

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

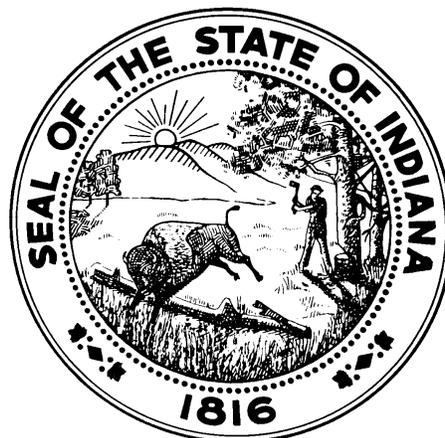
AUDIT REPORT

OF

COUNTY SHERIFF

CLARK COUNTY, INDIANA

January 1, 2007 to December 31, 2007



**FILED**

12/31/2008



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
County Officials .....	2
Transmittal Letter .....	3
Audit Results and Comments:	
Condition of Records .....	4-10
Jail Commissary Unallowable Expenditures .....	10-11
Jail Commissary Disbursements Not Itemized.....	11
Optical Images of Warrants .....	12
Exit Conference.....	13

COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Sheriff	Daniel Rodden	01-01-07 to 12-31-10
President of the County Council	David Abbott	01-01-07 to 12-31-08
President of the Board of County Commissioners	Edward Meyer	01-01-07 to 12-31-08



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF CLARK COUNTY

We have audited the records of the County Sheriff for the period from January 1, 2007 to December 31, 2007, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Results and Comments. The financial transactions of this office are reflected in the Annual Report of Clark County for the year 2007.

STATE BOARD OF ACCOUNTS

December 8, 2008

COUNTY SHERIFF  
CLARK COUNTY  
AUDIT RESULTS AND COMMENTS

CONDITION OF RECORDS

The Sheriff's Department is responsible for processing approximately \$6,000,000 in financial activity. The financial activity of the Sheriff's Department is accounted for in the following funds: Sheriff's Cashbook, Cash Bonds, Inmate Trust, and Jail Commissary. The Sheriff's Cashbook is used to record financial activity related to various fees charged for services and property foreclosures. The Cash Bonds fund is used to account for financial activity related to the release of offenders on bond. The Inmate Trust fund is used to account for financial activity related to monies received from persons during their incarceration. The Jail Commissary fund is used to account for financial activity related to the acquisition and sale of cigarettes, candies, and other sundry items by the County Sheriff to inmates incarcerated at the County Jail. Fees charged are used to purchase commissary items as well as certain equipment allowed by statute.

A review of the financial activity in Sheriff's Department identified the deficiencies shown below in the financial records maintained and the internal control system over financial activity:

Deficiencies Identified in Accounting for Sheriff's Cash Book Financial Activity

1. Police officers collect monies and issue receipts for performing vehicle identification checks. Money collected by the police officers is remitted to the bookkeeper. The bookkeeper does not issue receipts to the officers at the time the money is remitted. In addition a system is not in place whereby the receipts issued by the police officers can be traced to the receipt issued by the bookkeeper.

Monies were also received from sources, such as, towing fees, donations, auction proceeds, insurance reimbursements, etc. without receipts being issued to identify the source and the nature of the monies received.

Failure to issue receipts at the time the money is received increases the risk of accountability over collections and the proper identification of the source of the monies received.

2. Financial activity was not properly posted to the financial records. The following problems were identified with the financial activity posted to the ledger:

- a. Receipt transactions posted to the ledger were based upon amounts per the bank deposit ticket instead of the actual receipts issued.

Failure to post transactions to the financial records based upon the actual receipts issued could result in improper financial reporting and the concealment of the theft of funds. Monies could be withheld from the amounts deposited and go undetected since the financial records are being forced to agree with the amounts deposited per the bank statement.

- b. Collections posted to the record were not identified as to the source of the collections. A supplemental spreadsheet record was maintained to categorize receipts by source. However, activity was posted to the spreadsheet based upon the actual receipts issued, whereas receipts posted to the ledger were based upon bank deposits. No reconciliation procedures were performed whereby the receipt activity per the spreadsheet was reconciled with the activity per the ledger.

COUNTY SHERIFF  
CLARK COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

As a result of posting activity to the two sets of records from different sources and not reconciling figures between these records, a difference of \$869 existed at December 31, 2007, between the figures per the spreadsheet and those per the ledger.

c. The supplemental spreadsheet was used to determine amounts for the Report of Collections to be remitted to the County Auditor. Failure to properly post activity to the financial records resulted in \$922 of monies due the County being held by the Sheriff's Department instead of being remitted to the County.

