



Sheriff's Office Cash Handling Report  
July 29, 2016

# Adams County, Colorado

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## **EXECUTIVE SUMMARY**

Eide Bailly LLP performed cash handling procedures of Adams County Sheriff's Office based upon risks the Sheriff requested be addressed as part of the 2015 internal audit risk assessment procedures. Our evaluation included processes and controls over cash handling areas of the Sheriff's office, which include the following: inmate trust fund administration, forfeiture/seizure funds, undercover funds, traffic citations, handgun permits, records requests and petty cash. This internal audit of the cash handling procedures of the Sheriff's Office was performed on the current processes in place at the time of the internal audit, during the period from February 1, 2016 to April 11, 2016.

During the internal audit, it was noted that the Sheriff and his staff were very knowledgeable about their processes and procedures and attentive to any improvements that may be needed. While the Sheriff has only been in his office for 16 months, we learned that a number of other key staff have been in their positions for a number of years, and therefore have extensive knowledge about the Office's operations and cash handling processes.

During our review, we identified one recommendation that would improve the Office's controls over cash handling which is discussed in detail in the Results and Recommendation section below

## **BACKGROUND**

The Adams County Sheriff's Office has various cash handling sites which include the following: inmate trust fund administration, forfeiture/seizure funds, undercover funds, traffic citations, handgun permits, records requests and petty cash. Cash handling sites are located in Brighton, Commerce City and Strasburg, Colorado.

The internal audit encompassed the cash handling procedures surrounding the following accounts/funds/operations:

- Inmate Trust Fund – The Sheriff's Office has custody over the inmate trust funds. The purpose of the trust funds are to provide inmates with funds to pay for medical co-pay (doctor, nurse, dental, eye glasses, etc.) and commissary (chips, drinks, candy bars etc.). The individual trust funds can increase and decrease in various ways. The trust fund is not recognized on the County's books as the funds belong to the inmates, but are presented in the CAFR in the agency fund section.
- Forfeiture/Seizure Funds – The forfeiture/seizure funds include money that has been seized during a raid. Adams County partners with the North Metro Task Force; therefore, the safe can house both Adams County and North Metro Task Force seizure money.
- Undercover Operations – the purpose of these funds is to have the ability to run undercover operations (prostitution busts, drug busts, etc.)
- General Cash Handling and Petty Cash – Any employee of the Sheriff's Office who within the course of their duties come into the possession of cash that is not their property or is outside their defined cash handling duties shall, as soon as reasonably practicable, verify the amount of cash, summon another employee to verify their accounting and process the cash as safekeeping, evidence or found property. Various classification of general cash handling follows:
  - Change Funds – At each cash collection location, the Office maintains change funds that are only used for making change when cash is accepted from the

public, such as for fees and fines to the Sheriff's Office. Petty change funds are maintained by the Administrative Services Division in the Civil and Records Sections and by the Patrol Division in the Traffic Section. These drawers must balance at all times to the imprest balance. No expenditures of any kind shall be authorized from a change fund.

- Petty Cash – The petty cash funds are intended to be used for small or incidental purchases. Petty cash funds are maintained and managed by the Administrative Services Division Commander, Detectives Division Commander, Patrol Division Commander, or by an authorized designee. All funds require the creation and maintenance of an accurate and current transaction ledger. The funds must be kept in a secured location. The funds will be replenished by balancing the receipts and filling out a request form to be sent with the actual receipts through the Sheriff's Office Accounts Payable process. The reimbursement process is completed on an as needed basis per account manager's request.

With the exception of the inmate trust and forfeiture/seizure funds, these cash streams are reflected in the Sheriff's Office budget.

## **OBJECTIVES AND SCOPE**

Eide Bailly LLP performed an internal audit of the processes and controls over cash handling within the Adams County Sheriff's Office based upon the risk assessment performed with the Office in January, 2016. The overall objective of the internal audit was to identify potential opportunities to strengthen internal controls related to safeguarding assets of the County/Office and to increase efficiencies within the Office.

The scope of our procedures included the following:

- Cash handling processes and procedures related to all aspects of cash collections of the Sheriff's Office, which include the following processes that are controlled by the Sheriff:
  - Inmate trust fund administration,
  - forfeiture/seizure funds,
  - undercover funds,
  - general cash handling
    - traffic citations,
    - handgun permits,
    - records requests and
    - petty cash.

Procedures performed during this internal audit included the following:

- Interviews with the Sheriff and his staff to identify key risks within the cash handling areas, identified above
- Review of processes with key staff related to each cash handling area.
- Interviews with key staff to review the responsibilities of the Office related to the identified business objectives of the cash handling processes in place
- Assessment of the key processes over each cash handling area to determine key controls in place.
- Walkthrough of selected transactions within each cash handling process to determine if identified key controls were in place and operating as designed and communicated to us.

