



County Technical Assistance Service
INSTITUTE FOR PUBLIC SERVICE

INTERNAL CONTROLS

SHERIFF AND JAIL

2016

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INTERNAL CONTROLS

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INTRODUCTION

As governmental entities across the county have seen an increase with waste, fraud and abuse the Tennessee General Assembly took proactive steps this legislative session by passing Public Chapter 112 which amended T.C.A. 9-18-102(a). The amendment provides the following:

Whether obligations and costs of the operation are in compliance with applicable law; (II) Whether county funds, property and other assets that are designated/assigned to the circuit court clerk's office are safeguarded against waste, loss, unauthorized use or misappropriation and (III) Whether revenues and expenditures in the circuit court clerk's office fee account and county general fund (as it relates to the circuit court clerk's office) are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets.

To assist TN counties with compliance CTAS has worked diligently to prepare an Internal Controls toolbox. The toolbox consists of the following tools: (1) internal controls questionnaire, (2) internal controls assessment, (3) segregation of duties checklist, and 4) sample internal controls risk assessment. In addition to the tool box CTAS has prepared a 4-hour internal control class. Beginning January 7, 2016, CTAS will begin the internal controls training on a statewide basis and concluding in March.

We at CTAS hope each elected official and their staff take advantage of our training and our tool box to prepare their internal controls that will allow them to comply with PC 112 and to provide a better system of financial management.

SHERIFF AND JAIL
SAMPLE INTERNAL CONTROLS QUESTIONNAIRE
January 2016

Sample Internal Control Assessment Questions

Sheriff's Office

Summary: The following assessment questions are divided into three parts to address the changes in T.C.A. 9-18-102(a): (I) Whether obligations and costs of the operation are in compliance with applicable law; (II) Whether county funds, property and other assets that are designated/assigned to the sheriff's office and jail are safeguarded against waste, loss, unauthorized use or misappropriation and (III) Whether revenues and expenditures in the sheriff's office fee account and county general fund (as it relates to the sheriff's office and jail) are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets.

Sheriff's Office

- I. Whether county funds, property and other assets that are designated/assigned to the sheriff's office are safeguarded against waste, loss, unauthorized use or misappropriation.**

General

- a) Does the office have a written organizational chart?
- b) Does the office have written employee job descriptions?
- c) Does the office have a written, updated personnel policy (sheriff or county-wide) and is it provided to the employees?
- d) Does the office have a copy of the adopted county ethics policy available for the official and the employees?

Physical security of the office:

- a) Who has a key to the office?
- b) How often are the locks changed?
- c) Is the office monitored with surveillance cameras?
- d) Is there a vault in the office?
- e) When is it locked? If a combination lock is on the vault, when was the last time and how often is the combination lock changed?
- f) Who has access to the vault?

Purchasing:

- a) Who is authorized to originate a purchase order requisition?
- b) Who submits it to (county finance/mayor)?
- c) How does the sheriff's office verify that there is sufficient funding available in the line item for the purchase when the purchase order requisition is submitted?

- d) How do they verify that the vendor is on the approved vendor list?
- e) Who issues the purchase order authorizing the purchase to be made?
- f) Who is authorized to place the order with the vendor?
- g) Who at the sheriff's office verifies that the goods received are what are itemized on the invoice or bill of lading?
- h) To whom is the receipted items (invoice or bill of lading) submitted to for payment?
- i) What is the procedure when not all items listed on the invoice are delivered (e.g. out of stock)?
- j) Is the sheriff authorized to utilize blanket purchase orders?
- k) If authorized to utilize blanket purchase orders, what vendors are approved to be used?
- l) How is the sheriff invoiced for blanket purchase orders (e.g. upon purchase, weekly, monthly, etc.)?
- m) Who reviews blanket purchase orders to ensure that they were a legitimate county purchase of goods?
- n) To whom are the reviewed blanket purchase orders submitted to for payment?

Store Cards:

- a) Does the sheriff have access to credit/store cards? If so, is there a written county policy?
- b) If so, where are the store cards maintained?
- c) Is this a secure location with restricted access?
- d) Are the store cards signed in and out?
- e) Who is authorized to utilize these store cards for purchases?
- f) Are the store cards used at blanket purchase stores or is a purchase order required prior to the purchase?
- g) How frequently are the invoices sent from the stores to the jail (e.g. upon purchase, weekly, monthly, etc.)?
- h) Who reviews the purchases made with the store cards?
- i) Does this person ensure that there is adequate appropriation and a blanket purchase order for these purchases?
- j) Does this person ensure that the items purchased were a legitimate county purchase of goods?

Credit Cards:

- a) Does the sheriff's office have a credit card? If so, is there a written credit card policy?
- b) If so, what company/bank is it with?
- c) What is the primary purpose of the credit card?
- d) Where is the credit card stored when not in use?
- e) Is this a secure location with restricted access?
- f) Is the credit card signed in and out?
- g) Who is authorized to use the credit card?

- h) If used for transport officers on long distance transports what purchases are authorized to be made?
- i) Who reviews and reconciles the purchases against the monthly credit card statement?

Contracts:

- a) Who in the county is authorized to sign contracts dealing with purchases?
- b) Are there certain (e.g. multi-year) contracts (by county policy) that require county legislative body approval?
- c) Is there a requirement for the county attorney to review proposed contracts? Is the county attorney actually reviewing the proposed contracts prior to contract signing?
- d) Who is designated as the contract monitor?
- e) How is the contract monitored for vendor compliance (especially when the vendor charges are based on variables)?
- f) Is there a reporting requirement to brief the status of contract requirement?
- g) If so, what is the reporting requirement; is there a document used to report this; and who is it reported to?

Emergency Purchases:

- a) Who coordinates with the county finance department/mayor's office in the case of emergency purchases?
- b) Does the office have an adopted policy which addresses emergency purchases?
- c) How are emergency purchases documented?

Payroll:

- a) Does the sheriff have a signed letter of agreement or salary suit to authorize current employees and salaries?
- b) Who at the sheriff's office receives/reviews a copy of the sheriff's adopted budget and a monthly year to date expenditure vs budget report each month?
- c) Who is responsible at the sheriff's office to check to be sure the original budget/budget amendment(s) that was actually authorized by the county commission is actually posted to the sheriff's office monthly budget to actual reports?
- d) Who is responsible for identifying anticipated budget overages?
- e) To whom are these overages be reported?
- f) What is the procedure that follows after the anticipated overages are reported?
- g) How are payroll payments made to employees?
- h) Are sheriff's office employees being paid through non-payroll line items (gate proceeds at special events like the county fair, high school football games, etc.) that circumvent federal and state laws and shortchange the employees for retirement benefit purposes?

II. Whether county funds, property and other assets that are designated/assigned to the sheriff's office are safeguarded against waste, loss, unauthorized use, or misappropriation.

Cash with Fee Account:

- a) Who retrieves and receives checks and cash bonds? Are all checks stamped "For Deposit Only"?
- b) From where are the checks received (e.g. profit share, donations, warrants, etc.)?
- c) Who will complete the deposit slip, check for inconsistencies, and transport these monies to the bank. Are the receipts used official (i.e., pre-printed and pre-numbered)?
- d) Are all individuals that are authorized to receipt and/or have access to county funds covered by the county blanket liability bond/insurance? This would include interns, temporary and seasonal employees, part time workers from a human resource agency.
- e) Who, besides the bookkeeper, reviews the month end general ledger, bank reconciliation and any journal entries?
- f) Who, besides the bookkeeper, opens the monthly bank statements and reviews the canceled checks and the frequency of deposits to the bank?

Inventory of Weapons:

- a) Where are weapons stored that aren't assigned to officers?
- b) Who is responsible for the armory?
- c) Who maintains an inventory of the armory?
- d) How are inventory records stored?
- e) What details regarding the weapons are required?
- f) Who possesses keys to the armory?
- g) Who performs an inventory of all weapons in the armory?
- h) How often is this inventory performed?
- i) Where is ammunition stored?
- j) Who maintains an inventory of ammunition?
- k) From which policy are all weapon and ammunition purchases made?
- l) Who coordinates with county finance/mayor's office for all ammunition and weapon purchases?
- m) How are surplus weapons assigned to the sheriff's office disposed?
- n) During weapon qualification times, how is the large movements of ammunition accounted for?
- o) How is spent brass accounted for and how is any funds from the spent brass accounted for?

