence items. We will be changing permission parameters to prevent deletion of any evidence without the permission of the Investigations Commander.

The Sheriff's Office is grateful for the assistance provided by David Givans in identifying needed improvements in our system.



Tim Edwards, Captain
Investigations Commander

CC: Sheriff Blanton
Jim Ross

{End of Report}



Deschutes County,
Oregon

David Givans, CPA, CIA
Deschutes County Internal Auditor
1300 NW Wall St, Suite 200
Bend, OR 97701
(541) 330-4674
davidg@co.deschutes.or.us

FOLLOW-UP REPORT

Sheriff's Office reports

Audit committee:
Jade Mayer, Chair
James Kerfoot
Jim Keller
Greg Quesnel
Dennis Luke
Tom Anderson
Scot Langton

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"A Staffing study of the Deschutes County Adult Jail
and Proposed Work Center" (Dated June 28, 2007) 4-6

1. Introduction

1.1 BACKGROUND

Audit Authority:

The Deschutes County Audit Committee has suggested that follow-ups occur within nine months of the reports. The Audit Committee's would like to make sure departments satisfactorily address recommendations.

1.2 OBJECTIVES and SCOPE

Objectives:

The objective was to follow-up on recommendations identified in the most recent Sheriff's Office audit report. An added goal was to update the internal audit program on any recommendations that were considered outstanding in prior follow-ups and in other consultant reports.

Scope:

The follow-up included a first time follow-up of:

- Internal audit report of Sheriff's Office transition (#06/07-8)(issued June 2007).
- MGT of America's (consultant) report "A staffing study of the Deschutes County Adult Jail and Proposed Work Center" (issued September 2006)

Subsequent follow-up of Internal audit reports evaluating Sheriff's Office internal controls in

- Inmate services (#2003-3) (issued June 2003)
- Evidence (#2003-4) (issued June 2003)
- Code (#2003-5) (issued June 2003)

1.3 METHODOLOGY

The follow-up report was developed from information provided primarily by James Ross, business operations manager for the department. The follow-up is, by nature, subjective. In determining the status of recommendations that were followed up, we relied on assertions provided by those involved and did not attempt to independently verify those assertions.

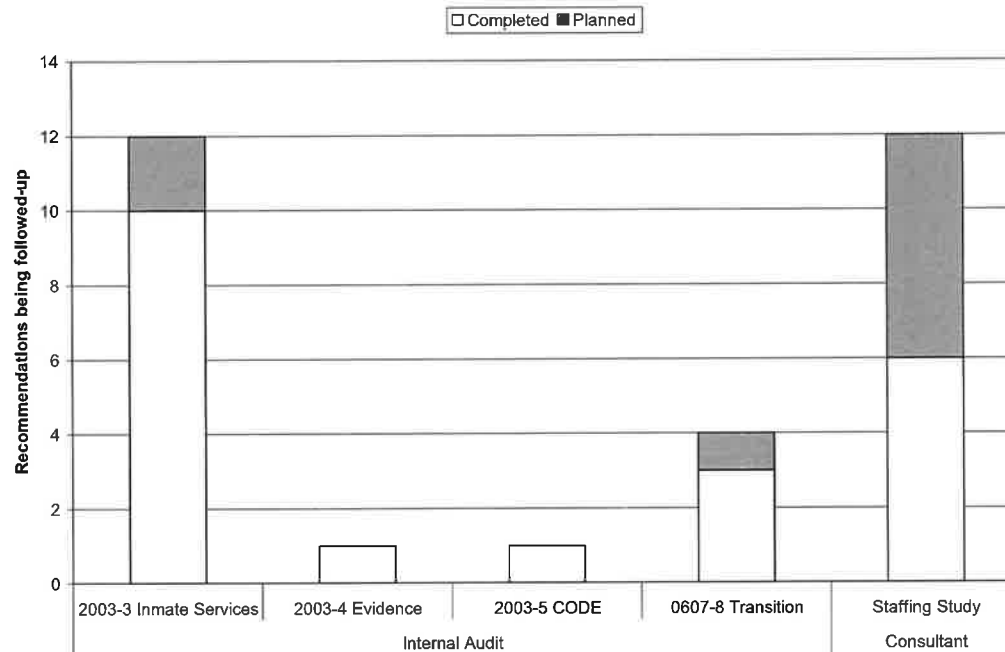
Since no substantive audit work was performed, *Government Auditing Standards* issued by the Comptroller General of the United States were not followed.

2. Overview of Follow-up Results

The follow-up included 18 internal audit recommendations as well as 12 consultant recommendations made to the Sheriff's Office.

Figure I provides a breakdown of the status of these outstanding recommendations by report.

**Figure I -
How were
recommendations
implemented?**



As indicated, Sheriff's Office has responded to most of the internal audit outstanding recommendations. The outstanding recommendations are detailed below (section 3). The responses to the consultant's report indicate general concurrence; however, some of the recommendations have been delayed due to budget and staffing priorities as noted below (section 4).

The original reports should be referenced for the full recommendations and discussion. The department and staff should be acknowledged for the work they have done to address these recommendations.

3. Outstanding recommendations (Internal Audit generated)

Recommendations - planned but not yet implemented

Report Area	Audit#	#	Recommendation	Status	Department comments
Sheriff Inmate Services	2003-3	7	Management should evaluate the current accounting systems to determine if it can provide an ongoing balance and bank reconciliation function. If the cost of adding this functionality is prohibitive, an updated computerized accounting system might be an acceptable choice.	Planned	The Jail will continue to use the combination of the Jail Management System (JMS) and Microsoft Money to manage the inmate trust and bail account. A new system will eventually replace JMS when the jail is expanded at that time the Jail Staff will look at one system to accomplish the accounting.
Sheriff Inmate Services	2003-3	13	Staff should develop a system for submitting outstanding checks to the State in a timely manner. This should be done at least annually in accordance with the State deadline.	Planned	Completed. All outstanding checks prior to 2004 have been sent to the State. The 2004-2006 outstanding checks will be completed by the end of August 2008. <i>Internal Audit: Not quite completed. Staff working to stay current.</i>
Sheriff's Office transition	0607-8	4	It is recommended the Sheriff's Office discuss with County Finance (and possibly IT) their options for inputting accounts payable and payroll information into the County financial system.	Planned	This projects has been delayed to FY2008-09. The requested budget for FY2008-09 includes funding for this project.

There were eight recommendations relating to the closed work center that are being treated as completed since the department indicates the situations present at the time of the recommendation are no longer present or have been addressed by current jail operations.

4. Sheriff's Office response

James Ross, Business Manager response to MGT of America report - "A Staffing study of the Deschutes County Adult Jail and Proposed Work Center" (Dated June 28, 2007)


<p>DESCHUTES COUNTY SHERIFF'S OFFICE</p> <p>LARRY BLANTON <i>Sheriff</i> 63333 W. Hwy. 20 Bend, OR 97701</p> <p><i>Bend Station</i> 541.388.6655 Fax 541.389.6835</p> <p><i>Administration</i> 541.388.6659 Fax 541.389.4454</p> <p><i>La Pine Station</i> 51340 Highway 97 La Pine, OR 97739 541.536.1758 Fax 541.536.5766</p> <p><i>Sisters Station</i> 703 N Larch St., Suite C 541.549.2302 Fax 541.549.1762</p> <p><i>Terrebonne Station</i> 8154 11th Street, Suite 3 Terrebonne, OR 97760 541.923.8270 Fax 541.548.7589</p> <p><i>Special Services/SAR</i> 541.388.6502 Fax 541.388.0793</p> <p><i>Emergency Services</i> 541.617.3303 Fax 541.388.0793</p> <p><i>Adult Jail</i> 541.388.6661 Fax 541.330.9162</p>	<p>DATE: June 28, 2007</p> <p>TO: David Givans, County Internal Auditor</p> <p>SUBJECT: MGT Recommendations</p> <p>COPY: Sheriff Larry Blanton Captain Ruth Jenkin</p> <p>MTG of America, Inc. was hired by the Sheriff's Office to perform a staffing study of the Adult Jail and Work Center. The following are the responses to their twelve recommendations:</p> <ol style="list-style-type: none"> The staffing recommendations represent a net increase of two security posts and two civilian posts. Response: The Sheriff addressed the civilian posts needs to the BOCC in December 2006. Two new civilian positions, nurse and classification technician were included in the FY2006-07 supplemental budget. The security posts positions were deferred in lieu of adding 4 new sergeant positions in FY2007-08 budget. The Deschutes County Adult Jail should add an additional Correctional Lieutenant for operations. Response: The FY20076-07 supplemental budget included a new lieutenant position. The Lieutenant will have both Work Center and Adult jail operations supervision. Add a transport deputy position. Response: The Corrections Captain proposed adding 1 jail transport deputy to the FY2007-08 budget. It was deferred due to adding the 4 new sergeant positions. Implement the security relief factor, resulting in three additional Correctional Deputies.
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Completed

Completed

Planned

<p style="text-align: center;">DESCHUTES COUNTY SHERIFF'S OFFICE</p> <p>LARRY BLANTON <i>Sheriff</i> 63333 W. Hwy. 20 Bend, OR 97701</p> <p><i>Bend Station</i> 541.388.6655 Fax 541.389.6835</p> <p><i>Administration</i> 541.388.6659 Fax 541.389.4454</p> <p><i>La Pine Station</i> 51340 Highway 97 La Pine, OR 97739 541.536.1758 Fax 541.536.5766</p> <p><i>Sisters Station</i> 703 N Larch St., Suite C 541.549.2302 Fax 541.549.1762</p> <p><i>Terrebonne Station</i> 6154 11th Street, Suite 3 Terrebonne, OR 97760 541.923.8270 Fax 541.548.7589</p> <p><i>Special Services/SAR</i> 541.388.6502 Fax 541.388.0793</p> <p><i>Emergency Services</i> 541.617.3303 Fax 541.388.0793</p> <p><i>Adult Jail</i> 541.388.6661 Fax 541.330.9162</p>	<p>The Corrections Captain proposed adding 5 new Deputy Positions in the FY2007-08 budget. A Decision was made to add 4 additional Sergeant Positions. This will increase the number of Sergeants per team to two Sergeants. The 5 new deputy positions were deferred.</p> <p>5. Add an office assistant position.</p> <p>Response: The Corrections Captain proposed adding 1 new office assistant in the FY2007-08 budget. It was deferred due to funding constraints. A new office assistant position is included in the 24 new positions approved in the supplemental budget for the Work Center. This position will be able to assist the Adult Jail office assistants.</p> <p>6. Add a nurse position to help ensure full medical staff coverage seven days a week, days and evenings.</p> <p>Response: Additional nurse position was authorized in December 2006 by the BOCC and included in the FY2006-07 supplemental budget.</p> <p>7. The shift of the Correctional Deputy assigned to sanitation should be changed to 5-8 schedule.</p> <p>Response: This position is needed 10 hours per day because he monitors the inmate workers assigned sanitation duties in the jail. The majority of inmate worker duties are in the evenings after dinner service.</p> <p>8. Develop an automated roster management system that can clearly identify at all time how staff is deployed and which posts are vacant.</p> <p>Response: This will require the purchase or in-house development of a software program. Funding was not identified in the FY2007-08 budget. It will be considered if contingency funding is available.</p> <p>9. Make changes in the way overtime reporting is maintained to better address staffing needs.</p>	<p>Planned</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Planned</p>
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<p>DESCHUTES COUNTY SHERIFF'S OFFICE</p> <p>LARRY BLANTON <i>Sheriff</i> 63333 W. Hwy. 20 Bend, OR 97701</p> <p><i>Bend Station</i> 541.388.6655 Fax 541.389.6835</p> <p><i>Administration</i> 541.388.6659 Fax 541.389.4454</p> <p><i>La Pine Station</i> 51340 Highway 97 La Pine, OR 97739 541.536.1758 Fax 541.536.5766</p> <p><i>Sisters Station</i> 703 N Larch St., Suite C 541.549.2302 Fax 541.549.1762</p> <p><i>Torrebonne Station</i> 8154 11th Street, Suite 3 Torrebonne, OR 97760 541.923.8270 Fax 541.548.7589</p> <p><i>Special Services/SAR</i> 541.388.6502 Fax 541.388.0793</p> <p><i>Emergency Services</i> 541.617.3303 Fax 541.388.0793</p> <p><i>Adult Jail</i> 541.388.6661 Fax 541.330.9162</p>	<p>Response: This will require the purchase or in-house development of a software program. Funding was not identified in the FY2007-08 budget. It will be considered if contingency funding is available.</p> <p>10. Jail leadership should identify the relief factor for the jail on an annual basis.</p> <p>Response: The Adult Jail will develop and maintain the relief factor on an annual basis.</p> <p>11. Develop data systems that can make data on staffing patterns and trends readily available and easy to communicate to the Deschutes County stakeholders.</p> <p>Response: This will require the purchase or in-house development of a software program. Funding was not identified in the FY2007-08 budget. It will be considered if contingency funding is available.</p> <p>12. Staffing recommendations for Proposed Re-opening of Work Center.</p> <p>Response: 24 new positions were authorized by the BOCC in December for re-opening the Work Center.</p> <p>Should you have any questions in regard to the above, please call me.</p>  <p>Jim Ross DCSO, Business Manager 322-4819</p>	<p>Planned</p> <p>Planned</p> <p>Planned</p> <p>Completed</p>
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{END OF REPORT}



Deschutes County,
Oregon

David Givans, CPA, CIA
Deschutes County Internal Auditor
1300 NW Wall St, Suite 200
Bend, OR 87701
(541) 330-4674
davidg@co.deschutes.or.us

Sheriff's Office Transition (April 16, 2007)

Audit committee:
Jade Mayer, Chair
Barry Jordan
James Kerfoot
Jim Keller
Dennis Luke
Tom Anderson
Scot Langton

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Retired Sheriff, Les Stiles 6-8

1. Introduction

1.1 BACKGROUND ON AUDIT

Audit Authority:

Internal audit has had a practice of reviewing operations for elected officials on transition in their office. Sheriff, Les Stiles announced his retirement on February 16, 2007 and the date of transition was set for April 16, 2007. Though the audit work was not authorized in the Internal Audit Program Work Plan for 06/07, the County Internal Auditor has authority under ordinance (#2005-014) to make other audits as may be necessary during the year. This audit was further authorized through discussions with the County Administrator and was welcomed by Sheriff Stiles.

On February 26, 2007 Larry Blanton (current Under-Sheriff) was appointed (subject to later certification by the Clerk) to complete Sheriff Stiles term as Sheriff.

1.2 OBJECTIVES and SCOPE

Objectives:

1. Observe the conveyance of the Office of Sheriff in accordance with ORS §206.
2. Review prepared accounting of all monies (Jail, Bail, Civil, and other).
3. Inquire into process to suspend authorizations and access to critical law enforcement and County systems.
4. Determine that assets assigned directly to the Sheriff have been returned to the Department. Determine if Les Stiles will be purchasing his sidearm and if so, at what cost.
5. Judgmentally selected and review transactions by the Sheriff.

Scope:

The scope of the audit did not include all aspects of internal controls employed. The Sheriff's last day was April 16, 2007(Monday). The scope included observations and interviews with Sheriff's Office staff up thorough the transition on April 16, 2007.

1.3 METHODOLOGY

Audit procedures included:

- Observing and interviewing selected staff on transitional procedures,
- Reviewed March 2007 bank reconciliations with staff,
- Reviewed recent Sheriff expense reimbursements,
- Analyzed and reviewed recent expense trends by account and vendor,

2. Findings

- Researching the cash resolutions and agreeing to cash on hand,
- Followed up with IT staff on access rights to County systems,
- Reviewing recent visa credit card statements and supporting expenses, and
- Reviewed for completion of partially implemented cash handling recommendations in prior internal audit reports.

The audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

The Sheriff's Office staff followed the state dictated procedures (ORS §206) for transition of the Office of the Sheriff. The Sheriff's Office and Sheriff sufficiently planned and executed their responsibilities in regards to the requisite forms to be signed and provided on transition between the retiring Sheriff Stiles and newly appointed Sheriff Blanton. The findings identified relate primarily to other observations during review of department activity, which were included in the internal audit.

Audit findings result from incidents of non-compliance with stated procedures and/or departures from prudent operation. The findings are, by nature, subjective. The audit disclosed certain policies, procedures and practices that could be improved. The audit was neither designed nor intended to be a detailed study of every relevant system, procedure or transaction. Accordingly, the opportunities for improvement presented in the report may not be all-inclusive of areas where improvement may be needed.

Previous audit recommendation on outstanding checks has not been addressed.

During the March 2003 internal audit and August 2004 follow-up, Sheriff's Office staff had been working on submitting outstanding checks from the inmate trust checking account to the state's Unclaimed Property Program. As of the April 2007 observation, staff had not yet turned over any of the outstanding checks to the state. Outstanding checks issued before 2005 amounted to over ten thousand dollars. The amount of outstanding checks is three times more than the amount noted during the prior recommendation. Most of the outstanding checks are less than fifty dollars. Other than the number of outstanding checks, staff's bank reconciliations appeared to properly reconcile their March 31 balances with that of the bank.

Unclaimed checks older than two years are required to be submitted to the state's unclaimed property

program.

Unclaimed checks are the property of past inmates. Failing to timely submit these to the state could result in penalties.

Staff has been overwhelmed by the number of checks outstanding as well as developing a report to properly report these monies to the state. During the audit, a report was extracted and the necessary information organized so staff could remit the monies to the state. Staff can repeat this process in the future.

Staff should develop a routine system for submitting outstanding checks to the State in a timely manner. This should be done at least annually in accordance with the State deadline. It is recommended that staff review and address the other internal audit recommendations that were hindered by the numerous outstanding checks.

Unique purchasing requirements of Sheriff's Office conflicts with policy.

The only County approved credit cards are in the Sheriff's Office. Use of the credit cards appears to be infrequent. Staff indicate they are careful in their use of these cards. During review of the usage of the credit cards, however, noted a number of disbursements that were for incidental training expenses and for emergency local hotel bookings. It is possible these expenses could have been handled under employee reimbursement or direct billing to the County.

County policy #2002-093 County Issued Credit Cards – Sheriff's Office outlines the use of the credit cards in emergency situations. In no event will the credit card be used for normal or routine training or travel expenditures.

A little over \$2 thousand dollars was identified as expenditures that could have been performed by normal reimbursement or billing to the County. Based on the explanations provided by staff, the hotel bookings were part of emergency situations, which required immediate payment. The incidental training costs were part of a longer than normal training session on the East coast and the Sheriff's Office understood these costs would likely be incurred. The Sheriff's Office has been grappling with the issue of requiring employees to pay for some of these costs and request reimbursement vs. using the credit card.

It is unclear whether the signers fully understood the terms of usage for the credit cards. However, the Sheriff's Office supported the use of these cards in this manner.

It is recommended for staff who have custody and use of County credit cards in the Sheriff's Office be provided copies of the policy and sign an acknowledgment that they have read the policy and will comply with its terms.

It is recommended the Sheriff's Office consider documenting in the out-of-state travel authorization when there will be a need to use of the credit card and for what types of expenses. When possible, staff should always try to have local vendors bill the County. The Sheriff's Office may further consider bringing forward to the Board of County Commissioners suggested changes to the policy to reflect their actual needs.

Efficiency of processing accounts payable and payroll could be improved.

During discussions with Sheriff's Office administrative staff, they noted a significant number of office duties (accounts payable and payroll) for which staff spend a significant amount of time entering in information for which Finance will later enter in the information again into the financial systems.

County financial systems allow Departments to directly input accounts payable and payroll information. Departments can directly participate in the input and assure themselves that everything is properly input. Supporting documents can be submitted to County Finance for financial support and oversight.

Some departments directly input information but the Sheriff's Office has not explored the idea with County Finance.

It is recommended the Sheriff's Office discuss with County Finance (and possibly IT) their options for inputting accounts payable and payroll information into the County financial system. There may be additional financial modules available to aide in this process.

Staffing study was not responded to in writing.

The Sheriff's Office hired a consultant to study staffing at the jail and proposed workcenter. The study was completed in September 2006 for \$25,000. The study included some twelve recommendations for

consideration. The internal auditor was not provided a copy of the report nor did the Department address the recommendations in writing.

County policy P-2004-107 Responding to Recommendations was specifically developed to assure that consultant recommendations (in addition to auditor recommendations) would be addressed in writing by Departments. A copy of the report and response should be copied to Internal Audit for subsequent follow-up.

The benefit of the consultants work is lost if their recommendations are not addressed and resolved. Attention to recommendations can help assure the benefits of paying for such a study are realized. Internal audit also performs routine follow-ups to see how departments are following up on what they say they will do.

Sheriff's Office staff indicates some of the study is being used to develop the current 07/08 budget and confirm internal staff recommendations.

It is recommended the Sheriff's Office develop a written response to each of the recommendations included in the report. The written response should be provided to Internal Audit. The Department should respond to consultant recommendations in writing and share the report and response with Internal Audit.

3.RESPONSES

Sheriff's Office

From: James Ross
Sent: Wednesday, June 06, 2007
To: David Givans

Subject: Response to Sheriff's Office Transition Audit

David

1. Previous audit recommendation on outstanding checks has not been addressed.

This has been completed. All reports have been run and the necessary information researched to complete the unclaimed property form. All checks have been cleared and a check to state lands

**Sheriff's Office
(continued)**

was sent on May 17, 2007 by Jennifer Lawrence. In the future staff will make annual reporting's before the last day of October.

2. Unique purchasing requirements of Sheriff's Office conflicts with policy

Copies of the current policy were provided to each member of the Sheriff's Office who holds a credit card. The Business Manager will work with David Givans and Finance to update the policy to accommodate the unique purchasing requirements of the Sheriff's Office. Target date for completion is August 30, 2007.

3. Efficiency of processing accounts payable and payroll could be improved.

The processing of accounts payable vouchers project will be combined with our FY2007-08 objective to automate payroll reporting. Target completion date is June 30, 2008.

4. Staffing study was not responded to in writing.

A response to the consultant's recommendations will be prepared by the Business Manager. Target completion date is July 30, 2007.

**Retired Sheriff,
Les Stiles**

From: Les Stiles
Sent: Tuesday, June 05, 2007
To: David Givans

Subject: RE: Draft of Sheriff transition internal audit report for discussion

David:

I apologize for taking so long to respond. I have been out of town and my mind was other areas of concern.

I have checked with Larry Blanton and Jim Ross about their response to this audit and have received their input.

**Retired Sheriff,
Les Stiles
(continued)**

I do not have problems with the comments in this draft audit report with one major exception. That exception pertains to the use of credit cards by Sheriff's Office staff. I will address that part further down the line in this response.

As to the other issues relating to checks and the jail, accounts payable and receivable issues I will defer to the new Sheriff and what if any changes in these areas he chooses to make. I do know that although on the surface it would appear that consolidation and use of County Finance Department software makes sense, I suspect I would have to spend quite a bit of time looking into the issue of whether our information needs and timeliness of data for operational decisions could be achieved by moving in that direction. I suspect there would be a number of issues that would have to be addressed to move in that direction. Again, I will defer to Sheriff Blanton and his decision in those areas.

Your comments relating to our hiring of a consultant to look into some issues related to the jail seem to infer that an expectation of following the consultant's recommendations was somehow mandated by the act of selecting and asking a consultant for input. That was never the case in bringing the consultant in the jail to look at a number of issues and then give me and the staff some input on a series of complex issues pertaining to the planning for opening the work center and how that would impact current jail operations. There were a number of opinions given by a number of staff and it seemed (and still does) prudent to obtain an outside opinion as to what options existed and which of those options may be the best choice. The data from that study was intended to be used to make budget decisions after operational choices were made. The whole issue of the jail and work center is still being addressed and I suspect will continue to be addressed for some time to come. In the end, there was no more requirement for us to make some report to someone, somewhere, for some purpose, than there was with the OMNI study on jail expansion. By the way, that study was more expensive and covered much larger material and has become the basis for county staff (not in the Sheriff's Office) to develop their own operational plan. The OMNI study has been quoted liberally by the county administrator in his development of his operational plan for jail expansion. The point here is that to assume that just because a consultant is asked for a series of opinions for the Sheriff and his staff to use in a decision making process there should be no expectation that the input from the suggestions from the consultant will be followed to the letter. That was never the intent of using the consultant.

The last area I would like to comment on is the paragraph relating to the use of credit cards. It is my understanding that a new policy is being developed by someone for future consideration and adoption. That is long overdue. The credit card policy is the problem not the use of the credit cards. The policy is so restrictive and punishing that use of the credit cards is almost not worth the effort. The real problem with

**Retired Sheriff,
Les Stiles
(continued)**

the policy and the intent of the policy is to try and get a whole bunch of administrators into the loop to make sure the decisions being made are correct and everything is accounted for IN ADVANCE.

That may work with some of government but it does not and will not work in a 24/7 public safety operation. I can provide example after example where public safety functions almost ground to a halt in an attempt to live by a policy that is inflexible, communicates a message of distrust of judgment, and is punishing. This policy is classic example of why the public inherently distrusts government and its policies. Moving at the speed of government is not fast enough in many public safety issues and it is way, way more expensive.

During our last officer-involved shooting we knew we had to make some accommodations about 0300 (that's 3 AM) for a family member of the man we had just shot. We could not allow the family to use the house as it was sealed for investigative purposes. We paid for a motel room with a credit card. It took my staff hours to try to communicate why we could not get a purchase order or "open billing" for that motel room. That is patently absurd.

In closing, the problem with the whole paragraph relating to the use of credit cards is the policy itself. Government should do better. There are dozens of ways to make sure (after the fact) that expenditures are appropriate and made for furtherance of the public safety mission. I think I would trust my Sheriff to have the ability to monitor the use of credit cards and if they are being used outside of policy or standards to take the action to fix it. And, if the Sheriff is the offender, it is not like there is not a pretty good paper trail to follow and adjust the usage.

Other than these comments I think the audit was done well and professionally. I am glad you are on board and find it highly ironic what role the Deschutes County Sheriff's Office played in the development of the position of Internal Auditor. I am proud of the staff of the Sheriff's Office and how far we have come in a very short period of time. There will always be some tweaking and this audit may in fact help in that regard.

Les Stiles
Sheriff, Deschutes County---Retired

{End of Report}



Deschutes County,
Oregon

Follow-up on Sheriff's Office Recommendations

Presented to the
Deschutes County Audit Committee
by the
Internal Audit Program

David Givans, CPA – County Internal Auditor

Report# 04/05 - 1 Dated August 9, 2004

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Deschutes County, Oregon

Internal Audit Program

David Givans, CPA

County Internal Auditor

Deschutes County- Administrative Services

1300 NW Wall Street, Suite 200

Bend, OR 97701

Phone: 541-330-4674

Fax: 541-385-3202

davidg@co.deschutes.or.us

Audit Follow-up Transmittal

To: Audit Committee
CC: Mike Daly, Tom DeWolf
From: David Givans, County Internal Auditor
Subject: Follow-up on Sheriff's Office audits
(Reports #2003-2 thru 2003-6)
Date: August 9, 2004

This follow-up report covers the five reports covering the internal controls within the Sheriff's Office as covered in Internal Audit Reports 2003-2 through 2003-6. A follow-up was not performed for the workcenter portion of the Inmate Services report. That program was discontinued since issuance of the report.

Information contained in this report is from interviews with Sheriff's Office personnel including, Captain Tim Edwards, Captain Ruth Jenkin and Business Manager, James Ross as well as other supporting staff.

The recommendations regarding the youth diversion accounts were followed-up with Monique McCleary, Business Manager for Juvenile Community Justice Department. Juvenile took over this program in 03/04.

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Follow-up on Sheriff's Office Recommendations

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1. INTRODUCTION

1.1 BACKGROUND

Audit Authority:

The Deschutes County Audit Committee has suggested that follow-ups occur within nine months of the reports. The Audit Committee's would like to make sure departments satisfactorily address recommendations.

Purpose:

The purpose of this report is to detail the actions in response to internal audit reports.

1.2 OBJECTIVES and SCOPE

Objectives:

The objective was to follow-up on recommendations identified in the five audit reports performed for the Sheriff's Office.

Scope:

The follow-up included all pertinent recommendations made in the five reports (#2003-2 through 2003-6). A follow-up was not performed for the workcenter portion of the Inmate Services report. That program has been discontinued since issuance of the report.

1.3 METHODOLOGY

The follow-up included interviews with Sheriff's Office personnel including, Captain Tim Edwards (Civil, Evidence, and C.O.D.E.), Captain Ruth Jenkin (Inmate Services) and Business Manager, James Ross as well as other supporting staff. Monique McCleary, Business Manager for Juvenile Community Justice responded to the youth diversion recommendations. In cases where the recommendations had not been implemented, these were noted and the explanation. The follow-up is, by nature, subjective.

In determining the status of recommendations that were followed up, we relied on assertions provided by County staff and did not attempt to independently verify those assertions.

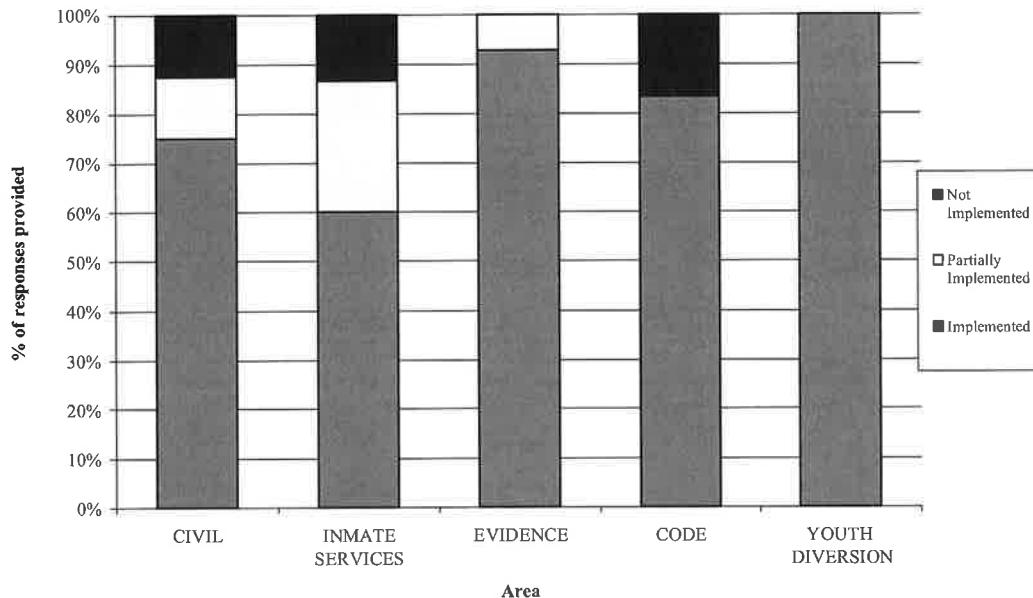
Since no audit work was performed, *Government Auditing Standards* issued by the Comptroller General of the United States were not followed.

2. Overview of Results

We followed up on 47 recommendations made in the five areas reported on for the Sheriff's Office. Recommendations are for the most being implemented (79%) or are in the process of being implemented (13%). Most of the non-implemented responses were due to cost issues or the Sheriff's Office believes there are satisfactory controls in place at the current time. From the responses provided, it appears additional follow-up is not required.

