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NEWS RELEASE

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FOR RELEASE

November 17, 2016

Auditor of State Mary Mosiman today released a report on a special investigation of the Muscatine County Sheriff's Office (Sheriff's Office) for the period January 1, 2013 through January 11, 2016. The special investigation was requested by the Iowa Division of Criminal Investigation (DCI) on behalf of the Sheriff's Office as a result of concerns identified with certain deposits prepared by the former Assistant Jail Administrator, Doug Boulton. Mr. Boulton had been the Assistant Jail Administrator for approximately 15 years. He was placed on paid administrative leave on January 11, 2016 and was subsequently terminated from employment, effective March 1, 2016.

Using cash collection information from the Sheriff's Office, Mosiman identified an estimated \$82,400 of undeposited collections, which consist of room and board fees from individuals who were in the work release program. Mosiman also reported it was not possible to determine actual undeposited collections because adequate records for all collections were not available, including monthly reconciliations and some receipts for collections. As a result, it is not possible to determine what portion, if any, of the undeposited \$82,400 estimated work release room and board fees were not properly billed, what portion, if any, was billed but not collected, and/or what portion, if any, was billed and collected but not properly deposited.

The report includes recommendations to strengthen the Sheriff's Office internal controls and overall operations, such as improving segregation of duties, performing bank reconciliations, reconciling room and board billings to collections, and depositing collections.

Copies of the report have been filed with the Muscatine County Attorney's Office, the Attorney General's Office, and the Iowa Division of Criminal Investigation. A copy of the report is available for review in the Office of Auditor of State and on the Auditor of State's website at <https://auditor.iowa.gov/reports/1510-0070-BE00>.

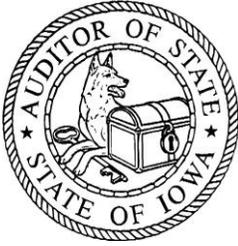
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**REPORT ON SPECIAL INVESTIGATION
OF THE
MUSCATINE COUNTY SHERIFF'S OFFICE

FOR THE PERIOD
JANUARY 1, 2013 THROUGH JANUARY 11, 2016**

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Auditor of State's Report

To CJ Ryan, Muscatine County Sheriff,
and the Muscatine County Board of Supervisors:

As a result of alleged improprieties regarding certain collections and at the request of the Iowa Division of Criminal Investigation (DCI) on behalf of the Muscatine County Sheriff's Office (Sheriff's Office), we conducted a special investigation of the Sheriff's Office. We have applied certain tests and procedures to selected financial transactions of the Sheriff's Office for the period January 1, 2013 through January 11, 2016. Based on discussions with Sheriff's Office personnel and representatives of the DCI and a review of relevant information, we performed the following procedures for the period specified:

- (1) Evaluated internal controls to determine whether adequate policies and procedures were in place and operating effectively.
- (2) Examined deposits to the Sheriff's Office trust fund account to determine the source, purpose, and propriety of each deposit and to determine if deposits were made intact.
- (3) Reviewed room and board records to determine if individuals were properly billed and if the payments were properly recorded.
- (4) Examined selected receipts to determine if the collections were properly accounted for and deposited.
- (5) Examined available receipt books to determine if recorded cash collections were properly accounted for and deposited.
- (6) Obtained and reviewed personal bank statements for accounts held at certain financial institutions by Doug Boulton, the former Assistant Jail Administrator, to identify the source of certain deposits. We also reviewed disbursements from the accounts to determine if any payments were made to the Sheriff's Office.
- (7) Interviewed Mr. Boulton to obtain explanations for certain procedures and transactions.

As a result of these procedures, we identified an estimated \$82,400 of undeposited collections, which consisted of room and board fees from individuals who were in the work release program. We were unable to determine actual undeposited collections because adequate records were not available to determine which fees were not properly billed, not properly collected, and/or not properly deposited. Several internal control weaknesses were also identified. Our detailed findings and recommendations are presented in the Investigative Summary.

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 Muscatine 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 Muscatine County Attorney's Office, the Attorney General's Office, and the Division of Criminal Investigation.

