



## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Auditor of Public Accounts  
P.O. Box 1295  
Richmond, Virginia 23218

Octavia Johnson, Sheriff  
City of Roanoke, Virginia

We have performed the procedures enumerated below, which were agreed to by the City of Roanoke, Virginia (the "City"), and the Auditor of Public Accounts of the Commonwealth of Virginia solely to assist you in evaluating the effectiveness of the City Sheriff's internal control over compliance with the *Virginia Sheriffs' Accounting Manual* issued by the Auditor of Public Accounts of the Commonwealth of Virginia and the criteria established in the *Code of Virginia* as of, and for the year ended, June 30, 2011. The Sheriff is responsible for compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified above. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are presented below for the fund sources which were identified to us by the Sheriff's office and for certain other disbursements made by the Sheriff's office.

### Canteen Fund Operations

1. Select two months' bank reconciliations to review for timely preparation and review by a supervisor. Additionally, determine if all items over \$1,000 that have been outstanding for more than 90 days or are unusual in nature are followed up on by the reviewer.
2. Select five disbursements from the canteen fund to test for the following:
  - a. Properly approved purchase order or other evidence of approval of disbursement prior to the actual disbursement.
  - b. Agree amounts, quantity, description, dates, etc. between purchase order, invoice, receiving report, cancelled check, etc.
  - c. For supplies and other operational outlays, determine the reasonableness of the charge in relation to the canteen fund's operation.
  - d. For vendors with an existing contract, determine that the expenditure is in accordance with the terms of the written contract and any related change orders, if applicable.
  - e. Determine that the Sheriff followed the *Virginia Public Procurement Act*, as applicable.
  - f. For disbursements utilizing the profits earned on canteen services, ascertain that the fund were spent for the benefit for the inmates at the facility. Funds can be spent for educational, recreational, or other inmate beneficial purposes.

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### Canteen Fund Operations (Continued)

3. Select two days of canteen sales and verify that:
  - a. Sales were promptly recorded on the general ledger.
  - b. For each day selected, test an inmate purchase to determine that the inmate was given a form or receipt to sign acknowledging the purchase and the amount to be deducted from the inmate's trust fund account.
  - c. Determine that a copy of the form was maintained in the inmate's record and a copy was properly submitted to the trust fund account custodian for deduction from the inmate's account.

*Findings and recommendations: No findings were noted, however, we do make one recommendation. Under the current practices in place, the Sheriff's office does not retain a copy of inmate orders that are placed through the contracted canteen service. The Sheriff's office does retain a copy of the inmate's signed receipt acknowledging the items received. We recommend that the Sheriff's office consider retaining copies of orders and receipts so that any discrepancies can be promptly investigated and resolved without having to rely on the canteen provider.*

### Inmate Trust Fund Operations

1. Select two months' bank reconciliations to review for timely preparation and review by a supervisor. Additionally, determine if all items over \$1,000 that have been outstanding for more than 90 days or are unusual in nature are followed up on by the reviewer.
2. Select three inmate accounts and test for the following:
  - a. Review receipts posted to the account and determine that all funds were promptly credited to the inmate account.
  - b. Review disbursements from the inmate account and determine that all were properly supported by documentation and acknowledged by the inmate (canteen forms/receipts, medical charge forms for co-pays, form to acknowledge cost of care and custody for those on work release, child support orders, inmate request to send funds to family, etc.)
  - c. Inmate ledgers are available to inmates upon reasonable request from the inmate.
  - d. If inmate account was closed during the year, determine that the inmate was released and all funds were remitted to the inmate (in case or check, depending on policy) at the time of release.

*Findings: None noted.*

### Work Release/Work Force/Home Incarceration Programs

1. From information obtained from Sheriff's Office personnel regarding inmates under the Work Release/Work Force/Home Incarceration Programs, select three inmates for testing, and:
  - a. Ascertain that charges for custody and care are acknowledged by the inmate and have been properly deducted from the trust account (for those work release prisoners having charges deducted from accounts).
  - b. Obtain summary sheets/transmittals to the Treasurer and receipts for home incarceration and work release collections and ascertain that all funds collected are being remitted to the Treasurer as required.
  - c. Ascertain that work release/force wages paid to inmates are promptly credited to the inmate's trust fund account for use for fees, canteen purchases, and other inmate costs.

