

SPECIAL INVESTIGATIVE REPORT

GRANT COUNTY SHERIFF'S OFFICE

July 1, 2009 through October 1, 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

GRANT COUNTY SHERIFF'S OFFICE
SPECIAL INVESTIGATIVE REPORT
JULY 1, 2009 THROUGH OCTOBER 1, 2012



Oklahoma State Auditor & Inspector

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August 12, 2013

Honorable Mike Fields
District Attorney, District 4
Grant County Courthouse

Transmitted herewith is the Special Investigative Report of the Grant County Sheriff's Office, Grant County, Oklahoma.

Pursuant to the District Attorney's request and in accordance with the requirements of **74 O.S. 2011, §212(H)**, we performed an investigation with respect to the Grant County Sheriff's Inmate Trust Fund and certain transactions of the Grant County Sheriff's Official Depository Account for the period of July 1, 2009 through October 1, 2012.

The objectives and procedures of our investigation 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 these 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 Grant County Sheriff's Inmate Trust Fund or the Grant County Sheriff's Official Depository Account, for the period of July 1, 2009 through October 1, 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 4, 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 these duties, the former Grant County Sheriff established a bank account, as allowed by **19 O.S. § 531**, for money/collections held in trust for inmates incarcerated at the county jail. The funds held in this account, by statute, are considered to be maintained separately from regular county funds. The inmate trust bank account is the sole 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 County 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 Grant County Court Clerk, and others. Some of these collections are also eventually transferred as revenue to operating funds of Grant 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 Grant County. During fieldwork, certain discrepancies in the Sheriff's Inmate Trust Account drew the attention of the audit team.

The District Attorney for District 4 was contacted and advised of those discrepancies. As a result, the District Attorney requested a special audit, in accordance with **74 O.S. § 212(H)**.

The Office of the State Auditor and Inspector conducted an investigation of the Sheriff Inmate Trust Fund and certain Official Depository records of the Grant County Sheriff's Department ("Department"). The results of the investigation are included in this report.

Prior Reports

On August 29, 2005, the State Auditor and Inspector released a special audit report¹ of the Department. The 2005 report findings included:

- \$5,059 in cash bonds had been receipted but could not be traced to deposits.
- Receipts had been written totaling \$5,408 that could not be traced to deposits.
- No receipts had been issued for several months in 2003, 2004, and 2005.
- The amount of unaccounted for funds for the period beginning July 1, 2003 through June 30, 2005, appeared to be \$11,467.

**Fiduciary
Responsibility**

The Sheriff and all employees of the Department have an obligation to act in the best interest of the county as a whole. This fiduciary responsibility requires that all funds belonging to the county be handled with scrupulous good faith and candor. Such a relationship requires that no individual shall take personal advantage of this public trust. When the Sheriff and the employees of the Department accept responsibility to act in a fiduciary relationship, the law forbids them from acting in any manner adverse or contrary to the interest of the County.

¹ http://www.sai.ok.gov/Search_Reports/database/Grant05.pdf

Objective I: Review Funds Related to the Inmate Trust Fund Account.

BACKGROUND

Title 19 O.S. § 531 allows the county sheriff to establish a checking account to be maintained separately from regular county accounts called an Inmate Trust Fund Account (“Trust Account”). The county sheriff shall deposit funds collected from county jail inmates into the Trust Account and may write checks to the Sheriff’s Commissary account for purchases made by an inmate during their incarceration. The county sheriff may also write checks from the Trust Account for unused funds owed to the inmate upon their release.

The Trust Account is an account established to hold inmate’s money in trust and to allow inmates housed in the county jail to make purchases for various items they may need or desire while incarcerated, such as personal hygiene items.

On July 6, 2009, the Department established a bank checking account with a local bank. In conjunction with establishing the bank account, the Department also began using Tiger Correctional Services (“Tiger”)², a widely known private company for inmate commissary services.

When the Department receives money for an inmate, either during the initial book-in process or money collected from family members to be used by the inmate, the Department can add those funds to an inmate account balance that is tracked using the Tiger computer software.

Through the commissary program the inmates order and receive items through Tiger for a specified price which includes a built-in profit margin for the Sheriff’s Department.

Inmates order items by telephone from Tiger. Tiger then ships the items from its warehouses to the county jail. Tiger then invoices the Department for the cost of the items, which include a 35% profit margin that is retained by the Department.

² Website: <http://www.tigercommissary.com>.

Finding #1 A Department employee withheld cash from deposits. Receipts issued for cash collections could not be traced to deposits.

The Department used over-the-counter receipt books for purposes of receipting funds received for the Trust Account. We were provided twelve (12) receipt books covering the period July 4, 2009 through September 28, 2012.

DEPOSITED WITH
BANK 7
www.bank7.com

CHECKS AND OTHER ITEMS ARE RECEIVED FOR DEPOSIT SUBJECT TO THE PROVISIONS OF THE PARTICIPATION AGREEMENT. USE OF THIS DEPOSIT COLLECTION AGREEMENT IS SUBJECT TO THE PARTICIPATION AGREEMENT. DEPOSITS MAY NOT BE AVAILABLE FOR WITHDRAWAL.

* NAME Great Co. S.O.
Trust Account

DATE 6/13/12

| | DOLLARS | CENTS |
|-----------------|---------|-------|
| CURRENCY | | |
| COIN | | |
| CHECKS | | |
| 1 L. Higgins | 100 | 00 |
| 2 B. Branson | 200 | 00 |
| 3 J. Ross | 20 | 00 |
| 4 C. Williams | 50 | 00 |
| 5 C. W. (Name) | 20 | 00 |
| 6 K. Rowland | 20 | 00 |
| 7 J. Howell | 17 | 06 |
| 8 Sharon Copple | 2 | 90 |
| 9 C. W. Simmons | 36 | 68 |
| 10 | | |
| 11 | | |
| SUB TOTAL | | |
| LESS CASH | 100 | 00 |
| TOTAL | 366 | 65 |

PLEASE BE SURE ALL ITEMS ARE PROPERLY DEPOSITED

Mitchell Campbell

SIGNATURE ONLY IF CASH RECEIVED FROM SERVICE

We also obtained bank records directly from Bank 7 relating to the Trust Account. Between July 8, 2011 and November 16, 2012 five (5), deposits included a “less cash” notation in an amount totaling \$244.00. During the period May 10, 2012 through October 1, 2012, no cash was deposited, although receipts had been issued for cash totaling \$1,270.50³.

