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NEWS RELEASE

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FOR RELEASE _____ December 6, 2012 _____

Auditor of State David A. Vaudt today released a report on the Hamilton County Sheriff's Office for the period July 1, 2008 through June 30, 2012. Procedures were performed as a result of concerns regarding the deposit of fees collected for handgun safety training courses instructed by Sheriff's Office personnel and certain credit card purchases made by Sheriff's Office personnel.

Vaudt reported the procedures identified approximately \$18,000 of fees collected for training courses which were not properly deposited with the County Treasurer in accordance with section 331.902 of the *Code of Iowa*. Rather, the fees collected were used to compensate the training course instructors. However, because sufficient supporting documentation was not available, it was not possible to determine the exact number of participants in the training courses. Although class rosters were maintained beginning May 1, 2009, receipts were not prepared. As a result, there may be additional undeposited amounts which were not identified.

Vaudt reported 13 of 35 credit card transactions tested were not supported by receipts itemized in sufficient detail to determine the propriety of the purchases. In addition, 1 transaction tested did not have pre-approval from the Board of Supervisors to exceed the maximum travel per diem rate as required by County policy. Vaudt also reported a written policy regarding uniform purchases for the Jail Administration has not been developed and implemented and a formal system has not been established for tracking ammunition inventory.

In addition, Vaudt reported the Sheriff's Office maintains a bank account which 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 funds collected 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 of the Sheriff's Office. Recommendations to the Sheriff's Office include depositing training course fees collected in accordance with the *Code of Iowa*, reviewing credit card purchases for compliance with Hamilton County's credit card and travel policies prior to payment, developing and implementing a written policy for the purchase of uniforms for the Jail Administration and developing and implementing a formal system to track ammunition inventory. In addition, Vaudt recommended the Department of Public Safety ensure the recommendations regarding the provision of training courses by Sheriff's Office personnel and the deposit of any related fees collected are communicated to the other Sheriffs' Offices.

A copy of the report has been filed with the Hamilton County Sheriff's Office, the Hamilton County Attorney's Office and the Department of Public Safety. 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/0910-0040-TE00.pdf>.

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**REPORT ON THE
HAMILTON COUNTY SHERIFF'S OFFICE**

JULY 1, 2008 THROUGH JUNE 30, 2012



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November 26, 2012

To the Members of the Hamilton
County Board of Supervisors:

As the result of concerns brought to our attention regarding the deposit of fees collected for handgun safety training courses (training courses) and certain credit card purchases made by Sheriff's Office personnel, we have performed certain procedures at the Sheriff's Office for the period July 1, 2008 through June 30, 2012. In addition, we reviewed the bank account maintained by the Sheriff's Office for compliance with the *Code of Iowa*. Based on a review of relevant information and discussions with County officials and staff, we performed the following procedures for the period July 1, 2008 through June 30, 2012:

- (1) Reviewed internal controls to determine whether adequate policies and procedures were in place and operating effectively at the Sheriff's Office for the collection and deposit of fees for training courses and weapons permits issued, credit card purchases and ammunition inventory.
- (2) Obtained and reviewed certain credit card statements for the County credit cards issued to the Sheriff and Jail Administrator to determine if the purchases appeared appropriate and were supported by sufficient documentation.
- (3) Reviewed credit card purchases recorded in the County's accounting system for all other County credit cards issued to Sheriff's Office staff to determine if the purchases appeared appropriate.
- (4) Reviewed training course attendance logs to determine the number of participants and to determine if the related fees collected were properly deposited with the County Treasurer.
- (5) Reviewed weapons 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.
- (6) Reviewed monthly reports submitted to the Department of Public Safety (DPS) to determine if the appropriate fees collected by the Sheriff's Office for permits were remitted.
- (7) 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.
- (8) Reconciled quarterly reports submitted to the Board of Supervisors to the activity in the bank account held by the Sheriff's Office to determine if all activity was properly accounted for and the appropriate amounts were remitted to the County Treasurer.

Background

Handgun Safety Training Courses

Prior to January 1, 2011, individuals seeking to obtain a permit to carry a weapon were required to complete an application. Individuals were also required to complete a firearm training program. Section 724.9 of the *Code of Iowa* states classes may be offered by a law enforcement agency or taught by a certified firearm instructor. The *Code* did not specify the amount to be

charged for participation in a firearm training program. However, the *Code* did specify an issuance cost of \$10 for the permit to carry, 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 effective January 1, 2011, all Sheriffs' Offices are now required to issue permits to applicants meeting certain criteria, including demonstrated knowledge of firearm safety. Applicants can fulfill this requirement through:

- completion of any National Rifle Association training course,
- completion of any training course available to the general public offered by a law enforcement agency, community college, college, private or public institution or organization or firearms training school utilizing instructors certified by the National Rifle Association, DPS, another state's DPS, state police department or similar certifying body,
- completion of any training course offered for security guards, investigators, special deputies or any division or subdivision or a law enforcement or security enforcement agency approved by DPS,
- completion of small arms training while serving with the armed forces or
- completion of a law enforcement agency training course qualifying a peace officer to carry a firearm.