AREA	Recommendation Count			TOTAL
	Implemented	Partially Implemented	Not Implemented	
CIVIL	6	1	1	8
INMATE SERVICES	9	4	2	15
EVIDENCE	13	1		14
CODE	5		1	6
YOUTH DIVERSION	4	-	-	4
TOTAL	37	6	4	47
	79%	13%	9%	100%

**Status of Recommendations - Sheriff's Office Reports
Implementation responses by area**



3. RESULTS – CIVIL

3.1 RECOMMENDATIONS - NOT IMPLEMENTED

1. Each employee collecting fees should be responsible for their own monies until the monies are counted for deposit and reconciled to the day's activity. This might be assisted with the use of a register and associated controls. There were a number of options for implementation discussed with management and staff. Management may consider, at some point, centralizing fee collections.

Implementation comment:

The Sheriff's Office has determined not to implement these recommendations due to workload and cost requirements.

3.2 RECOMMENDATIONS - PARTIALLY IMPLEMENTED

1. Staff should document in writing all accounting policies and procedures. The procedures should emphasize the areas of monitoring, supervision and segregation of duties. These policies and procedures should be available to employees and should be in sufficient detail so each employee knows which procedures they are to perform.

Implementation comment:

Staff have started drafting policies and procedures

4. RESULTS – INMATE SERVICES

4.1 RECOMMENDATIONS - NOT IMPLEMENTED

1. Management should consider utilizing "positive pay" bank services to provide additional security to the inmate trust checking accounts. "Positive pay" is a service provided by banks where information is submitted to the bank to only allow specific checks to clear. The County is currently implementing this with its major bank accounts. This might require some improvements in the current Jail information systems. "Positive pay" will still not control this specific type of theft.

Implementation comment:

Recommendation was not implemented due to concerns regarding bank requirements for information. The bank covered losses from these transactions. Discussions with Finance staff on the banking services now available indicates there is insufficient activity of this type to warrant the additional banking fees.

2. Management should review options for collecting on amounts owed by inmates for supplies and medical costs. Appropriate legal documents may need to be signed by the inmate to aid in this collection.

Implementation comment:

Recommendation was not implemented pending review of resources required to develop collection program and staffing time required.

4.2 RECOMMENDATIONS - PARTIALLY IMPLEMENTED

1. Jail office staff should routinely reconcile inmate trust balances to the balances in the checking account. All non-inmate trust monies received (commissions, other income, etc.) and any excess should be deposited with County Finance.

Implementation comment:

Staff is trying to reconcile outstanding checks and that is delaying their implementation of reconciliation.

2. Staff should develop a system for submitting outstanding checks to the State in a timely manner. This should be done at least annually in accordance with the State deadline.

Implementation comment:

Staff have been working on information required to be submitted with monies. Since the number of checks exceeds a thousand checks, it has been requiring a significant amount of staff time to complete.

3. The Sheriff's Office should work with the Court clerks to identify how to respond to requirements on certain bail receipts. Since this is a responsibility of the courts, if the Sheriff's Office accepts qualifying bail monies, it will need to gather relevant information for this reporting. Accordingly, appropriate staff training will need to occur on these reporting standards and forms improved to collect the information. The Sheriff's Office should also consider appropriate charges for services it provides.

Implementation comment:

Staff have been working with the Courts but these transactions are infrequent.

4. Management should evaluate the current accounting systems to determine if it can provide an ongoing balance and bank reconciliation function. If the cost of adding this functionality is prohibitive, an updated computerized accounting system might be an acceptable choice.

Implementation comment:

Staff have been unable to complete the steps necessary to move to the new system. Though the system is available, they must first clear resolve the numerous open and outstanding checks before the transition information. The checks have been identified but have not been cleared. This will take a significant amount of effort, which they do not have time. They are therefore maintaining accounting information on the two systems.

5. RESULTS – EVIDENCE

5.1 RECOMMENDATIONS - PARTIALLY IMPLEMENTED

1. Additional procedures are required for safeguarding technological items. Audio tapes and computer disks have locking tabs so they cannot be recorded over. In addition, they can be placed into sealed envelopes. Computer hardware can be safeguarded by securing access panels and power ports with evidence tape. As technological items are received, evidence room staff may need to revisit the adequacy of procedures to properly safeguard each item from theft, mishandling, or tampering.

Implementation comment:

The Sheriff's Office has implemented a bar code system to log and track all evidence. Evidence room staff have developed a policy for digital evidence that has not yet been approved.

6. RESULTS – C.O.D.E.

C.O.D.E. will have its own external auditor pursuant to ORS 294.900 "Councils of Government". The Sheriff's Office intends to have these recommendations reviewed with this auditor.

6.1 RECOMMENDATIONS - NOT IMPLEMENTED

1. Recommended that County Finance notify the Code safe custodian via e-mail when a check is issued from CODE investigative funds. The CODE safe custodian can verify when the monies are received. Variances should be followed up by County Finance and/or the County Internal Auditor. Alternatively, an audit of these transfers can occur annually to match investigative funds paid out by the County to those received by CODE.

Implementation comment:

This has not been occurring. Discussed with James Ross some options for implementation including that he could be e-mailed by the CODE secretary on receipt of monies and he could verify the amounts to the finance activity shown for the account. He could also periodically review safe deposits against finance expenditures. These options would provide reasonable oversight and retain it within the Sheriff's Office.

7. RESULTS – YOUTH DIVERSION PROGRAM

(Currently handled by Juvenile Community Justice Department)

{All recommendations have been implemented}

8. RECOMMENDATIONS IMPLEMENTED – ALL REPORTS

8.1 CIVIL - RECOMMENDATIONS IMPLEMENTED

1. Staff should restrictively endorse all negotiable instruments as received.
2. An aged accounts receivable report should be developed for the internal accounting system. Employees should be actively following up on these outstanding accounts receivable balances. The write-off of old and uncollectible accounts receivable should be supervised.
3. Safeguards should be implemented in the internal accounting software to prevent employees from adjusting inputs without supervision. In addition, supervisors should not authorize their own entry adjustments. Some restrictions have been put in place for zeroing out receipts. It is important that original documentation on any voided or overridden transactions be retained. All voided transactions should be supervised during or subsequent to employee action.
4. The technician rarely prepares a receipt for the purchaser at the completion of Sheriff sales. The technician should provide a written manual receipt (pre-numbered) from a duplicate receipt book to verify monies received by the Sheriff's Office on these sales. This provides a method for monitoring sales receipts within the Sheriff's Office.
5. If the Sheriff's Office obtains a separate checking account for Sheriff sales, it is recommended that an employee who does not issue checks or handle cash be the one to prepare the monthly bank reconciliation. The bank statement, prior to reconciliation, should be reviewed by a supervisor for unusual items and handed over to the employee for reconciliation. The completed bank reconciliation should be reviewed by the supervisor and filed.
6. Employees responsible for processing disbursement requests (related to Sheriff sales) should routinely verify the presented information to the original source documentation and make a note of this in the file. This should be done for check requests above a certain amount, as determined by management, or any other check requests as determined. The documents retained from the disbursement request should be initialed by the employee processing the request for mathematical accuracy and should be cancelled on payment.

8.2 INMATE SERVICES - RECOMMENDATIONS IMPLEMENTED

1. Staff should document in writing all accounting policies and procedures. The procedures should emphasize the areas of monitoring, supervision and segregation of duties. These policies and procedures should be available to all employees and should detail the responsibilities of each employee.

2. The Sheriff's Office should arrange to directly receive the bank statements and associated support documents for all accounts it manages. These can be provided directly to the Captain supervising the Jail and Work Center.
3. It is advisable for a supervising employee, who does not handle cash or have accounting duties, to receive the bank statements. The bank statement should be reviewed for unusual items and handed over to the office assistant for reconciliation. After the reconciliation is completed, it should be returned to the supervisor for review (initialed) and filed.
4. Two employees should open mail, log monies and create receipts for monies received. Both employees should initial the log and the total from the log should be reconciled to the prepared bank deposit. Adequate receipts should be maintained. Receipts should be mailed or given to the inmate for all monies received.
5. Staff should restrictively endorse all negotiable instruments as received. An appropriate endorsement stamp should be available at each location.
6. Checks should not be signature stamped if signers are available. Access to the signature stamp should be restricted to a custodian(s) who is responsible for its use. Signers should initial off on the supporting documents. Bail checks should always be physically signed since they are issued weekly.
7. All check stock should be accounted for in logs. The logs should indicate the check numbers for all stock on hand and by location. The logs should further identify check numbers that have been used or have been voided. All voided checks should be recorded in a separate log, defaced and kept in a file. Subsequent discussions with personnel indicate they have implemented check stock logs for all checking accounts.
8. Inmate cash received should be properly witnessed and the receipts filed with the bank deposits or with the inmate files. These receipts should be monitored for compliance.
9. Unpaid balances should be investigated and the inmates paid their trust balances. Staff should periodically review accounts for released inmates with positive inmate trust balances. The Jail has initiated a system in which the checkout of an inmate will not occur without the payment of their trust balance. The Jail has also implemented a report to review these outstanding balances.

8.3 EVIDENCE - RECOMMENDATIONS IMPLEMENTED

1. Management should consider utilizing confidentiality agreements with outside labs providing service to their department.

2. Evidence room staff should properly re-seal any unsealed bags. This should be done by the two technicians immediately. Both technicians should initial the seal for these bags. Staff should consider testing tamperproof bags prior to use to make sure they are durable. Officers may want to consider permanently heat-sealing evidence bags.
3. Evidence room staff should check-in items at remote storage and offsite locations to make sure items are secured properly, properly identified and packaged, and are as described by the officer. Officers should prepare separate "property in custody" reports for items placed in remote storage areas. An additional data terminal is needed by staff to accept and monitor remote storage evidence. The remote storage facility could also use additional shelves and hooks for bikes to keep the area organized.
4. Hazardous chemicals should be immediately moved to an appropriate hazardous materials storage facility.
5. Personal items should not be kept in the biohazard refrigerators. The refrigerators should be alarmed for changes in temperature and monitored 24/7.
6. Management should consider holding cash evidence in a bank account for safekeeping and to earn interest. Management should work with the District Attorney to authorize deposit of monies when not considered necessary for evidentiary purposes.

It is recommended there be additional controls over cash received and released. Evidence room staff should make sure reports from their system are available to monitor the status of all monies in evidence as well as all monies recently deposited or released (by type). If possible, the composition of evidence monies should be indicated before it is sealed in the evidence envelope.

Cash evidence should be released only with appropriate written authorization. Appropriate written releases would include subpoenas, court documents and/or supervisor approvals. Evidence room staff should notify County Finance when money, in excess of a threshold, is released and is expected to be deposited (most forfeitures). These cash handling procedures should be documented.

7. All original "property in custody" evidence reports should be consolidated in the main filing system. Management may want to implement this recommendation over time and consider having staff make changes as they are doing other evidence room work.
8. Firearms should be held in the vault at all times. If items are likely to be released soon, they could be identified with a flag or special colored tag. Staff should develop a plan to make more efficient use of their vault space through better shelving and consider additional space. Remote storage security should probably be increased

if it continues to be used for holding firearms.

9. Regardless of source, returned evidence placed in the evidence room should be properly prepared. If the evidence has been opened, the District Attorney's Office and/or the court staff should re-package the evidence in sealed bags for return.

Officers transporting goods to and from the District Attorney, a court or lab should receive an appropriate itemized receipt and make sure the returned evidence complies with procedures.

Evidence receipts should be given to evidence room staff. Evidence room staff should monitor evidence in custody of the courts, District Attorney's Office, or outside labs for potential follow-up. The District Attorney's Office and courts should have an assigned person who takes custody of evidence and makes sure it is appropriately safeguarded.

10. Officers should receive formal training, on an annual basis, on the proper handling and preparation of evidence submitted to the evidence room. Evidence room staff should provide their expectations for prepared evidence. Written procedures for evidence and the evidence room should be periodically reviewed.
11. The transfer of cash should occur after written authorization from an appropriate supervisor. There should be some monitoring process for tracking these monies through deposit with County Finance.
12. Evidence room staff should update location information for evidence as it is moved. These entries should be made to the computer system and to the property in custody sheet as soon as possible. Staff might want to consider using a "move receipt" they can use to update records. Records should be updated to include all sale and disposition information.

Implementation comment:

The Sheriff's Office is in the process of bar coding all inventory items. This should provide a higher degree of control over inventory items and tracking their movement.

13. Management should consider implementing additional controls over vault access. Additional controls might include motion activated surveillance camera, separate motion detector alarm, separate access log with stated reason for entry, having two staff present at all times, and/or PIN access tracking.

8.4 C.O.D.E. - RECOMMENDATIONS IMPLEMENTED

1. Recommended that the safe custodian and a witness reconcile monthly the accounting information with the amount of investigative funds on hand. This verification should be evidenced by two counters and evidenced with their signatures on an appropriate receipt. The receipt should be retained in an appropriate file.

Internal audit or the CODE coordinator should conduct surprise counts.

Implementation comment:

This is only occurring quarterly.

2. Recommended that management implement a routine (quarterly) review of the accounting for investigative funds. The secretary should be responsible for recording activity and organizing receipts. The safe custodian can still review receipts other than his own.
3. Recommended management monitor compliance with the documentation and witnessing requirements for these receipts.
4. Recommended officers routinely verify that receipts for expenditures plus investigative funds on hand total the authorized amount. Transaction receipts should be submitted monthly. This will improve the accountability for investigative funds and reduce the likelihood of misappropriation.
5. It is recommended that CODE consider replacing its accounting software (Quicken) with a business accounting software like QuickBooks (basic). The accounting software should support transfer of the current accounting information. The accounting software should offer the required functionality and reporting. The accounting software should be properly setup to obtain relevant reports.

Law enforcement employees using the software should receive adequate training on its use. Some of the routine accounting problems being posted in the Quicken accounting system have been resolved with some training on the software.

Implementation comment:

Use of Quicken continues as the CODE secretary seems comfortable with its use and there have not been further issues on accounting for monies.

8.5 YOUTH DIVERSION - RECOMMENDATIONS IMPLEMENTED

1. Recommended received monies be deposited intact (as received) and in a timely manner (daily). Controls should be implemented to assure all monies received are deposited. Programs should follow County policy with regard to collection and deposit of monies.
2. Recommended the Department implement controls to monitor and supervise these programs. Departments should obtain approval from the Board of County Commissioners on all bank services.

Implementation comment:

The County adopted policy P-2003-106 "Opening bank accounts for Deschutes County". This policy requires Finance to obtain a resolution from the Board of

Commissioners on any new bank accounts.

3. Recommended program staff obtain proper approval for all expenditures. Support should be referenced to the expenditure made.
4. Recommended the budget include resources and expenditures for these grant programs. The department should analyze and review the accounting for receipts and disbursements to budgetary expectations.



Deschutes County, Oregon

Internal Audit Program

David Givans, CPA
County Internal Auditor
Deschutes County-Administration building
1130 NW Harriman
Bend, OR 97701
Phone: 541-330-4674
Fax: 541-388-4752
davidg@co.deschutes.or.us

June 10, 2003

Marty Wynne, Finance Director
Deschutes County
1340 NW Wall St
Bend, OR 97701

Les Stiles, Sheriff
Deschutes County Sheriff's Office
63333 Hwy 20 W
Bend, OR 97701

cc: Audit committee

RE: REQUESTED AUDIT WORK (Report#2003-6)

Limited procedures in review of two unauthorized checking accounts
- Youth diversion programs of the Sheriff's Office

EXECUTIVE SUMMARY

Purpose

As requested by County Finance, limited procedures were performed in review of two un-authorized checking accounts. These bank accounts were established in 1999 for two separate youth diversion programs run by the Sheriff's Office. The checking accounts were both closed in 2002.

Recommendations have been limited to those that, in the auditor's opinion, might be useful to ongoing County operations.

