

SPECIAL AUDIT REPORT

CRAIG COUNTY SHERIFF'S OFFICE

July 1, 2007 through January 31, 2012



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

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SPECIAL AUDIT REPORT
JULY 1, 2007 THROUGH JANUARY 31, 2012

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Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

October 22, 2012

Honorable Janice Steidley
District Attorney, District 12
Rogers County Courthouse
219 S. Missouri
Claremore, Oklahoma 74017

Transmitted herewith is the Special Audit Report of the Craig County Sheriff's Inmate Trust Fund, Craig County, Oklahoma.

Pursuant to the District Attorney's request and in accordance with the requirements of **74 O.S.2001, §212(H)**, we performed a special audit with respect to the Craig County Sheriff's Inmate Trust Fund, for the period of July 1, 2007 through January 31, 2012.

The objectives and procedures of our special audit primarily included, but were not limited to, the areas noted in the District Attorney's request. Our findings and recommendations related to these procedures are presented in the accompanying report.

Because the above procedures do not constitute an audit conducted in accordance with generally accepted auditing standards, we do not express an opinion on the account balances or financial statements of the Craig County Sheriff's Inmate Trust Fund, for the period of July 1, 2007 through January 31, 2012.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during the course of our investigation.

This report is addressed to and intended solely for the information and use of the District Attorney, District 12, and should not be used for any other purpose. Consequently, this document is *not* a public document, but is part of the investigation and/or litigation files of the District Attorney. Until its release by the District Attorney's office, it may be kept confidential pursuant to the **Oklahoma Open Records Act**, in accordance with **51 O.S. 2011, § 24A.12**.

Sincerely,

A handwritten signature in blue ink, appearing to read "Gary A. Jones".

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

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INTRODUCTION

The county sheriff is responsible for preserving the peace and protecting life and property within the county's jurisdiction. As the county's chief law enforcement officer, the sheriff has the power and authority to suppress all unlawful disturbances, to apprehend and secure persons charged with felony or breach of peace, and to operate the county jail.

In the course of administering the above duties, the county sheriff has established a bank account, as allowed by **19 O.S. § 531**, for money/collections held in trust for inmates incarcerated at the county jail. This bank account is not considered to be "county funds," and is therefore not reported to, or by, the county treasurer. The inmate trust bank account is solely the responsibility of the county sheriff and persons employed by the county sheriff.