*Findings: None noted.*

### Prisoner Reimbursement Programs

1. Select two contracts with other localities/jurisdictions/facilities and determine
  - a. Local governing body has approved the contract and the daily rate to be charged.
  - b. Billings on the contract were made in accordance with contract terms.
  - c. Collections have been properly receipted and are safeguarded until they are remitted to the Treasurer.
  - d. Funds were promptly remitted to the Treasurer for deposit into the locality's account.
  - e. Amounts outstanding from the contracting entity longer than contract terms are promptly followed up on.

*Findings: None noted.*

### Medical Co-Payment Program

1. Select three inmate charge sheets and test as follows:
  - a. Form was signed by the inmate acknowledging the charges for the visit and that the charges would be deducted from the inmate's trust account.
  - b. Form was signed by medical personnel/health administrator indicating medical services provided to the inmate.
  - c. Copy of form was provided to the individual in charge of the inmate trust fund accounts so the charges could be properly deducted from the inmate's account.

*Findings: None noted.*

### Community Crime Prevention Programs

1. Obtain receipt books for donations received from local individuals, businesses, etc., select three receipts, and determine that funds were promptly remitted to the Treasurer of the locality as required.

*Findings: None noted.*

### Court Support Services

1. Select two months' bank reconciliations to review for timely preparation and review by a supervisor. Additionally, determine if all items over \$1,000 that have been outstanding for more than 90 days or are unusual in nature are followed up on by the reviewer.
2. Select two of the monthly transmittal forms from the Sheriff utilized to transmit funds to the City Treasurer and determine:
  - a. Monthly summaries were prepared to account for all receipts collected and deposited to the Sheriff's account, less any disbursements to those owed funds collected on their behalf by the Sheriff.
  - b. Check was issued from the Sheriff's account to the Treasurer for the amount computed on the monthly summary.

Court Support Services (Continued)

3. For Sheriff's sales and levies, the Sheriff may withhold a commission in accordance with the *Code of Virginia*.
  - a. Inquire of the Sheriff if there were any sales held during the year.
  - b. Select the sales documentation from three sales and/or levies and determine that:
    - i. Sales commission was computed correctly. (Commissions are computed as 10% of the gross sale.)
    - ii. Net proceeds were issued on a check to the plaintiff owed the funds. (Net proceeds are the gross sale, less the costs of the auction and the 10% Sheriff's commission.)

*Note: The Sheriff has represented that there were no Sheriff's sales or levies during the year.*

4. For disposal of unclaimed property in the possession of the Sheriff, the Sheriff has the option to retain the property for department use or to sell the property at a public sale. Unclaimed personal property for this purpose is any personal property which has been acquired by a law enforcement officer pursuant to his/her duties, which is not needed in any criminal prosecution, which has not been claimed by its rightful owner, and which the State Treasurer has indicated will be declined if remitted under the Uniform Disposition of Unclaimed Property Act.
  - a. Inquire of the client whether there was any unclaimed property during the year that was sold or retained for department use.
  - b. Select three items that were either sold or retained and determine that:
    - i. The Sheriff made reasonable attempts to contact the rightful owner to return the property.
    - ii. The Sheriff has obtained a notice (in writing) from the locality's Commonwealth's Attorney that the property in question is not needed for any prosecution.
    - iii. The Sheriff has received notice from the State Treasurer that the property will be declined if remitted under the Uniform Disposition of Unclaimed Property Act.
    - iv. The Sheriff has published a notice in a local paper for two weeks that there will be a public display and sale of the unclaimed personal property and the property was described in the notice.
    - v. For an item retained, the Sheriff determined that there is a legitimate use for the property and the retention of such property is more economical than purchase of a similar or equivalent item.
    - vi. If the item was sold, the Sheriff properly calculated the amount of the commission on the sale. (Commission is computed as 10% of the gross sale proceeds.)
    - vii. Net proceeds from the sale are retained for the owner and paid to the owner upon proof that the individual owned the item sold. (Net proceeds are the gross sales price less the costs of the sale and the Sheriff's 10% commission.)
    - viii. Funds unclaimed by the former owner of the property within 60 days were properly deposited into the general fund of the locality.

