

# 2022 SHERIFFS ORIENTATION

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Comptroller of the Treasury  
Division of Local Government Audit



# What I Want to Accomplish in this Presentation...

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- ◆ Your Office Operations
- ◆ Managing The Office – Internal Controls
- ◆ Potential Pitfalls – Findings and Lessons Learned
- ◆ Answer questions



# Your Office

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## ◆ Funding:

- **Local Appropriations - Property Taxes**
- Fines from drug and other court cases
- Forfeited cash and equipment
- State/Federal inmate housing
- Grants
- Miscellaneous revenues (copy fee, commissary revenues, etc.)



# Your Office

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- ◆ Bank Accounts
  - Fee and commissions – Turned over to trustee monthly.
  - Drug Fund – Confidential cash. Not for seizures, those are deposited with the trustee.
- ◆ TCA 5-8-207 – All funds must be deposited within three days of collection.



# Your Office

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## ◆ Expenditures

- All expenditures are to be made through the General Fund or Drug Fund (Special Revenue Fund).
- Purchasing – must follow county policy.
- Purchasing – must follow budget



# Managing Your Office

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- ◆ **Strong Internal Controls are vital**

However .....

- Execution Eats Strategy For Lunch – Monkey see Monkey do.



# Why Do I Need Internal Controls?

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# Internal Control – Framework

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- ◆ In designing internal controls, all processes and assets are not equally important.
- ◆ The design of Internal Controls should be based on materiality or importance of compliance.





# Internal Control – Framework

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- ◆ Internal controls should be based in a reasonable way to protect assets, ensure program compliance, and comply with statutes and regulations.
- ◆ The most important feature of internal controls is how management and supervisors apply them.
- ◆ If you don't follow and enforce them they are doomed to fail.



# Components of Internal Control

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- ◆ There are five (5) main components of internal control: The most important of these is
- ◆ 1. **Control environment** – the foundation for an internal control system.
  - How well the system works
  - Tone at the top (Enforcement)
- ◆ 2. **Risk assessment** – assesses the risks facing the organization as it seeks to achieve its objectives.



# Components of Internal Control

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- ◆ **2. Risk assessment** – assesses the risks facing the organization as it seeks to achieve its objectives.
  - Ask yourself - What could go wrong?



# Components of Internal Control

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- ◆ **3. Control activities** – the actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system.

- These are your policies and procedures.



# Components of Internal Control

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- ◆ **4. Information and communication** – the quality information management and personnel communicate and use to support the internal control system.

- Are the policies communicated to the employees or just filed in a folder somewhere.



# Internal Controls

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- ◆ Need Controls over:

1. Inventory and Usage Policy

- Office Property (vehicles, weapons, computers, etc.)

2. Seized Property

- Properly secured
- Limited Access – custodian
- Properly tagged and logged
- Regularly reviewed and disposed of.



# Components of Internal Control

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- ◆ **5. Monitoring** – activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits, reviews and problems.
  - Do you amend your internal control policies to fix things that go wrong.
  - Do you let small things grow into big problems.



# Internal Controls (Cont.)

## 3. Office Bank Accounts

- Two accounts (Regular account and Confidential cash account)
- Funds properly deposited with three days.
- Bank accounts reconciled and reviewed monthly.
- Check signatures
- Proper segregation of duties
- Funds remitted to trustee monthly from the regular account.





# Internal Controls (Cont.)

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## 4. Inmate cash/Personal Items

- Deposit cash if feasible.
- Items in a secure location



# Findings

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## **FINDING 2021.001 DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICE OF SHERIFF**

Duties were not segregated adequately among officials and employees in the Office of Sheriff. Officials and employees responsible for maintaining the accounting records in these offices were also involved in receipting, depositing, and/or disbursing funds. We realize that due to limited resources and personnel, management may not be able to properly segregate duties among employees. However, our professional standards require that we bring this matter to the reader's attention in this report.



# Findings (Cont)

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## FINDING 2021.002 THE OFFICE HAD ACCOUNTING DEFICIENCIES

Our examination revealed the following accounting deficiencies:

- A. Commissary and drug control funds were not posted to the cash journal; therefore, the cash journal did not accurately reflect the operations of the Sheriff's Department.
- B. Bank statements for the commissary account were not reconciled with cash control records. Bank balances were determined by confirmation and alternative auditing procedures.
- C. The sheriff prepared and filed the annual financial report as required by Section 5-8-505, Tennessee Code Annotated, (TCA); however, this report did not include the drug control funds.
- D. Official prenumbered receipts were not issued for some drug control collections. Section 9-2-103, TCA, requires that official prenumbered receipts be issued for all collections.
- E. Funds were not always deposited to the office bank account within three days of collection. Section 5-8-207, TCA, requires county officials to deposit all public funds to their office bank account within three days of collection.



# Findings (Cont.)

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## **FINDING 2021.003 INTERNAL CONTROLS OVER RECEIVING AND STORING EVIDENCE AND SEIZED PROPERTY WERE NOT ADEQUATE**

We noted the following deficiencies in internal controls over receiving and storing evidence and seized property:

- A. The office did not maintain a perpetual log for evidence and seized property.
- B. Evidence and seized property was stored in more than one location, and several people had access to those areas.
- C. The office did not maintain records of confiscated property reported to and awarded by the State Department of Safety.