On January 9, 2013, we interviewed Mitchell Campbell Office Manager for the Department. Campbell told us he was the person primarily responsible for the Trust Account receipts and deposits. During an interview Campbell said he had withheld cash from the deposits to purchase soda and candy from vending machines for the county jail inmates.

According to Campbell, the sheriff at that time, former Sheriff Roland Hula had a policy that allowed the inmates to purchase soda and candy. Campbell told us he had a conversation with Sheriff Hula and that Sheriff Hula had told him to withhold cash from the deposits to purchase soda and snacks for the inmates.

Immediately after interviewing Campbell, we interviewed former Sheriff Roland Hula. Hula told us he had not had any conversation with Campbell concerning withholding cash from deposits. Hula told us he was not aware and would not have allowed cash to be withheld from deposits.

Concerning the soda purchases, Hula told us it was not his policy to allow Campbell to purchase soda for the inmates. Hula said when he received complaints from the Department dispatchers that the soda purchase and distribution was disruptive, he put a stop to the practice.

According to Campbell the practice of buying soda for the inmates continued through Hula’s term, but ended when newly elected Sheriff

³ The \$1,270.50 amount includes \$204.00 of the previously noted \$244 amount.

Scott Sterling took office. During the interview, Campbell said that when Sheriff Sterling stopped the practice of the soda purchases he (Campbell) then deposited all of the cash he had on-hand that previously had been withheld from the deposits.

We asked for the deposit records reflecting when he deposited the on-hand cash, and Campbell provided us a deposit slip reflecting the deposit of \$72.13 on December 6, 2012.

Finding #2

Some receipts from receipt books, including all copies, were missing.

The twelve (12) receipt books provided to us were of various types and formats. The receipts are a type we commonly refer to as “over the counter” (“OTC”) receipt books, meaning the receipt books are of the type and format that can be purchased at most office supply stores.

The receipt books provided were the type of receipt books that when a receipt was written, a carbon copy of the receipt would be made at the same time. Nine (9) of the twelve (12) books created one carbon copy and three (3) of the twelve (12) books created two carbon copies of each receipt.

We noted nine instances where the receipts, including all carbon copies, had been removed from the receipt books. The nine receipts are reflected in the table that follows:

| Receipts - original and copies missing. | | |
|---|--------|---|
| # | Rec # | Notes |
| 1 | 118661 | Triplicate receipt book, all copies missing. |
| 2 | 247365 | Original and duplicate missing. |
| 3 | 491601 | First in book, original and duplicate missing. |
| 4 | 491602 | Second in book, original and duplicate missing. |
| 5 | 491549 | Original and duplicate missing. |
| 6 | 116487 | Original and duplicate missing. |
| 7 | 116491 | Original and duplicate missing. |
| 8 | 913149 | Original and duplicate missing. |
| 9 | 913050 | Last in book, original and duplicate missing. |

Because all copies had been removed from the receipt books, we were unable to make any determinations with respect to the amount of funds that may have been receipted and may be unaccounted for.

Finding #3

Entire receipt books appear to be missing.

During the routine county audit, former Sheriff Hula told members of our County Audit Division ("CAD") that receipt books were not maintained at any specified location and that some of the receipt books may have been thrown away.

In addition to the OTC receipt books, the Department also utilized another set of receipt books that were primarily used for receipting funds that were to be deposited in the Sheriff's "Official Depository" account.



On June 4, 2010, a deposit was made to the Trust Account which included \$190 cash. Subsequently \$497 cash was deposited on June 11, 2010. The two deposits represent \$687 in cash deposits.

When we reviewed the Trust Account receipt books, we found only one receipt, 5269-48, had been issued from the OTC receipt books during the entire month of June, 2011. Because of the difficulty in determining if the receipt (shown at left) was for \$150 or \$750 we reviewed the inmate records and determined the actual amount was \$150 reflected as a cash collection.

On review of the official depository receipt books for June, 2010, we found twenty-four (24) receipts had been issued for the entire month. We traced twenty (20) of those receipts to deposits in the official depository. The remaining four (4) receipts, totaled \$170 and appeared to have been deposited into the Trust Account.

Although \$687 cash had been deposited in the Trust Account during June 2010, the receipts provided totaled \$320. None of the receipts reflected if the collections received were cash or checks. *If* it was assumed all of the monies receipted *had been cash*, the amount of cash deposited exceeded the amount of cash receipted by \$367.

Based on this evaluation, we concluded that either cash was being deposited without being receipted or cash was receipted from receipt books which are now missing.

We obtained records from the banking institution where the Trust Account was maintained and compared the total number of deposits to the receipts

that had been provided to us. Between January 2, 2010 and October 1, 2012, receipts provided reflected the collection of \$18,229 while the deposits to the Trust Account totaled \$69,076, a difference of \$50,846.

During the audit process the CAD team conducted interviews with then Sheriff Hula and Campbell. Based on those interviews the CAD determined that money received through the mail was not receipted and that some money orders received were not receipted.

This appeared to be the case in that we identified over \$50,000 in deposits which cannot be traced to receipts provided by the Department.

Because funds were being deposited that either were not receipted or were receipted from receipt books that are now missing, we were unable to perform any meaningful testing to determine if any additional funds over the \$1,270.50 noted in finding #1 may also be missing.

Finding #4

Receipt books were used haphazardly. Because there was no consistent use of the receipt books, there was little or no accountability for the funds collected.

Although the receipts in each individual book were pre-numbered and sequentially ordered, there was no consistency in the use of the receipt books.

For example, one receipt book containing receipts numbered from 118651 through 118700 (the "118" book), was used during July and August, 2009. Other receipt books were used during September, October, and November, 2009. In December 2009, the Department resumed using the 118 book once again.