Results in brief

Nothing observed in the review of the bank account activity indicated additional procedures or investigation is needed. Based on the limited control environment, it is impossible to assess if anything wrong occurred. Analyses performed indicated it was unlikely material fraud occurred.

The following recommendations are for management's consideration:

- Checking accounts lacked sufficient oversight– The Sheriff's Office should implement controls to monitor and supervise these programs. The Sheriff's Office should obtain approval from the Board of County Commissioners on all bank services.

- Receipts were not provided for all incoming monies – Received monies should be deposited intact (as received) and in a timely manner (daily). Controls should be implemented to assure all monies received are deposited. Programs should follow County policy with regard to collection and deposit of monies.
- Expenditures were not completely supported by receipts and lacked authorization – Program staff should obtain proper approval for all expenditures. Support should be referenced to the expenditure made.
- Sheriff's Office did not include grant program in budget – The County budget for the Sheriff's Office should include resources and expenditures for grant programs. The Sheriff's Office should analyze and review the accounting for receipts and disbursements to budgetary expectations.

OBJECTIVES, SCOPE AND METHODS

Audit objectives:

The objective of the audit was limited to the review the associated checking accounts for unusual activity. Unusual activity is defined, for these purposes, as deposits and or withdrawal activity that would have been outside the potential scope of running this program.

Scope

The two bank accounts being reviewed are for the LaPine Youth Diversion program and Sisters Jet Program. Both of these accounts were for youth diversion programs in the associated communities. There were inquiries made of the account custodians for additional background on this program. The analyses performed were limited by the checking account support provided by the custodians on these two checking accounts. Expenditures were not evaluated for appropriateness to the program.

The records received from the checking account custodians included bank statements, deposit slips, check carbons, registers, expense support etc... The information was believed to be all that existed in support of deposits and expenditures. There were no bank reconciliations provided. There was no accounting provided for the activity of the bank accounts.

Since the accounts have been closed, recommendations have been limited to those that, in the auditor's opinion, might be useful to ongoing County operations.

Methods:

The audit included the following limited procedures based on the auditor's judgment:

- Analyses of activity
 - Comparison of receipted monies to deposits by month and year
 - Analysis of expenditures by payee and by year
(Bank statement and receipt book information was compiled by County Finance.)

- Judgmentally reviewed support provided, such as signatures and descriptions, as considered necessary.
- Agreed deposits with County Finance to monies held on closure of the checking accounts.

The sufficiency of the procedures is solely based on the auditor's judgment. Consequently, no representation is made regarding the sufficiency of the procedures for any purpose other than which this report has been requested.

The audit was not conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

BACKGROUND ON ACCOUNTS

County Finance identified the LaPine Youth Diversion checking account by requesting bank account information from County financial institutions with the Deschutes County's employer identification number. This is a recently added internal control. Bank accounts under a separate taxpayer identification number are much more difficult to identify. An employee identified the Sisters Jet Program checking account. The Board of County Commissioners did not authorize either of these bank accounts.

LaPine Youth Diversion - South Valley Bank & Trust

Banking services for LaPine Youth Diversion Services commenced in September 1999 through a savings account. The account was disclosed as a not-for-profit with Deschutes County's employer identification number. Employees of the Sheriff's Office established the account at the direction of Sheriff Greg Brown. The savings account was converted to a checking account in April 2001. Only one designated employee of the Sheriff's Office signed checks. The checking account was closed by Deschutes County on 8/21/2002. At that time, there was \$1,510.01 in the account. These monies were deposited with County Finance.

Sisters Area JET Program – Bank of the Cascades

Banking services for Sisters Area Jet Program commenced in January 1999. The account was disclosed as an association or other organization. Employees of the Sheriff's Office established the account at the direction of Sheriff Greg Brown. The account appears to have been set up under an individual taxpayer identification number. It is assumed the ID# is for one of the original signers. Two designated employees of the Sheriff's Office signed checks. The checking account was closed on 9/17/02. At that time, there was \$46.73 in the account and \$80 in cash on hand. These monies were deposited with County Finance.

AUDIT FINDINGS

Nothing observed indicated additional procedures or investigation is needed. Based on the limited control environment, it is impossible to assess if anything wrong occurred. Analysis performed indicated it was unlikely material fraud occurred. The findings are by their nature subjective.

The following recommendations are for management's consideration:

Checking accounts lacked sufficient oversight

The County identified two unauthorized checking accounts. There was no evidence of supervision or review of the underlying disbursements, bank statements, or activity.

Bank services obtained by County departments require authorization of the Board of County Commissioners. In addition, proper oversight and management of these checking accounts requires ongoing supervision of its activities.

Lack of sufficient operational oversight can allow potential misappropriations to go undetected.

The Sheriff's Office should implement controls to monitor and supervise these programs. The Sheriff's Office should obtain approval from the Board of County Commissioners on all bank services.

The County should consider requesting County employees report any bank accounts used for County business. This might result in additional disclosure of bank accounts being handled or supervised by County employees for County programs.

Receipts were not provided for all incoming monies

A comparison of receipted monies and deposits indicates that receipts did not sufficiently account for incoming monies. In addition, deposits were not made timely or intact because the deposits often differed from receipted monies on a monthly basis.

County policy (P-1999-075) indicates all receipts should be receipted with pre-numbered forms with the County's name and department and deposited within 24 hours. There should be controls to make sure activities are properly accounted for.

Based on the information provided, it could not be determined if additional monies went un-deposited. Average deposits for the bank accounts (excluding bank transfers and grant monies) for the last two years are \$1,500 and \$1,100 for LaPine and Sisters, respectively.

Received monies should be deposited intact (as received) and in a timely manner (daily). Controls should be implemented to assure all monies received are deposited. Programs should follow County policy with regard to collection and deposit of monies.

Expenditures were not completely supported by receipts and lacked authorization

Analyses indicated a lack of complete support for expenditures. There was no evidence that the support was authorized and cancelled on payment. Expenditure receipts supported some 90% and 70% of expenditures made through the LaPine and Sisters checking accounts, respectively. The expenditure support was not referenced to specific disbursements. Analyses of expenditures by payee (in total and by year) did not identify any significant payments of an unusual nature. Primarily one person handled the LaPine Youth Diversion program checking account. The Sisters Jet Program had two signers, which helps assure some level of control over disbursements. There was no evidence of supervision on either account.

Sufficient accounting, documentation and support should exist for the activity in bank accounts. Appropriate supervision and monitoring should occur to make sure disbursements are properly authorized and accounted for.

Average expenditures for the bank accounts (excluding bank transfers and grant monies) for the last two years are \$1,000 and \$1,100 for LaPine and Sisters, respectively

Program staff should obtain proper approval for all expenditures. Support should be referenced to the expenditure made.

Sheriff's Office did not include grant programs in budget

The Sheriff's Office budget did not include youth diversion program expenses outside of personnel costs. Since July 1998, the Sheriff's Office has had responsibility for the youth diversion programs. These were previously handled through the Juvenile department. Up through June 2001, a portion of payroll was funded through grants from the Deschutes County Commission on Children and Families. Sheriff's Office management made periodic grant budgets and reported quarterly on grant expenses for the program. These reports did not include the activity for these checking accounts. It was apparent from initial grant budgets that they anticipated community donations and incidental expenses.

County budgets should include all resources and expenditures planned for anticipated grants.

Lack of sufficient budgetary and operational oversight can allow potential misappropriations to go undetected.

The County budget for the Sheriff's Office should include resources and expenditures for grant programs. The Sheriff's Office should analyze and review the accounting for receipts and disbursements to budgetary expectations.



Deschutes County,
Oregon

**SHERIFF'S OFFICE -
CENTRAL OREGON DRUG
ENFORCEMENT (C.O.D.E)-
Evaluation of Internal Controls
Over Cash**

Presented to the
Deschutes County Audit Committee
by the
Internal Audit Program

David Givans, CPA – County Internal Auditor

**SHERIFF'S OFFICE -
CENTRAL OREGON DRUG ENFORCEMENT
(C.O.D.E)-
Evaluation of Internal Controls Over Cash**

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EXECUTIVE SUMMARY

Purpose

As requested by County management and Sheriff (and as approved by Deschutes County's Audit Committee), an evaluation was conducted of the internal controls over cash, checking and other assets at the Sheriff's Office. This report covers Central Oregon Drug Enforcement (CODE) and reflects a review of internal controls over investigative funds (cash) only. The purpose of the noted findings is to assist management and staff in improving its internal control system.

Deschutes County and other regional law enforcement agencies have employees directly assigned to CODE. The CODE program utilizes investigative funds for buying drugs and information.

Results in brief

The evaluation indicated a positive control environment. Staff were very accommodating and have already implemented some suggested changes.

These findings are provided to assist management in improving its system of internal control. Audit findings result from incidents of non-compliance with stated procedures and/or departures from prudent operation. The findings are, by nature, subjective. The observation did not review a sufficient number of items to project the findings over the entire population.

The following findings are presented for management's consideration.

The findings and an excerpt of the associated *recommendation* for CODE include:

- Investigative funds on hand and the related accounting information are not routinely reconciled
The safe custodian and a witness should reconcile monthly the accounting information with the amount of investigative funds on hand.
- Controls lack supervision and segregation of duties
Management should implement a routine (quarterly) review of the accounting for investigative funds. The secretary should be responsible for recording activity and organizing receipts.
- Current accounting system is inadequate
CODE should consider replacing its accounting software (Quicken) with a business accounting software like QuickBooks (basic).
- Withdrawals of CODE investigative funds from the County are not matched to monies deposited with the CODE safe custodian
County Finance should notify the CODE safe custodian via e-mail when a check is issued from CODE investigative funds.
- Investigative funds are disbursed without proper witnessing and support (limited incidents noted)
Management should monitor compliance with the documentation and witnessing requirements for these receipts.

- Supporting receipts are not remitted in a timely fashion (limited incidents noted)
Officers should routinely verify that receipts for expenditures plus investigative funds on hand total the authorized amount. Transaction receipts should be submitted monthly.

Response from management (summarized)

Management concurs with the observed findings and recommendations. Implementation is in process.

INTRODUCTION

Audit Authority:

The audit of CODE's internal controls over cash was conducted pursuant to the direction of County management and the Sheriff. Deschutes County Audit Committee authorized the audit by its approval of the County's internal audit workplan for fiscal year 2002/2003.

Introduction:

This audit was initiated in response to the County's desire to review the internal controls over its cash handling. The Sheriff's Office is the first department scheduled for this type of audit. The reports for the Sheriff's Office are expected to be the first in a series of reports covering County departments and their handling of cash. This report also includes Sheriff's Office management responses to these recommendations.

County government is responsible for using public assets and public funds in a prudent and responsible manner. County managers in turn are responsible for developing and maintaining procedures to protect public assets and promote efficient and effective services. These procedures and the environment promoted by management are called internal controls. Management is ultimately responsible for implementing appropriate internal control systems.

An effective system of internal controls:

- Safeguards assets from waste, fraud and inefficient use
- Promotes accuracy and reliability in the accounting records
- Encourages and measures compliance with established practices
- Evaluates the efficiency of operations

Effective internal controls minimize the potential for errors and/or irregularities to occur. If they do occur, effective internal controls detect such errors and/or irregularities in a timely manner during the normal course of business. For cash processes, effective internal controls include:

1. Segregation of cash handling from record keeping duties.
2. Centralization of cash receiving and accounting for all receipt of cash and checks by utilizing pre-numbered invoices.
3. Depositing cash on a timely basis.
4. Recording expenditures, in a timely manner, supported by original receipts and the proper approval authority.

5. Preparation of monthly bank reconciliation by an employee not responsible for issuing checks or having custody of cash. Review of such bank reconciliation by an appropriate supervisor.
6. Documenting internal control procedures and conducting random reviews of deposit, reconciliations, and other documentation to determine procedures are being followed.
7. Reviewing revenues and expenditures to budget and/or expectation for reasonableness.
8. Promoting an attitude and environment that perpetuates effective internal controls.

Honest employees deserve to work in an organization that implements an effective internal control system. Effective controls can prove innocence in the event errors and/or irregularities do occur.

OBJECTIVES, SCOPE and METHODS

Audit objectives:

The objectives of the audit were:

1. To evaluate the Sheriff's Office internal controls and procedures for cash, checking accounts and other assets.
2. To evaluate compliance with Federal or State regulations and requirements.

If existing procedures were not documented in writing, the interview process identified the procedures and practices.

Audit procedures addressed key internal control issues. Opportunities for increased efficiency were identified. Suggestions for improving internal control included changes to accounting procedures and personnel duties.

Scope:

This report focuses on the Central Oregon Drug Enforcement (C.O.D.E.) operations. These operations are budgeted and accounted for in the Sheriff's Office, yet involve employees and resources from agencies throughout Central Oregon. General procedures and controls for the handling of investigative funds (cash) were reviewed. These operations utilize cash for purchasing drugs and information and paying informant expenses. Specific procedures for handling controlled substances were not reviewed. Compliance with written procedures was tested only through walk-throughs of the system.

Methods:

The audit involved gaining an understanding of the control environment as described by management and staff during interviews. Relevant evidence was obtained through observation and interviews. This evaluation is, by nature, subjective.

Effective internal control provides reasonable assurance of achieving the following objectives:

1. Effectiveness and efficiency of operations.
2. Reliability of reporting information.
3. Compliance with applicable laws and regulations.

Audit procedures included:

- Interviews with appropriate personnel
- Walk-throughs to see how these systems worked
- Review of similar audit reports performed by other jurisdictions

Internal control consists of five interrelated components:

- Control environment
- Risk assessment
- Control activities
- Information and communication
- Monitoring

The audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

AUDIT RESULTS

Employees of the Sheriff's Office take their duties seriously. The high security involved in the Sheriff's facilities (especially C.O.D.E.) results in a high level of safeguarding of assets.

Management and staff appear diligent in their efforts to develop an environment supporting internal controls. Sheriff and CODE personnel were open and professional during interviews and had a positive attitude towards making improvements in the control system.

These findings are intended to assist management in evaluating its system of internal control. These recommendations and findings do not replace efforts to design an effective system of internal control. The audit, by its nature, cannot discover all possible weaknesses. As such, management should be vigilant for other improvements that can be made.

Audit findings result from incidents of non-compliance with stated procedures and/or departures from prudent operation. The findings are, by nature, subjective. The purpose of these findings is to identify procedural recommendations. The observation did not review a sufficient number of items to project the findings over the entire population.

C.O.D.E. BACKGROUND

The Sheriff's Office manages the budget for regional drug enforcement efforts. The CODE program receives significant Federal and State grants that are used to fund drug investigative efforts. CODE is also administratively accountable to the Central Oregon Law Enforcements board (COLE). Deschutes County and other regional law enforcement agencies have employees directly assigned to this effort. A significant amount of the monies and resources of CODE are managed by the COLE's board and do not represent direct assets or resources of the County.

The CODE office receives investigative funds (cash) from its investigative budget for purposes of buying drugs and information. The CODE officers receive investigative funds and are held accountable for these monies.

Officers are required to obtain signed receipts when investigative funds are paid to an informant (drug evidence or information). These transactions must be witnessed by another officer. Certain payments on behalf of informants do not require the informant's signature but do require support. All receipts are reviewed by the CODE supervisor for completeness, accuracy, and reliability of information. The CODE secretary validates the informant signature to a master file.

The following findings are presented for management's consideration.

FINDINGS

Investigative funds on hand and the related accounting information are not routinely reconciled

During a surprise count of investigative funds, the amount of cash held in the safe did not agree with the accounting records. The amount of investigative funds in the safe was greater than shown in the accounting records. After a review of the accounting records, it was noted that a couple of entries had been miss-posted.

CODE investigative funds should be treated like any other imprest cash fund. Periodically, investigative funds and receipts should be reconciled with the accounting records.

Without accurate accounting records, misappropriations can occur.

Internal procedures require matching the amount of cash with accounting records before new monies are received. Since this was a surprise count, the accounting had not been completed.