# Findings (Cont.)

## **FINDING 2021.004 DEFICIENCIES WERE NOTED IN THE OPERATIONS RELATED TO A TELEPHONE SERVICE CONTRACT**

On October 15, 2016, the sheriff contracted with Global Tel\*Link Company for an inmate telephone service to be in effect for four years. This agreement provided for the Sheriff's Department to receive remuneration of 30% of the gross revenue billed for all phones. The Sheriff's Department allowed the company to accumulate its monthly commissions in an escrow account until the department sent the company various invoices for the company to pay from this escrow account. In January 2020, the department renewed this telephone service agreement and was credited a signing bonus of \$100,000 into this escrow account plus raised the remuneration to 32% of gross revenue billed for all phones. From January 2020 through April 2021, the escrow account earned commissions of \$239,182.49 plus the \$100,000 signing bonus, a total of \$339,182.49. The company paid invoices for the Sheriff's Department totaling \$290,391.01 through April 2021. On June 29, 2021, Global Tel\*Link remitted the balance of the escrow account (\$56,354.81, which included May 2021 commissions) to the Sheriff's Department and was instructed to remit the department's commissions monthly.



# Findings (Cont)

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## 2021.004 (Cont.)

The following deficiencies were noted:

- A. The contract with Global Tel\*Link Corporation was not entered into in accordance with the provisions of Section 7-51-904, Tennessee Code Annotated (TCA). This statute provides that a contract can only be entered into after being approved by a resolution of the County Commission.
- B. At the direction of the sheriff, Global Tel\*Link Corporation used proceeds from the county's telephone commissions and signing bonus to purchase items totaling \$290,391.01 for the Sheriff's Department. Section 5-9-401, TCA, requires all county funds from whatever source to be appropriated by the county legislative body. These funds were not appropriated by the County Commission and were therefore not expended in compliance with Section 5-9-401, TCA.



# Findings (Cont)

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## 2021.004 (Cont.)

- C. Many of the purchases made from this account exceeded \$10,000 and were not competitively bid. As noted in Finding 05.01, disbursements in excess of \$10,000 are to be publicly advertised and competitively bid in compliance with Sections 5-14-201 through 5-14-206, TCA.
- D. The office did not remit the revenues earned from its jail telephone operations to the county. The State Attorney General opined in November, 1989 (U89-134) that revenues earned from telephone operations are local revenues and should be administered as any other local revenue. Section 8-24-103, TCA, requires that all fees and commissions earned by the Sheriff's Department be remitted to the county on a monthly basis.



# Findings (Cont)

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**FINDING 2021-005 THE SHERIFF DID NOT OBTAIN A LETTER OF AGREEMENT OR COURT DECREE TO AUTHORIZE DEPUTY HIRES**  
(Noncompliance Under *Government Auditing Standards*)

The sheriff did not obtain a letter of agreement or file suit in circuit court to authorize the number and salaries of his deputies. Section 8-20-101, *Tennessee Code Annotated*, requires the sheriff to enter into a letter of agreement with the county mayor concerning the number and the salaries of deputies or to file suit in circuit court.





# Findings (Cont)

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## FINDING 2021-006 **COMMISSARY DEFICIENCIES** (Noncompliance Under *Government Auditing Standards*)

Our review of the commissary operations revealed the following deficiencies:

- A. Fees and commissary profits collected by the office were not remitted to the county trustee in accordance with state statute. Section 8-24-103, *Tennessee Code Annotated*, provides that all funds collected by the sheriff's department should be reported to the county trustee monthly. During the year, the office remitted fees to the county trustee during the months of January and April 2020.
- B. The commissary bank balance on June 30, 2020, did not reconcile with the inmate accounts trial balance computer generated report by \$24,527. Without an accurate reconciliation of the bank account with the inmate accounts trial balance, it is impossible to determine who owns the funds.



# Findings (Cont.)

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- ◆ **Drug Fund Deficiencies**
- ◆ Confidential bank Account:
  - Confidential bank account used for nonconfidential expenditures.
  - Payments to informants not witnessed by a second officer.
  - Agent cash missing.



# Findings (Cont.)

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- ◆ **Drug Fund Deficiencies**
- ◆ Special Revenue Fund:
  - Expenditures for general law enforcement recurring items. (uniforms, ammunition)
  - Nonbudgeted expenditures



# Other Findings

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- ◆ Thefts – Cash, Drugs, Other Items (guns, jewelry, etc.)
- ◆ Misuse of Equipment – Vehicles, seized items
- ◆ Time and Leave – Lack of records, comp. time



# Other Items (Cont.)

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- ◆ Calendar sales/fundraising events – contracts, represented as benefiting your office.
- ◆ Weapons
  - **Office Weapons.** Declare surplus by county commission and sale or trade in.



# Other Items (Cont.)

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- ◆ Weapons
  - **Seized/Contraband Weapons** – TCA 39-17-1317
    - Petition a court of record for disposal.
    - Disposed of by (1) Public sale (2) Retention for law enforcement purpose (3) Exchanged (4) Destroyed or donated (only if unsafe or unoperable)



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◆ Questions?