Similarly, another receipt book containing receipts from 913001 through 913050 (the "913" book), was used in October, 2011. Other receipt books were then used during November and December 2011. In January 2012, the Department started using the 913 book once again.

When receipt books are used in this type of haphazard fashion, there is no reliable method to determine the existence of additional receipts from other books that may have been used intermittently during the audit period. This type of receipting method makes any form of oversight and/or reconciliation extremely difficult.

Finding #5

Receipts were issued from the same receipt books in a haphazard non-sequential manner.

Finding #4 relates to the haphazard method of utilizing receipt *books*. We also noted a haphazard method of issuing receipts from the same book.

In one receipt book, for example, receipt #118652 was dated August 23, 2009. The next receipt, #118653, was dated July 11, 2009, followed by receipt #118654, dated *August* 13, 2009.

In another receipt book, we found receipt #5269-48 was dated June 3, 2010. The next receipt, #5269-49, was dated April 6, 2010, followed by receipt #5269-50, dated *July* 2, 2010.

Finding #6

Receipts were marked “void,” although the original copies were not retained. The amount of one “voided” receipt was added to an inmate’s account.

When receipts are voided, all copies of the receipt should be retained. During our review of the receipts maintained by the Sheriff’s Department, we found instances where receipts had been voided, but the original copies were missing.

For example, receipt #3627 dated June 28, 2012, was written from the official depository receipt book and reflected the collection of \$30 in “commissary” funds. Written in what appears to be original ink on the carbon were the words “Void Void Void wrong receipt book.” The original receipt was missing.

We found a corresponding entry in the Inmate Trust bank account indicating \$30 had been credited to the inmate shown on the voided receipt. We found no *corrected* receipt had been written from the OTC receipt books or, if one had been written, that receipt book is now missing.

In some cases, we found receipts were voided in one book and then re-written in another book. For example, two receipts, #119377 and #118378, had been voided in the OTC Inmate Trust receipt books. The original copies of the receipts were not retained.

Corresponding receipts were then issued from the Official Depository receipt book, #3045 and #3046. The funds from the re-issued receipts were then deposited in the Sheriff Official Depository account with the

County Treasurer. Issuing multiple receipts for the same collections would make any reconciliation process more difficult.

Finding #7

Because of a lack of controls and a lack of physical security, several employees and jail trustees had access to cash maintained in the Department.

Although Campbell may have had an overall responsibility for the collections related to the Trust Account, we observed that receipts were issued by numerous Department employees.

We randomly selected two receipt books to determine who had issued receipts and, presumably, received the funds. We determined Campbell had signed twenty-four of the fifty receipts (48%) from the first book of receipts and twenty-two of the fifty receipts (44%) from the second book.

While Campbell had the *primary* responsibility for reconciling and depositing collections, the initial receipting and handling of many collections was done by other employees within the Department, as well as by Campbell.

Adding to the issues over physical control and access to the funds, Department officials told us that some Trust Account money had been kept in a desk drawer in Campbell's office. Department officials also told us that jail trustees may have had access to the drawer where the money had been kept. Campbell showed us the drawer where he kept the money. It was just three feet, more or less, from his office doorway.

Finding #8

No meaningful oversight existed for the Inmate Trust bank account.

One Department employee, Mitch Campbell, was primarily responsible for receiving *some* of the money, issuing *some* of the receipts, withholding cash, preparing deposits, purchasing soda and candy, entering charges against the inmate's accounts, writing checks from the account, and receiving and reconciling the bank statements.

When the members of the CAD began their audit of the county in October 2012, they observed Campbell opening several bank statements from previous months, indicating that reconciliations had not been performed in a timely manner.

The last documented reconciliation that CAD auditors could identify was done for the bank statement dated January 14, 2011. The January 14 reconciliation was the only documented reconciliation found for FY11.

The Department had no effective segregation of duties. One employee was responsible for receipting, depositing, disbursing, recording and reconciling the Inmate Trust Fund bank account. The lack of any meaningful segregation of duties prevented any form of effective oversight by the Department.

Because of the issues we identified with missing receipt books, missing receipts, duplicated receipts, haphazard use of receipt books, and receipts issued out of sequence, we question whether any successful or meaningful reconciliation of the bank account records *could* have been performed, had it been attempted.

Summary

An overall lack of accountability existed for the Trust Account.

The request for an investigation was based on circumstances identified during the routine county audit of Grant County by our CAD audit team. During the audit process members of the CAD identified and noted the following issues:

- Receipts were not issued in sequential order.
- Receipt *books* were not issued or used in sequential order.
- Officials stated receipt books may have been thrown away.
- Money received through the mail was not receipted.
- Money orders were not receipted.

In addition to these issues, we also noted other concerns relating to the records maintained by the Department including:

- A Department employee stated he had stopped depositing cash and used the money to purchase soda and snacks for jail inmates.
- Some receipts are missing from the receipt books that were provided.
- Some receipt books appear to be missing.
- Cash had been deposited that was either not receipted or was receipted from receipt books that are now missing.

A fundamental aspect of accounting for public funds includes maintaining an accurate and complete set of records related to the collection and depositing of money received by a public agency.

In addition to being a fundamental requirement of a good record keeping system, **51 O.S. 24A.4** states:

In addition to other records which are kept or maintained, every public body and public official has a specific duty to keep and maintain complete records of the receipt and expenditure of any public funds reflecting all financial and business transactions relating thereto, except that such records may be disposed of as provided by law.

Although we noted an amount of cash that *was* deposited, we could not determine or even estimate an accurate amount of cash that *should* have been deposited.