Inventory of Evidence Room:

- a) Who is in charge of logging in evidence and maintaining the records?
- b) Where is evidence put that is brought to the sheriff's office?
- c) Who is responsible for the physical security of the evidence room?
- d) What is attached to each item of evidence?
- e) What does this attachment detail?
- f) Who has keys to the evidence locker?
- g) What is required to have evidence submitted to TBI for testing?
- h) Who submits it?
- i) Who retrieves the stored items?
- j) Who verifies the paperwork is filled out correctly?
- k) What is the procedure to log the evidence?
- l) Who performs this procedure?
- m) How many evidence rooms are there?
- n) What kind of evidence is stored in each?
- o) To whom is the lab request given?
- p) Who signs out the evidence being taken to be tested?
- q) Who brings back the evidence from TBI?
- r) Who logs the evidence in again?
- s) How is evidence retrieved for court?
- t) Who requires the signature for the evidence?
- u) What happens to the evidence after court proceedings?
- v) Who logs the evidence into the evidence room?
- w) What is the procedure for evidence that was entered into the court?
- x) Who is responsible for the evidence after the case is adjudicated?
- y) What types of evidence require a destruction order?
- z) What happens to evidence of value where the owner cannot be reached after 90 days?
- aa) What happens to firearms?

Inventory of Vehicles:

- a) Where is the inventory of assigned vehicles stored?
- b) Who maintains the inventory?
- c) What details are required in the inventory?
- d) Who is responsible for reporting changes in vehicle assignments?
- e) To whom are these changes reported?

Payroll:

- a) Do all sheriff's office employees that are on the payroll have an updated personnel file?
- b) Who maintains the files and does this person do a routine review of the actual payroll to ensure that there are no ghost employees, unauthorized payroll deductions and unauthorized additional payments?
- c) Who are all employees assigned under? Is there a written chain of command?

- d) How are these assignments determined?
- e) Which employees are required to fill out a timesheet? Are all non-exempt employees having their actual work hours documented?
- f) Who signs the employees' timesheets?
- g) How often are these turned in?
- h) Who reviews each timesheet and verifies the signatures?
- i) How are all the time sheets compiled for pay period purposes?
- j) Who performs this task?
- k) Where is the spreadsheet sent?
- l) Who prepares the payroll checks?
- m) Who maintains vacation and sick time accruals?
- n) Who verifies the vacation and sick time used each pay period?
- o) Who verifies that employees on FMLA and military leave are on this leave status for legitimate purposes?
- p) How is the annual leave accrual calculated? Time earned and used over the year?
- q) Who calculates it?
- r) What is the maximum number of hours of vacation leave payment upon resignation/retirement from the sheriff's office?
- s) Who reviews the monthly budget to actual expenditure reports?

Fuel Reconciliation:

- a) Who at the sheriff's office receives a detailed invoice breaking down fuel consumption by vehicle?
- b) How often is this invoice received?
- c) Who is responsible for reviewing the invoice for irregular usage?
- d) Who is alerted of potential issues with irregular usage?

Safeguarding of computer accounting files:

- a) Does the sheriff's office have a written disaster recovery plan?
- b) How often are accounting records on the computer systems backed up?
- c) Who is responsible for this procedure?
- d) Are back-ups of accounting records stored off site in case of a catastrophic event, where?

III. Whether revenues and expenditures in the county general fund and drug fund are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets.

Expenditures and Revenues:

- a) Who is responsible for coordinating with the county trustee's office to ensure all receipted funds are coded to the correct revenue line item?

- b) Who coordinates with the county finance department/mayor's office to ensure purchase orders for non-payroll items are coded to the correct object code and expenditure budget?
- c) Who fills out the annual sheriff's financial report and files this with the county finance office and the county clerk?
- d) Who coordinates with the county finance/mayor's office to ensure that capital asset records for external reporting purposes are up to date and in compliance with county capital asset policies?
- e) Are drug fund non-confidential expenditures coordinated in the same way as general fund expenditures for the sheriff's office?
- f) Who coordinates these purchases?

Jail

I. Whether obligations and costs of the operation are in compliance with applicable law.

Purchasing:

- a) What policy does the jail comply with, and what is it under?
- b) Who is qualified to originate a purchase order requisition with the county finance department/mayor's office and coordinate with the finance department to ensure there is funding available in the line item for the purchase and that the vendor is on the approved vendor list?
- c) Who issues the purchase order which authorizes the purchase to be made?
- d) Who places the order with the vendor?
- e) Who verifies that the goods received are what is itemized on the invoice or bill of lading?
- f) Where is the invoice forwarded after the sheriff's office receives it?
- g) How long is the invoice held at the sheriff's office?
- h) What happens if an item is out of stock (e.g. partial order shipment arrives)?
- i) Can the jail utilize blanket purchase orders with numerous vendors?
- j) Who reviews all blanket purchase orders for legitimate county purchases of goods?

Store Cards:

- a) Where are store cards kept when not in use?
- b) Who is authorized to go to these stores for needed purchases that are then applied to blanket purchase orders or the jail gets a PO prior to going to the store?
- c) Who reviews monthly invoices from these stores?
- d) Who reviews individual store receipts when staff return from the stores?

Credit Cards:

- a) Who has access to the credit card?

- b) What charges can be made on the card?
- c) Who receives and reconciles purchases with monthly credit card statements?
- d) Where is the card stored when not in use?
- e) What is the process to acquire use of the card?

Contracts:

- a) Who signs all county contracts dealing with purchasing?
- b) Who reviews contracts over one year in length?
- c) Who approves contracts over one year in length?
- d) Who coordinates with the county finance department/mayor's office to ensure contract compliance per county purchasing policy?

Emergency Purchases:

- a) Who coordinates with the county finance department in the case of emergency purchases that arise from unforeseen events that require normal bidding procedures to be circumvented?
- b) Which policy addresses emergency purchases for the jail?

Payroll:

- a) Does the sheriff have a signed letter of agreement or salary suit to authorize jail employees and salaries?
- b) Who prepares the letter of agreement?
- c) Who at the jail receives a copy of the jail budget and a monthly year to date expenditure vs budget report from county finance/mayor's office each month?
- d) Who is responsible for bringing any foreseeable budget overages to the attention of the sheriff and county finance in order that a budget amendment can be prepared?
- e) Are jail employees paid from any non-payroll line item?
- f) Are jail employees that are non-exempt working for another county department that is not running payroll through normal payroll line items (e.g. jailer that is also reserve deputy working ball games)?

Fuel Reconciliation:

- a) Are jail vehicles assigned a fuel card?
- b) Where are the fuel cards kept/secured?
- c) What can the card be used for (e.g. fuel, parts, food)?
- d) Is there a procedure to operate the card at the pump (enter correct odometer reading)?
Is the procedure followed?
- e) Who receives an invoice of fuel purchased from each vehicle?

- f) How often do they receive the invoice?
- g) How is irregular usage managed?
- h) Who would be alerted of potential issues with irregular usage?

Revenues and Expenditures:

- a) Who is responsible for coordinating with the county trustee's office to ensure all receipted funds are coded to the correct revenue line item?
- b) Who coordinates with the county finance department to ensure purchase orders for non-payroll items are coded to the correct object code and expenditure budget?
- c) Who fills out the annual sheriff's financial report and files this with the county finance office and the county clerk?
- d) Who coordinates with the county finance office to ensure that capital assets records for external reporting purposes are up to date and in compliance with county capital asset policies?

II. Whether county funds, property and other assets that are designated/assigned to the jail are safeguarded against waste, loss, unauthorized use, or misappropriation.

Prisoner Funds:

- a) Who maintains a property receipt on each prisoner?
- b) What should be listed on the receipts?
- c) Where are prisoners' articles placed?
- d) Are there instances when a second person (i.e., witness) must be present when money from prisoners is being counted?
- e) Is there a policy that addresses the confiscation of inmate funds as evidence? What is that policy? Is there proper chain of custody procedures in place?
- f) What must be generated after the money is counted?
- g) Where is the receipt placed?
- h) Does the prisoner receive a copy?
- i) Where is the money placed for an inmate that will immediately bond out?
- j) Can an inmate release money to family? If so, how?
- k) If the inmate isn't going to immediately bond out, what happens to the money?
- l) Who collects it?
- m) Who counts it?
- n) Where does the money go after it has been counted, and who puts it there?
- o) Who picks it up?
- p) Are there inmate copays?
 - i. Is there resolutions approved for each copay by the county legislative body?
 - ii. Are copays in compliance with the amounts approved in the resolution?
 - iii. Are inmates provided a receipt (or a viewable deduction in their commissary account if using kiosks) for the copay deduction?
- q) What does the prisoner do to verify all articles were returned upon discharge?

