

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

AUDIT REPORT

OF

COUNTY SHERIFF

KNOX COUNTY, INDIANA

January 1, 2007 to December 31, 2010



FILED

08/16/2011

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Sheriff	Stephen P. Luce	01-01-07 to 01-31-09
	Michael Morris	02-01-09 to 12-31-14
President of the County Council	Robert Lechner	01-01-07 to 12-31-07
	Timothy Ellerman	01-01-08 to 12-31-10
	Steve Thais	01-01-11 to 12-31-11
President of the Board of County Commissioners	James Parish	01-01-07 to 12-31-07
	Fred Thompson	01-01-08 to 12-31-08
	James Parish	01-01-09 to 12-31-10
	Kevin Meyer	01-01-11 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF KNOX COUNTY

We have audited the records of the County Sheriff for the period from January 1, 2007 to December 31, 2010, 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 Result(s) and Comment(s). The financial transactions of this office are reflected in the Annual Report of Knox County for the year 2010.

STATE BOARD OF ACCOUNTS

June 29, 2011

COUNTY SHERIFF
KNOX COUNTY
AUDIT RESULT(S) AND COMMENT(S)

INTERNAL CONTROLS

Controls for receipts generated by the Sheriff's Department for cash bonds were insufficient. From August 1, 2007 to September 1, 2009, Devon Hicks, former Matron, collected cash bonds from inmates, wrote receipts for cash bonds, posted cash bonds to the cash book, made out the deposit slips for cash bonds and took the deposits to the bank. The lack of segregation of duties allowed for receipts not to be written, posted properly or deposited.

Beginning on September 1, 2009, the current sheriff put controls in place that allowed only the jailors to collect cash bonds and write receipts. They kept a bond log with the inmates name, bonded amount and receipt number written on it. This control ensured all cash bonds had a receipt written for it and the persons writing the receipts did not post to the cash book or make out the deposits.

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, Chapter 1)

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping, which were cited in the prior audit reports, were again present during our period of audit:

1. Record balances were not correctly reconciled to depository balances during the current audit period for the Sheriff's cash book.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

2. There were a considerable number of posting errors. These errors included deposits not receipted, checks and receipts not recorded in the proper amounts, and in some cases, not recorded at all, and credit card receipts not posted to the Sheriff's cash book.

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, Chapter 1)

TIMELY RECORDKEEPING AND REMITTANCE

We noted three instances that inmates posted bail and the cash bonds were not sent to the clerk of the court for up to three years later. In all three instances, a receipt was not posted to the cash book at the time the inmate posted bail nor was one written when the funds were sent to the clerk at a later date. It was also noted that three credit card payments for cash bonds were credited to the Sheriff's bank account, but were never posted to the cash book or transferred to the clerk as required by Indiana Code 35-33-8-3.2.

COUNTY SHERIFF
KNOX COUNTY
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

Indiana Code 35-33-8-3.2(e) states: "With the approval of the clerk of the court, the county sheriff may collect the bail posted under this section. The county sheriff shall remit the bail to the clerk of the court by the following business day and remit monthly the five dollar (\$5) special death benefit fee to the county auditor."

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

CASH NECESSARY TO BALANCE, BANK RECONCILIATIONS

A comparison of the records to the bank account at December 31, 2010, indicated cash necessary to balance of \$368.52.

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)

Devon Hicks, former Matron, was requested to repay \$368.52 to the Knox County Sheriff. (See Summary, page 8)

RECEIPTS NOT DEPOSITED OR POSTED - CASH BONDS

From March 31, 2007 to May 28, 2009, twenty-five instances were noted where inmates bonded out of the Knox County jail per the inmate release report. In all 25 instances there were no receipts written, receipts were not posted to the cash book or money was not deposited. When deposited, cash bonds must also be remitted to the Clerk's office and held in trust until a court date for the inmate occurs. In all 25 instances noted, none of the cash bonds were transferred to the County Clerk. During this time period the entire receipt process for cash bonds was the responsibility of Devon Hicks, former Matron. The total amount of the missing 25 bonds and fees is \$16,875.

As a result of the above, there was cash short of \$16,875 in the cash book and depository at December 31, 2010.

Indiana Code 5-13-6-1(c) states in part: "All local officer . . . who collect public funds...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. . . ."

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)

COUNTY SHERIFF
KNOX COUNTY
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

Devon Hicks, former Matron, was requested to repay \$16,875 to the Knox County Sheriff. (See Summary, page 8)

AUDIT COSTS - MISSING FUNDS

The State of Indiana incurred additional audit fees in the investigation of missing cash bonds from the Knox County Sheriff's Department perpetrated by former Matron Devon Hicks in the amount of \$6,875.

Audit costs incurred because of theft or shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

Devon Hicks, former Matron, was requested to repay \$6,875 to the Knox County Sheriff. (See Summary, page 8)

INSURANCE POLICY

Knox County was insured by EMC Insurance Complies with a government crime policy with covered employee theft for the period of October 1, 2007 to October 1, 2011. The policy has an annual coverage limit of \$25,000 per occurrence per year on all county employees.

COUNTY SHERIFF
KNOX COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 29, 2011, with Kevin Meyer, President of the Board of County Commissioners; Steve Thais, President of County Council; Sharon K. Duke, Auditor; and Michael Morris, Sheriff. The officials concurred with our audit findings.

Devon Hicks, former Matron, was contacted via telephone, and messages were left on her voice mail, notifying her of the exit conference. Ms. Hicks did not return the telephone messages and did not attend the exit conference as scheduled.

COUNTY SHERIFF
KNOX COUNTY
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Devon Hicks, former Matron:			
Cash Necessary to Balance, Bank Reconciliations, page 5	\$ 368.52	\$ -	\$ 368.52
Receipts Not Deposited or Posted - Cash Bonds, pages 5 and 6	16,875.00	-	16,875.00
Audit Costs - Missing Funds, page 6	<u>6,875.00</u>	-	<u>6,875.00</u>
Totals	<u>\$ 24,118.52</u>	<u>\$ -</u>	<u>\$ 24,118.52</u>

AFFIDAVIT

STATE OF INDIANA)

Knox County)

I, Jonathan H. Bennington, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the County Sheriff, Knox County, Indiana, for the period from January 1, 2007 to December 31, 2010, is true and correct to the best of our knowledge and belief.


Field Examiner

Subscribed and sworn to before me this 1st day of August, 2011.


Notary Public

LORI S. BUEHMAN

My Commission Expires: 5/31/2015

County of Residence: KNOX