It is recommended that the safe custodian and a witness reconcile monthly the accounting information with the amount of investigative funds on hand. This verification should be evidenced by two counters and evidenced with their signatures on an appropriate receipt. The receipt should be retained in an appropriate file. Surprise counts should be conducted by internal audit or the CODE coordinator.

Controls lack supervision and segregation of duties

The safe custodian controls the use of investigative funds and maintains the accounting system. The accounting for investigative funds has not been reviewed on a timely basis by a supervisor.

The safe custodian is an officer responsible for all investigative funds on hand, law enforcement duties, and accounting responsibilities. These duties should be segregated for better control.

Lack of appropriate segregation and oversight can allow misappropriations to go undetected.

It is recommended that management implement a routine (quarterly) review of the accounting for investigative funds. The secretary should be responsible for recording activity and organizing receipts. The safe custodian can still review receipts other than his own.

Current accounting software is inadequate

The accounting software (Quicken) being used by CODE is not entirely adequate for the needs of CODE and could be simplified. Many manually derived accounting reports could be pulled directly from the accounting system.

C.O.D.E.'s accounting software should provide appropriate reports and functionality to monitor and report on its activities.

The lack of adequate and relevant accounting information can lead to loss of control over assets.

Law enforcement employees have not received sufficient training on the current accounting software package, which has been in use for several years.

It is recommended that CODE consider replacing its accounting software (Quicken) with a business accounting software like QuickBooks (basic). The accounting software should support transfer of the current accounting information. The accounting software should offer the required functionality and reporting. The accounting software should be properly setup to obtain relevant reports.

Law enforcement employees using the software should receive adequate training on its use. Some of the routine accounting problems being posted in the Quicken accounting system have been resolved with some training on the software.

Withdrawals of CODE investigative funds from the County are not matched to monies deposited with the CODE safe custodian

The CODE coordinator is responsible for obtaining cash from the investigative funds budgeted by the Sheriff's Office. There are adequate controls over the issuance; however, the safe custodian accepting investigative funds is not directly aware of the monies released by the County. The CODE's board monitors much of this process but it is not clear that they reconcile investigative monies spent from the County budget with investigative funds spent by the CODE team.

County Finance does not receive any supporting documentation for the ultimate use of investigative funds. County Finance and the CODE safe custodian should verify monies are received as were released.

Without monitoring this release of investigative funds by the County, the misappropriation of investigative funds delivered to CODE could go undetected.

It is recommended that County Finance notify the Code safe custodian via e-mail when a check is issued from CODE investigative funds. The CODE safe custodian can verify when the monies are received. Variances should be followed up by County Finance and/or the County Internal Auditor. Alternatively, an audit of these transfers can occur annually to match investigative funds paid out by the County to those received by CODE.

Investigative funds are disbursed without proper witnessing and support

A few cash transactions by the safe custodian lacked the initials of a witness. In addition, the associated use of investigative funds with an informant occurred without a witness. A transaction receipt for phone services paid for an informant did not include the phone service receipt.

Appropriate controls over an imprest cash fund require that all transactions be appropriately supported. Due to the nature of CODE activities, it is prudent to have all transactions be witnessed. CODE requires all money transfers to officers be signed by two officers. When money is expended, it is to be signed by the officer, a witness and by the informant, if applicable.

Without proper documentation and control, it is difficult to assure assets are safeguarded and spent as intended.

Management should monitor compliance with the documentation and witnessing requirements for these receipts.

Supporting receipts are not remitted in a timely fashion

Some disbursements had been made more than six months prior to request for reimbursements.

Officers should prepare a monthly accounting of investigative fund usage. Transaction receipts should be remitted on a timely basis. Periodically, officers' investigative funds and receipts should be verified in total to the authorized amount.

Monthly reimbursement and reconciliation improves internal control by making officers submit timely documents which will more quickly identify problems.

It is recommended officers routinely verify that receipts for expenditures plus investigative funds on hand total the authorized amount. Transaction receipts should be submitted monthly. This will improve the accountability for investigative funds and reduce the likelihood of misappropriation.

RESPONSE FROM MANAGEMENT

See comments provided at end of report provided by the Sheriff's Office



Deschutes County,
Oregon

**SHERIFF'S OFFICE -
EVIDENCE ROOM -
Evaluation of Internal Controls
Over Cash and Other Assets**

Presented to the
Deschutes County Audit Committee
by the
Internal Audit Program

David Givans, CPA – County Internal Auditor

Report# 2003-4 Dated March 31, 2003 (Issued June 10, 2003)

SHERIFF'S OFFICE - EVIDENCE ROOM
Evaluation of Internal Controls
Over Cash and Other Assets

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EXECUTIVE SUMMARY

Purpose

As requested by County management and Sheriff (and as approved by Deschutes County's Audit Committee), an evaluation was conducted of the internal controls for cash, checking and other assets at the Sheriff's Office. This report covers the evidence room and reflects a review of internal controls over evidence that included cash, firearms, and controlled substances. The purpose of the noted findings is to assist management and staff in improving its internal control system.

Results in brief

The evaluation indicated a positive control environment. Staff were very accommodating and have already implemented some suggested changes. Observations indicated evidence room staff are very control conscious and take their duties very seriously.

These findings are provided to assist management in improving its systems of internal control. Audit findings result from incidents of non-compliance with stated procedures and/or departures from prudent operation. The findings are, by nature, subjective. The observation did not review a sufficient number of items to project the findings over the entire population.

The following findings are presented for management's consideration.

The findings and an excerpt of the associated recommendation for the evidence room include:

- Tamperproof evidence bags are coming unsealed (limited incidents noted)
Evidence room staff should properly re-seal any unsealed bags.
- Remote storage evidence is logged-in without inspection by evidence room staff
Evidence room staff should check-in items at remote storage and offsite locations to make sure items are secured properly, properly identified and packaged, and are as described by the officer.
- Hazardous chemicals should not be temporarily stored in remote storage facility
Hazardous chemicals should be immediately moved to an appropriate hazardous materials storage facility.
- Bio-hazardous materials are not properly safeguarded
Personal items should not be kept in the bio-hazard refrigerators. The refrigerators should be alarmed for changes in temperature and monitored 24/7.
- Cash evidence received is not deposited into bank
Management should consider holding cash in a bank account for safekeeping and to earn interest.
- Older "property in custody" reports are not maintained in a central location.
All original "property in custody" reports should be consolidated.
- An outside lab responsible for processing evidence has not signed a confidentiality agreement (limited incidents noted)
Management should consider utilizing confidentiality agreements with outside labs providing service to their department.

- Firearms are not always kept in the vault for extra security
Firearms should be held in the vault at all times.
- Evidence returned by courts is not properly prepared for receipt by evidence room staff (limited incidents noted)
Evidence placed in the evidence room should be properly prepared.
- Some evidence is not being properly prepared (limited incidents noted)
Officers should receive formal training, on an annual basis, on the proper handling and preparation of evidence submitted to the evidence room.
- Audio tapes, computer disks, and computer hardware are not sufficiently safeguarded
Additional procedures are required for safeguarding technological items.
- Transfer of cash occurs without sufficient monitoring (limited incidents noted)
The transfer of cash should occur after written authorization from an appropriate supervisor.
- Location of evidence is not updated (limited incidents noted)
Evidence room staff should update location information for evidence as it is moved.
- Evidence room vault lacks additional safeguards
Management should consider implementing additional controls over vault access.

Response from management

Management concurs with the observed findings and associated recommendations. Their responses included some clarification and discussion on implementation.

INTRODUCTION

Audit Authority:

The audit of the evidence room at the Sheriff's Office was conducted pursuant to the direction of County management and the Sheriff. Deschutes County Audit Committee authorized the audit by the by its approval of the County's internal audit workplan for fiscal year 2002/2003.

Introduction:

This audit was initiated in response to the County's desire to review the internal controls over its cash handling. The Sheriff's Office is the first department scheduled for this type of audit. The reports for the Sheriff's Office are expected to be the first in a series of reports covering County departments and their handling of cash. This report also includes Sheriff's Office management responses to these recommendations.

County government is responsible for using public assets and public funds in a prudent and responsible manner. County managers in turn are responsible for developing and maintaining procedures to protect public assets and promote efficient and effective services. These procedures and the environment promoted by management are called internal controls. Management is ultimately responsible for implementing appropriate internal control systems.

An effective system of internal controls:

- Safeguards assets from waste, fraud and inefficient use
- Promotes accuracy and reliability in the accounting records
- Encourages and measures compliance with established practices
- Evaluates the efficiency of operations

Effective internal controls minimize the potential for errors and/or irregularities to occur. If they do occur, effective internal controls detect such errors and/or irregularities in a timely manner during the normal course of business. For cash processes, effective internal controls include:

1. Segregation of cash handling from record keeping duties.
2. Centralization of cash receiving and accounting for all receipt of cash and checks by utilizing pre-numbered invoices.
3. Depositing cash on a timely basis.
4. Recording expenditures, in a timely manner, supported by original receipts and the proper approval authority.
5. Preparation of monthly bank reconciliation by an employee not responsible for issuing checks or having custody of cash. Review of such bank reconciliation by an appropriate supervisor.
6. Documenting internal control procedures and conducting random reviews of deposit, reconciliations, and other documentation to determine procedures are being followed.
7. Reviewing revenues and expenditures to budget and/or expectation for reasonableness.
8. Promoting an attitude and environment that perpetuates effective internal controls.

Honest employees deserve to work in an organization that implements an effective internal control system. Effective controls can prove innocence in the event errors and/or irregularities do occur.

OBJECTIVES, SCOPE and METHODS

Audit objectives:

The objectives of the audit were:

1. To evaluate the Sheriff's Office internal controls and procedures for cash, checking accounts and other assets.
2. To evaluate compliance with Federal or State regulations and requirements.

If existing procedures were not documented in writing, the interview process identified the procedures and practices.

Audit procedures addressed key internal control issues. Opportunities for increased efficiency were identified. Suggestions for improving internal control included procedures and improvements to deal with remote storage evidence.

Scope:

This report focuses on the evidence room operations. Procedures for handling evidence were reviewed. Theft prone items such as cash, firearms and controlled substances were given additional attention. Procedures focused on evaluating the internal control system as a whole and not with specific compliance. Procedures for disposal of evidence were not reviewed.

Petty cash funds were not reviewed since existing County policies should be sufficient and no problems have been noted.

Methods:

The audit involved gaining an understanding of the control environment as described by management and staff during interviews. Relevant evidence was obtained through observation and interviews. This evaluation is, by nature, subjective.

Effective internal control provides reasonable assurance of achieving the following objectives:

1. Effectiveness and efficiency of operations.
2. Reliability of reporting information
3. Compliance with applicable laws and regulations.

Audit procedures included:

- Interviews with appropriate personnel
- Walk-throughs with actual transactions to see how these systems were being performed
- Review of similar audit reports performed by other jurisdictions
- Review of industry standards where applicable
- Participation in internal inspection of evidence room

Internal control consists of five interrelated components:

- Control environment
- Risk assessment
- Control activities
- Information and communication, and
- Monitoring

The audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

In accordance with Oregon Revised Statute - Chapter 192.501(22) & (23), certain privileged and/or confidential information has not been presented in this report. This information has been shared with management. This information, by the nature of its content, could disclose vulnerabilities and/or reveal security measures at public facilities.

AUDIT RESULTS

Employees of the Sheriff's Office take their duties seriously. The high security involved in the Sheriff's facilities (especially evidence) results in a high level of safeguarding of assets.

Management and staff appear diligent in their efforts to develop an environment supporting internal controls. Evidence room staff were open and professional and had a positive attitude towards making improvements in the control system.

These findings are intended to assist management in evaluating its systems of internal control. These recommendations and findings do not replace efforts to design an effective system of internal control. The audit, by its nature, cannot discover all possible weaknesses. As such, management should be vigilant for other improvements that can be made.

Audit findings result from incidents of non-compliance with stated procedures and/or departures from prudent operation. The findings are, by nature, subjective. The purpose of these findings is to identify procedural recommendations. The observation did not review a sufficient number of items to project the findings over the entire population.

BACKGROUND FOR EVIDENCE

The evidence room was audited because of theft prone items such as cash, firearms and controlled substances stored there. The audit focused on the controls that assure the safeguarding of evidence. The evidence room is responsible for more than 13,000 items.

Evidence room staff maintain a property management system that ensures accuracy and completeness of records. The chain of custody for evidence is strictly maintained from receipt to disposal. This is critical for the successful conviction of criminals. Audit procedures included developing an understanding of evidence room procedures, determining whether procedures are being followed, locating evidence, and establishing that evidence is properly safeguarded. Currently, there are two dedicated staff with sole access to the evidence room. Immediate supervision comes from the Detective Captain.

In addition to the planned audit procedures, an inspection was carried out with the Detective Captain. The internal inspection included an expanded testing of specific items to determine whether evidence was properly prepared and received, properly secured and initialed, and located as indicated. Since the inspection was made jointly, the Detective Captain has already internally reported many of the findings included herein.

The following findings are presented for management's consideration.

FINDINGS

Tamperproof evidence bags are coming unsealed

Some tamperproof evidence bags had come entirely unsealed or were coming unsealed. Some of these bags contained controlled substance evidence. It was presumed, by the presence of initials, that these bags had originally been sealed.

The use of tamperproof evidence bags is one of the primary methods for securing and safeguarding evidence. Properly utilized they can indicate if tampering has occurred, safely secure items, and assure that the chain of custody has been maintained.

The loss of the seal could indicate evidence tampering or loss of evidence. Additionally, an open bag could expose the staff and facility to potentially harmful substances.

It appears that some of the purchased tamperproof bags do not have the longevity required for some of these cases. The occurrence of unsealed bags was limited to certain time periods perhaps indicating a bad batch of bags or the effects of aging.

Evidence room staff should properly re-seal any unsealed bags. This should be done by the two technicians immediately. The seal for these bags should be initialed by both technicians. Staff should consider testing tamperproof bags prior to use to make sure they are durable. Officers may want to consider permanently heat-sealing evidence bags.

Remote storage evidence is logged-in without inspection by evidence room staff

Officers prepare evidence reports, which include items to be stored in the evidence room and remote storage. Evidence room staff accept the reports without observing the items of evidence to be located in remote storage.

Evidence room staff should only take custody of items, which can be checked against an evidence sheet. They have a responsibility to confirm the evidence is properly prepared for custody and can be appropriately safeguarded in remote storage.

Receiving evidence without observation is not appropriate. Staff take responsibility for all evidence under their care.

Due to the distance between the evidence room and remote storage, evidence room staff cannot immediately check the items of evidence dropped off at remote storage. Staff are placing undue trust in the officers submitting the evidence.

Evidence room staff should check-in items at remote storage and offsite locations to make sure items are secured properly, properly identified and packaged, and are as described by the officer. Officers should prepare separate "property in custody" reports for items placed in remote storage areas. An additional data terminal is needed by staff to accept and monitor remote storage evidence. The remote storage facility could also use additional shelves and hooks for bikes to keep the area organized.

Hazardous chemicals should not be temporarily stored in remote storage facility

Officers temporarily placed some chemical evidence in the receiving area for remote evidence storage.

A separate hazardous material storage facility is available for chemical evidence.

Temporary storage of these chemicals without appropriate safeguards could place the facility and/or evidence at risk.

Hazardous chemicals should be immediately moved to an appropriate hazardous materials storage facility.

Bio-hazardous materials are not properly safeguarded

The evidence room utilizes several refrigerators to hold frozen and refrigerated bio-hazardous evidence. Staff use the refrigerators to hold personal food items. These refrigerators are not alarmed for a decrease in temperature.

Bio-hazard evidence should be properly refrigerated and monitored.

It is unacceptable to expose evidence in the refrigerators to possible equipment malfunction or to issues from storing personal items there.

