

# **MUNICIPAL AUDITING REPORT**

## **CITY OF ROANOKE**

### **SHERIFF'S CANTEEN AND AUXILIARY FUNDS**

Report Number: 10010

Audit Plan Number: 10001

*Municipal Auditing Department  
Chartered 1974*

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## BACKGROUND

The Roanoke Sheriff's Office is responsible for the orderly operation and management of the jail, transportation of prisoners, providing courthouse and courtroom security for local District and Circuit Courts, and serving all civil process and mental hygiene warrants in the City of Roanoke. To accomplish these responsibilities, there are three service divisions within the Sheriff's Office - the Services Division, Jail Security Division, and Court Services Division.

The Services Division's objectives are to provide programs and procedures based on positive correctional goals instead of punitive objectives and to provide adequate and efficient medical and dental services based on sound moral and legal opinions and established practices.

The goals of the Roanoke City Jail are to protect the community, to carry out judgments imposed by the courts, to provide a safe and humane environment for those committed to their custody, and to strive to increase the number of inmates who return to the community as law abiding citizens. The functional role of the Jail Security Division is to provide a level of supervision consistent with human dignity, assure maximum protection to the community, and provide an institutional environment to minimize any detrimental effects of confinement.

The jail complex has a total of 335 cells. If every bed in the jail is filled, including the classification holding area beds, segregation beds, and infirmary beds, a total of 834 individuals could be accommodated.

The objectives of the Court Services Division are to provide a level of security within the courts, to provide a safe and secure courtroom environment, and to serve all civil process, criminal warrants, and mental hygiene warrants as directed by the courts.

The City of Roanoke Sheriff's Office has been accredited by the National Commission on Correction Health Care since 1987 and has maintained their accreditation by the American Correctional Association since 1991. In addition, the Virginia Board of Corrections has given the Sheriff's department accreditation and performs unannounced periodic audits. The City of Roanoke Sheriff's Office has a staff of approximately 250 deputies and civilians. The Sheriff and her deputies have the statutory authority to enforce the laws and ordinances of the City of Roanoke and the Commonwealth of Virginia.

The Roanoke Sheriff’s Office mission statement, as stated in the FY2010 City of Roanoke Resource Allocation Plan, is as follows:

“As a diverse, professional law enforcement agency, we will serve and protect every person within the City of Roanoke through quality court, correctional, law enforcement and customer-focused services.”

General Fund expenditure information is as follows:

Sheriff:

Actual	Actual	Actual	Adopted
06-07	07-08	08-09	09-10
\$2,238,919	\$2,398,602	\$2,650,993	\$2,157,787

Jail:

Actual	Actual	Actual	Adopted
06-07	07-08	08-09	09-10
\$13,841,782	\$13,781,909	\$13,673,976	\$14,212,981

Sheriff and Jail General Fund expenditures are recorded on the Advantage Financial System and post to accounts 01-140-3310 and 01-140-2140, respectively.

The Sheriff’s Office has several revenue accounts used for monies deposited through the City of Roanoke Treasurer’s Office. A summary of each is as follows:

Name	FY2009 Revenue	Revenue Account	Description
Compensation Board Funding	\$5,138,026	0611	Employee salary reimbursement by the State
Jail per diem	\$1,360,648	0651	Revenue associated with housing state prisoners
Sheriff fees - Circuit Court	\$11,921	0818	Subpoena fees
Courthouse Security Fee	\$177,161	1284	Fee collected to defray the cost of courthouse security personnel
Inmate Processing Fee	\$26,915	1285	Fee imposed on any individual admitted to the city jail following conviction
Non-Consecutive Jail Time Fee	\$871	1289	Fees collected from inmates who are not serving their time consecutively
Housing Federal Prisoners	\$1,788,956	1302	Revenue received from the Federal Government for housing federal prisoners

Bureau of Prisons	\$16,858	1303	Revenue received from the Federal Government for housing federal prisoners
Housing Prisoners - Other Localities	\$582,062	1304	Revenue from other localities for housing prisoners
Inmate Phone Commissions	\$261,193	1305	Inmate telephone commissions
Miscellaneous Sheriff Fees	\$54,252	1306	Includes charges for fingerprint fees (\$5 each), inmate restitutions, and other miscellaneous transactions
Medical Co-Pays	\$18,434	1307	Charges to inmates for medical administrative fees, doctor fees, and prescription charges
Off-duty Billings - Sheriff	\$1,682	1313	Fees charged to private companies for providing security at private events
Prisoner Care Fee	\$100,072	1379	To charge inmates a fee to defray the costs associated with the prisoner's keep (\$1 per day)
DARE Program Golf Tournament	\$9,810	1522	Community Crime Prevention Program
Sheriff Donation DARE	\$1,040	1861	Donations for Community Crime Prevention Program