*Note: The Sheriff has represented that there were no disposals or retention of unclaimed property during the year.*

*Findings: None noted.*

### Credit Cards/Small Purchase Cards

1. Obtain the listing of credit card holders, sign-out log, and credit card statements for the year, select two statements and determine the following:
  - a. Statement was reviewed by supervisor or other designated individual.
  - b. Receipts, invoices, or other applicable documentation was obtained for all charges to the card.
  - c. Charge card purchase was within established limits (dollar and type of purchase) of the Sheriff and/or locality credit card/purchasing card policy.
  - d. Requests for cards are required to be approved before card is issued for use (form, space on sign-out log, or some other documentation) to ascertain that all established purchasing and procurement policies are followed.
  - e. Card returned prior to end of the business day (unless signed-out and approved to be kept for after hours or overnight travel or other afterhours activity). Ideally, card and receipts are returned to the individual with custody of the cards at the same time. That individual can then give the receipts to the appropriate person for statement reconciliation.

*Findings: None noted.*

### Petty Cash

1. Select two months' bank reconciliations to review for timely preparation and review by a supervisor. Additionally, determine if all items over \$1,000 that have been outstanding for more than 90 days or are unusual in nature are followed up on by the reviewer.
2. Determine that reimbursement/replenishment requests are being made at least quarterly with the City's Treasurer/Director of Finance by reviewing requests submitted during the year and noting the frequency of requests.
3. Select five disbursements from petty cash and determine the following:
  - a. All disbursements are supported by proper and adequate documentation.
  - b. Disbursement was included on request for replenishment submitted to the Treasurer/Director of Finance.
  - c. For cash disbursements, recipient of cash funds signed a receipt/acknowledgment for the amount of funds received and all unused funds were returned with documentation supporting funds used.
  - d. Disbursement was made in accordance with petty cash guidelines for dollar threshold and item limitations.
  - e. Purchase through petty cash did not circumvent the locality's purchasing guidelines the Sheriff must follow.

*Findings: None noted.*

### Procurement and Personnel

In performing the procedures above we noted no non-compliance with the Virginia Public Procurement Act, or unusual personnel incentives, bonuses, etc. Our inquiries of the City's finance department and Sheriff's office personnel indicate that purchases and payroll which are funded through appropriations by the local government (whether funded by local, state, or federal means) are subject to the same internal controls and procurement processes as the local government's other departments.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the effectiveness of the internal control of the Sheriff's office. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the City, the City Sheriff, and the Auditor of Public Accounts, and is not intended to be and should not be used by anyone other than those specified parties.

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
October 13, 2011

## STATUS OF PRIOR YEAR COMMENTS AND SUGGESTIONS

### Noncompliance with Recommended Accounting Practices in the *Virginia Sheriff's Accounting Manual*

We noted that of our sample of nineteen inmate medical co-pay transactions, signed receipts for six could not be located by the jail's administration staff. The Virginia Sheriff's Accounting Manual states that inmates should sign a form, list, or register receipt and that these receipts should be kept by the administration. This documentation should be retained and accessible by the administration staff and will help to ensure that any discrepancies or errors are corrected timely.

We noted that there were significant delays, some approaching a month, in posting transactions to an inmate's account. The Virginia Sheriff's Accounting Manual states that inmate account transactions should be posted at least weekly. We recommend that these transactions be posted in a more timely manner.

**Status:** *No longer applicable. Based on the items selected in our testing for the current year procedures, we did not note any forms missing or issues with posting.*

### Petty Cash – Controls

Many operations of the Sheriff's office may require the use of a petty cash fund – sometimes referred to as an imprest fund. The Sheriff should ensure that procedures result in accurate record keeping, accountability, reconciliation, and review of each petty cash account used.

We noted that the petty cash did not need to be replenished once during the fiscal year and was not reconciled timely. This could be a sign that an unnecessary amount of cash is kept on hand. Infrequent reconciliations could provide opportunity for misuse. We suggest that management decrease the amount of cash kept on hand to the minimum level that covers the needs of the Sheriff's office and that a supervisor reconciles the account periodically.

**Status:** *No longer applicable. Management has decided to decrease the petty cash fund. It is currently in the process of being decreased to \$50.*

### Credit Card – Sign-out Log

We noted that three credit cards are maintained by the secretary and are given out when requested; however, a sign-out log is not maintained. This could lead to unauthorized access to the credit cards. We suggest that the Sheriff's office adopt a system of logging when the credit cards are taken and returned.

**Status:** *No longer applicable. In the current year, management issued credit cards to each deputy deemed likely to need to utilize a card. Each card is issued in the individual deputy's name and each deputy is deemed responsible for their own card. Despite modern controls, credit cards remain an area especially susceptible to fraud or abuse, and success in detecting and deterring such activity is highly dependent upon the thoroughness of the review and approval process.*