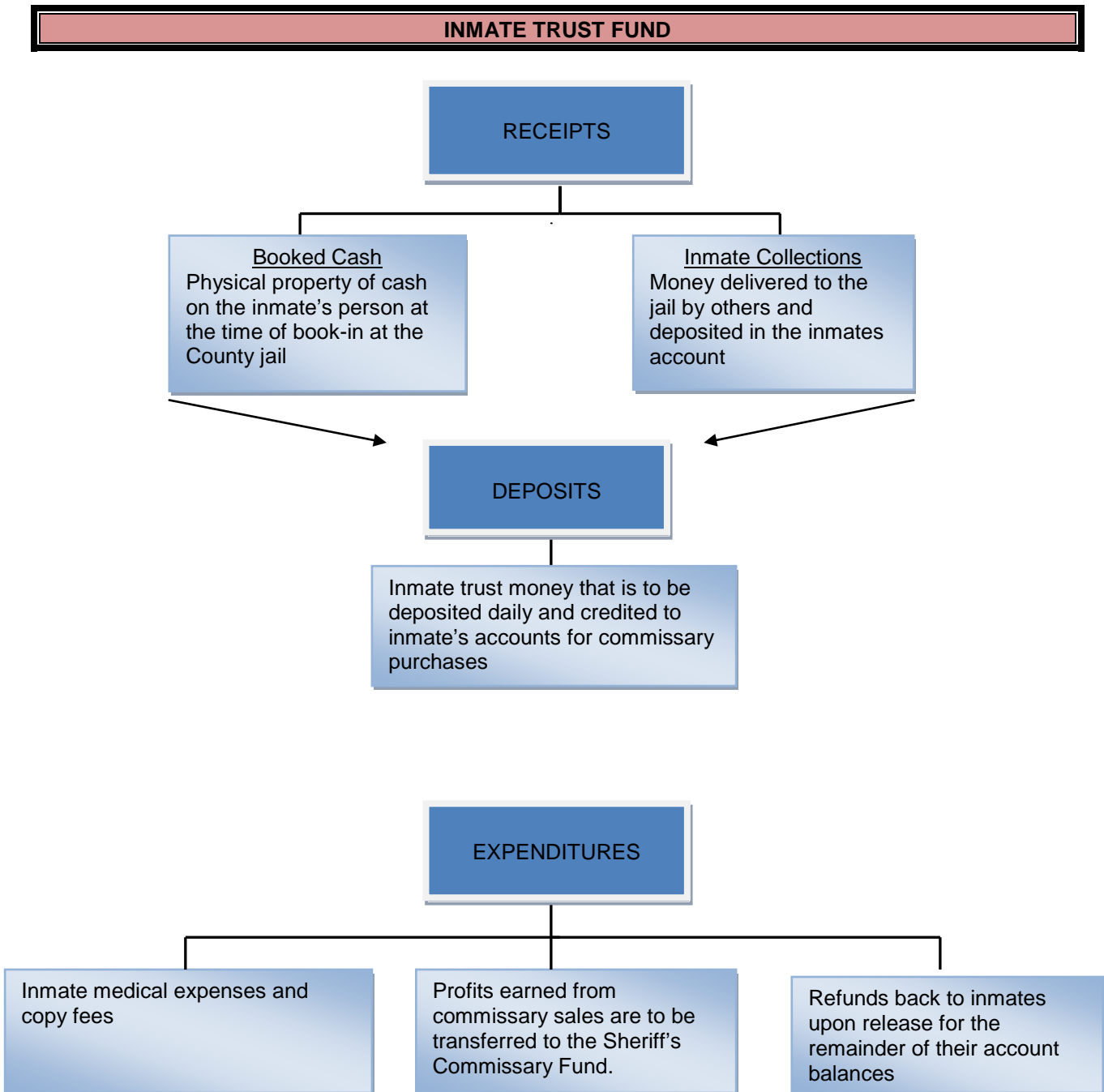
There are also a number of related "official depository" accounts with the county treasurer that serve as temporary accounts of the sheriff's office in order to deposit and account for collections that will eventually be transferred to other agencies, such as the Oklahoma Department of Public Safety, the Oklahoma State Bureau of Investigation, the Craig County Court Clerk, and others. Some of these collections are also eventually transferred as revenue to operating funds of Craig County, such as the General Fund, the Sheriff Service Fee Fund, and the Sheriff's Commissary Fund.

In accordance with **19 O.S. § 171**, the Office of the State Auditor and Inspector (OSAI) was conducting the annual audit of Craig County for the fiscal year ended June 30, 2011. During fieldwork, certain discrepancies in the Sheriff's Inmate Trust Account and the Sheriff's Commissary Account drew the attention of the audit team. The District Attorney for District 12 was contacted and a request for a special audit of the Craig County Sheriff's Inmate Trust Fund was made, pursuant to **74 O.S. § 212(H)**.

The Office of the State Auditor and Inspector conducted a special audit of the Inmate Trust Fund and Commissary Fund records of the Craig County Sheriff's Office. The results of the special audit are included in this report.

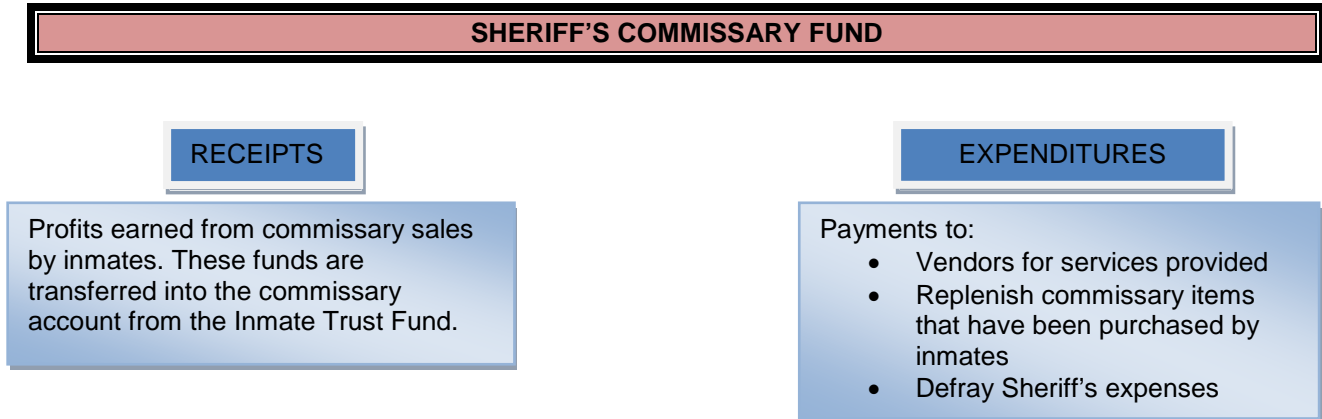
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The following flowchart depicts the sources of funds deposited into the Inmate Trust Fund and the expenditures allowable by state statutes.