Recommendations

1. The Department should consider obtaining pre-printed sequentially numbered receipt books for the Inmate Trust Fund to provide continuity for the receipt books being used.
2. The Department should retain *all* copies of receipts, including the original, for any *voided* receipts.
3. The Department should establish and implement procedures to ensure all daily collections are receipted, reconciled, and deposited daily, as required by **19 O.S. § 682**.
4. The practice of withholding cash from deposits should be terminated.
5. Mode of payment (cash, check, or money order) should be identified on each receipt, and daily deposit reconciliations should include verifying the cash and checks deposited match the information recorded on each day's total receipts.
6. The Department should establish and implement controls to ensure that all public records are secured and maintained, in accordance with the statutory provisions of **51 O.S. § 24A.4**.
7. Operational policies and procedures should be in writing and reviewed periodically.
8. The Department should establish and implement procedures to provide for a segregation of duties, in order that no single employee is in control of ALL aspects needed to administer a transaction. For

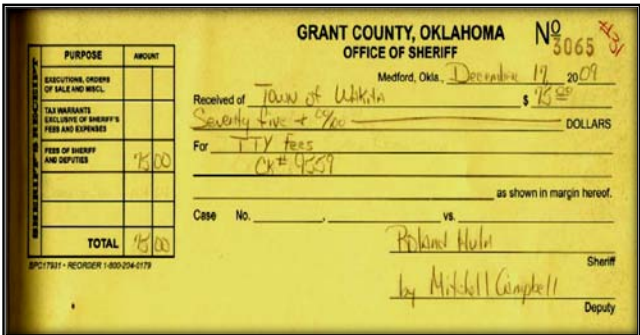
collections, the receipting, daily reconciling, depositing, maintaining records and reconciling the bank statement should be performed by at least two or preferably more Department employees.

9. The Sheriff and/or Undersheriff should *periodically* review operations to evaluate whether policies and procedures are being followed and implement corrective action when necessary.
10. The Department should provide for a safe and secure means to ensure that *unauthorized* persons, including employees whose job duties do not include handling collections, do not have physical access to Inmate Trust Fund and/or Official Depository money collected.

Objective II: Review Funds Related to the Sheriff's Official Depository Account.

BACKGROUND

Title 19 O.S. § 681 provides that the county treasurer shall be designated as the official depository for all money and proceeds “of every kind that may be received by any county officer, county board, county commission, or by any employee of such boards...” The account maintained by the Treasurer for this purpose is referred to as an “official depository account.”

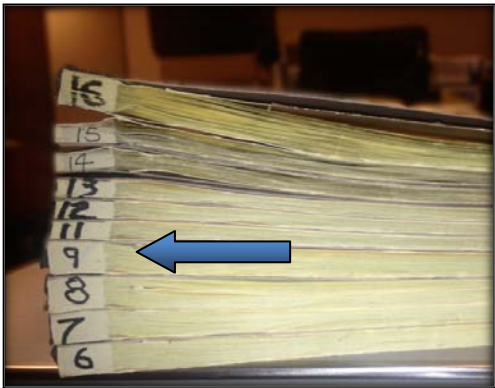


The Department maintained receipt books for the receipt of collections that were to be deposited to the official depository account. These receipt books, unlike those used for the Trust Account, were not “over the counter” receipt books.

We obtained the receipt books used for the Sheriff's official depository account and compared the receipts to the deposit records maintained by the Grant County Treasurer.

Finding #1

One receipt book was missing and unaccounted for.



The Department provided ten receipt books covering the period July 9, 2009 through October 23, 2012. The receipt books, each of which had been numbered on the spine portion of the books, included book numbers 6-9 and 11-12. Book #10 was not provided.

We noted a gap in the receipts. The last receipt used in book #9 was receipt #3248, dated September 16, 2010. The first receipt used in book #11 was receipt #3348 dated March 30, 2011, representing a gap of about six months.

Many of the official depository deposit forms listed the corresponding receipt numbers on the deposit forms. Using the deposit forms we identified entries on the deposit forms representing eighty-seven (87) of

the one hundred (100) receipts that appear to correspond to missing receipt book #10. Without receipt book #10, we were unable to determine if the amounts deposited actually corresponded to the amounts received during the September 16, 2010 to March 30, 2011, time period.

Finding #2

Receipted collections were deposited in a sporadic and inconsistent manner. In some cases, collections were withheld from deposits. Some collections were not deposited for over 90 days.

Title **19 § O.S. 682** requires that “each and every county officer... and employees thereof, to deposit daily in the official depository... all monies, checks, drafts... and public charges of every kind received or collected by virtue or under color of office...”

Collections were deposited into the official depository account in what appeared to be a random and sporadic manner.

For example, the collections from receipts #3205-3207 had been deposited on July 22, 2010. Subsequent deposits were made on July 28, August 2, August 5, August 16, and August 19, 2010. On August 23, a month later and five deposits later, the collections from receipts #3199-3204 were deposited.

In a similar example, a deposit consisting of receipts #3414 and #3415 had been made on June 22, 2011. The collections from the preceding receipts, #3411 through #3413 totaling \$175.00, were not made until July 21, 2011, almost a month later.

The collection from receipt #3410 was not deposited until August 19, 2011, almost two months later. The collections from receipts #3410, #3414, and #3415, should have been included no later than the June 24, 2011 deposit.

The table below illustrates the variations and delays in the deposit of twenty-five (25) consecutively numbered receipts. As shown, some of the collections were deposited the same day, while other collections were not deposited for more than 60 days.