The Sheriff's Office contracts with an outside vendor to provide telephone service, including necessary equipment for inmates. When someone receives a call from an inmate, a recording asks if he/she chooses to accept the incoming call. If the receiver chooses to do so, he/she will be charged a fee based on whether the call is local or long distance. The Sheriff's Office receives a commission based on charges generated from phone calls made by the inmates. Revenues are received as the vendor collects payment. Commissions received are used to defray the cost of operating the Jail.

Inmates are not allowed to possess cash while incarcerated, requiring that inmate trust funds be established, maintained, and accounted for by the Sheriff's Office. Trust funds are established with money confiscated at the time of incarceration or with funds received from family and friends of the inmate. Inmate accounts are also credited for wages earned through the Work Release Program. Prisoners may use their funds to purchase canteen goods from Swanson Services Corporation [Swanson], to pay medical co-payments, or they may request payments be made to family and friends. Inmate trust funds are kept in a separate checking account and records are maintained using the Swanson software package. Accounting for the inmate funds is on the cash basis of accounting.

While incarcerated, the Sheriff's Office provides inmates with the necessities for day-to-day living. Comfort items such as soft drinks, snacks, personal care products, and

non-prescription medications are available for purchase by the inmates from an inmate canteen run by Swanson Services Corporation. Inmates may purchase items three times per week. The cost of goods is deducted from each prisoner's inmate trust fund account and remitted to Swanson. The Sheriff's Office receives a commission on items purchased. Funds generated from sales are kept in a separate checking account and records are maintained by the Sheriff's Office using the cash basis of accounting. Profits generated through canteen sales are used for the benefit of the inmates per state code § 53.1-127.1. The contract between Swanson and the City of Roanoke expired February 6, 2010, and they are currently on a month-to-month basis.

In addition to Canteen and Inmate Fund checking, the Sheriff's Office also maintains separate checking accounts for Civil Processing Fees and the Roanoke City Sheriff's Office Special Account monies. Revenues deposited into the Civil Processing account include civil process service fees and monies received from Sheriff sales and levies. A check is subsequently issued and remitted to the City Treasurer for the collection amount. Deposits into the Roanoke City Sheriff's Office Special Account are comprised of collections from the vending/drink machines used by employees in the jail while on duty. These are nonpublic funds and primarily support the employee Christmas dinner. Staff makes deposits, disburses monies, and reconciles these accounts on a regular basis.

Annually, the Department of Finance completes the Jail Cost Report for the City of Roanoke Sheriff's Department and requests that Municipal Auditing opine on Item 63, which is a summary report on Jail Canteen and Other Revenue and Expense Information. As specified in Chapter 899, Item 63, 2002 Acts of Assembly, jails must include an audited statement of revenues and expenses for inmate canteen accounts, telephone commission funds, inmate medical co-payment funds, any other fees collected from inmates, and investment/interest monies for inclusion in the report. FY2009 Item 63 was reviewed and an opinion was issued by Municipal Auditing for submission to the Virginia Compensation Board by the Department of Finance. This information is compiled by the Commonwealth with other localities and placed on the Compensation Board Web site ([www.scb.virginia.gov](http://www.scb.virginia.gov)).

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

### **Objectives:**

The objectives of the audit were as follows:

- To evaluate the design and operation of internal controls to promote compliance with the Virginia Sheriffs' Accounting Manual and Auditor of Public Account specifications.
- To verify that revenues and expenditures for the Inmate Canteen, Jail Telephone, Medical Co-payments, Work Release Program, and other Inmate Collections are accurately and completely stated in Item 63 of the FY2009 Jail Cost Report.

**Scope:**

The scope of the audit included inmate-related revenue and expenditure transactions occurring from July 1, 2008, through June 30, 2009, and account balances as of June 30, 2009.

Transactional activity and account balances for the Roanoke City Sheriff's Office Special Account were not included in the scope of this engagement.

