



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

Contact: David A. Vaudt
515/281-5835
or Tami Kusian
515/281-5834

FOR RELEASE May 17, 2010

Auditor of State David A. Vaudt today released a report on a special investigation of certain collections of the Tama County Clerk of Court (Clerk) and the Tama County Sheriff's Office (Sheriff) for the period January 1, 2007 through August 31, 2009. The special investigation was requested by the Judicial Department (Department) after a preliminary investigation by the Department identified cash bonds which had not been properly deposited.

Vaudt reported the special investigation identified \$6,500.00 of undeposited collections. The collections were comprised of 3 cash bonds, ranging in amount from \$1,000.00 to \$3,500.00, received between February 23, 2009 and June 5, 2009.

Cash bonds can be received by either the Clerk's Office or the Sheriff's Office from individuals who post bail for an inmate. The undeposited cash bonds identified were initially received in the Sheriff's Office and should have been subsequently remitted to the Clerk's Office for deposit. However, the 3 cash bonds identified were not recorded on the bond receipt log maintained by the Clerk's Office. Therefore, we are unable to determine if the cash bonds were received by the Clerk's Office and not deposited or if the Sheriff's Office did not properly remit the bonds to the Clerk's Office.

The report also includes recommendations to strengthen the controls at both the Clerk's Office and the Sheriff's Office, such as limiting the number of employees responsible for collection and/or transportation of cash bonds, ensuring bond receipt logs are accurate and complete and maintaining sufficient supporting documentation for the chain of custody.

Copies of the report have been filed with the Division of Criminal Investigation, the Attorney General's Office and the Tama County Attorney's Office. A copy of the report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/specials/index.html>.

###

**REPORT ON SPECIAL INVESTIGATION
OF THE
TAMA COUNTY CLERK OF COURT
AND THE
TAMA COUNTY SHERIFF'S OFFICE

FOR THE PERIOD
JANUARY 1, 2007 THROUGH AUGUST 31, 2009**

Table of Contents

	<u>Page</u>
Auditor of State's Report	3-4
Investigative Summary:	
Background Information	5-6
Detailed Findings	6-8
Recommended Control Procedures	8-9
Staff	10



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Auditor of State's Report

To the Iowa Judicial Department, Kim Halverson,
Tama County Clerk of Court, and
Dennis Kucera, Tama County Sheriff:

As a result of alleged improprieties regarding certain collections and at the request of officials of the Judicial Department, we conducted a special investigation of certain collections received by the Tama County Clerk of Court (Clerk's Office) and the Tama County Sheriff's Office (Sheriff's Office). We have applied certain tests and procedures to selected financial transactions of the Clerk's Office and the Sheriff's Office for the period January 1, 2007 through August 31, 2009. Based on discussions with Clerk's Office and Sheriff's Office personnel, representatives of the Division of Criminal Investigation (DCI) and a review of relevant information, we performed the following procedures for the period specified:

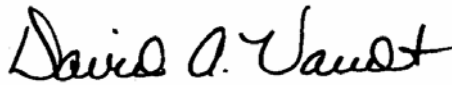
- (1) Evaluated the internal controls at the Clerk's Office and the Sheriff's Office to determine whether adequate policies and procedures were in place and operating effectively.
- (2) Reviewed cash bonds received by the Sheriff's Office to determine if they were properly remitted to the Clerk's Office.
- (3) Examined cash bonds received by the Clerk's Office to determine if they were properly recorded in the Iowa Court Information System (ICIS).
- (4) Obtained and examined receipts issued by the Sheriff's Office for cash bonds, room and lodging and commissary collections to determine if the numerical sequence of the receipts could be accounted for.
- (5) Examined room and lodging and commissary collections to determine if they were properly deposited by the Sheriff's Office.
- (6) Obtained and reviewed the personal bank statements of certain employees of the Clerk's Office and the Sheriff's Office to identify the source of certain deposits.

These procedures identified \$6,500.00 of cash bonds which either the Clerk's Office received and did not deposit or the Sheriff's Office did not properly remit to the Clerk's Office. We were unable to determine if additional amounts may have been undeposited during this time period because adequate records were not available for all collections. Several internal control weaknesses were also identified. Our detailed findings and recommendations are presented in the Investigative Summary of this report.

The procedures described above do not constitute an audit of financial statements conducted in accordance with U. S. generally accepted auditing standards. Had we performed additional procedures, or had we performed an audit of financial statements of the Tama County Clerk of Court or the Tama County Sheriff's Office, other matters might have come to our attention that would have been reported to you.

Copies of this report have been filed with the Division of Criminal Investigation, the Tama County Attorney's Office and the Attorney General's Office.

We would like to acknowledge the assistance and many courtesies extended to us by the officials and personnel of the Iowa Division of Criminal Investigation, the Judicial Department, the Tama County Clerk of Court and the Tama County Sheriff's Office during the course of our investigation.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 22, 2009

Tama County Clerk of Court and the Tama County Sheriff's Office
Investigative Summary

Background Information

There are 100 Clerk of Court offices in the State of Iowa which are governed by the Judicial Department (Department). These offices are primarily responsible for managing and maintaining all trial court records filed in the county. Staff in the Clerk of Court offices also perform several administrative duties, including accepting and processing fines, fees and court costs owed to the state, child support checks and civil judgments owed to litigants and notifying state and local government agencies, including law enforcement agencies, of court orders.

Individuals against whom a judgment has been entered remit the amounts owed to the Clerk of Court offices. Individuals may satisfy their obligations through payments made by cash, check or another monetary form. Personnel in the Clerk of Court office record each collection in the Iowa Court Information System (ICIS). ICIS is an electronic application system comprised of several components. It includes docketed court proceedings and information about the fines, bail amounts, fees and court costs due from and paid by individuals against whom a judgment has been ordered.

Typically, the individuals' payments are received by the cashiers at the Clerk of Court Office. The cashiers record the payment in ICIS and issue a pre-numbered receipt for the transaction. However, when the Tama Clerk of Court's Office (Clerk's Office) is closed, fines and/or bail money may be taken to the Tama County Sheriff's Office (Sheriff's Office).

The Sheriff's Office also receives room and lodging and commissary revenues. Room and lodging are fees received from inmates or the inmates' families for housing inmates at the County Jail and commissary revenues are payments received from inmates or outside sources for the inmates to purchase items, such as candy and personal hygiene products.

According to representatives of the Sheriff's Office, if a payment is received by their office, a pre-numbered triplicate receipt is prepared by either the Jailer on duty or the Jail Administrator. The white copy of the receipt is given to the individual remitting payment and the pink and yellow copies are maintained at the Sheriff's Office with the cash or checks received and placed in a locked drawer holding all cash and/or checks collected. If cash bonds are collected at the Sheriff's Office, the Jailer receiving the cash or check is to record it on the "daily pass along" sheet to inform the other Jailers cash bonds were collected which need to be taken to the Clerk's Office.

However, according to a representative of the Sheriff's Office, the Jailers do not always remember to record the collection of cash bonds on the "daily pass along" sheet. Therefore, cash bonds received could remain in the drawer at the Sheriff's Office for up to 1 month until the Sheriff's commissary account is balanced. When a Sheriff's Office employee determines cash bonds were collected, any available Sheriff's Office employee takes the cash and/or checks received, along with the yellow copy of the pre-numbered receipt, to the Clerk's Office. In addition, according to a representative of the Sheriff's Office, the employee taking the cash bonds to the Clerk's Office would usually wait for a receipt from the Clerk's Office. However, if the Clerk's Office was busy, a receipt was subsequently placed in the Sheriff's Office mailbox.

In January 2009, a new Clerk of Court was appointed for Tama County following the retirement of the former Clerk of Court. The new Clerk of Court was previously appointed to Marshall County in July 2006 and serves both counties. To make procedures consistent between the 2 counties, the new Clerk of Court implemented a "Bond Receipt Log" to document the date, the individual posting the cash bond, the defendant's name, the amount, whether the payment was cash or

check, the Sheriff's Office employee initials and the Clerk's Office employee initials. This log was to be completed for every cash bond remitted to the Clerk's Office by the Sheriff's Office.

In May 2009, a defendant who had posted a cash bond in February 2009 requested the Clerk's Office refund the payment based on a court order stating the funds were to be returned. However, the Tama County Clerk of Court was unable to locate a \$3,500.00 cash bond posted on ICIS for the individual. In addition, receipt of the cash bond was not recorded on the "Bond Receipt Log." Another instance occurred on August 10, 2009 for a \$2,000.00 cash bond. Because the "Bond Receipt Log" was not completed, the Clerk of Court believed both cash bonds remained in the Sheriff's Office. After the second instance, the Clerk of Court attempted to obtain further information about the cash bonds identified from the Clerk's Office employees; however, none of the employees provided additional information.

On August 12, 2009, the Sheriff's Office received an anonymous letter regarding certain cash bond receipts. The author of the letter stated 3 crumpled, yellow Sheriff's Office receipts were found in the trash can of the women's restroom at a local bar. The 3 receipts, including the 2 cash bonds previously identified and a 3rd cash bond, had been smoothed out and taped to the letter. In addition, the author alleged Janet Walker, a Clerk's Office employee, had been in the restroom prior to the receipts being found. On August 13, 2009, Ms. Walker was placed on paid administrative leave pending further investigation. Ms. Walker was subsequently terminated on September 30, 2009 for personnel reasons unrelated to this incident.

As a result of the cash bonds which could not be located, the Judicial Department requested the Office of Auditor of State perform an investigation of the alleged misappropriation. As a result of that request, we performed the procedures detailed in the Auditor of State's Report for the period January 1, 2007 through August 31, 2009. Because cash bonds can be collected by either the Clerk's Office or the Sheriff's Office, the procedures performed covered revenues collected by both offices.

Detailed Findings

As a result of these procedures, \$6,500.00 of undeposited cash bonds was identified for the period January 1, 2007 through August 31, 2009. We were unable to determine if additional amounts may have been undeposited during this time period because adequate records were not available for all collections. A detailed explanation of our findings follows.

Undeposited Collections – As previously stated, all cash bonds were to be remitted to the Clerk's Office unless the Clerk's Office was closed, in which case the payments were to be remitted to the Sheriff's Office. According to a representative of the Sheriff's Office, all Sheriff's Deputies, Jailers, the Jail Administrator and other administrative staff have access to cash bonds received either through direct collection of the cash or check or by taking the collections to the Clerk's Office.

According to the "Bond Receipt Log" maintained by the Clerk's Office beginning in January 2009, the following individuals from the Sheriff's Office have taken cash bonds to the Clerk's Office:

- Gwen Wathan – Jail Administrator,
- Dave Ruopp – Chief Deputy,
- Debbie Burnes – Records,
- Kira Doyle – Clerk, and
- Dennis Kucera – Sheriff.

In addition, the following individuals from the Clerk's Office received cash bonds, either directly or from the Sheriff's Office: Connie Rohach, Sharon Finzen, Jennifer Kasal and Ms. Walker.

As previously stated, 3 cash bonds were never recorded on either the “Bond Receipt Log” or on ICIS. **Table 1** summarizes the 3 cash bond receipts, including the receipt date, receipt number and amount.

Table 1

Receipt Date	Receipt Number	Bond Amount
02/23/09	0007181	\$ 3,500.00
03/11/09	0007192	2,000.00
06/05/09	0007262	1,000.00
Total		<u>\$ 6,500.00</u>

As previously stated, the Clerk of Court determined the cash bonds on the receipts dated February 23 and March 11 had not been deposited. However, the receipt dated June 5 was not identified until the Sheriff’s Office received the anonymous letter. Because there are several people from both the Clerk’s Office and the Sheriff’s Office with access to cash bonds collected, we are unable to determine who may have misappropriated the \$6,500.00 identified.

For the 3 cash bonds identified, the money received could have been mishandled as follows:

- Scenario A – The cash bond payment received by the Sheriff’s Office was never turned over to the Clerk’s Office by the individual transporting the cash or check. That individual then disposed of the yellow copy of the Sheriff’s Office receipt and kept the cash received.
- Scenario B – The cash bond payment received by the Sheriff’s Office was properly remitted to the Clerk’s Office; however, the Clerk’s Office employee receiving the cash or check did not have the Sheriff’s Office employee complete the “Bond Receipt Log.” The Clerk’s Office employee then disposed of the yellow copy of the Sheriff’s Office receipt and kept the cash.
- Scenario C – The cash bond payment received by the Sheriff’s Office was properly remitted to the Clerk’s Office. However, the Sheriff’s Office employee and the Clerk’s Office employee worked in collusion to not record the cash bond on the “Bond Receipt Log”, dispose of the yellow copy of the Sheriff’s Office receipt and keep the cash.

According to a representative of the Sheriff’s Office, the Sheriff’s Office implemented new procedures in July 2009 for cash bond collections. Cash bonds received are kept in a locked drawer separate from room and lodging and commissary collections and a chain of custody form is maintained to document which employee collected the cash bond, took the cash bond to the Clerk’s Office and which Clerk’s Office employee received the cash bond.

In addition to cash bonds, the Sheriff’s Office receives revenue from room and lodging and commissary payments. As part of our investigation, we selected certain room and lodging and commissary receipts to trace to deposit in the Sheriff’s Office bank account to determine if collections were properly deposited for the period January 1, 2007 through August 31, 2009. In addition, we traced all other amounts listed on the selected deposit slips to a Sheriff’s Office receipt to determine if all collections were properly recorded. No concerns were identified for the receipts and deposits tested. As a result, we did not expand our testing to additional receipts.

We also accounted for the numerical sequence of all receipts prepared by the Sheriff’s Office for the period January 1, 2007 through August 31, 2009. As a result, we identified 61 receipts which could not be located. Therefore, we are unable to determine the amount received or what the payment was for. In addition, because we could not locate all receipts, we were not able to identify any collections for which receipts were not prepared.

Recommended Control Procedures

As part of our investigation, we reviewed the procedures used by the Tama County Clerk of Court and the Tama County Sheriff's Office to perform bank reconciliation functions and process receipts. An important aspect of internal control is to establish procedures that provide accountability for assets susceptible to loss from error and irregularities. These procedures provide the actions of one individual will act as a check on those of another and provide a level of assurance errors or irregularities will be noted within a reasonable time during the course of normal operations. Based on our findings and observations detailed below, the following recommendations are made to strengthen the Clerk's Office and the Sheriff's Office internal controls.

- A. Access to Collections – All collections received in the Sheriff's Office are kept in a locked drawer until they are either deposited or taken to the Clerk's Office. As previously stated, beginning in July 2009, cash bonds were kept in a separate drawer from the room and lodging and commissary collections. However, all Sheriff's Deputies, Jailers, the Jail Administrator, the Sheriff and other administrative staff have keys to both locked drawers.

In addition, we determined all employees in the Clerk's Office have access to cash bonds received either through direct collection or from the Sheriff's Office.

Recommendation – The Sheriff's Office should implement procedures to limit the number of employees with access to collections received. Keys to the locked drawers should be assigned to specific staff. In addition, the Sheriff's Office should continue using the chain of custody form for cash bonds and other collections received. The Sheriff's Office should also ensure an independent person reconciles the chain of custody form for room and lodging and commissary receipts.

The Sheriff's Office should also work with the Clerk's Office to implement a mechanism to reconcile the Sheriff's chain of custody form to collection records at the Clerk's Office for cash bonds. In addition, the Clerk's Office should ensure an individual independent of the collection process prepares the deposit and performs a reconciliation.

- B. Cash Bonds – As previously stated, if the Clerk's Office is closed, payments for cash bonds are received directly by the Sheriff's Office. These collections are then to be taken to the Clerk's Office. We identified 4 cash bonds received in the Sheriff's Office which were not taken to the Clerk's Office in a timely manner.

Recommendation – The Sheriff's Office should use the chain of custody form to track when cash bonds are received and ensure cash bonds collected are taken to the Clerk's Office in a timely manner.

- C. Pre-numbered Receipts – The Sheriff's Office issues pre-numbered receipts for all collections. However, the numerical sequence of receipts issued is not accounted for and the receipts are not currently maintained in a manner which ensures the numerical sequence of the receipts can be readily determined.

Recommendation – The Sheriff's Office should ensure the numerical sequence of all pre-numbered receipts issued is accounted for during the reconciliation process. To facilitate this, the Sheriff's Office should issue 3-part receipts from a book which requires the third copy remain bound in the book.

- D. Bond Receipt Log – As previously stated, in January 2009, the Clerk’s Office implemented a “Bond Receipt Log” to document the information pertaining to those cash bonds received from the Sheriff’s Office. However, the 3 cash bonds identified which could not be located were not recorded on the “Bond Receipt Log.”


Recommendation – The Clerk’s Office should implement procedures to ensure the completeness and accuracy of the “Bond Receipt Log,” such as obtaining a listing of all cash bonds received by the Clerk’s Office from the Sheriff’s Office on a monthly basis.

Report on Special Investigation of the
Tama County Clerk of Court and the Tama County Sheriff's Office

Staff

This special investigation was performed by:

Annette K. Campbell, CPA, Director
Jennifer Campbell, CPA, Senior Auditor II
Melissa J. Knoll-Speer, Senior Auditor


Tamera S. Kusian, CPA
Deputy Auditor of State