- r) How does a prisoner receive excess commissary money once released?
- s) Is the amount of money in prison funds held usually material or immaterial?
- t) Work Release funds. TCA 41-2-129(a). When a prisoner is employed for wages or salary, does the superintendent of the workhouse or the Sheriff collect the wages or salary or require the prisoner to turn over wages or salary when received?
 - i. Is the money deposited into a trust checking account? When is this done?
 - ii. Is there a ledger showing the status of the account of each prisoner?
 - iii. TCA 41-2-129(b)(1) – (5) Every prisoner gainfully employed is liable for the cost of the prisoner's board in the workhouse as fixed by the county board of workhouse commissioners.
 - 1. Is the prisoner's account charged for board?
 - 2. Are wages and salaries of inmates distributed as follows:
 - a. (1) The board of the prisoner;
 - b. (2) Necessary travel expenses to and from work and other incidental expenses of the prisoner;
 - i. Are funds provided to work release inmates?
 - ii. How are they provided and how frequently are they provided?
 - iii. Are there receipts for these transactions maintained?
 - iv. Who and how often is the inmate's account audited against these transactions?
 - c. (3) Support of the prisoner's dependents, if any
 - i. Was the amount determined by the board of workhouse commissioners or the county legislative body?
 - d. (4) Payment of docket costs connected with the prisoner's commitment;
 - e. (5) Payment either in full or ratably of the prisoner's obligations
 - i. Have these obligations been acknowledged by the prisoner in writing?
 - ii. Or, have these obligations been placed in a court order?
 - f. After deductions are made as set forth in (1) through (5) above, if there is at least a balance of \$2.00 in the account, is the money is deducted each month from a prisoner's trust account for any month the prisoner is gainfully employed, to be applied to the county-operated victim's assistance program, if such program exists in the county?
- u) Unclaimed inmate property/funds.
 - i. Does the jail have a policy and procedure to address unclaimed inmate property and/or funds?
 - ii. Is an audit of the inmate property room conducted? If so, how often and by whom?
 - iii. What is the agency's process of disposing of unclaimed inmate property and/or funds?

Commissary:

- a) Who operates the commissary?
- b) Where does all the money collected from an arrestee that is not immediately released from custody?
- c) Concerning the commissary, what is the jail responsible for?
- d) If the ordering software is down, who picks up the paper orders from the inmates?
- e) Who are they then given to?
- f) Who takes care of vendor issues?
- g) Is it possible for inmates to keep up with their balances and orders? If so, how?

Payroll:

- a) How are the employees' personnel files managed?
- b) Do any employees have a timesheet?
- c) Who receives the timesheets?
- d) How often are the timesheets received?
- e) Who prepares payroll checks?
- f) Who manages vacation and sick time?
- g) Who verifies the vacation and sick time?
- h) Who monitors employees on FMLA and military leave for policy compliance?
- i) How is annual leave accrual calculated?
- j) Is there a limit for hours of vacation leave payment upon resignation or retirement?
- k) Can employees get overtime?
- l) If so, does someone have to approve it?
- m) Can employees use compensatory time?
- n) Who makes sure payroll expenditures are in line with the approved salary budget?

Medical Costs:

- a) Who provides inmate medical, mental health and dental services in the jail?
- b) Who is responsible for contract compliance (if care is outsourced) and addressing any contract issues?
- c) What happens for medical issues which the jail medical staff can't handle?
- d) Does an agreement exist with a hospital?
- e) If so, what are the terms?
- f) Who is in charge of reviewing medical bills?
- g) Are inmates charged anything for medical treatment?
- h) If so, how are the charges paid?
- i) Are inmates screened at booking for health care insurance (private insurance, TennCare, etc.)?
 - i. Is that information communicated to the medical provider?
 - ii. Are inmates that are TennCare recipients who are hospitalized over a 24 hour period have those bills processed through TennCare in compliance with T.C.A 71-5-106 (Public Chapter 926)?

Food:

- a) How are food vendors selected?
- b) How often are they selected/bid out?
- c) How often are purchase orders made to food vendors?
- d) Who keeps track of actual food cost to budget?
- e) Who determines the food plan?
- f) Who orders the food?
- g) How often do food shipments arrive?
- h) Who reviews the food shipment?
- i) To whom is the bill of lading sent?
- j) Who is it finally forwarded to?
- k) Where is the food stored?
- l) How often is a food inventory performed?
- m) Who is allowed to eat the food (besides inmates)?
- n) Can staff eat leftovers?
- o) Where does the food go that can't be reused?
- p) Who investigates any food shrinkage?
- q) Who receives food invoices? How often?
- r) Who reviews food invoices (any one at the jail)?
- s) What happens if items have been overcharged

Utilities:

- a) Who pays the utility bill?
- b) Who reviews the reports to verify the amount is in line with the current budget?
- c) How many water and electric meters are there for the staff and jail building?

III. Whether revenues and expenditures in the county general fund are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets.

- a) Revenues: Who at the jail is responsible for coordinating with the county trustee to ensure that all funds that are receipted in the jail that need to be deposited into the general fund are coded to the correct revenue line items?
- b) Annual report: Who is responsible for preparing/including the jail financial activity (commissary) in the sheriff's annual report?
- c) Expenditures: Who is responsible for communicating with the county finance office/mayor's office if there is miscoded expenditures in the jail's line items in the county general fund to ensure corrections are made promptly?

SHERIFF AND JAIL
SAMPLE INTERNAL CONTROLS ASSESSMENT
January 2016

Internal Control Assessment of County Sheriff's Office

Purpose: To document an understanding and assess the internal controls of the County Sheriff's Office as it pertains to the following:

- I. Whether the obligations and costs of the operation are in compliance with applicable law
- II. Whether county funds, property and other assets that are designated/assigned to the sheriff are safeguarded against waste, loss, unauthorized use, or misappropriation
- III. Whether revenues and expenditures in the county general fund and drug fund are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets

Overview: An in-depth analysis of the internal control environment for the operations of the County Sheriff's Office was performed over a four day period by county sheriff's command staff employees and the CTAS field consultant as well as the CTAS sheriff and jail consultants.

Sheriff's Office

I. Whether the obligations and costs of the operation are in compliance with applicable law

(purchasing, payroll, contracts, purchase orders, emergency purchases, efficiency of operations (cost effective solutions).

Purchasing:

The sheriff's office complies with the adopted county purchasing policy under the Financial Management System of 1981 that is in effect for County Government.

Purchase Orders:

The (name/position) will originate a purchase order requisition with the county finance department and coordinate with the finance department to ensure there is funding available in the line item for the purchase and that the vendor is on the approved vendor list. The county finance department issues the purchase order which authorizes the purchase to be made. (Name and position) will then place the order with the vendor. When goods arrive the same people verify that the goods received are what is itemized on the invoice. The invoice is then initialed as goods received and forwarded to county finance for payment by accounts payable. The sheriff's office can utilize blanket purchase orders with numerous vendors (hardware store, auto parts store) and the vendor will send a monthly invoice. (Name/position) reviews all the blanket purchase orders for legitimate county purchases of goods.

Store Cards:

Walmart and Lowes cards are kept locked up when not in use in (name/position) desk. Name's/position's) will go to these stores for needed purchases that are then applied to blanket purchase orders. (Name/position) will review the monthly invoices from these store card purchases and will ensure that there is adequate appropriation and an open purchase order (PO) for these purchases.

Credit Card:

The sheriff's office has a (name of business, bank, etc.) credit card that is provided to transport deputies that are going on long distance transports. The deputies are instructed that the card can only be used to purchase fuel, meals (if overnight and in accordance with adopted travel policy) and lodging reservation (rarely) if an overnight stay is required for the transport and the hotel was not able to be reserved ahead of time. (Name/position) reviews and reconciles purchases with the monthly credit card statement. When the card is not in use it is locked (where).

Contracts:

Per County purchasing policy, the county finance director signs all county contracts dealing with purchasing. All contracts that are over one year in length are approved by the county commission after the county attorney reviews them. (Name/position) coordinates with the county finance department to ensure contract compliance per county purchasing policy.

Emergency Purchases:

(Name/position) will coordinate with the county finance department in the case of emergency purchases that arise from unforeseen events that will require normal bidding procedures to be circumvented because of the nature of the emergency at hand. The county purchasing policy addresses emergency purchases and the sheriff's office complies with these policies.

Payroll:

Payroll is authorized each fiscal year through a letter of agreement that is prepared by county finance and signed by the mayor and sheriff after the adoption of the county budget. (Name/position) receives a copy of the sheriff's adopted budget and then receives a monthly year to date expenditure versus budget report from county finance each month. (Name/position) is responsible for bringing any anticipated foreseeable budget overages to the attention of the sheriff and county finance in order that a budget amendment can be prepared. All payments to employees are paid through payroll accounts (not vendor accounts) in order to comply with IRS tax code for payroll taxes and state unemployment compensation and worker comp laws.

II. Whether county funds, property and other assets that are designated/assigned to the sheriff are safeguarded against waste, loss, unauthorized use, or misappropriation.