**Methodology:**

We utilized the following methodology to complete this audit:

- Reviewed The Virginia Sheriffs' Accounting Manual to gain an understanding of Auditor of Public Accounts' recommended practices as related to Sheriff's fiscal responsibilities, their relationship with the local treasurer, and how the internal control environment should be structured.
- Reviewed Sections 2-7 and 2-8 of the Specifications for Audits of Counties, Cities and Towns which pertain specifically to annual audits of Virginia Sheriffs.
- Reviewed City and State Code as it relates to Sheriff and Jail activities.
- Interviewed Roanoke City Sheriff's Office personnel to determine the nature and timing of receipts and purchasing processes associated with both the Sheriff and Jail cost centers; to gain an understanding of policies and procedures related to the Canteen Fund, Inmate Funds, telephone commissions, medical co-payments, and the Work Release Program.

- Reviewed the FY2007 Jail Cost Report [Annual Jail Revenues and Expenditures Report] published in November 2008 by the State Compensation Board.
- Examined the FY2008 Detail Listing of Revenues vs Budget for the General Fund and Detail Listing of Commitments vs Budget for the Sheriff and Jail cost centers.
- Performed a high-level review of FY2009 Purchasing Card transactions associated with the Sheriff's Office and Jail.
- Reviewed vendor contracts associated with telephone commissions, health care services, and Canteen and Inmate purchases.
- Prepared a cash proof of the Canteen Fund as of June 30, 2009, and reconciled book and bank balances.
- Verified both the Canteen Fund and Inmate Fund year-end bank balances directly with the respective financial institutions.
- Determined whether Canteen and Inmate Fund bank reconciliations were reconciled to the general ledger.
- Determined if Canteen Fund disbursements were for education, recreational or other purposes which benefit inmates.
- Verified that commissions on Canteen sales due to the Sheriff's Office were properly calculated and deposited timely to the Canteen Fund checking account.
- Verified that voided Canteen and Inmate Fund checks were properly marked and did not appear on bank statements as cleared.
- Reviewed Canteen and Inmate Fund checks written to authorized check signers and verified the purchase appeared reasonable.
- Verified that the \$1 Pay-for-Stay fee was properly charged to the inmates' accounts.
- Verified that inmate property slips were signed by the inmate and that associated monies were posted to the Inmate Fund account timely.

- Reviewed Inmate Fund disbursements for adequate supporting documentation.
- Determined whether medical co-payments were supported by charge sheets and deducted from inmate accounts.
- Reviewed telephone commissions due to the Sheriff's Office to assure they were properly calculated and recorded.
- Verified that monies received for inmates through the mail and drop boxes were posted to the inmates' individual accounts in a timely manner.
- Determined whether Inmate Fund deposits were made timely and agreed to receipts.
- Verified that checks used from the Canteen and Inmate Trust funds were signed by an authorized check signer.
- Verified that fees owed by inmates participating in work release programs were calculated accurately and deducted from the Inmate Fund weekly.
- Determined whether deposits of funds received for work release for fees were supported by an official receipt and were made within two days of receipt.
- Reviewed gaps in disbursement check numbering related to the Inmate Fund.
- Verified that agreements for housing prisoners from other governments are evidenced by contracts, reimbursements were adequately supported, and deposits were timely.
- Reviewed Sheriff Sale and Civil Process proceeds and remittances for timeliness and proper approval.
- Determined whether Community Crime Prevention Programs are managed through separate general ledger accounts, receipts are deposited timely, and disbursements were for allowable items.
- Opined on the FY2009 Jail Cost Report, Item 63, as prepared by the Department of Finance for submission to the Virginia Compensation Board.

## RESULTS

### Observation 1: Inadequate Supporting Documentation

**Criteria:** Payments based on vendor invoices are a key element of accounts payable internal controls. This document provides information from the vendor on purchases, cost and payment terms, payment due date, and payment address information. One role of accounts payable personnel is to check invoices for accuracy and verify receipt of goods purchased prior to remitting payment. Typically, receiving documents are submitted to accounts payable personnel in order to fulfill these requirements.

Per the Virginia Sheriff's Accounting Manual, staff should complete a receiving report upon receipt of goods. The accountant should compare vendor invoices with the receiving report and approve the invoice by either signing or initialing. In lieu of a separate receiving report, canteen personnel may write the quantity on the vendor's invoice. He/she should sign the invoice before sending it in for payment.