## **INTERVIEWS CONDUCTED**

A key component of our procedures involved interviewing key personnel of the Office and of those that oversee the cash handling areas of the Office. Several interviews were conducted to obtain an understanding of the processes and key risks within each cash handling area. These interviews were important for us to identify the key controls throughout the Office and to identify any opportunities for improvement. The personnel we interviewed were as follows:

- Mike McIntosh – Sheriff
- Harold Lawson – Undersheriff
- Marc Osborne – Finance Manager for Sheriff
- Cindi Miller – Finance Coordinator for Sheriff
- Jennifer Astwood – Accounting Technician II

## **RESULTS**

We evaluated the adequacy of controls and processes related to cash handling processes in place through the following procedures:

### ***Inmate Trust Funds***

We randomly selected an inmate (#2016-1548) who was processed on February 2, 2016. At the time of booking, this inmate had \$192.97 in cash. This was verified by observing the booking envelope related to this inmate and agreeing the amount to the Keefe and ILEADS reports. We note the officer's signature on the sealed booking envelope, which verifies the amount of cash retained. Additionally, the inmate's cash balance of \$192.97 was traced to the "Resident Account Summary" in ILEADS, which is the recording of the intake cash. We noted the inmate had \$30 processing fee for a prior booking and another \$30 processing fee for her current booking debited from her remaining balance. This processing fee is charged to each inmate and upon collection is transferred to the County Treasurer's office to be deposited in the County's commissary account. The amount of \$192.97 was also traced to the total cash deposit for the day of \$8,017.95 which matched the deposit ticket for February 2, 2016. The process in place appears to be working as designed and functioning as expected.

### ***Forfeiture/Seizure Funds***

We selected two transactions related to a forfeiture. We selected case 15-4096 in the Adams County log book, which indicated \$336.00 was seized on April 30, 2015 by an officer. This envelope was pulled from the safe noting that the same information was documented on the envelope. We also noted the evidence seal was not broken. Additionally, we selected case 15-50222 in the North Metro Task Force log book, which indicated \$1,684 was seized on September 24, 2015 by an officer. We pulled the envelope from the safe noting the same information was documented on the envelope and noted that the evidence seal was not broken. There was an additional set of initials for the count as the amount was over \$1,000, in accordance with policy. The process in place appears to be working as designed and functioning as expected.

### ***Funds Used for Undercover Operations***

We selected one transaction related to the Detective Intelligence Petty Cash fund. The petty cash and log book were both locked up in a safe. We noted the last transaction in the log book for a petty cash withdrawal involving a prostitution sting on December 21, 2015 for \$400. The log also indicated the replenishment of these funds. EB performed a count of the petty cash on February 4, 2016 noting a count of \$800. This amount agreed to County records and is the amount that is generally carried for this account. The process in place appears to be working as designed and functioning as expected.

### ***General Cash Handling (traffic citations, handgun permits, and records requests) and Petty Cash***

We selected one transaction related to traffic citations paid at the Commerce City Substation. We observed the transaction at the desk of an accounting technician. The accounting technician maintains a \$300 change drawer in order to give change to people who pay their traffic citations in cash. When the accounting technician receives a citation, either in person or in the mail, the citation is reviewed to ensure that charges are correct. The accounting tech then prepares a daily receipt log detailing the deposit with the various denominations and prints the totals on the envelope that accompanied the citation. We noted the JDE report on February 3, 2016 titled "Cash Receipts Deposit" totaled \$2,387. A copy of the spreadsheet was examined noting there were \$835 of online payments, \$430 in cash, and \$1,122 in checks. We also examined a copy of the sealed envelope in the safe totaling \$1,265 in

cash and checks ready to go to the bank. This deposit was from the day prior. We were also provided with the Treasurer's email on February 5, 2016 confirming the deposit was accepted without differences. The process in place appears to be working as designed and functioning as expected.

**EVALUATION OF CONTROLS**

The following are the business objectives and related control assessments (Satisfactory, Needs Improvement, Unsatisfactory) and a summary of strong and weak controls noted while performing procedures over cash collection areas.

<b>Business Objective</b>	<b>Control Assessment</b>
1. All transactions are properly authorized	<b>Satisfactory</b>
2. All recorded transactions are valid	<b>Satisfactory</b>
3. All valid, authorized transactions are recorded	<b>Satisfactory</b>
4. All transactions are recorded accurately	<b>Satisfactory</b>
5. Assets are safeguarded from loss or theft	<b>Satisfactory</b>
6. Business activities are performed efficiently and effectively	<b>Satisfactory</b>
7. Make timely deposits of daily collections	<b>Satisfactory</b>