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The following flowchart depicts the source of funds deposited into the Sheriff's Commissary Account and the expenditures allowed by state statute.



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OBJECTIVES, FINDINGS, AND RECOMMENDATIONS

OBJECTIVE I: Review the Inmate Trust Fund Account for possible misappropriation of money/collections.

FINDING 1

INMATE TRUST FUND

- **We compared receipts issued to receipts deposited and determined an amount of \$35,986.08 was not deposited.**
- **Nine inmate files and/or release sheets could not be located.**

While reviewing the Inmate Trust Fund accounting records for the period of July 1, 2007 through January 1, 2012, it was noted that some daily receipts and/or collections for inmate accounts were not deposited into the Inmate Trust Fund bank account.

Inmate Trust Fund monies are made up of cash on inmates at book-in, cash or money orders from relatives on behalf of inmates, and checks received from other inmate holding facilities. These funds can be utilized by inmates for commissary purchases during confinement.

The Craig County Sheriff's Office utilizes the Oklahoma State Bureau of Investigation's (OSBI) information system software (ODIS) for the operation of the Inmate Trust Fund and Sheriff's Commissary transactions. The system accounts for individual inmate funds and purchases from the Commissary. When an inmate is booked into the jail, all information pertaining to this inmate is entered into the system, including personal items, cash, and clothing on the inmate's person upon arrival for the tracking of his/her possessions through the course of their confinement and upon release. In addition to this information, the inmate will have his/her own account for tracking their cash balance for use at the Commissary. Upon release, any funds remaining in the inmate's account are returned by an Inmate Trust Fund check.

Daily collections are received by employees in the jail and front office. Multiple receipt books were utilized for the receipting of funds, and receipts were not issued in sequential order. Whichever employee receives this money enters the amount into the inmate's specific account history on the Offender Database Information System (ODIS) to replenish the inmate's funds. Once funds are collected, the employee places the monies into a plastic baggie with amount and

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name of inmate attached. This baggie is inserted through a slit into a steel locked box behind the counter.

We were informed that only two employees have a key to this lockbox, the Undersheriff and the Inmate Trust Fund Administrator. The Inmate Trust Fund Administrator stated that he is the only person who prepares the deposit and deposits the funds.

OSAI selected handwritten receipts for daily monies received for the Inmate Trust Fund and compared the amounts to deposits. We noted shortages in the amount of money deposited when the comparison was made.

We were informed by the Inmate Trust Fund Administrator that all monies were *not* receipted for this account. Receipt books were kept in the front office and the jail for cash deposits received over the counter for an inmate's account. Booked cash was not receipted. Booked cash is money on the inmate's person at the time of book-in at the county jail. However, the administrator informed our office that all transactions are entered into ODIS, whether it is a cash deposit or booked cash.

To determine the total amount of discrepancies within the account since the handwritten receipts maintained at the front office were not a true and accurate record of all monies collected for the inmate's account, we obtained the Craig County ODIS electronic database for all cash deposits and booked cash from the OSBI for the period of July 1, 2007 through April 30, 2012. This information included inmate's name, booking date, amount of cash received, notes, receiving officer, and transaction date.

In addition, we obtained all computerized deposit slips provided by the Inmate Trust Administrator that denoted inmates' name, amount, and the form of payment (i.e. money order, check, cash). We summarized the deposits and sorted all deposits by inmate name and compared the amounts to the summarized inmate collection data in ODIS. All discrepancies/variables were traced to documentation (i.e., inmate release sheet, CCSO account, Inmate Trust Fund checkbook) for credit to the County Sheriff's office. The following is a summary of funds collected as denoted on ODIS but were not deposited:

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<u>FY</u>	<u>Unaccounted Receipt Totals</u>
2008 (only 5 months tested)*	\$ 3,379.36
2009	7,708.98
2010 (only 11 months tested)**	11,677.43
2011	7,063.98
2012 (only 7 months tested)***	<u>6,156.33</u>
Total	<u>\$35,986.08</u>

* Detailed deposit slips could not be found with the exception of February through June 2008.