Proper identification of the source of revenue is required to ensure all collections owed the county are properly remitted and to ensure the accurate financial reporting of receipts in the various County funds.

d. Disbursement transactions were not posted to the records on the date the activity incurred. Instead, transactions were back dated in the financial records.

The back dating of financial disbursement transactions results an inaccurate presentation of current recorded cash balances and the records not showing all disbursement activity at a point in time.

e. Collections were not remitted to the County in a timely manner. Collections for January 2007 were not remitted to the County until May 2007.

Untimely remittance of collections results in the understating of receipts and cash on the records of the County Auditor.

3. Controls do not exist whereby adjustments made to financial records are adequately documented and approved by someone separate from those responsible for handling collections and posting activity to the records.

Adjustments made to the financial records should be referenced in the financial records to hardcopy documentation that provides an explanation as to the reason for the adjustment and approval as to the validity of the adjustment.

Failure to have proper controls over adjustments could result in activity being posted to the financial records with the intent to conceal fraud.

4. A cash register is used primarily to record monies received over the counter or in person. Persons entering transactions in the register and collecting monies are allowed to void transactions in the register. However, no documentation exists to indicate the reason the transaction was voided and documentation does not exist indicating approval from someone independent from the collection process as to the validity of the reason for the void transactions.

Failure to have proper controls over voided transactions could result in transactions being voided in the cash register in order to conceal theft or errors made when giving change.

5. The Sheriff's Department does not have proper controls in place whereby financial reports received from the County are compared with the financial records of the Sheriff's Department to verify the financial activity is in agreement with one another. This was

COUNTY SHERIFF  
CLARK COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

evidenced by the Sheriff Department's remittance in the amount of \$11,782 for the month of September 2007 that was not accounted for in the County Auditor's financial records. The check was still shown as outstanding as of September 2008 on the Sheriff's cash reconciliation.

A comparison of the Sheriff's Department's financial activity with financial reports received from the County and a review of the cash reconciliation should have identified there was a problem with the reporting and remitting of collections. This discrepancy was not discovered by Sheriff Department officials until a year after the occurrence.

6. Monies collected were not deposited timely. Monies were deposited between three and seven days after receipt.

Timely deposit of monies collected is required to safeguard cash from an internal control prospective and also is required by the following statute:

Indiana Code 5-13-6-1(c) states in part: "all local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance. . . ."

Deficiencies Identified in Accounting for Cash Bond Financial Activity

1. Proper segregation of duties did not exist between individuals responsible for handling cash and reconciling and posting financial activity. The same person is responsible for issuing receipts, preparing and making bank deposits, issuing and signing checks, posting activity to the ledger, and reconciling the ledger balance with the bank balance.

Failure to separate various accounting functions among individuals could result in a theft occurring and going undetected. Proper segregation of duties is required to ensure the accuracy in financial reporting of the safeguarding of assets.

2. A separate receipt book is issued by each officer that collects cash bond money resulting in multiple receipt series in use at the same time. A system is not in place whereby a record is kept of the multiple receipt numbers remitted for deposit in order to verify that all receipt numbers are accounted for.

A system of accounting for all receipt books issued to each officer is needed to make sure that all receipts written by an officer are being accounted for.

Deficiencies Identified in Accounting for Commissary Fund Financial Activity

1. Proper segregation of duties did not exist between individuals responsible for handling cash and reconciling and posting financial activity. The same person is responsible for issuing receipts, preparing and making bank deposits, preparing and signing checks, posting activity to the ledger, and reconciling the ledger balance with the bank balance.

Failure to separate various accounting functions among individuals could result in a theft occurring and going undetected. Proper segregation of duties is required to ensure the accuracy in financial reporting of the safeguarding of assets.

COUNTY SHERIFF  
CLARK COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

2. The recording of the sales of commissary items to inmates was not being properly determined. The recorded sales of commissary items were not being adjusted for the return of any products by inmates or corrections for errors made in purchases.

By not adjusting recorded sales for returned products, the amount of commissary sales was overstated and too much money was transferred from the inmate trust bank account to the commissary fund bank account.

3. Receipts were not issued for all monies received.

Failure to issue receipts at the time the money is received increases the risk of the lack of accountability over collections and the lack of proper identification of the source of the monies received.