Evidence room staff have kept their personal items in the refrigerators as a matter of convenience.

Personal items should not be kept in the bio-hazard refrigerators. The refrigerators should be alarmed for changes in temperature and monitored 24/7.

Cash evidence received is not deposited into bank

Cash evidence is handled like other evidence and is not removed from its sealed evidence bag.

The Department of the Treasury's - *Guidelines for Seized and Forfeited Property* (July 2001) indicates cash not needed for evidentiary purposes should be promptly deposited into an interest-bearing account to properly safeguard these monies. All cash should be counted by two officers. Evidence of counting should be evident by inspection of the tamperproof evidence bag.

Holding cash can increase the potential for theft and improprieties. The Sheriff's Office might also bear a financial risk for interest not earned on held cash.

Management should consider holding cash in a bank account for safekeeping and to earn interest. Management should work with the District Attorney to authorize deposit of monies when not considered necessary for evidentiary purposes.

It is recommended there be additional controls over cash received and released. Evidence room staff should make sure reports from their system are available to monitor the status of all monies in evidence as well as all monies recently deposited or released (by type). If possible, the composition of evidence monies should be indicated before it is sealed in the evidence envelope.

Cash evidence should be released only with appropriate written authorization. Appropriate written releases would include subpoenas, court documents and/or supervisor approvals. Evidence room staff should notify County Finance when money, in excess of a threshold, is released and is expected to be deposited (most forfeitures). These cash handling procedures should be documented.

Older “property in custody” reports are not maintained in a central location.

The inspection of older items of evidence (pre 1999) indicated the original “property in custody” reports were located with the item of evidence and not chronologically in the main filing system. The information for all items of evidence is accessible in the computer system.

“Property in custody” reports are the original chain of custody documents and include all relevant information received from the officer and used to hold the evidence. This original documentation is kept chronologically in the main filing system. This documentation contains original signatures and initials. A copy of the property in custody form is usually kept with the item of evidence.

When the computer systems are down, the property in custody reports are a secondary resource to locate evidence. Without the reports, it would be difficult to locate specific items.

All original “property in custody” reports should be consolidated in the main filing system. Management may want to implement this recommendation over time and consider having staff make changes as they are doing other evidence room work.

An outside lab responsible for processing evidence has not signed a confidentiality agreement

The Sheriff’s Office does not have confidentiality agreements with outside labs (non-law enforcement).

A confidentiality agreement can help identify procedures for handling evidence and restrict the use of the underlying information.

A confidentiality agreement restricts the sharing of information. It also reduces the likelihood of any leaks of confidential information to the media or outside parties.

Confidentiality agreements have not been used due to the good working relationship between the Sheriff’s Office and non-law enforcement labs. No problems have been noted.

Management should consider utilizing confidentiality agreements with outside labs providing service to their department.

Firearms are not always kept in the vault for extra security

Evidence room staff move some firearms out of the vault in anticipation of release. In addition, firearms are sometimes held in the remote storage area.

Firearms are typically safeguarded in a vault for extra protection.

Having firearms outside the security of the vault could make them harder to locate and less safe.

Firearms pulled from the vault were expected to be picked up in the near future. The firearms identified in remote storage represented a sizable collection of firearms taken on a specific case. The space in the vault room is insufficient to reasonably hold this amount of evidence.

Firearms should be held in the vault at all times. If items are likely to be released soon, they could be identified with a flag or special colored tag. Staff should develop a plan to make more efficient use of their vault space through better shelving and consider additional space. Remote storage security should probably be increased if it continues to be used for holding firearms.

Evidence returned by courts is not properly prepared for receipt by evidence room staff

Items of evidence received back from the courts were not prepared up to the required evidence room standards. Evidence room staff do not routinely monitor or follow-up on evidence taken to the courts or District Attorney's Office.

All evidence placed in the evidence room needs to be sufficiently sealed in order to maintain the chain of custody. The evidence room staff should continue to track all items of evidence until they are released, destroyed or sold.

When items of evidence are received back from the courts, District Attorney's Office or lab in a state not equivalent to the way it was originally received, it can raise questions as to chain of custody and/or completeness of the evidence.

Evidence room staff have little control over how the evidence is returned to them. It may not be feasible to enforce evidence room procedures on non-County employees.

Regardless of source, returned evidence placed in the evidence room should be properly prepared. If the evidence has been opened, the District Attorney's Office and/or the court staff should re-package the evidence in sealed bags for return.

Officers transporting goods to and from the District Attorney, a court or lab should receive an appropriate itemized receipt and make sure the returned evidence complies with procedures. Evidence receipts should be given to evidence room staff. Evidence room staff should monitor evidence in custody of the courts, District Attorney's Office, or outside labs for potential follow-up. The District Attorney's Office and courts should have an assigned person who takes custody of evidence and makes sure it is appropriately safeguarded.

Some evidence is not being properly prepared

Improperly prepared items of evidence were observed. These are commonly held for officer follow-up. A few situations were noted in which the evidence was not properly sealed, lacked sufficient initials or dating, or was located in multiple evidence bags.

Comprehensive written policies and procedures for evidence room procedures and evidence preparation can assist in training officers and replacement employees.

Lack of sufficient written procedures can lead to inappropriate and inconsistent treatment of evidence. This potentially places the chain of custody, the security of the evidence, and evidence room staff at risk.

Management has drafted evidence room procedures. At the time of the observation, the procedures were not yet in place.

Officers should receive formal training, on an annual basis, on the proper handling and preparation of evidence submitted to the evidence room. Evidence room staff should provide their expectations for prepared evidence. Written procedures for evidence and the evidence room should be periodically reviewed.

Audio tapes, computer disks, and computer hardware are not sufficiently safeguarded.

During the inspection, audio tapes, computer disks and computer hardware were being held "as is" without sufficient tamper proofing.

Evidence received should be sufficiently safeguarded to eliminate tampering. Additional measures are needed for technological items.

The lack of appropriate safeguard measures for technology places risk the security of those items of evidence at risk.

Additional procedures are required for safeguarding technological items. Audio tapes and computer disks have locking tabs so they cannot be recorded over. In addition, they can be placed into sealed envelopes. Computer hardware can be safeguarded by securing access panels and power ports with evidence tape. As technological items are received, evidence room staff may need to revisit the adequacy of procedures to properly safeguard each item from theft, mishandling, or tampering.

Transfer of cash occurs without sufficient monitoring

Evidence room staff indicates that found monies are turned over to records staff for deposit. These transfers do not appear to be monitored.

Cash require a high level of security and supervision. All monies should be tracked and appropriate authority received for their release or transfer.

Without appropriate controls and oversight, cash could be misappropriated.

Evidence room staff do not have written accounting procedures for the transfer of cash. They have recently been adding case numbers to found items to track these within their system.

The transfer of cash should occur after written authorization from an appropriate supervisor. There should be some monitoring process for tracking these monies through deposit with County Finance.

Location of evidence is not properly updated

Several items were observed with incorrect location codes either on the computer system or on the "property in custody" sheet. In one case, an item had been sold at auction.

It is important each item making up evidence for a case is locatable by the information in the computer or in the paperwork. This information should be updated through ultimate disposition.

Without proper location information, items of evidence can be very difficult to find. Items of evidence items come in packages large and small and some are commingled in larger bins.

The location problems observed were mostly typographical errors. However, some were due to a reorganization of evidence within the evidence room.

Evidence room staff should update location information for evidence as it is moved. These entries should be made to the computer system and to the property in custody sheet as soon as possible. Staff might want to consider using a "move receipt" they can use to update records. Records should be updated to include all sale and disposition information.

Evidence room vault lacks additional safeguards

Evidence room staff have unrestricted access to the vault. It is impossible to know who has been in the vault and for what reason. In review of property room standards (as promulgated by the *International Association for Property & Evidence*), additional security measures were identified.

A separate vault area is only more effective if it has a higher level of security than the rest of the facility.

Lack of sufficient controls over vault items could lead to their theft or compromise.

Management should consider implementing additional controls over vault access. Additional controls might include motion activated surveillance camera, separate motion detector alarm, separate access log with stated reason for entry, having two staff present at all times, and/or PIN access tracking.

RESPONSE FROM MANAGEMENT

See comments provided at end of report provided by the Sheriff's Office



Deschutes County,
Oregon

**SHERIFF'S OFFICE-
INMATE SERVICES -
Evaluation of Internal Controls
Over Cash and Checking Accounts**

Presented to the
Deschutes County Audit Committee
by the
Internal Audit Program

David Givans, CPA – County Internal Auditor

Report# 2003-3 Dated March 31, 2003 (Issued June 10, 2003)

**SHERIFF’S OFFICE-INMATE SERVICES -
Evaluation of Internal Controls
Over Cash and Checking Accounts**

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EXECUTIVE SUMMARY

Purpose

As requested by County management and Sheriff (and as approved by Deschutes County's Audit Committee), an evaluation was conducted of the internal controls for cash, checking and other assets at the Sheriff's Office. This report covers inmate services, which includes the Jail and Work Center. The purpose of the noted findings is to assist management and staff in improving its internal control system.

Results in brief

The evaluation indicated a positive control environment. Staff were very accommodating and have already implemented some suggested changes.

These findings are provided to assist management in improving its internal control systems. Audit findings result from incidents of non-compliance with stated procedures and/or departures from prudent operation. The findings are, by nature, subjective. The inspection did not review a sufficient number of items to project the findings over the entire population.

The following findings are presented for management's consideration.

The findings and an excerpt of the associated recommendation for the Jail and Work Center include:

GENERAL

- Lack of sufficient written accounting policies and procedures
Staff should document in writing all accounting policies and procedures.
- Sheriff's Office does not directly receive its bank statements
The Sheriff's Office should arrange to directly receive the bank statements and associated support documents on all checking accounts it manages.
- Employee duties require additional segregation
A supervising employee who does not handle cash or have accounting duties, should receive and review the bank statements and review the associated bank reconciliations.
- Additional safeguards needed over mailed-in monies
Two employees should open mail, log monies and create receipts for monies received.
- Negotiable instruments received are not immediately endorsed for deposit
Staff should restrictively endorse all negotiable instruments as received.
- Access and use of signature stamp not controlled
Checks should not be stamped if signers are available. Access to the signature stamp should be restricted to a custodian(s) who is responsible for its use.
- Accounting effort is duplicated
Management should evaluate the current accounting systems to determine if it can provide an ongoing balance and bank reconciliation function.
- Check stock is not properly controlled
All check stock should be accounted for in logs.

JAIL – INMATE TRUST

- Trust checking account is not routinely reconciled to inmate trust balances
Jail office staff should routinely reconcile inmate trust balances to the balances in the checking account. All non-inmate trust monies received (commissions, other income, etc.) or any excess should be deposited with County Finance.
- Ex-inmates stole funds from inmate trust account
Management should consider utilizing “positive pay” bank services to provide additional security to the inmate trust checking accounts.
- Receipt for inmate cash not witnessed (limited incidents noted)
Inmate cash received should be properly witnessed and the receipts filed with the bank deposits or with the inmate files.
- Some inmates upon release did not receive their trust balance (limited incidents noted)
Unpaid balances should be investigated and the inmates paid their trust balances.
- Numerous outstanding checks should have been remitted to Oregon’s Unclaimed Property Program
Staff should develop a system for submitting outstanding checks to the State in a timely manner.
- Sheriff’s Office incurs indigent inmates’ costs
Management should review options for collecting on amounts owed by inmates for supplies and medical costs.

WORK CENTER – INMATE TRUST

- County revenues retained in Work Center
Work Center office staff should routinely reconcile inmate trust balances to the balances in the checking account. All non-inmate trust monies received (commissions, other income, etc.) or any excess should be deposited with County Finance.
- County expenditure made from inmate trust account (limited incidents noted)
All non-inmate trust account expenditures (i.e. County expenditures) should be made through the normal County expenditure process at the Sheriff’s Office.
- The Work Center has insufficient authority to have cash on hand
The Work Center should request authorization for an imprest cash fund.
- Work center staff have access to accounting and supporting documents
Access to accounting records and support should be restricted to appropriate personnel.
- Lockbox security is inadequate
It is recommended that a new or modified lockbox be mounted to protect the contents. Access should be restricted to one employee with the responsibility of preparing the deposits.
- Deposits are not made in a timely manner
Staff should make efforts to ensure timely deposits in accordance with County policy.

BAIL TRUST

- Jail staff do not collect sufficient information for certain bail receipts
The Sheriff’s Office should work with the Court clerks to identify how to respond to these requirements.

Response from management

Management concurs with the observed findings and associated recommendations. Implementation is in process.

INTRODUCTION

Audit Authority:

The audit of inmate services at the Jail and Work Center was conducted pursuant to the direction of County management and the Sheriff. The Deschutes County Audit Committee authorized the audit by its approved of the County's internal audit workplan for fiscal year 2002/2003.

Introduction:

This audit was initiated in response to the County's desire to review the internal controls over its cash handling. The Sheriff's Office is the first department scheduled for this type of audit. The reports for the Sheriff's Office are expected to be the first in a series of reports covering County departments and their handling of cash. This report also includes Sheriff's Office management responses to these recommendations.

County government is responsible for using public assets and public funds in a prudent and responsible manner. County managers in turn are responsible for developing and maintaining procedures to protect public assets and promote efficient and effective services. These procedures and the environment promoted by management are called internal controls. Management is ultimately responsible for implementing appropriate internal control systems.

An effective system of internal controls:

- Safeguards assets from waste, fraud and inefficient use
- Promotes accuracy and reliability in the accounting records
- Encourages and measures compliance with established practices
- Evaluates the efficiency of operations

Effective internal controls minimize the potential for errors and/or irregularities to occur. If they do occur, effective internal controls detect such errors and/or irregularities in a timely manner during the normal course of business. For cash processes, effective internal controls include:

1. Segregation of cash handling from record keeping duties.
2. Centralization of cash receiving and accounting for all receipts of cash and checks utilizing pre-numbered invoices.
3. Depositing cash on a timely basis.
4. Recording expenditures, in a timely manner, supported by original receipts and the proper approval authority.
5. Preparation of monthly bank reconciliation by an employee not responsible for issuing checks or having custody of cash. Review of such bank reconciliation by an appropriate supervisor.

6. Documenting internal control procedures and conducting random reviews of deposit, reconciliations, and other documentation to establish that procedures are being followed.
7. Reviewing revenues and expenditures to budget and/or expectation for reasonableness.
8. Promoting an attitude and environment that perpetuates effective internal controls.

Honest employees deserve to work in an organization that implements an effective internal control system. Effective controls can prove their innocence in the event errors and/or irregularities do occur.

OBJECTIVES, SCOPE and METHODS

Audit objectives:

The objectives of the audit were:

1. To evaluate the Sheriff's Office internal control and procedures for cash, checking accounts and other assets.
2. To evaluate compliance with Federal and State regulations and requirements.

If existing procedures were not documented in writing, the interview process identified procedures and practices.

Audit procedures addressed key internal control issues. Opportunities for increased efficiency were identified. Suggestions for improving internal control included eliminating duplicated accounting efforts and segregation of duties.

Scope:

This report focuses on inmate services provided at the Jail and Work Center. Procedures for handling checking, cash or other assets were reviewed. Comprehensive written accounting procedures were not available for all operations; therefore, specific compliance with written procedures was not evaluated.

There are three checking accounts utilized in these operations. These were identified as follows:

- Jail – inmate trust
- Work Center – inmate trust
- Bail trust

The Jail and Work Center do not have authorized change or petty cash monies so these were not reviewed. A recommendation does address the need for an authorized imprest cash fund at the Work Center.

Methods:

The audit involved gaining an understanding of the control environment as described by management and staff during interviews. Relevant evidence was obtained through observations, interviews, and analysis. This evaluation is, by nature, subjective.

Effective internal control provides reasonable assurance of achieving the following objectives:

1. Effectiveness and efficiency of operations.
2. Reliability of reporting information
3. Compliance with applicable laws and regulations.