** Detailed deposit slips could not be found for July 2009.

*** Performed testwork from July 1, 2011 through January 31, 2012 when annual audit commenced.

We were unable to review all accounting records because some of the documentation could not be located. Also, while tracing the variables for each receipt and deposit, we noted nine inmate files and/or release sheets could not be located. Because some accounting records are missing and could not be audited, it is possible that the amount of missing funds is larger than the amount noted above.

RECOMMENDATION We recommend the proper authority review these findings to determine what action, if any, may be required.

FINDING 2 **BOOK-IN FEES**

- **An unauthorized book-in fee of \$25.00 was charged to each inmate.**

During our audit of the Inmate Trust Fund, it was noted the County Sheriff's office began charging and collecting \$25.00 book-in fees to each inmate in January 2009. The fees were deposited into the Inmate Trust Fund and transferred by check into the Craig County Sheriff's Office (CCSO) cash fund.

The County Sheriff stated that the fees were allowed by 22 O.S. § 979(a), which states, "The court shall require a person who is actually received into custody at a

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jail facility or who is confined in a city or county jail or holding facility...to pay the jail facility or holding facility the costs of incarceration....Costs of incarceration shall include booking, receiving and processing out, housing, food, clothing, medical care, dental care, and psychiatric services.”

However, the statute further states, “The costs of incarceration shall be collected by the clerk of the court as provided for collection of other costs and fines, which shall be subject to review under the procedures set forth in Section VIII of the Rules of the Oklahoma Court of Criminal Appeals....The costs for incarceration shall be an amount equal to the actual cost of the services and shall be determined by the chief of police for city jails and holding facilities, by the county sheriff for county jails or by contract amount.”

The County Sheriff was already receiving incarceration fees collected by the Court Clerk as required by statute. It appears the County Sheriff was improperly collecting fees from inmates during their book-in process and incarceration.

RECOMMENDATION We recommend the proper authority review these findings to determine what action, if any, may be required.

FINDING 3 **INMATE TRUST FUND EXPENDITURES**

- **Numerous expenditures from the Inmate Trust Fund were noted that are not allowed by statute.**

19 O.S. § 531.A designates to whom the Inmate Trust Fund monies can be disbursed. It states in part, “...The County Sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff’s Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge.” In addition, **19 O.S. § 531.B** allows medical co-payments and copy fees to be expended by the Inmate Trust Fund.

A review of expenditures was performed and the following payments were noted:

- 24 payments to the Craig County Court Clerk for the payment of inmate fines.
- 10 payments to a Sheriff’s deputy for inmate haircuts.
- 19 payments to other municipalities for the payment of inmate fines.

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Expenditures were made from the Inmate Trust for purposes other than those allowed by statute. In addition, expenditures were not supported with proper documentation (i.e., invoices, receipts).

RECOMMENDATION Disbursements from the Inmate Trust Fund should only be for commissary purchases, funds released to inmates upon release or transfer, medical expenses, and copy fees. All disbursements should be supported with proper documentation.

FINDING 4 **NEGATIVE INMATE TRUST FUND BANK BALANCES AND INSUFFICIENT FEES**

- **5 instances of negative bank balances were noted on the bank statements for the Inmate Trust Fund.**
- **Fees for insufficient funds were charged to the Inmate Trust Fund Account.**

On five dates, it was noted that the Inmate Trust Fund Account had a negative balance resulting from checks issued when funds were not available.

In fiscal year 2008, there were three checks that were paid, but the bank account was charged for insufficient funds. The total for insufficient funds charges for fiscal year 2008 was \$75, which was not refunded to the account.

In fiscal year 2009, three checks were paid, but charged for insufficient funds. The account was charged a total of \$75 in fees for insufficient funds; however, \$50 was credited back to the account.

In fiscal year 2012, one check was paid, but charged \$25 for insufficient funds. The \$25 was credited back to the account.

RECOMMENDATION We recommend that procedures be designed and implemented to ensure the Inmate Trust Fund Account balance is accurate, reconciled, and that funds are available prior to issuing checks. A negative balance should never occur in this account because these deposits are inmate funds held in trust.