Overview: The audited financial report detailed expenditure statements was reviewed to identify expenditures of material amounts. In the sheriff office, material expenditure amounts were: payroll, maintenance of vehicles (parts), and fuel. Internal controls over these material assets/costs were scrutinized in-depth.

Sheriff:

Fee account (receipt/disburse/deposit/reconcile/segregation of duties over cash)

The following procedure will be in place to help satisfy and insure compliance with internal controls over cash with fee account.

1. (Names/positions) will retrieve and receive checks from (name/position) at the sheriff's office and cash bonds from the jail.
2. (Name/position) will receipt checks and/or cash in to receipt book(s).
3. (Name/position) will complete deposit book, check for inconsistencies, and transport these monies to the bank.
4. (Name/position) will receipt into the general ledger and reconcile general ledger at the end of each month and calculate disbursement checks for the county trustee and court clerk.
5. (Names/positions) are the designated signers of said disbursements.
6. (Name/position) reconciles monthly bank statements to the general ledger at the end of each month.

Note: In the event of the absence (sickness, vacation, etc.) of any of the above mentioned employees, regular business will continue with a modified policy to ensure deposit of monies within the standard three day window. In these instances this temporary duty routine shall be documented for that instance and the reason.

Cash Bonds:

The (who) on duty at the jail receipts the cash bond into the manual receipt book upon receiving the money and provides the payee a copy of the receipt. The receipted funds are placed (in what secured location). (Name/position), posts the cash bonds to the general ledger, works up the deposit for receipts, and deposits all cash including the cash bond money to the bank intact and within three days.

Sex Offender Registry Fees:

The sexual offender's fee of \$150 is collected by (name/position) and a pre-numbered receipt is issued to the payee. (Name/position) then brings the sex offender money to the (where, name/position) to receipt for jail deposit. The sex offender money is then deposited into the regular checking account.

Confidential Funds:

Since the county has an active drug task force, the sheriff does very little confidential drug buys. When the sheriff's office does a confidential buy, the sheriff's office requests a check from county finance from the county drug fund and cashes it to make undercover buys. The sheriff follows the state drug fund manual and completes the necessary forms pertaining to the drug buys. The lead investigator is responsible for overseeing flash rolls and verifying that buys are legitimate and for return of unused funds to the drug fund.

Inventory of weapons:

All weapons that are not assigned to officers are maintained in the armory that is located in the sheriff's office. (Name/position) is responsible for the armory and maintains an inventory of all weapons on hand and those assigned to officers. Inventory records are computerized (name of software) and include a detailed description, the make and model, caliber, serial number, year purchased, cost, who assigned to, and disposal date. (Names/positions) have keys to the armory. (Name/position) performs a complete annual inventory of all assigned weapons. Ammunition is stored in same room and (name/position) inventories this as well. All weapon and ammunition purchases are done in compliance with county purchasing policy with county finance and all surplus of firearms are disposed of in accordance with the county surplus policy (trade to firearm dealer after declared surplus). (Name/position) coordinates with county finance for all purchasing of firearms and ammo.

Inventory of evidence room:

(Name/position) is in charge of logging evidence and maintaining it and the records. Evidence brought into the sheriff's office is put in a locker in the squad room and locked by the seizing deputy. A tag describing what it is and the form listing the case number and general information of the arresting report is attached to the item. (Names) of who has keys to locks on lockers). (Name/position) issues the keys to authorized employees.

(Name/position) gets the items from the lockers and verifies the paperwork is filled out correctly. They then fill out the evidence log and assigns a number to match the item and paperwork. The numbers are consecutive. Once it has been added to the log and tagged with a copy of the evidence log, it is put in (the evidence room – if more than one, specify here). A copy of the log is added to the log book. The evidence room (specify which one if there is more than one) holds drugs and other miscellaneous evidence. (Names/position) is/are the only person(s) authorized access to this room. The second evidence room is (located where) and contains firearms. A different key is used to enter this evidence room. (Name/position) are the only persons authorized to access this room. (Describe how these rooms are accessed such as by key (who keeps the key and where), or by access code (how frequently is the code changed and by who)).

If evidence needs to be tested or examined by the Tennessee Bureau of Investigation (TBI), deputies are required to submit a TBI lab request form with their evidence. If the evidence has already been logged in before the lab request form is filled out, the deputy turns the lab request into (name/position). (Name(s)/position(s)) will take the evidence to the TBI lab for testing each week, or as needed. Evidence that is sent to the lab is signed out for lab testing by (name/position).

Once the evidence is finished at TBI, (name/position) will bring the evidence back to the sheriff's office. The evidence is then logged back into evidence by (name/position).

If a deputy needs evidence for court, the deputy makes a request to retrieve the evidence from (name/position). (Name/position) requires the deputy to sign for the evidence. After the court proceedings, the deputy shall log the evidence back in at the sheriff's office. (Name/position) then logs the evidence back into the evidence room(s). If the evidence is entered into the court as evidence, (name/position) logs the evidence in the narrative section of the evidence report date and time the evidence was logged into the court.

(Name/position) is responsible for evidence disposal after a case is adjudicated. If the evidence is drugs, paraphernalia, contraband, or evidence of no value, a destruction order is obtained by (name/position). If the evidence is of value, and the owner cannot be located after 90 days, (name/position) will obtain an order for the evidence to be sold at public auction or on Gov. Deals. If the evidence is a firearm, (name/position) will obtain an order for the firearm to be awarded to the sheriff's office. If the firearm is not used at the sheriff's office, another order will be obtained for the firearm(s) to be traded to an authorized gun dealer for new firearms. If the weapon is abandoned property, and the owner cannot be located after 90 days, (name/position) will obtain an order for the firearm to be awarded to the sheriff's office. If the firearm is not used at the sheriff's office, another order will be obtained for the firearm(s) to be traded to an authorized gun dealer for new firearms.

Inventory of vehicles:

(Name/position) maintains an inventory of assigned vehicles on the (name of software system). The inventory software records vehicle make, model, year, color, description, what officer is assigned to the vehicle, year purchased, purchase price, VIN. (Who) are responsible for notifying (name/position) of any changes in vehicle assignments.

Payroll:

To protect against fraud (ghost employees, unauthorized bonus payments, etc.) all sheriff's office employees have a personnel file maintained by (name/position) and are assigned a supervisor from the approved organizational chart. All non-exempt sheriff's office employees are required to fill out and turn in a time sheet for hours worked with both their signature and their immediate supervisor's signature for pay authorization each pay period. At the end of each pay period, (name(s)/position(s)) review each employee's completed timesheet, verifies signatures and then (name/position) compiles a payroll spreadsheet for county finance to summarize the gross pay and hours worked and sends this summary report to county finance to prepare payroll checks. Vacation and sick time accruals are maintained by each employee on their time sheets and verified each pay period for activity by their immediate supervisor. An annual leave accrual is calculated from these forms by (name/position) for financial reporting purposes. Personnel policy prohibits employees from having more than 80 hours of vacation leave payout upon resignation/retirement from the sheriff's office. (Name/position) reviews the monthly budget to actual expenditure reports to ensure the actual expenditures are in line with the approved budget.

Fuel reconciliation:

Each sheriff's office vehicle is assigned a fuel card that remains in the vehicle at all times. The fuel card can be used only for fuel purchases. When the card is used, the deputy keys in the current odometer reading and the card PIN into the gas pump at participating gas stations. At the end of the month, (name/position) receives a detailed invoice breaking down fuel consumption by vehicle (card) usage for that time period. (Name/position) reviews the invoice for irregular usage based on variances in MPG, fill up times, excessive fuel use for each vehicle and alerts (name/position) if (they) identify potential issues.

III Whether revenues and expenditures in the sheriff's office and drug fund are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets

(Name/position) is responsible for coordinating with the county trustee office to ensure that all receipted funds are coded to the correct revenue line item. (Name/position) coordinates with the county finance department to ensure purchase orders for non-payroll items are coded to the correct object code and expenditure budget. (Name/position) fills out the annual sheriff's office financial report and files this with the county finance office and the county clerk.

(Name/position) coordinates with the county finance office to ensure that capital asset records for external reporting purposes are up to date and in compliance with county capital asset policies. Drug Fund non-confidential expenditures are coordinated by (name/position) in same way as general fund expenditures for the sheriff's office.

Jail

I. Whether obligations and costs of the operation are in compliance with applicable law

(Inmate funds cash on hand when booked, inmate belongings, supplies, inventory of equipment, vehicles, purchasing, contracts, purchase orders, emergency purchases, efficiency of operations (cost effective solutions))

Purchasing:

The jail complies with the adopted county purchasing policy under the Financial Management System of (what Act) that is in effect for County Government.