4. Prescribed receipt forms were not always used to account for monies received. At times a generic receipt form purchased at a local store was used. Use of a generic receipt form would not provide for the proper accounting of all receipts numbers as there would not be continuous sequential number of receipts.

The receipt form prescribed by the Board of Accounts is a pre-numbered receipt by the supplier and is printed with the name of the unit in order to provide control over the numbers of receipts issued and to provide authenticity over the receipts issued, i.e. to prevent use of an unknown supplemental receipt system.

5. An internal control system is not in place for the Commissary Fund to document the approval of purchases and the receipt of goods or services.

The payment of improper expenditures could result without an internal control system in place to document approval of purchases and the verification of the receipt of goods or services ordered.

6. The cash balance per the financial records was not carried forward properly from one year to the next. The beginning cash balance at January 1, 2007, differed from the ending cash balance at December 31, 2006, by \$9.55. Sheriff Department officials did not identify this discrepancy.

Sheriff Department officials should identify the reason for any discrepancy between the end of month cash balance and the beginning of the next month cash balance. Unidentified differences between ending and beginning of month balances could be adjustments made to conceal fraud.

7. The cash balance per the ledger was not correct based upon the detail receipt and disbursement activity provided for audit. The ledger cash balance as shown per the financial records did not agree with a computed ledger balance based upon the receipts and disbursement transactions shown per the financial records. The computed ledger cash balance using the detail receipt and disbursement transactions shown per the ledger was \$24.50 more than the cash balance shown per the ledger. The balance per the records was changed with no information presented for audit to identify the \$24.50 difference.

Failure to identify variances between computed cash balances and recorded cash balances could result in adjustments being made to conceal fraud.

COUNTY SHERIFF  
CLARK COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Deficiencies Identified in Accounting for Inmate Trust Financial Activity

1. Financial activity was not being properly posted to the general ledger. Receipt transactions were being posted to the financial records based upon amounts per the bank deposit ticket instead of amounts shown on the actual receipts issued.

Failure to post transactions to the financial records based upon the actual receipts issued could result in improper financial reporting and the concealment of the theft of funds. Monies could be withheld from the amounts deposited and go undetected since the financial records are being forced to agree with the amounts deposited per the bank statement.

2. The cash balance per the ledger was not correct based upon the detail receipt and disbursement activity provided for audit. The ledger cash balance as shown per the financial records did not agree with a computed ledger balance based upon the receipts and disbursement transactions shown per the financial records. The computed ledger cash balance using the detail receipt and disbursement transactions shown per the ledger was \$214 less than the cash balance shown per the ledger. The balance per the records was changed with no information presented for audit to identify the \$214 difference.

Failure to identify variances between computed cash balances and recorded cash balances could result in adjustments being made to conceal fraud.

3. The subsidiary ledger detailing the amounts being held on behalf of inmates was not reconciled with the general ledger control account. The control balance in the general ledger exceeded the subsidiary record balance in the amount of \$7,620 at December 31, 2007. Part of the difference noted was due to improper recording of commissary purchases for returned items in the general ledger control account.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

4. The computerized financial system does not have a mechanism to properly identify adjustments/corrections made to the financial records. Adjustments are currently recorded as financial transactions (receipt or disbursement).

Adjustments made to the financial records should be referenced in the financial records to hardcopy documentation that provides an explanation as to the reason for the adjustment and approval as to the validity of the adjustment.

Failure to have proper controls over adjustments could result in activity being posted to the financial records with the intent to conceal fraud.

5. Audit trails do not exist to properly trace monies received from a person at the time the person is incarcerated to the amount posted to the person's inmate trust record. Monies on hand at the time the person is incarcerated are receipted to the person's inmate trust

COUNTY SHERIFF  
CLARK COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

account. However instead of showing a receipt transaction posting with the applicable receipt number, amount received, and date the monies were received the activity is simply shown as a beginning account balance.

An audit trail that allows the tracing of monies received from the original source document (receipt) to the ledger posting and from the ledger posting to the original receipt is needed to provide accountability over monies received.

6. Disbursement transactions posted to the inmate's account for the return of funds does not have a reference to the applicable check number issued.

An audit trail that allows the tracing of monies disbursed from the original source document (check) to the ledger posting and from the ledger posting to the original check is needed to provide accountability over monies disbursed.

7. The computerized accounting system in use does not have a method whereby all receipts issued through the system are sequentially generated on the report in order to verify the reports presented for examination contain all receipts issued.

The accountability over all receipts issued is needed to provide accountability over monies received.