We would like to acknowledge the assistance and many courtesies extended to us by the officials and personnel of the Muscatine County Sheriff's Office and the Division of Criminal Investigation during the course of our investigation.


MARY MOSIMAN, CPA
Auditor of State

July 1, 2016

Report on Special Investigation of the
Muscatine County Sheriff's Office

Investigative Summary

Background Information

The responsibility for the overall operation of the jail facility, including certain financial and accounting aspects of the facility is allocated between the Jail Administrator and the Assistant Jail Administrator. Doug Boulton was hired as a Jailer at the Muscatine County Sheriff's Office (Sheriff's Office) on November 1, 1989 and was appointed Assistant Jail Administrator on January 1, 2000. As Assistant Jail Administrator, Mr. Boulton worked Monday through Friday from 6:00 a.m. until 2:00 p.m. and was responsible for limited financial and accounting aspects of the facility, which included:

- 1) Receipts – reviewing collections by type and distributing the cash and checks collected to the appropriate staff within the Sheriff's Office for recording and deposit.
- 2) Work release room and board fees – posting collections to individual ledger sheets, preparing bank deposits for the Sheriff's Office trust fund account, and preparing, signing, and issuing checks to the County Treasurer's Office for work release room and board fees received.

The Sheriff's Office collects room and board fees, commissary revenues, cash bonds, civil fines, sex offender registry fees, gun permit fees, urine analysis fees, and fingerprinting fees. Room and board fees are received from individuals, families, or other governmental agencies for housing incarcerated individuals at the County jail. Commissary collections are received from individuals, family, and/or friends for the incarcerated individuals to purchase items, such as candy and personal hygiene products, while incarcerated at the County jail. The Sheriff's Office also receives bail money from individuals within Muscatine County or from other counties in which the individual may have had an outstanding warrant.

In addition, the Sheriff's Office receives fingerprinting fees and urine analysis fees for performing background checks for potential employers. Civil fines, sex offender registry fees, and gun permit fees are received and processed by Sheriff's Office staff, and the collections are taken to the County Treasurer's office for deposit.

The financial and accounting information for commissary revenues, cash bonds, and other miscellaneous fees are segregated among other Sheriff's Office staff. As a result, Mr. Boulton was not responsible for the daily or monthly transactions for revenue sources other than work release room and board collections.

If individuals are found guilty and sentenced to serve time in the County jail, the judge will order the individuals to fulfill the sentencing order through a work release program or serve the days consecutively in jail. According to Sheriff's Office staff, if an individual is transferred to a State or Federal prison after sentencing, he/she is not charged room and board.

Individuals fulfilling their sentencing order through a work release program are allowed to complete their jail sentence on weekends or other days throughout the week to allow them to continue to work. According to representatives of the Sheriff's Office, individuals are required to call the Sheriff's Office to schedule days to serve jail time, which allows the Sheriff's Office to ensure a cell is available. When individuals arrive to serve jail time, the Sheriff's Office prefers they have the appropriate amount of money with them to pay room and board fees before they are allowed to stay at the jail. Individuals incarcerated in the jail are charged \$40 per day for room and board.

According to Sheriff's Office staff, individuals remit their room and board fees at the administrative window during normal business hours and the intake area of the jail after normal business hours. If an individual remits his/her room and board fee at the administrative window, a Sheriff's Office staff member collects the money and prepares a pre-numbered triplicate receipt. The money collected is then placed in the top drawer of the file cabinet behind the administrative window.

If an individual remits his/her room and board fee at the jail intake area, a corrections officer collects the money and prepares a pre-numbered triplicate receipt. The money collected is placed into a drop box and 2 corrections officers record the time and amount on the drop box log. Each morning, the drop box is opened by 2 corrections officers to reconcile the payments received overnight. According to Sheriff's Office staff, most of the time, Mr. Boulton assisted with this reconciliation. However, they further stated although the corrections officers checked the names and times on the drop box log they did not always count the collections. After removing the collections from the drop box, Mr. Boulton reviewed the contents to determine if any payments were collected for items other than work release room and board fees. If so, Mr. Boulton distributed the collections to the appropriate Sheriff's Office staff members. Mr. Boulton then placed the work release room and board collections in the file cabinet behind the administrative window with the other collections until he prepared the deposit.