**GRANT COUNTY SHERIFF'S OFFICE
RELEASE DATE: AUGUST 12, 2013**

| ## | Receipt Date | Receipt Number | Receipt Amount | Deposit Date | Delay (Days) | ## | Receipt Date | Receipt Number | Receipt Amount | Deposit Date | Delay (Days) |
|----|--------------|----------------|----------------|--------------|--------------|----|--------------|----------------|----------------|--------------|--------------|
| 1 | 6/17/2011 | 3406 | \$ 162.00 | 6/17/2011 | 0 | 14 | 7/6/2011 | 3419 | \$ 5.00 | 7/21/2011 | 15 |
| 2 | 6/17/2011 | 3407 | \$ 8,127.00 | 6/17/2011 | 0 | 15 | 7/6/2011 | 3420 | \$ 30,200.00 | 7/6/2011 | 0 |
| 3 | 6/17/2011 | 3408 | \$ 200.00 | 6/17/2011 | 0 | 16 | 7/12/2011 | 3421 | \$ 5.00 | 7/21/2011 | 9 |
| 4 | 6/17/2011 | 3409 | \$ 329.56 | 6/17/2011 | 0 | 17 | 7/13/2011 | 3422 | \$ 5.00 | 7/21/2011 | 8 |
| 5 | 6/17/2011 | 3410 | \$ 100.00 | 8/19/2011 | 63 | 18 | 7/18/2011 | 3423 | \$ 25.00 | 8/19/2011 | 32 |
| 6 | 6/20/2011 | 3411 | \$ 25.00 | 7/21/2011 | 31 | 19 | 7/21/2011 | 3424 | \$ 3,224.00 | 7/21/2011 | 0 |
| 7 | 6/21/2011 | 3412 | \$ 25.00 | 7/21/2011 | 30 | 20 | 7/21/2011 | 3425 | \$ 900.00 | 7/21/2011 | 0 |
| 8 | 6/22/2011 | 3413 | \$ 25.00 | 7/21/2011 | 29 | 21 | 7/21/2011 | 3426 | \$ 216.00 | 7/21/2011 | 0 |
| 9 | 6/22/2011 | 3414 | \$ 200.00 | 6/22/2011 | 0 | 22 | 7/21/2011 | 3427 | \$ 343.11 | 7/21/2011 | 0 |
| 10 | 6/22/2011 | 3415 | \$ 2,000.00 | 6/22/2011 | 0 | 23 | 7/21/2011 | 3428 | \$ 7,940.00 | 7/21/2011 | 0 |
| 11 | 6/23/2011 | 3416 | \$ 5.00 | 8/19/2011 | 57 | 24 | 7/21/2011 | 3429 | \$ 500.00 | 7/21/2011 | 0 |
| 12 | 6/24/2011 | 3417 | \$ 2,816.00 | 6/24/2011 | 0 | 25 | 7/22/2011 | 3430 | \$ 25.00 | 8/19/2011 | 28 |
| 13 | 6/30/2011 | 3418 | \$ 25.00 | 7/21/2011 | 21 | | | | | | |

Based on the timing of the deposits, Department officials were not depositing all on-hand collections daily, and many delays were for a substantial length of time.

In some cases, the failure to deposit all on-hand collections may be indicative of an embezzlement scheme commonly referred to as a “lapping scheme.” A lapping scheme is one in which funds from new collections are being used to balance deposits from previous collections. Typically, lapping schemes involve using new check collections to replace cash that should have been previously deposited.

In order to determine if a lapping scheme was occurring, we obtained the deposit sources for a number randomly selected deposits. Based on the deposit sources, it appeared there was *not* a lapping scheme, but rather, a poorly maintained system of accountability.

GRANT COUNTY, OKLAHOMA N^o 3448
OFFICE OF SHERIFF
Medford, Okla. 8-19 2011

Received of Bank 7 \$ 25.00 DOLLARS
For Fingerprints - Tracy Harwick

Case No. _____ vs _____
as shown in margin hereof

Robert A. Harwick Sheriff
[Signature] Deputy

| PURPOSE | AMOUNT |
|---|--------------|
| EXECUTIONS, ORDERS OF SALE AND MISCELL. | |
| TAX WARRANTS | |
| FULLS OF SHERIFF'S FEES AND EXPENSES | |
| FEES OF SHERIFF AND DEPUTY | |
| <u>Fingerprints</u> | <u>25.00</u> |
| TOTAL | 25.00 |

SPC17521 - RECORDER 1-800-224-9172

For example, receipt #3448, dated August 19, 2011, was issued to Bank 7 in the amount of \$25.00. Subsequent to the date of the receipt, thirteen (13) deposits were made in August, September, and October that did not include the collections from receipt #3448.

On November 23, 2011, over 90 days after the date of receipt #3448, a deposit was made listing receipt #3448 and including in the deposit source a check from Bank 7 dated August 12, 2011.

According to Department officials one of the reasons for the delays in depositing funds received was due to holding out funds received for

specific purposes, such as the \$25 fee for the application related to the Self Defense Act⁴ (“SDA”). According to Undersheriff Wilkerson, Campbell would sometimes receipt the \$25 fee when collected, but would not deposit the fee until the application process was completed. This process could take up to 90 days.

When we reviewed the records, we found in some cases that did appear to be the reason for the delays. For example, receipts #3411, #3412, and #3413, dated June 21, 22, and 23, 2011, all reflected the collection of \$25 related to the SDA application process.

Although deposits had been made on June 24 and July 6, the collections associated with the three SDA receipts were not deposited until July 21, 2011. The same July 21, 2011 deposit included a deposit from another SDA related receipt, #3393, which had been dated June 1, 2011.

We noted a similar situation with respect to receipts #3499 and #3500, dated December 22, 2011, and receipt #3501, dated December 23, 2011. All three receipts indicated the collections received were related to the SDA application process.

The collections from the three receipts ultimately had been deposited over two months later, on February 23, 2012, although six deposits occurred between the date of the receipts and the date the collections were finally deposited.

According to Undersheriff Wilkerson, a similar process of withholding certain collections from deposits also was used with respect to fees paid for the service of legal process. According to Wilkerson, in some cases when a paper service fee, typically \$50, was paid to the Department, the collections were receipted, but were not deposited until a deputy served the papers.

Our review of the records corroborated, in some instances, what Undersheriff Wilkerson said. For example, three receipts, #3377, #3378, and #3379, were issued on May 6, 2011, each noting the purpose of the collections was for “paper services.”

On May 6, 2011, a deposit which included the collection from receipt #3380 was made to the depository account. Subsequent deposits were

⁴ The Self Defense Act is the Act authorizing the carrying of concealed weapons in Oklahoma.

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made on May 11, 2011 and May 17, 2011. On May 19, 2011, the collections from receipts #3377, #3378, and #3379 were deposited.

Finding #3

Amounts received as official depository collections were not deposited. However, we did verify those collections had been forwarded to towns in Grant County.