Purchase Orders:

(Names/positions) are authorized to originate a purchase order requisition with the county finance department and coordinate with the finance department to ensure there is funding available in the line item for the purchase and that the vendor is on the approved vendor list. The county finance department issues the purchase order which authorizes the purchase to be made.

(Name(s)/position(s)) will then place the order with the vendor. When goods arrive the same people verify that the goods received are what is itemized on the invoice or bill of lading. The invoice is then initialed as goods received and forwarded to county finance for payment by

accounts payable. The invoice is held until all items are received per county purchasing policy (no payments for partial shipments) unless under rare circumstances there is an item out of stock, then the county requests an amended invoice from the vendor for items received so that the purchase order can be closed. The jail can utilize blanket purchase orders with numerous vendors (hardware store, auto parts store, food) and the vendor will send a monthly invoice. (Name/position) reviews all the blanket purchase orders for legitimate county purchases of goods.

Store cards:

Walmart, Staples, Lowes cards are kept (identify secure area) when not in use. (Name(s)/position(s)) are authorized to go to these stores for needed purchases that are then applied to blanket purchase orders or the jail gets a PO prior to going to the store. (Name/position) will review the monthly invoices from these store card purchases and will ensure that there is adequate appropriation and an open PO for these purchases. (Name/position) reviews individual store trip receipts when staff returns from the store.

Credit card:

The jail has a (name of institution) credit card that is provided to transport officers that are going a long distance. The officers are instructed that the card can only be used to purchase fuel, meals (if overnight and in accordance with adopted county travel policy) and lodging reservation (rarely) if an overnight stay is required for the transport and the hotel was not able to be reserved ahead of time. (Name/position) reviews and reconciles purchases with monthly credit card statement. When not in use the credit card is (stored in what secure area). Anyone that gets the card has to sign it out and then back in.

Contracts:

Per the County purchasing policy, the county finance director signs all county contracts dealing with purchasing. All contracts that are over one year in length are approved by the county commission after the county attorney reviews them. (Name(s)/position(s)) coordinate with the county finance department to ensure contract compliance per county purchasing policy.

Emergency purchases:

(Name/position) will coordinate with the county finance department in the case of emergency purchases that arise from unforeseen events that will require normal bidding procedures to be circumvented because of the nature of the emergency at hand. The county purchasing policy addresses emergency purchases and the jail complies with these policies.

II. Whether county funds, property and other assets that are designated/assigned to the sheriff are safeguarded against waste, loss, unauthorized use, or misappropriation

Overview: The audited financial report detailed expenditure statements was reviewed to identify expenditures of material amounts. In the jail, material expenditure amounts were: inmate medical

and dental services, inmate food, and utilities. Internal controls over these material assets/costs were scrutinized in-depth.

Prisoner funds:

The sheriff's office maintains a property receipt (preprinted form) on each prisoner. This receipt lists all articles belonging to the prisoner including money. All articles are placed into (what) that is stored in the property room. All money taken from prisoners in booking is counted in front of a witness and a receipt is generated and placed in an envelope with the receipted funds. The inmate receives a copy of the receipt. The money is placed (describe here). (If there is a policy and procedure that permits for a different process for an inmate being released immediately – describe here). The inmate may release money to their family by filling out a release of property form if the money has not been deposited (where). (Name/position) collects the funds each business day and is counted by this person and (a second jail employee – identify here) to verify that the receipts agree with collected funds. (Name/position) then takes all receipted funds and (describe what is done with these receipted funds here). (Describe if there is any exception to this procedure here). Only (name(s)/position(s)) have a key to this box. Upon discharge, the prisoner signs the property receipt verifying that all articles were returned. When the prisoner is released from the jail, (describe here how their remaining funds are returned to them). Due to the short period of time the prisoner funds are held at the sheriff's office, the amount of prisoner funds being held will be immaterial.

Commissary:

(Describe who operates the inmate commissary here). All money collected from an arrestee in the booking room is deposited into (what account/bank/commissary provider). Besides the booking room receipting, the jail is not responsible for any other commissary transactions besides handing out the prisoners orders and the rare occasion that the ordering software is down and the inmates have to use paper ordering forms (which would be picked up by corrections officers and turned into (name/position)). When (who) hand out the commissary orders, inmates sign a receipt for the order and the receipts are then taken to (name/position). (Name/position) will coordinate with (who – commissary provider) with any order issues. Inmates can use kiosks to view their own balance and orders. (Describe process for orders that arrive after an inmate is released from custody). (Describe how unused balances are disbursed to inmates upon their release from confinement here). (Describe who is responsible and how unclaimed inmate property is disposed of here).

Payroll:

To protect against fraud (ghost employees, unauthorized bonus payments, etc.) all jail employees have a personnel file maintained by (name/position) and are assigned a supervisor from the approved organizational chart. All non-exempt jail employees are required to fill out and turn in a time sheet for hours worked with both their signature and their immediate supervisor's (or name/position) signature for pay authorization each pay period. At the end of each pay period, (name/position) reviews each employees completed timesheet, verifies signatures and then (name/position) compiles a payroll spreadsheet for county finance to summarize the gross pay

and hours worked and sends this summary report to county finance to prepare payroll checks from. Vacation and sick time accruals are maintained by each employee on their time sheets and verified each pay period for activity by their immediate supervisor. An annual leave accrual is calculated from these forms by (name/position) for financial reporting purposes. Personnel policy prohibits employees from having more than 80 hours of vacation leave payout upon resignation/retirement from the jail. Overtime is approved by (name/position) after requested by a shift supervisor and a note is made in the employees payroll timesheet noting the reason for the overtime (cover sick employee, transport, etc.). (Describe here if employees are permitted to use compensatory time). (Name/position) review the monthly budget to actual expenditure reports to ensure the actual payroll expenditures are in line with the approved salary budget.

Medical costs:

The county contracts with (name of company) for jail inmate medical, mental health, and dental services. (Name(s)/position(s)) are responsible for contract compliance and coordinate with county finance if any questions arise with contract issues. For medical issues that cannot be handled by jail medical staff, the county has an agreement with the local hospital (name of hospital) for care. (Describe here any negotiated rates that the county may have). (Name(s)/position(s)) are responsible for reviewing hospital bills to ensure that the county is receiving the correct discount and that the county is only being billed for care received and care for inmates.

Inmates are charged medical co-pays to see a nurse, doctor, dentist or go to the hospital ER through their commissary fund balance. (Name of medical provider) sends a list of inmates that were seen to the (name/position, commissary vendor, etc.) to apply the copayment charge to the inmate's commissary account. (Name/position or commissary vendor) transmits the copays collected each month to the county jail along with the profit share check.

Food:

Inmate food is competitively bid out by the county finance department annually. Blanket purchase orders are issued monthly for food vendors and (name/position) keep track of actual food cost to budget on a monthly basis. (Name/position) is responsible for ordering food based on the meal plan which has been approved by the jail dietician. The jail kitchen receives two shipments from food vendors per month and (name/position) reviews the shipment against the bill of lading and initials the bill that ordered food agrees with bill of lading. The bill of lading is forwarded by (name/position) to (name/position), who reconciles the bills of lading with the monthly food invoices prior to forwarding the invoice to county finance. Received food is stored in the jail walk-in freezer and cooler and a dry storage food pantry. (Name/position) do a weekly inventory on each Thursday and inventory sheets are forwarded to (name/position). Jail food is only consumed by inmates. Correctional staff are not allowed to eat jail food. Any leftovers from meals that can be frozen or refrigerated will be reused. Other items that cannot be reused will be discarded. Any shrinkage that is identified in the inventories is investigated by (name/position). The monthly food invoices are mailed from the vendors to (name/position) and they review the unit price on the invoice with the unit price on the annual bid award to verify prices are correct. If the county is

overcharged for an item then (name/position) will notify the vendor for a credit and they also notifies (name/position) of the issue.

Utilities:

Utilities bills are paid by the county finance department. (Name/position) review the actual expenditures to budget monthly financial reports to verify that the amount is in line with the current budget. There are multiple electric and water meters for the sheriff and jail building.

III Whether revenues and expenditures in the county jail budget are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets

(Name/position) is responsible for coordinating with the county trustee's office to ensure that all receipted funds are coded to the correct revenue line item. (Name/position) coordinate with the county finance department to ensure purchase orders for non-payroll items are coded to the correct object code and expenditure budget. (Name/position) fills out the annual jail financial report and files this with the county finance office and the county clerk. (Name/position) coordinates with the county finance office to ensure that capital asset records for external reporting purposes are up to date and in compliance with county capital asset policies.