Audit procedures included:

- Interviews with appropriate personnel
- Walk-throughs with actual transactions to see how these systems were being performed
- Review of similar audit reports performed by other jurisdictions
- Review of industry standards where applicable
- Data extraction and analyses

Internal control consists of five interrelated components:

- Control environment
- Risk assessment
- Control activities
- Information and communication, and
- Monitoring

The audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

AUDIT RESULTS

Employees of the Sheriff's Office take their duties seriously. The high security involved in the Sheriff's facilities results in a high level of safeguarding of assets.

Management and staff appear diligent in their efforts to develop an environment supporting internal controls. Jail and Work Center staff were open and professional and had a positive attitude towards making improvements in the internal control system.

These findings are intended to assist management in evaluating its systems of internal control. These recommendations and findings do not replace efforts to design an effective system of internal control. The audit, by its nature, cannot discover all possible weaknesses. As such, management should be vigilant for other improvements that can be made.

Audit findings result from incidents of non-compliance with stated procedures and/or departures from prudent operation. The findings are, by nature, subjective. The purpose of these findings is to identify procedural recommendations. The evaluation did not review a sufficient number of items to project the findings over the entire population.

The following findings are presented for management's consideration.

GENERAL FINDINGS

Lack of sufficient written accounting policies and procedures

There were insufficient or nonexistent written accounting policies and procedures over areas of operation.

Communication is an essential component of internal controls. Written policies and procedures are particularly effective for controls over accounting and financial matters. A well-designed and maintained set of policies and procedures enhances accountability and consistency. The resulting documentation is also useful for training and cross-training personnel.

The lack of comprehensive written accounting procedures can lead to inadequately planned controls, inadequate supervision, poor and inadequate training, and lack of adherence to stated control procedures.

Staff should document in writing all accounting policies and procedures. The procedures should emphasize the areas of monitoring, supervision and segregation of duties. These policies and procedures should be available to all employees and should detail the responsibilities of each employee.

Sheriff's Office does not directly receive its bank statements

County Finance currently receives most bank statements on CD. The Sheriff's Office needs these bank statements to reconcile the information in its accounting systems.

Bank statements and associated cancelled checks are a useful resource in managing the activity within a checking account.

Inadequate control and reconciliation of checking account activity can potentially allow misappropriations to go undetected.

The Sheriff's Office should arrange to directly receive the bank statements and associated support documents for all accounts it manages. These can be provided directly to the Captain supervising the Jail and Work Center.

Employee duties require additional segregation

Staff are responsible for accepting monies, preparing deposits, accounting for transactions and reconciling bank statements.

Personnel should not be entrusted with all facets of handling a transaction: custody, authorization, accounting and oversight.

Lack of appropriate segregation and oversight can lead to theft.

It is advisable for a supervising employee, who does not handle cash or have accounting duties, to receive the bank statements. The bank statement should be reviewed for unusual items and handed over to the office assistant for reconciliation. After the reconciliation is completed, it should be returned to the supervisor for review (initialed) and filed.

Additional safeguards needed over mailed-in monies

One employee currently opens all mail. Mail may include monies for inmates. Receipts are not always prepared.

Inmate monies received in the mail should be counted by two employees and issued a receipt. Deposit slips prepared should be reconciled to bank deposits.

Inadequate controls over received money could lead to theft.

Two employees should open mail, log monies and create receipts for monies received. Both employees should initial the log and the total from the log should be reconciled to the prepared bank deposit. Adequate receipts should be maintained. Receipts should be mailed or given to the inmate for all monies received.

Negotiable instruments received are not immediately endorsed for deposit.

Negotiable instruments received are not restrictively endorsed on receipt.

All negotiable instruments should be restrictively endorsed to avoid their theft.

Delay in endorsement could lead to misappropriation.

Staff should restrictively endorse all negotiable instruments as received. An appropriate endorsement stamp should be available at each location.

Access and use of signature stamp not controlled

Signature stamps are used in the Jail and Work Center to issue checks and are accessible by most staff. The stamp is often used even when a signer is available.

A signature stamp removes proper supervision and authority unless mitigated by other controls.

Lack of proper supervision could lead to misappropriation.

Checks should not be stamped if signers are available. Access to the signature stamp should be restricted to a custodian(s) who is responsible for its use. Signers should initial off on the supporting documents. Bail checks should always be physically signed since they are issued weekly.

Accounting effort is duplicated

Staff enter information into the internal accounting systems and into a workstation accounting systems (Microsoft Money).

Accounting systems should have sufficient functionality to provide information on account balances and allow reconciliation to bank statements.

Duplicating accounting effort is inefficient.

Staff utilize the workstation accounting system to reconcile the checking account activity since this is not possible with the internal accounting system.

Management should evaluate the current accounting systems to determine if it can provide an ongoing balance and bank reconciliation function. If the cost of adding this functionality is prohibitive, an updated computerized accounting system might be an acceptable choice.

Check stock is not properly controlled

A log was not maintained for the check stock in use and in storage.

Check stock should be controlled and monitored. A check stock log monitors the use of check stock and can identify any missing checks.

Inadequate controls over check stock can potentially allow misappropriations to go undetected.

All check stock should be accounted for in logs. The logs should indicate the check numbers for all stock on hand and by location. The logs should further identify check numbers that have been used or have been voided. All voided checks should be recorded in a separate log, defaced and kept in a file. Subsequent discussions with personnel indicate they have implemented check stock logs for all checking accounts.

JAIL – INMATE TRUST

The Jail has a checking account to hold monies in “trust” for the inmates. The purpose of the checking account is to safeguard inmate monies during their stay. These monies include cash in possession at the time of arrest or as deposited by friends or family.

Deposited monies allow inmates to purchase commissary items, pay fees, and pay for services during their stay. Inmates without money are allowed only certain services and items. Inmate charges can result in negative trust account balances. These negative balances represent amounts owed to the Sheriff’s Office. Monies collected from return inmates may be used to offset their prior negative balances. Collection efforts are minimal.

Trust checking account is not routinely reconciled to inmate trust balances

The Jail's inmate trust account should only have monies related to inmates. At the time of review, the trust accounting indicated positive inmate trust balances of \$6,497. However, its checking account balance amounted to \$13,788.

County income should be deposited with County Finance. County monies should not be commingled with monies held in trust for inmates.

Having County income deposited and retained in this account reduces management oversight. Monies in excess of those required for the trust may be prone to misappropriation.

The excess of nearly \$7,300 in the checking account resulted from commissary commissions and fees for hygiene and legal supplies collected into the trust account. The current trust accounting system bills inmates for services. The Jail receives a commission on the services provided to inmates by an independent provider. This commission accrues within the trust accounting system until it is paid out.

Jail office staff should routinely reconcile inmate trust balances to the balances in the checking account. All non-inmate trust monies received (commissions, other income, etc.) and any excess should be deposited with County Finance.

Ex-inmates stole funds from inmate trust account

Jail management identified two circumstances 2002 where ex-inmates utilized information from their release check to steal funds. The total amounts wired out of the account were \$960.

The Jail's monitoring and reconciliation of these accounts was sufficient to timely detect these charges.

The County's bank took responsibility for the unauthorized charges and replaced the missing funds.

Current identity theft schemes can allow unauthorized charges to a bank account. Current procedures to reconcile bank activity can quickly identify improper charges.

Management should consider utilizing "positive pay" bank services to provide additional security to the inmate trust checking accounts. "Positive pay" is a service provided by banks where information is submitted to the bank to only allow specific checks to clear. The County is currently implementing this with its major bank accounts. This might require some improvements in the current Jail information systems. "Positive pay" will still not control this specific type of theft.

Receipt for inmate cash not witnessed

The Jail safeguards the cash in possession of inmates upon arrest. A receipt for inmate cash was observed without initials from two employees. In addition, these receipts are not being retained.

It is the current department policy to have the receipt of inmate cash evidenced by two employees.

Without witnessed counts of cash, monies could be exposed to theft.

Inmate cash received should be properly witnessed and the receipts filed with the bank deposits or with the inmate files. These receipts should be monitored for compliance.

Some inmates upon release did not receive their trust balance

Twenty-seven inmates were identified that had not been paid their trust account balances since June 2000. The total unpaid balances amounted to only \$203.

Inmate trust account balances should be paid at the time of release.

Failure to pay the inmate upon release can result in extra staff time to locate the inmate and make appropriate payment.

The missed payments appear to be due to computer or printer problems at the time of release.

Unpaid balances should be investigated and the inmates paid their trust balances. Staff should periodically review accounts for released inmates with positive inmate trust balances. The Jail has initiated a system in which the checkout of an inmate will not occur without the payment of their trust balance. The Jail has also implemented a report to review these outstanding balances.

Numerous outstanding checks should have been remitted to Oregon's Unclaimed Property Program

The inmate trust account has a significant number of outstanding checks. Checks amounting to \$3,242 are outstanding and should be remitted to the State (outstanding as of June 30, 2000). Of those outstanding checks, only five checks were over \$50 and amounted in total to \$514.

Unclaimed checks older than two years are required to be submitted to the state's unclaimed property program. Those checks outstanding as of June 30, 2000 should have been remitted by November 1, 2002.

Unclaimed checks are the property of past inmates. Failing to properly submit these to the state could result in penalties.

Staff should develop a system for submitting outstanding checks to the State in a timely manner. This should be done at least annually in accordance with the State deadline.

Sheriff's Office incurs indigent inmates' costs

In reviewing approximately 28 months of inmate trust activity, negative trust account balances were identified amounting to \$8,740 for past inmates and \$1,178 for current inmates. These balances were spread over approximately 2000 inmates.

Negative balances represent a cost to the Sheriff's Office for providing basic services to mostly indigent inmates. Most of this cost comes from hygiene and legal supplies that are mandated.

The cost of indigent inmates to the jail operations is not being reviewed and monitored.

Negative inmate trust account balances result from mandated services provided to indigent inmates that are never repaid.

Management should review options for collecting on amounts owed by inmates for supplies and medical costs. Appropriate legal documents may need to be signed by the inmate to aid in this collection.

WORK CENTER – INMATE TRUST

The Work Center has a checking account to hold monies in "trust" for the inmates. The purpose of the checking account is to safeguard inmate monies during their stay. These monies include cash in possession at the time of arrest and as deposited by friends or family.

Monies deposited allow inmates to purchase commissary items, pay fees, and pay for services (laundry, vending, etc.) during their stay. Inmates are allowed to have a modest amount of cash (\$40) on their person when at the Work Center. Inmates without money are allowed only certain services and items. Inmate charges can result in negative trust account balances. These negative balances represent amounts owed to the Sheriff's Office. Monies collected from return inmates may be used to offset their prior negative balances. Collection efforts are minimal.

The Work Center is a minimum-security facility separate from the jail. Sentenced inmates meeting certain criteria are transferred from the Jail to the Work Center and can participate in the work release and/or treatment program. Work release participants pay \$20 per day to work away from the Work Center. Inmates not in the work release program participate in work crews. Inmates are housed at the facility when they are not working.

County revenues retained at Work Center

The Work Center's inmate trust account should only have monies related to inmates. At the time of review, the trust accounting indicated positive inmate trust balances of \$1,046. However, the monies held in the checking account, cash register and safe were more than \$3,200 (of that total, approximately \$1,200 was in cash).

County income should be deposited with County Finance. County monies should not be commingled with monies held in trust for inmates.

Having County income deposited and retained in this account reduces management oversight. Monies in excess of those required for the trust are prone to misappropriation.

The excess of approximately \$2,100 resulted from commissions on vendor agreements and recycling deposits.

Work Center office staff should routinely reconcile inmate trust balances to the balances in the checking account. All non-inmate trust monies received (commissions, other income, etc.) or any excess should be deposited with County Finance. Checks or cash directed to an inmate's trust account balance should be the only deposits made to the inmate trust account.

County expenditure made from inmate trust account

A disbursement from the trust was identified for a newspaper subscription. The disbursement is not attributable to a specific inmate and, therefore, should not be disbursed from trust funds.

Non-inmate trust expenditures should go through the normal County expenditure process for oversight and control.

Non-inmate expenses paid through the trust account could receive inadequate authorization and control. This kind of expenditure could potentially use monies that are rightfully the inmates'.

All non-inmate trust account expenditures (i.e. County expenditures) should be made through the normal County expenditure process at the Sheriff's Office.

The Work Center has insufficient authority to have cash on hand

In order to have cash available for Work Center inmates, a cash register and safe are used to hold inmate trust monies. The Work Center does not have authority to have a petty cash or change fund. In addition, there are too many people with current access to the register and safe.

Petty cash and change funds require specific procedures for their supervision. Amounts retained for those purposes should represent an amount necessary to cover routine needs. County policy (P-011-98) requires authorization for a petty cash fund from the Board of County Commissioners.

Too much cash can lead to problems in safeguarding those assets.

The Work Center should request authorization for an imprest cash fund. The fund would only be used to access inmate trust monies (and not to be used to make County expenditures). The fund would be reimbursed through inmate trust funds after sufficient documentation is provided. As monies are disbursed from the imprest cash fund, they should be evidenced by a receipt from the trust accounting system with the initials of the inmate. A report summarizing the cash disbursed to inmates can be provided by the accounting system.

It is recommended the Work Center discontinue holding excess cash in the safe. Access to the safe is not properly limited and funds are not accessed frequently.

Access to the cash register should be limited to specific custodians and be used to hold only imprest cash monies. Only one person should act as the imprest cash fund custodian at a time and be charged with possession of the keys to the register. The amount of the register's cash and receipts at any time should equal the authorized imprest cash fund amount. The authorized imprest fund amount should be verified at the beginning and end of each custodian's shift.

Work Center staff have access to accounting and supporting documents

Virtually all staff have access to the accounting support and the software used at the Work Center. In addition, the office assistant has sufficient control to edit and remove entries.

Accounting systems and support should be properly secured. Access and authorities in the Work Center accounting systems should be set to provide for proper supervision of activity.

Lack of appropriate oversight can lead to improper adjustment of records that may cover the trail of a theft.

Access to accounting records and support should be restricted to appropriate personnel. Similarly, the Work Center software programs should have appropriate authorization levels to restrict changes. Adjustments to entries should require approval by supervisory personnel after review of adequate support and documentation.

Lockbox security is inadequate

Most personnel in the Work Center have access to the lockbox. In addition, the design and installation of the lockbox is not sufficient to protect the contents.

Receipts should be sufficiently safeguarded until deposited.

Inadequate safeguards can lead to theft.

It is recommended that a new or modified lockbox be mounted to protect the contents. Access should be restricted to one employee with the responsibility of preparing the deposits.

Deposits are not made in a timely manner

An analysis of deposits indicated occurrences in which the time between receipt and deposit was over a week.

Timely deposits reduce the opportunity for problems to occur with accounting or with cash security. County policy (P-199-075) requires deposits to be made within 24 hours.

Failure to deposit monies in a timely manner can result in misappropriation.

Staff should make efforts to ensure timely deposits in accordance with County policy.

BAIL TRUST

The Jail has a separate checking account to deposit bail monies. The bail monies are then paid out to the applicable court on a weekly basis. Most bail monies for County inmates are transacted at the Jail facility. The bail account represents a trust account handled on behalf of the various courts in the state. It is not a responsibility of the Sheriff but an accommodation for the various courts. The Sheriff does not receive a fee for this service.

Jail staff do not collect sufficient information for certain bail receipts

Most bail monies received are in cash. The Jail, occasionally, receives large sums of cash for bail. Additional information reporting requirements exist for certain bail monies received in cash.

The IRS and US Attorney should be notified if cash bail in excess of \$10,000 is received. This is a responsibility of the Court clerk. As agents for the clerk, the Sheriff's Office is responsible for obtaining information the clerk needs for reporting purposes. Additional information should be gathered from the bail payor for reportable transactions. Additional information would include the bail payor's address, occupation, social security number, date of birth, and type of identification used. Information returns are to be made within 15 days of receipt and are to be made by the applicable court clerk.