From the official depository receipt books provided, we were able to identify that collections from five receipts totaling \$2,142.00 were not deposited in the official depository account. In some cases, the receipts indicated the collections were for fines for towns in Grant County. An example is receipt #3096 for \$544 shown below.

| PURPOSE | AMOUNT |
|---|--------|
| EXECUTION ORDERS OF SALE AND RECL. | |
| TAX WARRANTS EXCLUSIVE OF SHERIFF'S FEES AND EXPENSES | |
| FEES OF SHERIFF AND DEPUTIES | |
| TOTAL | 544.00 |

GRANT COUNTY, OKLAHOMA OFFICE OF SHERIFF No. 3096
Medford, Okla. 2-21-2010
Received of Dennis Hutchinson \$ 544.00 DOLLARS
For five hundred party fund dollars
For Five Star Wash
Case No. _____ vs _____ as shown in margin hereof.
Robert Kula Sheriff
Shawn Payne Deputy

In each of the five instances, we were able to determine the towns received the collections by sending OSAI staff to the towns and reviewing the towns' records.

In one case, receipt #3467 in the amount of \$244, the receipt reflected the collections were for "Michael Belcher Bond." The receipt had no indication the collections were in relation to

charges in another jurisdiction. We were able to determine the collections were not deposited in the official depository.

In order to determine this was a collection distributed to another town, we requested the jail book-in records related to this arrest. We were provided those records and told by a Sheriff's Department employee that the arresting officer, Deputy James Lindell, was a deputy sheriff and that the charges would have been filed in the county district court.

Had we taken the records provided and the information we were told as true, we would have concluded the \$244 was unaccounted for and missing. Instead, we obtained the arrest affidavit and discovered that at the time of the arrest, Deputy Lindell was employed as the Chief of Police for the Lamont Police Department. OSAI staff returned to Lamont, and with the assistance of Lamont officials, determined the town had received the \$244 related to receipt #3467.

Summary

The selective depositing of collections violates 19 O.S. § 682. Reconciliation and/or accountability for these collections would have been difficult, given the accounting procedures used. The record keeping system of the Department could expose employees to unwarranted accusations of misappropriation.

Title 19 O.S. § 682 provides that it “shall be the duty of each and every county officer... and employees... to deposit daily... all monies... and public charges of every kind... collected by virtue or under color of office...”

The selective delayed deposit of collections, for whatever reason, not only is contrary to 19 O.S. § 682, but diminishes any meaningful accountability for those collections.

One of the most basic procedures involved in accounting for money received is to reconcile receipts to deposits. This reconciliation process was not possible, given that funds receipted from the official depository receipt books were not deposited in the official depository account. The absence of this most fundamental procedure increased the risk that public funds may be misappropriated, without any method to detect the misappropriation in a timely manner.

The lack of accountability increases the likelihood that an accusation of misappropriation may occur, placing each member of the Department under scrutiny, when an alleged misappropriation may be the result of poorly maintained and inconsistent records, rather than an actual misappropriation.

Recommendations

With the exception of #1 (the Department already has pre-numbered, sequential receipt books for its official depository collections), ALL of the recommendations in Objective I also apply to Objective II.

In addition, collections on behalf of *other* jurisdictions should be deposited and then distributed to those other jurisdictions by issuing vouchers with the details of those collections. This procedure provides a “paper trail” of the payment of the collections to the other jurisdictions.

Objective III: Review Expenditures from the Inmate Trust Fund Checking Account.

Background

As noted previously in our report, the Department established a checking account at a local bank in accordance with the provision of **19 O.S. 531** called the "Inmate Trust Fund Checking Account."

The provisions of **19 O.S. § 531** allow the Trust Account to be established as a consumer type bank checking account "to be managed by the county sheriff and maintained separately from regular county funds." The purpose of the Trust Account is to receive funds "collected from inmates incarcerated in the county jail."

Because the Trust Account is "managed by the county sheriff and maintained separately from regular funds," the county purchasing provisions defined in **19 O.S. § 1505** do not apply to the Trust Account.

However, the law creating and authorizing the Trust Account is restrictive only allowing for disbursements from the fund for two defined purposes:

1. The county sheriff may write checks to the Sheriff's Commissary Account for purchases made by the inmate during his or her incarceration.
2. The county sheriff may write checks to an inmate upon release for any funds owed to the inmate and held in trust.

Finding #1

The Sheriff's Inmate Trust Fund appeared to be used for purposes other than those provided by statute.

We noted the following expenditures from the Trust Account which appeared to be contradictory to the two defined purposes in **19 O.S. § 534(A)** including:

- 26 payments to City Tele Coin Company totaling \$14,200 for calling cards.
- 24 payments to DIRECTV totaling \$1,994.41.
- 5 payments to Graves Satellite for a total of \$1,380.50.

- 1 payment to Grant County Emergency Service Association in the amount of \$750 for a 2011 one-cent tax vote⁵.
- 1 payment to Total Com, Inc. in the amount of \$1,976.50.
- 1 payment to Wal-Mart in the amount of \$228.54.
- 1 payment to a former sheriff's office employee in the amount of \$41.91. The payment was reportedly for a special meal for the inmates.
- Payments had also been issued with a notation the check was "personal" and had been endorsed by a sheriff's office employee. In an interview, the employee indicated the checks were used to obtain money orders to send to the inmate's home. We also noted other payments in which the purpose of the check was to send money to the inmate's home.

In Objective I of our report, we discussed the Department's operation of a commissary ordering system through Tiger Correctional Services. The commissary program allows the Department to receive a percentage of profit from the commissary sales.

The Department should, periodically, transfer those profits to their regular county accounts, namely the Sheriff Commissary Fund. On December 18, 2009, a check was written from the Trust Account to the regular county account. The check from the Trust Account included the notation "Quarterly transfer to cash accounts." The next transfer of funds from the Trust Account occurred over a year later on July 6, 2011.

The Department, by not transferring those profits to the regular county accounts, had the ability to make payments, such as the \$750 donation related to the one-cent sales tax vote, which likely would not have been approved under the normal county purchasing procedures.

Recommendations The Department should transfer its profits from the Trust Account to the Sheriff Commissary Fund on a regular basis. The Department should *only* issue payments from the Trust Account for purposes authorized by **19 O.S. § 534**.

⁵ \$250 of the \$750 was later reimbursed to the Sheriff's Department.

Objective IV: Review Expenditures from the Official Depository.

Background

Title 19 O.S. § 681 provides that “all monies... of every kind that may be received by any county officer... or by any employee” shall be deposited with the county treasurer.