At the administrative window and in the jail intake area, the white copy of the receipt is given to the individual remitting payment, and the pink copy is maintained in the receipt book at the Sheriff's Office. The yellow copy of the receipt is attached to the cash or checks received and placed in the file cabinet behind the administrative window.

According to representatives of the Sheriff's Office, Mr. Boulton was the only employee who knew which individuals were on a work release program. When Mr. Boulton took the collections from the file cabinet in the administrative area, he first ensured he only had work release room and board fees. If any collections for items other than work release room and board fees had been placed in the file cabinet, Mr. Boulton distributed the collections to the appropriate Sheriff's Office staff; however, he had sole responsibility for recording and depositing work release room and board fees.

Mr. Boulton recorded the payments received on individual ledger sheets he maintained. He also prepared the deposit slip for the work release room and board fees, which were deposited to the Sheriff's Office trust fund account. Cash was listed as a lump sum, but the checks were listed by individual last names. According to our interview with Mr. Boulton, he did not prepare deposits on a set schedule; rather, he prepared a deposit when the file folder was full.

After receiving the budget paperwork for the upcoming fiscal year in December 2015, the Sheriff began reviewing the individual line items within the Sheriff's Office fiscal year 2016 financial records and noticed the line item for work release room and board had a zero balance. According to the Sheriff, he thought perhaps the work release room and board fees had been combined with the regular room and board fees in error. Therefore, he contacted the County Finance Director to check on the status of the work release room and board fees. However, the County Finance Director advised the Sheriff, at that time, no deposits of work release room and board fees had been made for fiscal year 2016.

After learning no deposits had been made for work release room and board fees, the Sheriff confronted Mr. Boulton. However, according to the Sheriff, Mr. Boulton offered no explanation for the lack of deposits. The Sheriff advised Mr. Boulton to prepare a deposit for work release room and board fees as soon as possible. According to our interview with Mr. Boulton, when he retrieved the collections from the file cabinet to prepare a deposit, he knew immediately all the payments collected were not in the file cabinet.

The deposit prepared by Mr. Boulton on January 6, 2016 totaled \$7,149.94. According to our interview with Mr. Boulton, he stated, although he knew the deposit should have totaled approximately \$30,000, he did not immediately notify either the Sheriff or the Jail Administrator about the shortage. Mr. Boulton further stated he eventually informed the Jail Administrator of the shortage. We are unable to determine Mr. Boulton's basis for the estimated deposit of \$30,000.

As a result of the concerns identified and because the work release room and board account had a zero balance, a representative of the Sheriff's Office contacted the DCI. After a Special Agent with the DCI interviewed Mr. Boulton, he was placed on administrative leave effective January 11, 2016.

On January 11, 2016, on behalf of the Sheriff's Office, the DCI requested the Office of Auditor of State perform an investigation of the Sheriff's Office financial transactions. On March 1, 2016, Mr. Boulton was terminated from his position as Assistant Jail Administrator with the Sheriff's Office.

As a result of DCI's request, we performed the procedures detailed in the Auditor of State's Report for the period January 1, 2013 through January 11, 2016.

Detailed Findings

As a result of these procedures, we identified an estimated \$82,400 of undeposited collections, which consisted of room and board fees from individuals who were in the work release program. We were unable to determine actual undeposited collections because adequate records for collections were not available. Documentation not available included some receipts for collections, individual ledger sheets, and monthly reconciliations. It is also not possible to readily identify unbilled room and board fees or the amount owed to the Sheriff's Office.

UNDEPOSITED COLLECTIONS

As previously stated, the Sheriff's Office receives room and board fees, commissary revenues, cash bonds and other miscellaneous fees. Room and board fees are received from individuals, families or other governmental agencies for housing incarcerated individuals at the County jail. Mr. Boulton was not responsible for the daily or monthly transactions for revenue sources other than work release room and board collections. As a result, we reviewed all available documentation related to the work release room and board fees to determine if collections were properly deposited.