Failure to report required information could lead to Federal penalties.

The Sheriff's Office should work with the Court clerks to identify how to respond to these requirements. Since this is a responsibility of the courts, if the Sheriff's Office accepts qualifying bail monies, it will need to gather relevant information for this reporting. Accordingly, appropriate staff training will need to occur on these reporting standards and forms improved to collect the information. The Sheriff's Office should also consider appropriate charges for services it provides.

RESPONSE FROM MANAGEMENT

See comments provided at end of report provided by the Sheriff's Office



Deschutes County,
Oregon

**SHERIFF'S OFFICE -
CIVIL SERVICES -
Evaluation of Internal Controls
Over Cash and Other Assets**

Presented to the
Deschutes County Audit Committee
by the
Internal Audit Program

David Givans, CPA – County Internal Auditor

Report# 2003-2 Dated March 31, 2003 (Issued June 10, 2003)

SHERIFF'S OFFICE - CIVIL SERVICES
Evaluation of Internal Controls
Over Cash and Other Assets

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EXECUTIVE SUMMARY

Purpose

As requested by County management and Sheriff (and as approved by Deschutes County's Audit Committee), an evaluation was conducted of the internal controls for cash, checking and other assets at the Sheriff's Office. This report covers civil services provided. The purpose of the noted findings is to assist management and staff in improving its internal control system.

Civil services provided by the Sheriff's Office include the following:

- Civil fees
- Sheriff sales

Results in brief

The evaluation indicated a positive control environment. Staff were very accommodating and have already implemented some suggested changes.

These findings are provided to assist management in improving its internal control systems. Audit findings result from incidents of non-compliance with stated procedures and/or departures from prudent operation. The findings are, by nature, subjective. The inspection did not review a sufficient number of items to project the findings over the entire population.

The following findings are presented for management's consideration.

The findings and an excerpt of the associated *recommendation* for civil services include:

GENERAL

- Lack of sufficient written accounting policies and procedures
Staff should document in writing all accounting policies and procedures.

CIVIL FEES

- Fees collected by employees and locations are commingled
Each employee collecting fees should be responsible for their own monies until the monies are counted for deposit and reconciled to the day's activity.
- Negotiable instruments received are not immediately endorsed for deposit
Staff should restrictively endorse all negotiable instruments as received.
- Civil fees invoiced to customers are not followed up on in a timely manner
An aged accounts receivable report should be developed for the internal accounting system.
- The internal accounting system allows employees to override entries
Safeguards should be implemented in the internal accounting software to prevent employees from adjusting inputs without supervision.

SHERIFF SALES

- Technician does not provide immediate receipt on sale
The technician should provide a written manual receipt (pre-numbered) from a duplicate receipt book to verify monies received by the Sheriff's Office on these sales.
- Original source documents are not provided to support disbursement requests
Employees responsible for processing disbursement requests should routinely verify the presented information to the original source documentation and make a note of this in the file.
- Additional segregation of duties needed (if separate checking account is authorized)
If the Sheriff's Office obtains a checking account for sales, it is recommended that an employee who does not issue checks or handle cash be the one to prepare the bank reconciliation.

Response from management

Management concurs with the observed findings and associated recommendations. Implementation is in process.

INTRODUCTION

Audit Authority:

The audit of civil services at the Sheriff's Office was conducted pursuant to the direction of County management and the Sheriff. The Deschutes County Audit Committee authorized the audit by its approval of the County's internal audit workplan for fiscal year 2002/2003.

Introduction:

This audit was initiated in response to the County's desire to review the internal controls over its cash handling. The Sheriff's Office is the first department scheduled for this type of audit. The reports for the Sheriff's Office are expected to be the first in a series of reports covering County departments and their handling of cash. This report also includes Sheriff's Office management responses to these recommendations.

County government is responsible for using public assets and public funds in a prudent and responsible manner. County managers in turn are responsible for developing and maintaining procedures to protect public assets and promote efficient and effective services. These procedures and the environment promoted by management are called internal controls. Management is ultimately responsible for implementing appropriate internal control systems.

An effective system of internal controls:

- Safeguards assets from waste, fraud and inefficient use
- Promotes accuracy and reliability in the accounting records
- Encourages and measures compliance with established practices
- Evaluates the efficiency of operations

Effective internal controls minimize the potential for errors and/or irregularities to occur. If they do occur, effective internal controls detect such errors and/or irregularities in a timely manner during the normal course of business. For cash processes, effective internal controls include:

1. Segregation of cash handling from record keeping duties.
2. Centralization of cash receiving and accounting for all receipts of cash and checks utilizing pre-numbered invoices.
3. Depositing cash on a timely basis.
4. Recording expenditures, in a timely manner, supported by original receipts and the proper approval authority.
5. Preparation of monthly bank reconciliation by an employee not responsible for issuing checks or having custody of cash. Review of bank reconciliation by an appropriate supervisor.
6. Documenting internal control procedures and conducting random reviews of deposit, reconciliations, and other documentation to determine if procedures are being followed.
7. Reviewing revenues and expenditures to budget and/or expectation for reasonableness.
8. Promoting an attitude and environment that perpetuates effective internal controls.

Honest employees deserve to work in an organization that implements an effective internal control system. Effective controls can prove innocence in the event errors and/or irregularities do occur.

OBJECTIVES, SCOPE and METHODS

Audit objectives:

The objectives of the audit were:

1. To evaluate the Sheriff's Office internal controls and procedures for cash, checking accounts and other assets.
2. To evaluate compliance with Federal or State regulations and requirements.

If existing procedures were not documented in writing, the interview process identified the procedures and practices.

Audit procedures addressed key internal control issues. Opportunities for increased efficiency were identified. Suggestions for improving internal control included eliminating duplicated accounting efforts and segregation of duties.

Scope:

This report focuses on civil services provided by the Sheriff's Office. Procedures for handling checking, cash or other assets were reviewed. Comprehensive written accounting procedures were not available for all operations; therefore, specific compliance with written procedures was not evaluated. There are currently no checking accounts for handling civil fees. The Sheriff's Office is considering a checking account for handling Sheriff sales. The following areas were reviewed:

- Civil fees
- Sheriff sales

Change and petty cash funds were not reviewed since County policies should be sufficient and no problems have been noted.

Methods:

The audit involved gaining an understanding of the control environment as described by management and staff during interviews. Relevant evidence was obtained through observation and interviews. This evaluation is, by nature, subjective.

Effective internal control provides reasonable assurance of achieving the following objectives:

1. Effectiveness and efficiency of operations.
2. Reliability of reporting information
3. Compliance with applicable laws and regulations.

Audit procedures included:

- Interviews with appropriate personnel
- Walk-throughs with actual transactions to see how these systems were being performed
- Review of similar audit reports performed by other jurisdictions
- Discussions with personnel responsible for these areas

Internal control consists of five interrelated components:

- Control environment
- Risk assessment
- Control activities
- Information and communication, and
- Monitoring

The audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

AUDIT RESULTS

Employees of the Sheriff's Office take their duties seriously. The high security involved in the Sheriff's facilities results in a high level of safeguarding of assets.

Management and staff appear diligent in their efforts to develop an environment supporting internal controls. Sheriff personnel were open and professional during interviews.

These findings are intended to assist management in evaluating its systems of internal control. These recommendations and findings do not replace efforts to design an effective system of internal control. The audit, by its nature, cannot discover all possible weaknesses. As such, management should be vigilant for other improvements that can be made.

Audit findings result from incidents of non-compliance with stated procedures and/or departures from prudent operation. The findings are by nature, subjective. The purpose of these findings is to identify procedural recommendations. The observation did not review a sufficient number of items to project the findings over the entire population.

The following findings are presented for management's consideration.

GENERAL FINDINGS

Lack of sufficient written accounting policies and procedures

There were insufficient or non-existent written accounting policies and procedures over areas of operation.

Communication is an essential component of internal controls. Written policies and procedures are particularly effective for controls over accounting and financial matters. A well designed and maintained set of policies and procedures enhances accountability and consistency. The resulting documentation is also useful for training and cross-training employees.

The lack of comprehensive written accounting procedures can lead to inadequately planned controls, inadequate supervision, poor and inadequate training, and lack of adherence to stated control procedures.

Staff should document in writing all accounting policies and procedures. The procedures should emphasize the areas of monitoring, supervision and segregation of duties. These policies and procedures should be available to employees and should be in sufficient detail so each employee knows which procedures they are to perform.

CIVIL FEES

Fees are collected in the civil division for services provided by the Sheriff's Office. These services include impound fees, concealed weapons fees, civil execution and fingerprinting deposits. Deposits are monies collected on behalf of other agencies or parties. The fee schedule is set by the County and/or through state statute. Some services are billed.

All fees and deposits collected by the Sheriff's Office are deposited with County Finance. The Sheriff's Office does not have an independent checking account for these operations.

Fees collected by employees and locations are commingled

Employees place all monies received in an unlocked file cabinet by type of fee. This includes fees collected from other locations. Most civil division employees have access to these monies and utilize these monies for change.

Typically, each employee handling receipts is responsible to balance their sales and their monies.

Having employees commingle their fees may confuse the audit trail for those monies.

Employees responsible for reconciling activity have not had significant problems with tracking collections received in this manner.

Each employee collecting fees should be responsible for their own monies until the monies are counted for deposit and reconciled to the day's activity. This might be assisted with the use of a register and associated controls. There were a number of options for implementation discussed with management and staff. Management may consider, at some point, centralizing fee collections.

Negotiable instruments received are not immediately endorsed for deposit

Negotiable instruments received are not restrictively endorsed on receipt.

All negotiable instruments should be restrictively endorsed to avoid their theft.

Delay in endorsement can potentially lead to misappropriation.

Staff should restrictively endorse all negotiable instruments as received.

Civil fees invoiced to customers are not followed up on in a timely manner

There were a number of old accounts receivable balances that have not been followed up on. The internal accounting system was not programmed to provide a report on all outstanding accounts receivables. Since the interview, staff have made efforts to collect on some of the outstanding accounts receivable balances. Numerous balances will probably need to be written off.

Staff need a sufficient accounts receivable system to allow them to monitor and follow-up on the collection of outstanding accounts receivable balances.

Without sufficient collection systems in place, it is hard to collect for all services rendered.

An aged accounts receivable report should be developed for the internal accounting system. Employees should be actively following up on these outstanding accounts receivable balances. The write-off of old and uncollectible accounts receivable should be supervised.

The internal accounting system allows employees to override entries

Employees have the ability to edit many of the transactions input into the internal accounting system. An entry for a zero cash receipt was noticed for a concealed weapons permit. The entry into the system lacked sufficient information to explain why this occurred. There were no procedures for supervision over these adjustments.

Adjustments to zero out and enter zero entries should result from adequate supervision. The programming of the internal accounting systems should include appropriate access rights and authorities.

Lack of appropriate supervision in adjusting inputs could result in undetected misappropriations.

Safeguards should be implemented in the internal accounting software to prevent employees from adjusting inputs without supervision. In addition, supervisors should not authorize their own entry adjustments. Some restrictions have been put in place for zeroing out receipts. It is important that original documentation on any voided or overridden transactions be retained. All voided transactions should be supervised during or subsequent to employee action.

SHERIFF SALES

The Sheriff's Office carries out sales of property pursuant to writs executed by the courts. Monies are received, deposited, any expenses paid, and the balance remitted to the sellers. An accounting of the sale is provided to the parties involved. The sales monies are held for a very short time.

These recommendations also reflect discussions on establishing a separate checking account for handling Sheriff sales.

Sheriff sales occur for the following:

- Real property rights
- Personal property
- Till Taps (enforcement on civil execution)

Technician does not provide immediate receipt on sale

The technician rarely prepares a receipt for the purchaser at the completion of the Sheriff sale.

A duplicate manual receipt prepared at the sale and initialed by the technician and the purchaser validates the amount received. This duplicate receipt can be independently matched to the monies received. County policy (P-1999-075) requires use of receipt forms imprinted with the County's name and department.

The receipt substantiates the sale amount and reduces the chances that misappropriations might go undetected.

No receipt is generally provided because the office assistant can do this at the office. The party to receive the proceeds of the sale is usually present and monitoring the amount received.

The technician should provide a written manual receipt (pre-numbered) from a duplicate receipt book to verify monies received by the Sheriff's Office on these sales. This provides a method for monitoring sales receipts within the Sheriff's Office.

Original source documents are not provided to support disbursement requests

A comprehensive and detailed summary as well as copies are made to support a check request.

Checks should be issued from original source documentation. The source documents bear original signatures and this reduces the likelihood that any documents have been altered. On payment, the original source documents should be cancelled.

Summarized and copied documents can be edited with fictitious information.

The Sheriff's Office maintains strict control over the original source documents since they are utilized to issue legal documents. These original documents are available to be reviewed at any time.

Employees responsible for processing disbursement requests should routinely verify the presented information to the original source documentation and make a note of this in the file. This should be done for check requests above a certain amount, as determined by management, or any other check requests as determined. The documents retained from the disbursement request should be initialed by the employee processing the request for mathematical accuracy and should be cancelled on payment.

Additional segregation of duties needed (if separate checking account is authorized)

The office assistant's duties include handling of cash for deposit, accounting for transactions, documenting overall process, and potentially reconciling bank activity. Many of these duties occur without direct supervision.

Cash handling and record keeping duties should be segregated. Employees should not handle all facets of a transaction.

Employees with cash handling, accounting and oversight duties could circumvent the normal internal control systems and allow misappropriations to go undetected.

The office assistant provides a range of direct support for Sheriff sales. There are significant mitigating controls over the Sheriff sale function. Most notable is the immediate payout of these monies to a waiting seller. The process collects and then distributes substantially all monies transacted. In addition, other employees are involved in the sale.

If the Sheriff's Office obtains a checking account for this function, it is recommended that an employee who does not issue checks or handle cash be the one to prepare the monthly bank reconciliation. The bank statement, prior to reconciliation, should be reviewed by a supervisor for unusual items and handed over to the employee for reconciliation. The completed bank reconciliation should be reviewed by the supervisor and filed.

RESPONSE FROM MANAGEMENT

See comments provided at end of report provided by the Sheriff's Office



Deschutes County, Oregon

Internal Audit Program
David Givans, CPA
County Internal Auditor
Deschutes County-Administration building
1130 NW Harriman
Bend, OR 97701
Phone: 541-330-4674
Fax: 541-388-4752
davidg@co.deschutes.or.us

Audit Transmittal

To: Audit Committee
CC: Mike Daly, Tom DeWolf
From: David Givans, County Internal Auditor
Subject: Internal Audit Reports on the Sheriff's Office (2003-2 through 2003-6)
Date: June 10, 2003

The enclosed audit reports provide information concerning the internal control structure of the Sheriff's Office as they relate to handling of cash and other significant items. These reports are expected to be the first of a series of reports addressing controls over cash handling within Deschutes County. Information contained in these reports is from interviews, observations and inspections.

Audit results have been discussed with the Sheriff's Office and associated personnel. The Sheriff's Office has addressed all of the findings included in this report and their responses are at the end of this report.

The cooperation and assistance received from the Sheriff's Office in conducting and preparing this report was appreciated.



Deschutes County,
Oregon

SHERIFF'S OFFICE - Internal Audit Reports

Presented to the
Deschutes County Audit Committee
by the
Internal Audit Program

David Givans, CPA – County Internal Auditor

Report# 2003-2 through 2003-6



Deschutes County, Oregon

Internal Audit Program
David Givans, CPA
County Internal Auditor
Deschutes County-Administration building
1130 NW Hariman
Bend, OR 97701
Phone: 541-330-4674
Fax: 541-388-4752
davidg@co.deschutes.or.us

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