Title 19 O.S. § 684 provides that “all monies... received during any calendar month by any county officer... or the members or employees...” shall be paid into the county treasury...” When county officials and employees receive funds they are deposited into an account referred to as an “official depository account.”

The depository account serves as a holding account for funds collected, no matter what the source or eventual purpose of those monies. Then, in accordance with 19 O.S. § 684, the collections are to be transferred, at least monthly, from the holding account to the appropriate regular county accounts based on the purpose of the collections.

County officials issue vouchers, as seen at left, which are similar to checks, to transfer collections from the holding account to the various regular county accounts.

The process for expending county funds for supplies and materials, maintenance and operations, as well as other purposes, should be done in accordance with the provisions set forth in 19 O.S. § 1505, which include making a requisition, issuing a purchase order, documenting the goods and services were received with a receiving report, obtaining board approval for payment, and then issuing a payment.

Finding #1

The former County Sheriff circumvented state statutes by paying operating expenses from his Official Depository holding account.

During a three year period, the Department expended \$108,823 directly from the Official Depository holding account for the purchase of supplies, materials, and other operational costs.

Because operating expenses were paid directly from the holding account rather than through the appropriate accounts, after the collections were transferred in accordance with **19 O.S. § 684**, the Department circumvented the internal controls and purchasing procedures defined in **19 O.S. § 1505**.

Finding #2

There was no attempt to conceal the expenditures being processed through the holding account.

Former Sheriff Hula provided a memo dated April 21, 2010, that he had purportedly provided to the Grant County District Attorney⁶ as well as a copy of a letter purportedly sent to the former Director of the County Audit Division for the State Auditor and Inspector⁷.

In the memo, Sheriff Hula outlined his reasons for “deviations from prescribed procedures for disbursement of funds...” The reasons outlined in the memo related to a \$36,000 hospital bill for a county jail inmate and the loss of \$3,000 monthly due to forfeiture of the county one-cent sales tax proceeds.

Sheriff Hula summarized the purpose and reasoning for the deviations as follows:

...[A]s the financial solvency of the Sheriff's Office deteriorated, primarily due to an unexpected loss of contract inmates and delayed or, in one instance, unpaid inmate housing invoices, the money situation became a monthly crisis.

In an interview, Sheriff Hula reiterated his explanation from the 2010 letter and added that when going through the normal process it can take up to 60 days before funds can be expended after they are received.

Hula told us, with regards to the payments, there was “right, wrong, and expedient.”

⁶ Attachment #1.

⁷ Attachment #2.

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| Fiscal Yr | Amount |
|------------------|------------------|
| 2009-10 | \$99,086 |
| 2010-11 | \$9,043 |
| 2011-12 | \$694 |
| Total | \$108,823 |

Of the \$108,823 expended from the holding account during the three year period, \$98,086 (91%) had been expended during the FY2009-10. The expenditures from the holding account for operational related costs dropped to \$9,043 (8%) in FY 2010-11 and to \$694 (1%) by FY 2011-12.

We interviewed the Grant County Treasurer as well as the Grant County Clerk who both told us they were aware of how Sheriff Hula was expending money from the holding account. In addition, the county clerk told us she prepared a report for the county commissioners, which included a listing of the vouchers issued from the holding account. Moreover, the payments issued from the holding account were also signed and recorded by the Grant County treasurer in her official depository ledger.

Finding #3

Documentation could not be found for \$44,422.66 in expenditures from the Sheriff's Official Depository Account.

Of the \$108,823 in purchases from the Sheriff's Official Depository Account, we were unable to find supporting documentation for thirteen expenditures totaling \$44,422.66:

| Date | Vendor | Amount | Voucher Number |
|-------------|---------------------------------------|--------------------|-----------------------|
| 7/31/2009 | T & W Tire | \$576.87 | 1178 |
| 8/20/2009 | T & W Tire | \$652.99 | 1184 |
| 9/14/2009 | Medford Patriot Star | \$183.74 | 1194 |
| 9/14/2009 | Kan Okla. | \$174.99 | 1195 |
| 9/14/2009 | Steve's Body Shop | \$140.38 | 1196 |
| 3/25/2010 | Integris Blackwell Regional | \$20,000.00 | 1307 |
| 4/20/2010 | ACCO-Self Insurance Group | \$20,000.00 | 1337 |
| 7/6/2011 | District 4 District Attorney's Office | \$49.86 | 1528 |
| 7/6/2011 | Dan Wilson | \$150.00 | 1529 |
| 7/6/2011 | Myron Simons | \$150.00 | 1530 |
| 7/6/2011 | Doug Buzzard | \$174.25 | 1531 |
| 7/6/2011 | Medford Patriot Star | \$136.88 | 1532 |
| 7/6/11 | Medford Patriot Star | \$32.70 | 1535 |
| | Total | \$42,422.66 | |

Two of those payments, totaling \$40,000 (94%) appear to be related to the hospital expenses for the inmate noted in Sheriff Hula's memo⁸ to the District Attorney.

Summary

Overall, it did not appear former Sheriff Hula was expending funds from the official depository holding account in an effort to conceal questionable expenditures. However, the Department did not maintain sufficient documentation for all of the expenditures made from the holding account.

Recommendations

1. Funds from the official depository holding account should be transferred to the regular county accounts in accordance with **19 O.S. §684**.
2. The expenditure of county funds for maintenance and operations should be done in accordance with **19 O.S. §1505**.
3. The Department should retain all original invoices for all payments made from any county related account.

DISCLAIMER

In this report, there may be references to state statutes and legal authorities that appear to be potentially relevant to the issues reviewed by the Office of State Auditor and Inspector. The State Auditor and Inspector has no jurisdiction, authority, purpose, or intent by the issuance of this report to determine the guilt, innocence, culpability, or liability, if any, of any person or entity for any act, omission, or transaction reviewed. Such determinations are within the exclusive jurisdiction of regulatory, law-enforcement, and judicial authorities designated by law.

⁸ Attachment #1.