Work Release Room and Board Fees – As previously stated, during review of budget documentation in December 2015, the Sheriff determined no work release room and board fees had been deposited in fiscal year 2016. According to Sheriff's Office staff, individuals sentenced to serve jail time are charged room and board fees. The daily charge for room and board is \$40. All work release room and board collections received by the Sheriff's Office are to be deposited to the Sheriff's trust fund account. A check is then issued to the County Treasurer's Office for payments received. Regular room and board fees collected are taken to the County Treasurer's office for deposit. Mr. Boulton was the only corrections officer involved in the processing of work release room and board fees.

As a result of our investigation, we determined multiple Sheriff's Office staff have access to the collections. We also determined sufficient supporting documentation was not maintained for the work release room and board fees. As a result, we are unable to determine what portion, if any, of the undeposited \$82,400 estimated work release room and board fees were not properly billed, what portion, if any, was billed but not collected, and/or what portion was billed and collected but not properly deposited. Each of these situations is described in detail in the following paragraphs.

- Collections Not Deposited – As previously stated, all work release room and board collections were placed in the top drawer of the file cabinet behind the administrative window until Mr. Boulton prepared a deposit. Most individuals paid their work release room and board fees with cash. Although the file cabinet had the capability of being locked, it was kept unlocked during normal business hours. In addition, according to our interview with Mr. Boulton, he observed numerous occasions when the file cabinet was unlocked when he arrived at work in the morning. All Sheriff's Office staff with access to the file cabinet had access to the work release room and board collections.

In addition, a pre-numbered triplicate receipt was to be prepared for all payments received. However, according to Sheriff's Office staff, receipts were not always prepared and provided to individuals paying their room and board fees by check. As a result, there would be no record the individual made a payment. Because the individual accounts were not reconciled to room and board collections, an undeposited check would not be identified.

As previously stated, Mr. Boulton maintained individual ledger sheets to document the payments made for work release room and board, as well as any balances owed. The ledger sheets were also kept in the file cabinet in the administrative area and were accessible to any Sheriff's Office staff with access to that area. In addition, we determined Mr. Boulton stopped consistently maintaining the ledger sheets in April 2015. Because tracking and depositing work release room and board fees was Mr. Boulton's responsibility, he should have maintained complete and accurate ledger sheets and reconciled those ledger sheets to the payments deposited to the Sheriff's trust fund account to ensure all collections were deposited intact. In addition, an independent reconciliation of the ledger sheets to the payments deposited should have been performed to identify any collections not deposited.

- Fees Billed Not Collected – According to Sheriff's Office staff, Mr. Boulton often wrote off a remaining balance if he believed the individual would not pay the amount owed. However, he did not have the authority to make this decision. After an individual's release, any outstanding balance owed was to be reported to the County Clerk of Court's Office to be included with any other outstanding fines owed by the individual. Any collections made by the County Clerk of Court's Office are deposited to the General Fund of the County, and the Sheriff's Office has no way of knowing if outstanding work release room and board fees were collected.

No documentation was maintained supporting whether individual account balances were written off by Mr. Boulton or reported to the County Clerk of Court's Office for collection. As a result, we are unable to determine if the outstanding balances owed were collected.

- Not Billed – Although it is not likely, there is a possibility an individual ledger sheet was not created or properly maintained, and an individual was not billed for work release room and board fees. Because there was no independent review of the work release room and board fees billed and collected, any individuals who were not billed would not be identified.

Because ledger sheets were maintained on a more consistent basis for the period January 1, 2013 through May 31, 2014, we determined we could rely on the bank statements for those months to calculate a reasonable average monthly deposit. The average monthly deposit during that period was approximately \$5,700.

We applied the \$5,700 average to the number of months for which ledger sheets were not consistently maintained from June 1, 2014 to December 31, 2015 to calculate estimated deposits of \$108,300 for that period. Although we used the bank statements to calculate the average monthly deposit, we did identify collections totaling approximately \$10,800 recorded on the ledger sheets for the period January 1, 2013 through May 31, 2014 which did not appear deposited. As a result, we added the \$10,800 identified to the calculated deposit estimate. In addition, we reduced the estimated undeposited collections by the \$29,600 of collections recorded on the ledger sheets for the period June 1, 2014 through December 31, 2015 and the \$7,100 deposit made by Mr. Boulton on January 6, 2016. As a result of this calculation, we estimated undeposited collections of \$82,400 for the period June 1, 2014 through December 31, 2015. **Table 1** illustrates this calculation.