**Condition:** Three out of ten Canteen fund disbursements tested were not supported by vendor invoices. Backup for these items included staff memos, sourcing requests, and order confirmations. These checks, which totaled \$5,265 or 38% of the dollar amount tested, also did not have receiving documentation proving that the goods ordered were delivered. We independently verified receipt of goods for two out of three disbursements.

**Effect:** Disbursing checks without vendor invoices or receiving documents circumvents internal controls which are fundamental in reducing processing mistakes and duplicate payments. Lack of adequate supporting documentation and pre-payment for goods also increases the risk of fraud, waste, and abuse.

**Cause:** In two cases, small assets were ordered directly from a manufacturer's representative at a lower price than otherwise available. A check for the goods was mailed to the representative who shipped the goods once payment was received. As there are no credit cards associated with the Canteen Fund, this payment method was used in order to obtain direct pricing.

**Recommendations:** Payments to vendors should be made only after invoice and receiving documentation are thoroughly reviewed by staff charged with account payable duties. Additionally, the received status of all goods purchased should be reported to accounts payable staff prior to disbursement to the vendor.

**Management Response:** The Sheriff's Office has instituted the following policies and procedures:

- Planning and Research review of documentation prior to payment.
- Requirement that goods/services be received prior to payment.
- Establishment of accounts with vendors, as needed.

### **Observation 2: Small Asset Inventory**

**Criteria:** The Virginia Sheriff's Accounting Manual states that any system of internal controls should include the following seven components; policies and procedures, safeguarding physical assets, separation of duties, maintaining accounting records, reconciliation, information security, and supervisory review. Furthermore, good internal controls do not restrict the flow of information and resources, but aid the efficiency and accountability of the office by showing and documenting who has responsibility for assets.

Per Government Finance Officers Association (GFOA) recommended practice, *Ensuring Control over Noncapitalized Items*, care must be taken to ensure adequate control is maintained over small assets. These assets would not meet the City's capitalization criteria of \$5,000; however, when considered cumulatively, they can represent a substantial investment by the Jail in durable goods.

**Condition:** Four out of ten canteen purchases tested were for small assets including televisions and power tools. However, there is no policy related to purchase, disposal, and estimated useful life of small assets. These assets are not tracked as part of an inventory and no specific individual, or group of individuals, is responsible for their whereabouts.

**Effect:** Lack of small asset policies, procedures, and inventory increases the risk that assets could be lost, stolen, or inadvertently disposed. Additionally, small asset identification and tracking would allow analysis on the overall dollar value of small assets on-site, as well as trends in cost and useful life.

**Cause:** Currently, there are no policies or procedures in place related to small assets.

**Recommendations:** The GFOA, in its aforementioned recommended practice, offers the following guidelines:

- Individual departments should be the focus of control efforts for small assets.
- Departments should assign responsibility for different groups of items to specific individuals. Assignments should be documented and communicated to the centralized accounting function or management.
- Responsible individuals should prepare and maintain a complete list of items each year within the department. Any changes, including additions and disposals, from the prior year should be noted, along with an explanation of the change.
- Departments should certify annually that its small asset inventory is on file, reliable, and complete.
- Designated accounting staff should verify the inventories for each department no less than once every five years on a rotating basis.

We recommend that these guidelines be implemented for small assets utilized by the Jail.

**Management Response:** The Sheriff's Office has instituted the following policies and procedures:

- Daylight Support Unit assigned responsibility of documenting small assets and communicating with Planning and Research.
- Daylight Support Unit monthly inventory of small assets.
- Planning and Research annual inventory of small assets.

## CONCLUSION

The design and operation of Sheriff's internal controls, with the exception of retention of supporting documentation for Canteen Fund disbursements and small asset tracking, are sufficient to promote compliance with the Virginia Sheriffs' Accounting Manual and Auditor of Public Accounts specifications.

We concluded that revenues and expenditures for the Inmate Canteen, Jail Telephone, Medical Co-payments, Work Release Program, and other Inmate Collections were accurately and completely stated in Item 63 of the FY2009 Jail Cost Report. We noted some minor exceptions on our test work that were communicated to management under separate letter. We would like to thank the Sheriff and her staff for their assistance and cooperation during the audit process.

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