Recommendations from the Internal Control Environment Assessment:

- The sheriff, chief deputy, chief administrator, jail administrator, jail lieutenant, and county finance director should have a meeting to review this internal control assessment and do a fraud /risk assessment to identify improvements for the internal control environment and review any internal control weaknesses identified with this assessment or prior year independent audits. Action items from this meeting should be assigned to individuals to ensure follow through and a deadline to report back to the sheriff.
- Since payroll is the largest portion of both the sheriff and jail operating budget, consider utilizing an automated timekeeping software package that can interface with the county finance department's payroll software. The current manual time keeping system requires numerous entries and verifications of multiple people and in the often times hectic work environment of the facility can leave room for errors and mistakes. With the onset of federal ACA employer reporting requirements and potential federal fines, an accurate payroll system is even more important.
- The county finance office needs better coordination with the sheriff's office and jail with tracking of assets that should be capitalized for external financial reporting. The sheriff's office and jail are maintaining accurate inventories on their office software, however the county finance office is not coordinating with the sheriff's office and the jail to do an annual update for the county finance capital asset software. Currently, the county finance office is doing their inventory update in coordination with the county insurance agent's records, which leaves room for errors.

- The current scheme with assessing and charging inmate medical copays is not allowing the county to track revenue from these charges. Payments from the commissary vendor does not break out this revenue line item. Therefore it is difficult/impossible to verify if profit share from the vendor contract is being recognized. Unpaid co-pay balances are being carried over on the inmates' commissary account should they receive funds in the future or be re-incarcerated. Consider transferring the unpaid medical copay balances over to county probation when/if the inmate is released on probation status so these costs are included.
- The county should consider a TVA energy audit of the jail and sheriff's buildings as this is one of the largest single expenses (outside payroll) of the jail. There is grant funding and TVA incentives available for upgrades to facility lighting, HVAC and kitchen equipment as well as replacing a jail transport vehicle with an energy efficient hybrid car for long distance transfers.
- The sheriff and county finance department should coordinate to do a formal performance review of all contracts (jail medical, inmate telephone profit sharing, commissary profit sharing, pest control, copier maintenance agreements) to insure vendor compliance with terms. The contract for jail medical services should especially be scrutinized as this is the largest non-payroll item in the jail budget and has variable costs in the contract that depends on jail population numbers.
- The sheriff's office has recently purged numerous old firearms from its evidence room from closed cases and utilized the funding received from these to purchase new service handguns for the patrol deputies. Consider surplus of unused weapons in the sheriff's armory as there are old rifles stored in the armory.
- Sex offender registry funds: consider additional internal controls to have supervisor compare number of sex offenders that are currently registered to what fees are actually being collected and watch for variances.
- Since they have check signing authority and are over the bookkeeper, consider having the jail administrator or jail lieutenant open the monthly bank statement when it comes in the mail and review the canceled checks and to verify that deposits are being made in a timely manner prior to the bank statement being given to the bookkeeper for monthly reconciliation.

SHERIFF AND JAIL
SAMPLE SEGREGATION OF DUTIES CHECKLIST
January 2016

Sheriff Office
Internal Control Checklist
Receipts

See Column Instructions Below													
Checks Received in the Mail		Daily Receipting and Depositing											
Open Mail, Stamp Checks for Deposit Only, and Make a List of Checks	Issue Receipts for Mail-in Checks	Maintain Separate Cash Drawers	** *** Issue Receipts	Stamp All Checks for Deposit Only when Received	Issue Manual Receipts if Utilized	Post Receipts to Accounting Records	Verify that Mail-in, and Manual Receipts were Recorded	Count Cash Check Out to Certain Amount of Cash	Deposit Intact Verify Cash Check Out and Make Up Daily Deposit	Carry Deposit to Bank	Verify Deposit Slip with Check-out Sheets and Amt. Recorded	Examine Audit Log and Explain Each Entry	Determine that the Trial Balance is in Balance
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Two-Person Office:													
Official	X	X	X	X	X	X		X		X	X	X	X
Employee #1	X	X	X	X		XX	X	X	X				
Three-Person Office:													
Official	X	X	X	X	X	X		X		X		X	XX
Employee #1	X	X	X	X	X	X		X					
Employee #2 - Bookkeeper	X					XX	X		X		X	X	X
Four-Person Office:													
Official	X	X	X	X	X	X		X		XX		XX	XX
Employee #1	XX	X	XX	XX	XX	X		XX		X			
Employee #2	XX	X	XX	XX	XX	X		XX	XX		X		
Employee #3 - Bookkeeper	X					XX	X		X		XX	X	X
Five-Person Office:													
Official	X	X	X	X	X	X		X		XX		XX	XX
Employee #1	XX	X	XX	XX	XX	X		XX		X			
Employee #2	XX	X	XX	XX	XX	X		XX	XX				
Employee #3	X	X	XX	XX	XX	X		XX			X		
Employee #4 - Bookkeeper	X					XX	X		X		XX	X	X

Column Instructions:

XX	The Person indicated by the XX is the preferred person to perform the procedure.
**	For computerized systems. Always follow guidance from Division of County Audit Information Systems Auditors with regard to Passwords, Computer Access, Backups, etc.
***	Note: A Sign should be conspicuously posted in the office that states, "You must receive an official receipt or your transaction is not complete".

Checks Received in the Mail -

(1)	Open mail, Stamp Checks for "Deposit Only", the Official's Bank Account Number should be on the Stamp. Record the date, Make a List of All Checks by Name and Amount. (Checks can be scanned as an alternative to making a list)
(2)	Present Checks to person responsible for issuing the receipt. Keep the List secure until all receipts are verified as posted (Column 6).
(2)	Issue receipts for the mail-in checks.

Daily Receipting and Depositing -

(3)	Each employee should have a separate cash drawer. (Employees should not share passwords) (It is preferable for each cash drawer to have a lock.)
(4)	Issue Receipts for Collections. (Notice that in the Two Person Office both employees are allowed to receipt)
(5)	Stamp All Checks for "Deposit Only" immediately upon receipt. The stamp should include a bank account number. Do not wait until the end of the day.
(6)	When a manual receipt book is utilized, (The use of a manual receipt book is discouraged when a computerized system is utilized.) If a manual receipt book is utilized, it must be bound, include the Official's Title, and be prenumbered. (Receipt books that can be purchased at local stores such as Walmart, Kmart, etc. should not be utilized.) The receipt should have a place to indicate whether the payment was by cash, check, money order, or credit card and a place to indicate the name of the person who issued the receipt.
(7)	Update the accounting system for the day's receipts or manually post receipts to accounting records. (It is preferable for the bookkeeper to perform this procedure at the end of the day, but in many computerized systems receipts are posted automatically. This is why all employees who write receipts are included in this column.)
(8)	Examine accounting records. Determine that all mail-in (use list prepared in Column 1) and manual receipts were recorded.
(9)	Each employee should check out to a certain amount of cash (e.g. \$100). This procedure should be performed daily if practicable. In a manual system, use of a standard check-out sheet is advised. The computer may generate the check-out sheet in a computerized system. Each person should sign or initial his/her check-out sheet.
(10)	Combine the money from all drawers and complete a deposit slip. The deposit slip should be itemized. The total deposit amounts should agree with the check-out sheets in Step 9. The Deposit should be made "intact". This means that the deposit should equal all receipts for a given day. (As an alternative, a deposit could be made up for each cash drawer rather than making a combined deposit)
(11)	Carry the deposit to the bank and obtain a deposit slip.
(12)	Verify that the amount on the slip agrees with the check-out sheets and the amount recorded on the accounting records. Initial and date the deposit slip to indicate the review.
(13)	Examine the audit log from the computerized system (if automated). Determine why transactions were deleted or changed. (It is preferable to perform this procedure daily, but the procedure should be performed at least each month. It is also preferable to print the report and write a brief explanation.) Initial and date the report after review or otherwise document that you examined the audit log if it was not printed.
(14)	Make sure the debits and credits on the trial balance agree. This should be performed each day.

Sheriff Office
Internal Control Checklist
Issuing Non-Payroll Checks and Reconciling Bank Statements

See Column Instructions Below					
Issuing Checks			Monthly Bank Reconciliation		
Non-Payroll Checks	Signature Authority	Post Checks to Accounting Records	Receive, Open, and Review Bank Statements and Cancelled Checks	Perform Bank Reconciliation	Review Bank Reconciliation and Trace Reconciling Items and Balance to Acct. Records
Write Checks	Verify Amt. Sign and Mail Checks				
(1)	(2)	(3)	(4)	(5)	(6)
Two-Person Office:					
Official	XX		X		X
Employee #1	X	X		X	
Three-Person Office:					
Official	XX		XX		XX
Employee #1	X		X		X
Employee #2 - Bookkeeper	X	X		X	
Four-Person Office:					
Official	XX		XX		XX
Employee #1			X		X
Employee #2	X				
Employee #3 - Bookkeeper	X	X		X	
Five-Person Office:					
Official	XX		XX		XX
Employee #1					
Employee #2	X				
Employee #3			X		X
Employee #4 - Bookkeeper	X	X		X	

Column Instructions:

XX The Person indicated by the XX is the preferred person to perform the procedure.