Description	Amount
Actual monthly deposits, 01/01/13 – 05/31/14 (rounded)	\$ 97,900
÷ Number of months, 01/01/13 – 05/31/14	17
Average monthly deposit (rounded)	5,700
× Number of months, 06/01/14 – 12/31/15	19
Estimated deposits, 06/01/14 – 12/31/15 (rounded)	108,300
Plus: Undeposited collections, 01/01/13 – 05/31/14 (rounded)	10,800
Less: Collections per the ledger sheets, 06/01/14 – 12/31/15 (rounded)	29,600
Deposit made 01/06/16 (rounded)	7,100
Estimated undeposited collections, 01/01/13 – 12/31/15 (rounded)	<u>\$ 82,400</u>

As previously stated, we identified collections totaling approximately \$10,800 recorded on the individual ledger sheets for the period January 1, 2013 through May 31, 2014 which did not appear deposited. Although Mr. Boulton maintained the individual ledger sheets on a more consistent basis during this period, we are unable to rely on their accuracy for the purposes of calculating average monthly deposits. However, it is reasonable to expect the \$10,800 should have been collected. As a result, we included it in the calculation for the estimated undeposited collections.

Recommended Control Procedures

As part of our investigation, we reviewed the procedures used by the Muscatine County Sheriff's Office to process receipts. An important aspect of internal control is to establish procedures which 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 identified 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 Muscatine County 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 former Assistant Jail Administrator had control over each of the following areas:
 - (1) Receipts – reviewing collections by type and distributing the cash and checks collected to the appropriate staff within the Sheriff's Office for recording and deposit.

- (2) Work release room and board fees – posting collections to individual ledger sheets, preparing bank deposits for the Sheriff’s Office trust fund account, and preparing, signing, and issuing checks to the County Treasurer’s Office for work release room and board fees received.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the functions listed above should be segregated. In addition, the Sheriff should review financial records, perform reconciliations, and examine supporting documentation for accounting records on a periodic basis.

- B. Work Release Room and Board – We identified several control weaknesses related to the administration of work release room and board for the County jail. The following concerns were identified:

- Reconciliations between the inmate accounts and the payments received for work release room and board are not completed.
- Reconciliations between the amount collected for work release room and board and the amount deposited to the County Treasurer are not completed.

Recommendation – The following procedures should be implemented:

- Reconciliations between the inmate accounts, the payments received for work release room and board, and any work release room and board fees reported to the County Clerk of Court should be completed by someone independent of collecting the payments.
- Reconciliations between the amount collected for work release room and board and the amount deposited to the County Treasurer should be completed by someone independent of any collection or deposit duties.

According to a representative of the Sheriff’s Office, work release room and board fees are now collected through a kiosk using Keefe™ software, which maintains a record of all work release room and board payments received.

- C. Pre-numbered Receipts – We were unable to determine which payments were for work release room and board fees compared to regular room and board fees. In addition, the numerical sequence of receipts is not accounted for. Also, separate receipt books were not maintained for each type of payment received and receipts were not always issued for payments received by check.

Recommendation – Pre-numbered receipts should be issued for all collections at the time of collection to provide additional control over the proper collection and recording of all money received. The receipts should periodically be compared to deposits by an independent party. In addition, all receipts should be maintained to ensure proper record keeping, including the source and type of funds. Also, the numerical sequence for all receipts should be reviewed and accounted for.

- D. Deposit of Collections – We identified work release room and board fees were not deposited in a timely manner by the former Assistant Jail Administrator. Also, collections were not placed in a secure location with limited access.

Recommendation – The Sheriff’s Office should implement policies and procedures to ensure all collections received are deposited in a timely manner. As previously stated, a monthly reconciliation of the Sheriff’s Office accounting records to the bank balances should be prepared by an independent person and retained. In addition, all collections should be placed in a secure location with limited access and the use of hanging files should be discontinued.

Report on Special Investigation of the
Muscatine County Sheriff's Office

Staff

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