To demonstrate completion of a training course, applicants may provide:

- a photocopy of a certificate of completion or any similar document indicating completion or any course described above,
- an affidavit from the instructor, school, organization or group conducting the course attesting to the applicant's completion or
- a copy of any document indicating participation in any firearms shooting competition.

The revised legislation does not specify the fee to be charged by a law enforcement agency or certified firearm instructor offering training courses. The Hamilton County Sheriff, Chief Deputy and 1 of the Sheriff's Deputies are certified firearms instructors and offer training courses for the permit to carry and provide a certificate of completion to the applicant. Applicants are charged \$50 for participation in the training course.

The revised legislation also increased issuance costs for weapons permits. 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 Sheriffs' Offices are required to remit \$10 of each \$50 fee collected for a new permit to carry and \$5 of each \$25 fee collected for a 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. On a quarterly basis, the Hamilton County Sheriff's Office also reports total weapons permit fees collected to the Board of Supervisors and remits the amount retained by the County to the County Treasurer.

Credit Card Purchases

To assist with daily operations within the Hamilton County Sheriff's Office, the Sheriff, Jail Administrator and each Deputy is assigned a County credit card. In accordance with the County's written credit card policy, use of the credit card should be limited to items, goods and/or services which cannot efficiently be purchased in another manner, including, but not limited to, lodging and meals while on official county business overnight, gas purchases for county vehicles and/or miscellaneous travel expenses. However, purchases are not to include alcohol or taxable

meals (i.e., meals purchased when not traveling overnight). The written policy also states receipts for all purchases are to be submitted and attached to the monthly statement for payment.

In addition, the County's written travel policy specifies the maximum reimbursement amount allowed per meal/day and requires receipts be submitted with all reimbursement requests. The written travel policy does not include a specific rate for lodging expenses, but it does specify a maximum per diem rate, including lodging, meals and miscellaneous expenses, such as parking. A County employee may exceed the maximum per diem rate if approval is obtained in advance from the Board of Supervisors.

Detailed Findings

Handgun Safety Training Courses

As a result of these procedures, we identified approximately \$18,000 of fees collected by the Hamilton County Sheriff's Office for training courses which were not deposited with the County Treasurer in accordance with section 331.902 of the *Code of Iowa*, which states, "Unless otherwise specifically provided by statute, the fees and other charges collected by the auditor, treasurer, recorder, and sheriff, and their deputies or employees, belong to the county." However, because sufficient supporting documentation was not available, we are unable to determine the exact number of participants and the amounts to be collected for the training courses. Receipts were not prepared for course fees collected and class rosters were not maintained prior to May 1, 2009. As a result, there may be additional undeposited amounts which were not identified.

As previously stated, the Sheriff, Chief Deputy and 1 of the Sheriff's Deputies are certified firearms instructors and offer training courses for the permit to carry. Individuals contact Sheriff's Office staff to register for a training course. Applicants are charged \$50 for participation in the training course. The fees are collected in cash only and the cash collected is split among the instructors. According to the Sheriff, any supplies needed for the training courses, such as snacks or ammunition, are purchased by the instructors and are not provided by the County. Training courses are offered approximately 2 to 4 times per year, depending on demand, and the courses are taught in the multi-purpose room within the Sheriff's Office at the County courthouse. However, the County does not charge the instructors rent for use of the space. Participants receive a certificate of completion prepared by Sheriff's Office staff stating, "The Sheriff of Hamilton County certifies that [the participant] has successfully completed a handgun safety training course..."

According to the Sheriff, the practice of compensating the training course instructors with the fees collected from participants was implemented many years ago before he took office, which was confirmed by the Office Manager. He also stated he was unaware of the requirements included in section 331.902 of the *Code*, but would make any changes deemed necessary to ensure the Sheriff's Office complied with established regulations. We reviewed timesheets submitted by the Chief Deputy and the Deputy who instruct the training courses and confirmed no hours were recorded for their instruction time. Therefore, they were not receiving wages through the County in addition to the cash compensation received.

As previously stated, according to the Sheriff, any ammunition used for the training courses was provided by the instructors and not through the County. However, the revised legislation eliminated the requirement for target shooting prior to receiving a permit to carry. Therefore, ammunition is no longer needed unless a participant requests supervised target shooting. We identified several ammunition purchases on the credit card assigned to the Deputy who instructs the training course. However, because the Sheriff's Office does not have a system in place to track ammunition inventory, we are unable to determine if any of the ammunition purchased was used for the training courses.