Issuing Checks -

- (1) Physically prepare the checks for signature.
- (2) Determine the reason and examine documentation for the issuance of the check. Sign the checks and maintain possession of the checks. Mail the Checks. (Blank Checks should never be signed.) (The Official should sign and mail checks except for brief periods when the Official is absent. The Official should examine all checks issued during his/her absence.) The number of people who are authorized to sign checks should be minimized. Preferably only two people should be authorized to sign checks. Except for a two-person office, normally this should be the official and someone other than the person who performs the bank reconciliation.
- (3) Record the checks in the accounting system.

Monthly Bank Reconciliation -

- (4) A person who is **not** responsible for reconciling the bank should open the bank statement and review it for unusual transactions, bank transfers, bad checks, and if possible, cancelled checks. Trace deposits-in-transit, bad checks, outstanding debits or credits, outstanding checks, etc. from the **previous bank reconciliation** to the current bank statement. Ensure that interest earned was posted to accounting records if applicable. Initial and date the statement indicating that you opened and reviewed the statement. (It is very important to get copies of cancelled checks, front and back, in your bank statements if possible.)
- (5) Obtain the Bank Statement after it has been initialed and reviewed as directed in Step 4. Perform the bank reconciliation. This should be done monthly.
- (6) The person who is **not** responsible for reconciling the bank should review the bank reconciliation. Trace the balance on the bank reconciliation to the general ledger. Make sufficient inquires to understand reconciling items (i.e. Deposits-in-transit, bad checks, outstanding debits or credits, interest earned, large or unusual outstanding checks, etc.). Trace at least some of the reconciling items to underlying accounting records. Initial and date the reconciliation to indicate the review.

Sheriff Office
Internal Control Checklist
Journal Entries

See Column Instructions Below

Entering Journal Entries and Transfers				
Prepare and Document the Journal Entry	Approve Journal Entries	Post Journal Entries to Accounting Records	Review Accounting Records for Proper Posting	
(1)	(2)	(3)	(4)	
	X		X	
X		X		
	X		XX	
XX			X	
X		X		

Two-Person Office:

Official
Employee #1

Three-Person Office:

Official
Employee #1
Employee #2 - Bookkeeper

Four-Person Office:

Official		X		XX
Employee #1	XX			
Employee #2				X
Employee #3 - Bookkeeper	X		X	

Five-Person Office:

Official		X		XX
Employee #1	XX			
Employee #2	X			X
Employee #3				X
Employee #4 - Bookkeeper	X		X	

Column Instructions:

XX The Person indicated by the XX is the preferred person to perform the procedure.

Entering Journal Entries and Transfers -

- | | |
|-----|--|
| (1) | Use a journal entry form to record debits and credits and to explain the transaction. Attach documentation as necessary. |
| (2) | Sign the journal entry form to indicate approval of the journal entry, the explanation, and the documentation. |
| (3) | Record the journal entry in the accounting system. |
| (4) | Review the accounting records to determine that the journal entry was properly recorded. |

APPENDIX



State of Tennessee

PUBLIC CHAPTER NO. 112

SENATE BILL NO. 413

By Haile

Substituted for: House Bill No. 187

By Hawk

AN ACT to amend Tennessee Code Annotated, Section 9-18-102, relative to internal controls for local governments.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 9-18-102(a), is amended by deleting the subsection in its entirety and by substituting instead the following language:

(a) Each agency of state government and institution of higher education along with each county, municipal, and metropolitan government shall establish and maintain internal controls, which shall provide reasonable assurance that:

- (1) Obligations and costs are in compliance with applicable law;
- (2) Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and
- (3) Revenues and expenditures are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets.

SECTION 2. This act shall take effect June 30, 2016, the public welfare requiring it.

SENATE BILL NO. 413

PASSED: March 30, 2015



RON RAMSEY
SPEAKER OF THE SENATE



BETH HARWELL, SPEAKER
HOUSE OF REPRESENTATIVES

APPROVED this 10th day of April 2015



BILL HASLAM, GOVERNOR

Sample Risk Assessment for TN County Office and/or Department

Review, gain an understanding of, and document the internal control procedures that your office already has in place and is currently practicing. Internal control is defined as a process affected by an organization's structure, work and authority flows, people and management information systems, designed to help the organization accomplish specific goals or objectives. Internal controls should address specific risks associated with the day-to-day operations and transactions in the county offices that will be utilizing or accounting for public funds and assets. The objectives of your internal controls should be to provide reasonable assurance that your office can document and demonstrate the following:

- I The obligations and costs of the operation are in compliance with applicable law
- II To ascertain if county funds, property and other assets that are designated/assigned to the office/department are safeguarded against waste, loss, unauthorized use, or misappropriation
- III Revenues and expenditures are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets

Hold a formal meeting with key employees of the county office, if a larger office. Consider including the county finance and/or county trustee office in the sections that deal with financial reporting issues that have an impact on their offices as well.

- Obtain the county's most recent annual financial and compliance audit and review applicable audit findings that identified significant or material weaknesses in internal controls of the county office. Have these identified internal control weaknesses been corrected or has compensating internal controls been put into place to offset these identified weaknesses?
- Ask yourself (and the group if appropriate) their thoughts on how assets and funding assigned to the county office could possibly be misappropriated, wasted or abused. You, or the group, should brainstorm about the possibility of circumvention of the internal controls that are in place and discuss any needed changes to policies and procedures to eliminate/reduce significant internal control weaknesses that have been identified by the internal control assessment that was performed in-house.
- If delegating authority to make changes, determine who will be the senior level employee in your office designated for addressing internal control weaknesses identified by the external audit as well as issues that were identified by the internal control assessment that was performed in-house. Be sure to involve legal counsel to

review any updates to office written policies (personnel, purchasing, etc.) prior to any official policy change.

- Based on any corrective actions and updates to policies and procedures effecting internal controls of the office, update your written internal control assessment to reflect these changes made.
- Assign senior level staff (if not yourself) to continue to monitor the updated internal control procedures to help ensure compliance with adopted policies and procedures

The group should have at least one formal 'follow up' meeting in the near future to determine if all the material identified internal control risks that were identified in the first meeting have been mitigated. The group should also consider having at least an annual management meeting to ensure that any concerns that arise dealing with internal control issues are addressed, objectives of the office are being met, and proper accounting and reporting requirements are being achieved. If the office is currently receiving federal grant funding, it is recommended that the senior accounting official consult with the State or Federal department, which the grant funding is being received from, prior to each meeting to identify any new internal control or reporting issues that need to be addressed by county management at this time.

The \$54 million fraud

What CPAs can learn from the fleecing of Dixon, Ill.

July 31, 2013

by Kelly Richmond Pope, CPA, Ph.D.

In the wake of the largest municipal fraud in U.S. history, the questions still swirl. How could the treasurer of an Illinois town with an annual budget of \$6 million to \$8 million embezzle nearly \$54 million over two decades? How could such a scam go undetected in annual audits by two independent accounting firms and in annual audit reviews by state regulators?

What can the accounting profession learn to prevent or catch similar schemes in the future?

This article looks at how a quarter horse enthusiast named Rita Crundwell drained the coffers of Dixon, Ill. It examines the circumstances that laid the foundation for the fraud, the strategies she used to perpetrate it, and the red flags that should have signaled something was amiss.

The Crundwell chronicle

Crundwell was a longtime employee of the city of Dixon, her hometown, before she started stealing from its coffers. She began working for the town in 1970, while she was still in high school, and quickly moved into a finance role. In 1983, she was named treasurer and comptroller.

She launched the fraud scheme on Dec. 18, 1990, when she opened a secret bank account in the name of the City of Dixon. Crundwell was the only signatory on the account, which was called the RSCDA - Reserve Fund. The initials stood for Reserve Sewer Capital Development Account, and Crundwell was the only person who knew it existed.

She began transferring funds from city accounts into the RSCDA account in 1991. That year, Crundwell transferred more than \$181,000 into the RSCDA account.

The rate of theft escalated over the 21 years she pilfered money from the town.

Trust is not an internal control

The city of Dixon placed a great deal of trust in Crundwell—too much, as it turned out. The city, which does not have a city manager, gave Crundwell wide rein over its finances and set the stage for her massive fraud.