8. The computerized accounting system allows for transactions to be deleted from the inmate's detail subsidiary records without leaving an audit trail.

The deleting of financial transactions without an audit trail could result in receipts not being properly recorded on the records or could be used to conceal improper expenditures.

9. Monies collected were not deposited timely. Monies were deposited between 3 and 12 days after receipt.

Timely deposit of monies collected is required to safeguard cash from an internal control prospective and also is required by the following statute:

Indiana Code 5-13-6-1(c) states in part: "all local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance. . . ."

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY SHERIFF  
CLARK COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

JAIL COMMISSARY UNALLOWABLE EXPENDITURES

We identified the following expenditures totaling \$19,914 being paid from the Jail Commissary Fund:

1. Donations in the amount of \$5,609. Examples include: the purchase of a steer, barrow, and goat at a 4-H auction totaling of \$3,666; donation to a youth football league in the amount of \$500; and sponsorship advertising for a local school booster club in the amount of \$795 and for a local college baseball team in the amount of \$300.

Governmental funds should not be donated or given to other organizations, individuals, or governmental units unless specifically authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

2. Employee appreciation expenditures totaling \$14,305. Examples include: a holiday dinner in the amount of \$4,725; gift cards for employees totaling \$3,525; flowers and fruit baskets totaling \$1,679; Merit Board dinners totaling of \$462, and recognition plaques and awards totaling \$1,054. Purchases totaling \$1,342 were made for promotional type items.

Indiana Code 36-8-10-21(d) states: "The sheriff, or his designee, at his discretion and without appropriation by the county fiscal body, may disburse money from the fund for:

- (1) merchandise for resale to inmates through the commissary;
- (2) expenses of operating the commissary, including, but not limited to, facilities and personnel;
- (3) special training in law enforcement for employees of the sheriff's department;
- (4) equipment installed in the county jail;
- (5) equipment, including vehicles and computers, computer software, communication devices, office machinery and furnishings, cameras and photographic equipment, animals, animal training, holding and feeding equipment and supplies of attire used by an employee of the sheriff's department in the course of the employee's official duties;
- (6) an activity provided to maintain order and discipline among the inmates of the county jail;
- (7) an activity or program of the sheriff's department intended to reduce or prevent occurrences of criminal activity, . . .

COUNTY SHERIFF  
CLARK COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (8) expense related to the establishment, operation, or maintenance of the sex offender web site under IC 36-2-13-5.5; or
- (9) any other purpose that benefits the sheriff's department that is mutually agreed upon by the county fiscal body and the county sheriff."

There was no documentation presented for audit showing that these types of expenditures were mutually agreed upon by the County Council and the County Sheriff.

In addition, the Board of County Commissioners has not adopted a home rule ordinance authorizing employee appreciation expenditures for the Sheriff's Department or any other department of the County.

Indiana Code 36-1-3-6(b) states in part: "If there is no constitutional or statutory provision requiring a specific manner for exercising a power, a unit wanting to exercise the power must either: (1) if the unit is a county or municipality, adopt an ordinance prescribing a specific manner for exercising the power; . . ."

Similar comments showing unallowable expenditures from the Jail Commissary Fund were reported in the following prior reports:

<u>Years</u>	<u>Report</u>
2005	B29394
2006	B31304

JAIL COMMISSARY DISBURSEMENTS NOT ITEMIZED

Payments totaling \$1,984 were made to credit card companies based upon a credit card statement only. There was not sufficient information itemizing the actual items purchased in order to determine if the purchases made were related to sheriff department business.

Indiana Code 5-11-10-1.6(c) states in part: "The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: (1) there is a fully itemized invoice or bill for the claim; (2) the invoice or bill is approved by the officer or person receiving the goods and services; (3) the invoice or bill is filed with the governmental entity's fiscal officer; (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY SHERIFF  
CLARK COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

OPTICAL IMAGES OF WARRANTS

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned only an optical image of the front side of the checks on the cash bond account.

Indiana Code 5-15-6-3(a) concerning optical imaging of checks states in part:

". . . 'original records' includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

Further, Indiana Code 26-2-8-111(a) and (e) state:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise: and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

COUNTY SHERIFF  
CLARK COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on December 9, 2008, with Daniel Rodden, Sheriff.

The contents of this report were also discussed on December 8, 2008, with Edward Meyer, President of the Board of County Commissioners and on December 11, 2008, with David Abbott, President of the County Council; and Jack Coffman, Vice-President of the County Council.