Credit Card Purchases

We reviewed all activity on the credit cards issued to Sheriff's Office staff and identified 35 transactions for which we requested the supporting documentation. Of those, 13 transactions were not supported by receipts itemized in sufficient detail to determine if the purchases were

appropriate. Of the 13 transactions identified, 9 were meal purchases. In addition, 3 of the 35 transactions tested were for the purchase of clothing for the Jail Administrator. However, the County does not have a written policy regarding uniform purchases, including the process to request replacement items, allowable clothing and shoes and any dollar limitations. As a result, we are unable to determine if the purchases were appropriate.

We also reviewed the 35 transactions selected for compliance with the County's travel policy, as applicable. As previously stated, the County's policy includes a maximum allowable per diem amount for lodging, meals and miscellaneous expenses. This amount can be exceeded if pre-approval is obtained from the Board of Supervisors. We identified 1 of the 35 transactions tested which did not have pre-approval to exceed the maximum per diem as required by the County's policy. In addition, we identified 2 trips for which the purpose of the travel was not documented and no supporting documentation, such as an agenda or registration form, was provided for the training attended. According to the Jail Administrator, the 2 trips identified were for training for jail administration staff.

Separately Held Bank Account

We also determined the Sheriff's Office maintains a bank account which is used for all daily collections, such as room and board fees, gun permit fees, cash bonds and civil collections. Based on our testing, we determined the weapons permits were properly recorded and the number reported to DPS was accurate. In addition, based on the number of weapons permits reported, we determined the proper amount of fees collected by the Sheriff's Office for permits was remitted to DPS. We also determined the Sheriff's Office properly remitted 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*.

Findings and Recommendations

We also reviewed the procedures used by the Hamilton 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) Handgun Safety Training Fees – Fees collected for training courses instructed by Sheriff's Office staff are not deposited with the County Treasurer in accordance with section 331.902 of the *Code of Iowa*. In addition, although class rosters are maintained for training courses provided, cash receipts are not prepared upon collection of the course fees.

Recommendation – Should Sheriff's Office staff continue to instruct the training courses, the fees collected should be deposited with the County Treasurer in accordance with section 331.902 of the *Code of Iowa* and the Deputies teaching the course should record the hours spent on their timesheets and receive compensation through the County. In addition, pre-printed, pre-numbered receipts should be prepared for each cash payment received.

Should the Sheriff's Office staff choose to instruct the training courses separate from their official duties, the instructors should pay rent to the County for continued use of the multi-purpose room or hold the classes at a separate location not owned by the County. In addition, the instructors, rather than Sheriff's Office staff, should perform all administrative functions for the training courses, including, but not limited to, registering participants, maintaining class rosters, collecting payments, preparing receipts and preparing the certificates of completion. The certificate of completion should also be modified to remove any language referring to the Hamilton County Sheriff's Office.

In addition, the Board should consult with the County Attorney regarding the fees previously collected which were not deposited with the County Treasurer to determine the amount to be recovered, if any. If an amount is recovered, the Board should then determine the amount of compensation owed to the instructors of the training courses.

- (B) Disbursements – Of the 35 credit card transactions tested, 13 were not supported by receipts itemized in sufficient detail to determine the propriety of the purchases. In addition, 1 of 35 credit card transactions tested exceeded the maximum per diem rate without pre-approval from the Board of Supervisors as required by the County’s travel policy. We also identified 2 trips for which the purpose of the travel was not documented.

Recommendation – Itemized receipts should be submitted for all credit card purchases. In addition, prior approval should be obtained from the Board of Supervisors for any travel expenses which will exceed the maximum per diem rate in accordance with the County’s travel policy and the purpose of the travel should be documented, including supporting documentation for training attended, such as an agenda or registration form.

- (C) Uniforms – The County does not have a written policy regarding the purchase of uniforms for Jail Administration.

Recommendation – The Board should develop and implement a written policy regarding uniform purchases for Jail Administration, including the process to request replacement items, allowable clothing and shoes and any dollar limitations on an individual purchase.

- (D) Ammunition Inventory – The Sheriff’s Office does not have a formal system to track ammunition inventory.

Recommendation – The Sheriff’s Office should develop and implement a system to track ammunition inventory in total and by individual Deputy. Additions to inventory should be supported by sufficient documentation, such as an itemized receipt. In addition, the ammunition inventory beginning and ending balances should be reconciled monthly by an individual independent from the distribution of ammunition to the individual Deputies and any significant activity should be investigated further.

DPS should ensure the findings and recommendations identified above for the Hamilton County Sheriff’s Office are properly communicated to other Sheriffs’ Offices to help improve controls, as appropriate.

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 Hamilton 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 Hamilton County Sheriff’s Office, the Hamilton County Attorney’s Office and the Department of Public Safety.

We would like to acknowledge the assistance and many courtesies extended to us by officials and staff of the Hamilton County Sheriff’s Office and the Hamilton County Auditor’s Office during the course of our review.



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