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Attachment #1
(Page 1 of 2)

TO: Grant County ADA Stephen Young
FROM: Grant County Sheriff Roland Hula
SUBJECT: Sheriff's Office Officer's Account Vouchers
DATE: April 21, 2010

Following a recommendation from Mr. Ricky Branch, Director of Local Government and Special Services Division of the Oklahoma Office of State Auditor and Inspector, this letter has been prepared to make you aware of various elements regarding deviations from prescribed procedures for disbursement of funds from the Sheriff's Office Officers Account.

In September 2008 the Grant County Sheriff's Office incurred a \$36,000.00 hospital bill for one of our inmates. After the County Commissioners declined to assist in settling the debt within sixty days, which would have secured a 45% discount off the \$36,000.00, the Sheriff's Office, in December 2008, began paying the hospital bill. Payments were made monthly, typically combining the mandated "zeroing out" of the Officer's Account with a voucher payable to the hospital, and by January 2010 about \$9,000.00 had been paid on the hospital bill. In March 2010 the Commissioners facilitated the funds from their ACCO-SIG Deductible account after authorizing me to contact the hospital and negotiate a payoff amount. The hospital responded with an offer to settle the account for a final \$20,000.00 payment. \$20,000 from ACCO was received and deposited in the Officer's Account and vouchered out to the hospital. A Medical Expense Liability Revolving Fund Claim was submitted to OSEEGIB for just over \$31,000.00 and when that reimbursement was received, \$20,000 was vouchered out to ACCO and \$11,000 was vouchered out into the Sheriff's Office SF-2 Cash Account.

Concurrent with the funds expended in hospital payments, the Sheriff's Office was experiencing a monthly \$3,000 loss of income due to forfeiture of the county one-cent sales tax proceeds. At this time, the absence of 24 months at \$3,000 per month has produced a \$72,000 loss of revenue to the Sheriff's Sales Tax Cash account which necessitated expenditures from other Cash Accounts which, in turn, were depleted to the extent that it became impossible to maintain the practice of encumbering monthly 'Blanket Purchase Orders' to pay for major expenses of jail groceries and vehicle fuel.

Initially, reduced 'Blanket Purchase Orders' were obtained and utilized with the remaining balance due the vendor being paid by Officers Account vouchers. However, as the financial solvency of the Sheriff's Office deteriorated, primarily due to an unexpected loss of contract inmates and delayed or, in one instance, unpaid inmate housing invoices, the money situation became a monthly crisis. With no cash account balances to get purchase orders the single instance of strict compliance with monies receipted, deposited to Officers Account, and vouchered to Cash Account was the dollars necessary to make employee payroll raises funded by the Sheriff's Office. Two months

Attachment #1

(Page 2 of 2)

ago the balance in the DCR 1-A cash account was low enough that the lack of a timely payment for inmate housing billing caused the Sheriff's Office not to be able to pay the Deputy's and Dispatchers their raises.

The essence of the prescribed mechanism for spending public funds is twofold; first to insure the money exists to be encumbered and second to provide one party (County Treasurer) to receive the money and another party (County Clerk) to dispense the money. With no money in my cash accounts and no access for Purchase Orders to funds deposited after the third Monday of the month until the third Monday of the following month, from a viewpoint of expediency it was my decision to pay bills by Vouchers from Officer's Account deposits

The irregularities and deviations from standard procedures will be eliminated May 1. This week I deposited \$18,500 in the Sheriff's Office DCR Cash Account for payroll needs for the remainder of the FY 09/10 and I deposited \$11,000 in the Sheriff's Office SF Cash Account for blanket purchase orders to cover major fixed expenses; food, fuel, and utilities for the remainder of the FY 09/10. With funding for those fixed costs in place, May and June inmate housing invoice payments deposited in the my Officer's Account will be accordingly vouchered to the appropriate Cash Account to preserve a surplus balance negating the above described 30 day lag in availability thus enabling future compliance to proper practice of expending funds.

Just as a lack of timely payment of inmate housing invoices contributed to the financial problems we have endured, the payment of those invoices have made it possible to return to financial stability. On April 1 the Sheriff's Office billed \$78,000 and as of this writing we have received \$56,000.

In the last 60 days a contact with Canadian County for \$6,000 per month has been put in place which could last up to two years. \$22,0000 in outstanding inmate billing is expected to be received which has not been pledged to any existing expenditure and will be regarded as reserve funds for future needs. Also, within a few months the \$3,000 monthly Sales Tax receipts will be reinstated and that event will be a major stabilizing factor in our ongoing financial viability.

I have had the support of the Grant County Commissioners as I managed through these recent financial difficulties and the County Treasurers Office has accommodated the issuance of all vouchers without objection.

In addition to the \$240,000 per year from the General Fund for salaries, the County gives the Sheriffs Office \$751 per year; \$500 M&O, \$250 Travel, \$1 Capital Outlay, to run a \$95,000 to \$115,000 Sheriff's Office budget. All dollars expended via the Officers Account Voucher process were dollars generated by the Sheriff's Office.

Accounting records, separate and apart from the monthly documentation submitted to the Treasurers Office and the County Commissioners, have been maintained in regards to this matter.

Attachment #2

GRANT COUNTY SHERIFF'S OFFICE

219 NORTH FIRST STREET

MEDFORD, OKLAHOMA 73759

ROLAND HULA, SHERIFF

TELEPHONE(580)395-2356

FAX:(580)395-2548

APRIL 24, 2010

Mr. Ricky Branch, Director
Local Government and Special Services Division
Office of State Auditor and Inspector
2300 North Lincoln Boulevard
Oklahoma City, Oklahoma 73105

Dear Mr. Branch:

Attached is a copy of the letter I prepared and submitted to the Grant County ADA Stephen Young regarding my lack of strict compliance with procedural elements for issuing vouchers from my Officer's Account.

In the conversation ADA Young and I had regarding this matter he suggested that I provide this information to you in order for your Office make whatever modifications necessary in preparation of pending audit process for the Grant County Sheriff's Office.

Thank you for assistance in addressing this matter.

Respectfully,


Roland Hula
Grant County Sheriff



OFFICE OF THE STATE AUDITOR & INSPECTOR
2300 N. LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OK 73105-4896

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