<b>INMATE TRUST FUNDS</b>	
<b>Strong Controls</b>	<b>Weak Controls</b>
<ul style="list-style-type: none"> <li>• Upon booking of an inmate, a booking envelope is prepared with inmate information and is sealed with any cash in the inmate's possession. This envelope is sealed and signed by the officer and attached by a custody sheet signed by inmate agreeing amount of cash that was placed in envelope (Obj. 1, 2, 4, 5, 6)</li> <li>• Security cameras are in place to record all transactions surrounding booking of inmates and a safe is used to maintain sealed booking envelopes awaiting pickup by accounting department (Obj. 5)</li> <li>• At the end of each shift and prior to collection by the accounting department, record technicians print a drawer history report from the Keefe System and reconcile amounts on this report to the sealed booking envelopes maintained in the safe (Obj. 3, 6)</li> <li>• Upon collection of booking envelopes, accounting staff enters information from each inmate booking envelope into ILEADS system, which tracks each inmate's trust funds. Once entered, the drawer history report is reconciled in total to the ILEADS system. (Obj. 2, 3, 4, 6)</li> </ul>	<ul style="list-style-type: none"> <li>• None noted</li> </ul>

<b>INMATE TRUST FUNDS</b>	
<b>Strong Controls</b>	<b>Weak Controls</b>
<ul style="list-style-type: none"> <li>• During preparation of a deposit, the accounting department will inspect cash collected by running the cash through a cash and coin counter to identify counterfeit coins or cash (Obj. 3, 5)</li> <li>• Prepared deposits are kept in a safe until deposits are taken to bank, usually twice a week. (Obj. 5, 7)</li> <li>• Upon inmate release, generally pre-numbered debit cards are issued. In certain instances, these may be required to be voided. The accounting staff will complete a destruction form and card will be destroyed. (Obj. 5)</li> <li>• Bank accounts are reconciled by accounting staff and reviewed by accounting supervisor (Obj. 1, 2, 3, 4)</li> </ul>	

<b>FORFEITURE/SEIZURE FUNDS</b>	
<b>Strong Controls</b>	<b>Weak Controls</b>
<ul style="list-style-type: none"> <li>• Cash seized during a raid in excess of \$1,000 must be counted by two officers (Obj. 2, 4, 5)</li> <li>• Money will be placed in an envelope and sealed with evidence tape. The outside of the envelope will note the denominations of the cash included and will also be signed by the counting officers. This will be logged in the evidence log book that is maintained with the safe (Obj. 5)</li> <li>• For any evidence tape that is broken, a report must be written to explain the reason for the tape being broken. (Obj. 5)</li> </ul>	<ul style="list-style-type: none"> <li>• None noted</li> </ul>

<b>UNDERCOVER OPERATIONS</b>	
<b>Strong Controls</b>	<b>Weak Controls</b>
<ul style="list-style-type: none"> <li>• A ledger of all such transactions is to be maintained by the division commander or an authorized designee and any participant must sign off on the amount of the transaction (Obj. 1, 2, 3, 4)</li> <li>• All transactions must be supported by receipt, invoice, or expense report (Obj. 1, 2)</li> <li>• An audit of these funds should be performed no less than once every six months (Obj. 1, 2, 3, 4, 5, 6)</li> </ul>	<ul style="list-style-type: none"> <li>• None noted</li> </ul>



<b>GENERAL CASH HANDLING AND PETTY CASH</b>	
<b>Strong Controls</b>	<b>Weak Controls</b>
<ul style="list-style-type: none"> <li>• Accounting technician collects and recalculates traffic citations, and maintains a change fund drawer that is reconciled to daily receipt log and to daily bank deposit (Obj. 2, 3, 4, 5, 7)</li> <li>• For each petty cash account a transaction register is supported by receipts (Obj. 1, 2, 3, 4)</li> <li>• Deposits are prepared at the end of each day for the revenue collected by cashiers throughout the office and submitted to the Treasurer's Office for review. (Obj. 7)</li> </ul>	<ul style="list-style-type: none"> <li>• None noted</li> </ul>

**RECOMMENDATIONS**

While the procedures performed indicated that controls were operating as designed, we noted one general recommendation, which is presented below.

*Observation:* Written documentation exists surrounding cash collection procedures over each revenue stream as well as policies and procedures over inmate account audits. These written policies and procedures ensure consistency in the operations of the Office and reinforce management's expectations for the Office. It was noted that updates to the procedures mentioned were completed subsequent to our procedures being performed. For a majority of the written procedures provided, it was noted that an update had not been performed for a number of years.

*Risk:* While the Sheriff Office's staff have written procedures, failure to update on a consistent basis may begin to cause inconsistency in the operations of the Office as technology and the overall office environment is ever-changing.

*Recommendation:* Eide Bailly LLP recommends the Office continue to update its written documentation, however, perform these updates annually or at a minimum of every other year.

*Management Response:* The Adams County Sheriff's Office appreciates Eide Bailly's efforts in completing this internal control audit as part of the internal audit risk assessment. We are pleased with the results that demonstrate the policies and procedures in place are working as expected and that appropriate documentation was found to be in place for every transaction that was tested. Having up to date and effective controls in place for these cash handling processes is important and the Sheriff's Office agrees with the auditors' recommendation to regularly review and update these written policies and procedures.