FINDING 5 **LACK OF INTERNAL CONTROLS OVER THE COLLECTION PROCESS AND ACCOUNTING DUTIES**

- **Procedures have not been designed and implemented to ensure a segregation of duties regarding the receipting, depositing, and**

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maintaining ledgers for the Inmate Trust Fund. The Administrator prepared the deposits, delivered the deposits to the financial institution, maintained the ledgers, and performed the reconciliations for the Inmate Trust Fund.

- **An independent review of the deposits and monthly reconciliations was not performed.**
- **Receipts were not written for all monies received.**
- **Multiple receipt books were used and receipts were not issued in sequential order.**
- **Collections were not deposited daily.**
- **Procedures have not been designed and implemented to properly account for cash returned to inmates when they are released shortly after book-in. Instances were noted where cash was returned to inmate and the inmate was not required to sign a release form reflecting the return of cash.**

The discrepancies noted may have been prevented or timely detected if sound internal controls had been properly designed and implemented. The weaknesses in the design of the operation of the Inmate Trust Fund Account were cited in the OSAI fiscal year ending June 30, 2007, annual audit. Those findings included the following:

- Daily receipts did not match total receipts.
- Deposit tickets were adjusted without justification.
- Receipted monies were not deposited daily.
- Receipts were not issued in sequential order.
- Reconciliations were not approved by someone other than the preparer.

The Craig County Sheriff's Office (Management) chose not to respond to the audit findings presented in the fiscal year ending June 30, 2007, financial report.

RECOMMENDATION We recommend the Sheriff's office implement the following procedures:

- Receipts should be issued for all daily collections, including book-in cash.
- One duplicate receipt book should be used and receipts should be issued in sequential order.

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- Procedures should be established and implemented to ensure that daily receipts are reconciled to the daily deposit and verified independently for accuracy and completeness.
- The duties of receipting, depositing, and maintaining ledgers/reconciling should be separated to ensure a proper segregation of duties.
- Inmate Trust Funds should be released to inmates after a release form is signed indicating all funds due to the inmate have been received in full.

OBJECTIVE II: Review the Sheriff's Commissary account for possible misappropriation of funds.

FINDING 1

COMMISSARY ACCOUNT

- **As of February 24, 2012, transfers of profit to the Sheriff's Commissary Account from the Inmate Trust Fund is 224 days in arrears.**

The purpose of the Sheriff's Commissary account is to replenish the commissary inventory for inmates' purchases (i.e, snacks, shampoo, etc). The inmates are allowed to order items from the commissary and the amount is deducted from their inmate trust account. The Inmate Trust Fund utilizes ODIS for Inmate purchases at the commissary. ODIS summarizes these purchases in a "Jail Commissary Report." The report denotes the item, quantity and total price of items purchased by the inmates. The total amount of sales should be transferred to the commissary account following inmate purchases and the profit is restricted by state statute to be used to improve or provide jail services. Any surplus is restricted to administering expenses for training equipment, travel or for capital expenditures.

During our examination of the Inmate Trust Fund, it was noted that payments to the Commissary Account were 224 days in arrears in the amount of \$82,595.91 as of February 24, 2012. The Inmate Trust Fund Administrator also performed the bookkeeping duties for the Commissary Account. The Administrator stated that the account was in arrears by two weeks when he took over the duties in October 2008.

Since the total amount in the Inmate Trust Fund was not enough to cover the balance due to the Commissary Account, the Administrator, when money was available, reimbursed the Commissary Account only the amount in excess of the current inmates' balances due upon release. In time, the amount owed to the Commissary Account became further behind as current collections received were not deposited.

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Book-in fees and medical expenses are included in the Jail Commissary Report. Book-in fees already paid to the Sheriff's Service Fee Account and medical expenses paid from the Inmate Trust Fund had been added in the Commissary report and should not have been included in the amount owed.

Because receipts collected as Inmate Trust Funds were missing and not deposited into the Inmate Trust Fund, the profits of commissary sales were not available to properly transfer to the Sheriff's Commissary Account.

RECOMMENDATION We recommend the proper authority review these findings to determine what action, if any, may be required. We further recommend that procedures be designed and implemented to timely and accurately transfer profits from commissary sales to the Sheriff's Commissary Account.



OFFICE OF THE STATE AUDITOR AND INSPECTOR

2300 N. LINCOLN BOULEVARD, ROOM 100

OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV