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STATE OF IOWA

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NEWS RELEASE

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FOR RELEASE _____ March 6, 2012 _____

Auditor of State David A. Vaudt today released a report on the Emmet County Sheriff's Office for the period June 1, 2009 through December 31, 2011. The procedures were performed as a result of a request from the Department of Public Safety (DPS) after it was determined the Emmet County Sheriff's Office failed to submit monthly reports summarizing the number of weapon permits issued and/or renewed in the County. It was also determined the Sheriff's Office failed to remit a portion of issuance fees to DPS for the period June 1, 2009 to December 31, 2011. In addition, DPS requested the bank account maintained by the Sheriff's Office and used to collect permit fees be reviewed for propriety.

Vaudt reported the procedures confirmed the Sheriff's Office did not submit monthly reports and portions of issuance fees to DPS in a timely manner. However, the past due reports and DPS' portion of issuance fees have now been submitted. In addition, based on the supporting documentation available, Vaudt reported the weapon permits recorded and the number reported to DPS was accurate and the proper portion of fees was remitted to DPS. Also, the procedures determined the database used by DPS to monitor reports did not properly identify counties which had not submitted their monthly reports. However, it was determined only the Emmet County Sheriff's Office did not submit certain reports. In addition, after identifying the problem with the database, DPS officials made appropriate corrections to the database to ensure all counties will be monitored and proper follow-up will be performed to ensure monthly reports are submitted in a timely manner.

Vaudt reported it was not possible to ensure all weapon permits are properly reported to DPS by any county because external sources, such as court cases and certain laws, prohibit the Sheriffs' Offices or DPS from maintaining a list of all individuals who have applied for weapon permits.

Vaudt also reported the Emmet County Sheriff's Office maintains a bank account which is referred to as the "general fund" account by the Sheriff. The bank account is used for all daily collections, such as room and board fees, gun permit fees, cash bonds and civil collections. The Sheriff's Office remits the County's portion of the collected funds from the bank account to the County Treasurer each quarter. The activity in the bank account was appropriate and in accordance with section 331.655(4) of the *Code of Iowa*. Vaudt also reported the quarterly payments remitted to the County Treasurer were in accordance with section 331.902 of the *Code of Iowa*.

The report includes recommendations to strengthen the internal controls and overall operations at the Sheriff's Office and DPS. Recommendations to the Sheriff's Office include improving segregation of duties, reconciling collections to bank account deposits and maintaining separate receipt books by type of collection. In addition, Vaudt recommended DPS continue to ensure all 99 counties properly report the number of permits to carry a weapon and remit the proper portion of fees in a timely manner. Vaudt also recommended DPS provide record retention guidelines to all Sheriff's Offices for the issuance of permits.

A copy of the report has been filed with the Department of Public Safety, the Emmet County Board of Supervisors and the Emmet County Sheriff's Office. Copies of the report are available for review in Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/specials/1210-0032-TE00.pdf>.

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March 6, 2012

To the Commissioner of the
Department of Public Safety:

Because it was determined the Emmet County Sheriff's Office failed to submit monthly reports regarding weapon permits and the Department of Public Safety's (DPS) portion of the issuance fees and at the request of a DPS official, we have performed certain procedures at the Sheriff's Office for the period June 1, 2009 through December 31, 2011. In addition, the DPS official requested we review the bank account maintained by the Sheriff's Office and used to collect permit fees for propriety. The process to obtain a permit and the issuance fees are briefly described in the following paragraphs.

Prior to January 1, 2011, individuals seeking to obtain a permit to carry a weapon were required to complete an application. Each County Sheriff was allowed to use their discretion when issuing permits. The issuance cost for a permit was \$10, of which \$2 was to be remitted to DPS. The issuance cost for a renewal permit was \$5, of which \$1 was to be remitted to DPS.

As a result of revised legislation which was effective January 1, 2011, all Sheriffs' Offices are now required to issue permits to applicants meeting certain criteria. Each County Sheriff is no longer allowed discretion when issuing permits. The revised legislation also increased issuance costs. According to section 724.11(3) of the *Code of Iowa*, the issuing officer is to collect a \$50 fee for each permit issued. Renewal permits or duplicate permits are to be issued for a \$25 fee. The Sheriff's Offices are required to remit \$10 of each \$50 fee collected for a new carry permit and \$5 of each \$25 fee collected for renewal permit to DPS.

At the end of each month, each Sheriff's Office is to submit a report documenting the names and date of birth of the individuals receiving permits, expiration dates for the permits, transaction numbers, type of permits (i.e. professional, non-professional, peace officer or reserve officer) and fees remitted to DPS. DPS reviews the reports and enters the information in a database. After information from the reports has been recorded, DPS prepares a monthly reconciliation of recorded amounts and the amounts received. The reconciliations are reviewed by an independent person. In addition, DPS conducts follow-up conversations with counties which are 2 months delinquent.

As a result of a concern identified by DPS for the Emmet County Sheriff's Office, we reviewed certain records at the Sheriff's Office and performed certain procedures to selected financial transactions. We performed the following procedures for the Sheriff's Office and DPS for the period June 1, 2009 through December 31, 2011.

- (1) Reviewed internal controls to determine whether adequate policies and procedures were in place and operating effectively at the Sheriff's Office for reports submitted to DPS and cash transactions, including weapon permit fees.
- (2) Reviewed internal controls to determine whether adequate policies and procedures were in place and operating effectively at DPS for weapons permits.
- (3) Reviewed weapon permits issued by the Sheriff's Office to determine if reports summarizing the number of permits issued were accurate and submitted in a timely manner.

- (4) Reviewed monthly reports submitted to DPS to determine if the appropriate fees collected by the Sheriff's Office for permits were remitted.
- (5) Reviewed activity in a bank account held by the Sheriff's Office to identify any unusual activity and to determine if the activity in the bank account was in compliance with the *Code of Iowa* for separately maintained accounts.
- (6) Reviewed deposits to the Sheriff's Office bank account to determine the source, purpose and propriety of certain deposits and to determine if deposits were made intact.
- (7) Reviewed information recorded in DPS' database to determine if any other Sheriffs' Offices did not submit reports and determine the reasonableness of information submitted by the Sheriffs' Offices.

As a result of these procedures, we determined the Emmet County Sheriff's Office did not submit monthly reports to DPS in a timely manner for the period June 1, 2009 through December 31, 2011. However, the past due reports have now been submitted. Based on the supporting documentation available, we confirmed the weapon permits were properly recorded and the number reported to DPS was accurate. In addition, based on the number of weapon permits reported, we determined the proper fees collected by the Sheriff's Office for permits were remitted to DPS. However, it was not possible to ensure all weapon permits are properly reported to DPS by any County because external sources, such as court cases and certain laws, prohibit the Sheriffs' Offices and DPS from maintaining a list of individuals who have applied for weapon permits.

We also determined the Sheriff's Office maintains a bank account which is referred to as the "general fund" account by the Sheriff. The bank account is used for all daily collections, such as room and board fees, gun permit fees, cash bonds and civil collections. Based on our testing, the Sheriff's Office properly remits the County's portion of funds deposited to the bank account to the County Treasurer on a quarterly basis. The activity in the account was appropriate and in accordance with section 331.655(4) of the *Code of Iowa* and we determined quarterly payments remitted to the County Treasurer were in accordance with section 331.902 of the *Code of Iowa*.

As part of our review, we reviewed the procedures used by the Emmet County Sheriff's Office to process receipts and disbursements. 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 Sheriff's Office internal controls.

- (A) Segregation of Duties – An important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The Civil Clerk in the Sheriff's Office currently collects fees, such as cash bonds and civil collections, posts to accounting records, prepares deposits and makes deposit.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the functions listed above should be segregated. In addition, the Sheriff should review financial records, perform reconciliations of collections in the accounting system to the bank account and examine supporting documentation for accounting records on a periodic basis. Also, bank statements should be reviewed by an independent person to ensure transactions appear reasonable.

- (B) Receipts – Receipts were maintained for collections, such as room and board fees, gun permits, cash bonds and civil collections. However, because the receipts are prepared manually and not segregated in any way, the collections are not easily identifiable by revenue source.

Recommendation – The Sheriff's Office should implement separate receipt books for cash bonds, room and board fees, gun permits and civil collections. Separate receipt books will allow the Sheriff's Office to reconcile each revenue type recorded in the Sheriff's Office accounting records to the bank account. Because the Sheriff's Office recently purchased an accounting software package, receipts should be completed and recorded in the computerized accounting system. The software will allow the Sheriff's Office to sort by revenue type to ensure receipts reconcile to the accounting software. Also, the receipts should periodically be compared to deposits by an independent party to ensure collections are deposited timely and intact.

DPS should ensure the findings and recommendations identified above for the Emmet County Sheriff's Office are properly communicated to other Sheriffs' Offices to help improve controls as appropriate. In addition, as a result of our review, we identified the following findings and recommendations which should be considered by DPS.

- (A) Database – According to a DPS representative, there was a flaw in the database used by DPS to monitor monthly reports from Sheriffs' Offices. Specifically, if the data was not entered for a given county in a year, the county did not appear on the list of delinquent counties requiring follow up. However, after a concern was identified, DPS modified the database to ensure all counties are accounted for and monitored on an on-going basis.

Recommendation – DPS should continue to monitor the database to ensure reports are submitted by each of the 99 counties in a timely manner. In addition, someone independent of entering data should review the database to ensure all information is complete and accurate.

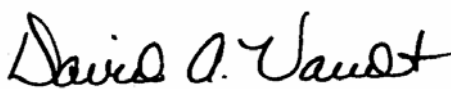
- (B) Records Retention – DPS provides guidelines to Sheriffs' Offices for the retention of records. However, because the guidelines are provided only to Sheriffs' Offices which make an inquiry to DPS, not all Sheriffs' Offices are aware of the guidelines used and recommended by DPS for retention of records.

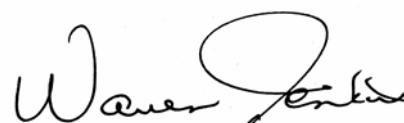
Recommendation – DPS should implement procedures to ensure all Sheriffs' Offices are aware of the guidelines used and recommended by DPS for record retention.

The procedures we performed 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 Emmet County Sheriff's Office, other matters might have come to our attention that would have been reported to you.

A copy of the report has been filed with the Department of Public Safety, the Emmet County Board of Supervisors and the Emmet County Sheriff's Office.

We would like to acknowledge the assistance and many courtesies extended to us by officials and staff of the Emmet County Sheriff's Office and the Department of Public Safety during the course of our review.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

cc: Emmet County Board of Supervisors
Mike Martens, Emmet County Sheriff