Occasionally, Dixon employees or leaders would question Crundwell about financial shortfalls. She would respond that the state of Illinois was late with payments to the city. The excuse was believable because the state sometimes was as much as a year late with payments. The problem was that no one independently verified Crundwell's story. City officials relied on annual audits by independent audit firms as well as annual reviews by the state of Illinois. The town's finances were given the OK in those reviews, and Crundwell continued to move city money into her accounts.

“Raising questions is a start, but making sure these questions are answered appropriately is key,” said Kelly Paxton, a licensed private investigator for Denver-based Financial CaseWorks LLC.

Crundwell built trust with the community by building a large quarter horse breeding operation that employed many residents and through her interactions with her neighbors and co-workers. People asked to describe Crundwell often said things such as:

- She was sweet as pie;
- You couldn't find a nicer person on the face of the planet to talk to;
- She was the nicest person in the world to work for;
- If you needed something, she'd give it to you; and
- If you thought something needed to be done, she did it.

The lesson painfully learned by Dixon was that trust without verification is a recipe for disaster. CPAs can learn from that mistake as well as a couple of fraud red flags that warranted, but failed to receive, closer scrutiny.

Red Flag No. 1: Failure to segregate duties

The segregation of duties is a critical aspect of any organization's internal control program. In Dixon, Crundwell controlled too much of the financial reporting process. She was able to receive, sign, and deposit checks with little oversight from any other city official. Under the Dixon commissioned government, the mayor and four part-time officers oversee their own divisions, which enabled Crundwell to oversee the majority of city financial functions. Crundwell balanced the checkbook, made deposits, and obtained all financial statements sent to the city of Dixon mailbox, over which she had full control. While the city of Dixon was suffering through yearly budget deficits and spending cuts (see “The Dixon Fraud Timeline”), Crundwell had the opportunity to embezzle amounts as large as \$5.8 million in 2008.

Dixon's failure to segregate duties allowed Crundwell to set up and operate a fairly simple fraud scheme. In December 1990, Crundwell opened the aforementioned RSCDA bank account in the name of the city of Dixon, with the city of Dixon as the primary account holder and “RSCDA c/o Rita Crundwell” stated as the second account holder. Between December 1990 and April 2012, Crundwell transferred funds from Dixon's money market account to various other city bank accounts and transferred city funds into her RSCDA account. The Illinois Fund, a money market mutual fund available to Illinois municipalities, contained revenues from taxes, fees, and federal grants that were deposited by each city. Crundwell would regularly wire money from the Illinois Fund into several city accounts and then transfer money from the accounts into the Capital Development account.

With the increase in Capital Development funds, Crundwell would write checks made out to “Treasurer” and deposit the funds into the RSCDA account. Crundwell created 159 fictitious invoices purported to be from the state of Illinois to show the city's auditors that the funds she was fraudulently depositing into the RSCDA account were being used for legitimate purposes. She repeatedly transferred city funds into the RSCDA account and used the money to pay for her personal and private business expenses, including horse farming operations, personal credit card payments, real estate, and vehicles.

Red Flag No. 2: Lavish lifestyle

Exactly what prompted Crundwell to start stealing from Dixon has not been revealed, but she spent much of her ill-gotten gains in building a quarter horse breeding operation that produced 52 world champions as recognized by the American Quarter Horse Association (AQHA). The AQHA named Crundwell its breeder of the year eight consecutive years before her arrest in 2012.

Crundwell poured millions of dollars in stolen funds into RC Quarter Horses LLC, building a large ranch in Dixon, traveling to competitions, and buying horse trailers with price tags in the six figures and motor homes with price tags north of \$1 million. She was willing on several occasions to spend well into the six figures to buy individual horses. The total she spent on her operation is not known, but when federal authorities seized Crundwell's assets after her arrest, she owned 400 horses.

After the asset seizure, the U.S. Marshals Service was in charge of maintaining the care of her quarter horses. Jason Wojdylo, chief inspector of the Asset Forfeiture Division of the U.S. Marshals Service, said that the government spent approximately \$200,000 per month caring for the horses before they were sold at auction.

Crundwell's spending was not limited to her quarter horse operation. She lived an extravagant lifestyle for someone who received an \$80,000 annual salary. In addition to the horse farm, she owned several family residences, including one in Florida, approximately 80 acres of land, and numerous impressive personal vehicles. In addition, she shelled out tens of thousands of dollars for jewelry purchases.

Some Dixon residents raised questions about Crundwell's lavish living, but they were answered by a number of rumors that explained her income, including one that Crundwell had an investor in her horse business and another that her family was in the satellite business and her family owned all of the cellphone towers in Illinois.

Crundwell pleaded guilty to the fraud and on Feb. 14 was sentenced to 19 ½ years in prison. The 60-year-old must serve at least 16 ½ years, or 85%, of her sentence, which was slightly less than the maximum 20 years sought by prosecutors. Crundwell, who also was ordered to repay the nearly \$54 million she stole, is appealing the sentence. The town is unlikely to see more than a fifth or so of that money returned, according to prosecutors on the case.

The Dixon fraud timeline

A timeline of major events in the Rita Crundwell fraud scheme.

- 1983: The city of Dixon, Ill., names Rita Crundwell comptroller and treasurer.
- 1990: Crundwell opens a secret bank account in the name of the city of Dixon.
- 1991: Crundwell steals \$181,000 from the city of Dixon. She spends \$18,728 in July to buy a 28-foot Suncruiser Pontoon boat with a deluxe buggy top, wet bar, propane grill, and playpen cover. She also spends more than \$3,000 on diamond stud earrings and other jewelry.
- 1992: Crundwell steals \$121,367.

- 1993: Crundwell steals \$225,287. The city of Dixon reports a deficit of nearly \$415,000 and makes budget cuts totaling \$195,000.
- 1994: Crundwell steals \$117,281. Dixon cuts more than \$150,000 from budget.
- 1995: Crundwell steals \$103,664. Dixon reports a deficit of \$322,214 and slashes the budget by more than \$185,000.
- 1996: Data not available.
- 1997: Crundwell steals \$328,622 and uses stolen funds to pay for a custom saddle, enclosed golf cart, and a horse named Two Thumbs Up. The city reports deficits as high as \$232,600 and makes more than \$100,000 in budget cuts.
- 1998: Crundwell steals \$767,487 and uses stolen funds to buy a motor home for \$100,000, a deck boat for \$50,000, and a 1998 Chevy pickup truck for \$28,000.
- 1999: Crundwell steals nearly \$1.1 million and buys a horse named Can't Fool Patty for \$125,000.
- 2000: Crundwell steals \$1.9 million and spends \$450,000 to remodel and expand her home in Dixon. The city reports a deficit of \$370,674 before making tens of thousands in budget cuts.
- 2001: Crundwell steals \$2.6 million and buys three horses for a combined \$525,000. The city reports a deficit of \$730,576 before another round of budget cuts.
- 2002: Crundwell steals a shade under \$3 million and uses stolen funds to buy a motor home for \$400,000, purchase a horse for \$200,000, and buy her boyfriend a 1967 Chevy Corvette for \$56,000. The city of Dixon institutes a hiring freeze due to budget deficits.
- 2003: Crundwell steals slightly more than \$3 million. The city reports a deficit of nearly \$1.3 million blamed in large part on state funding cuts.
- 2004: Crundwell steals almost \$3.5 million and buys a new motor home costing \$1.7 million. Dixon reports a deficit of \$1.6 million before additional budget cuts are made.
- 2005: Crundwell steals \$4.6 million and builds a horse ranch facility in Dixon, writing checks to construction companies totaling about \$650,000. She also trades in the motor home she bought 11 months earlier and pays a \$235,000 balance to buy a new motor home for \$1.82 million.
- 2006: Crundwell steals \$4.4 million. The city reports a deficit of \$1.7 million and announces a budget freeze plus \$700,000 in cuts from the capital equipment budget.
- 2007: Crundwell steals \$4.75 million. She trades in the motor home she bought in 2005 and pays a balance of \$545,000 to buy a new motor home costing \$1.96 million. The city reports a deficit of more than \$1.1 million.
- 2008: Crundwell steals \$5.8 million. She spends \$425,000 and trades in the motor home she bought the previous year to purchase a new motor home costing \$2.1 million.
- 2009: Crundwell steals \$5.6 million. She spends \$335,000 to buy a pair of horses and \$260,000 to buy a new horse trailer. She also wires \$105,097 for the purchase of a home in Englewood, Fla.
- 2011: A Dixon city clerk opens the mail while Crundwell is on vacation, discovers the RSCDA account and immediately alerts the mayor, who then contacts the FBI.
- 2012: Crundwell is arrested and pleads guilty to fraud charges.
- 2013: A judge sentences Crundwell to 19 years, 7 months in prison