

County of San Bernardino

Auditor-Controller/Treasurer/Tax Collector
Internal Audits Section

Sheriff's Department: Bail Receipting Process Audit



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December 12, 2014

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SUBJECT: BAIL RECEIPTING PROCESS AUDIT

In compliance with Article V, Section 6, of the San Bernardino County Charter and County Policy 05-20 entitled Internal Operational Auditing, we have completed an audit of the Sheriff's Department for the period of June 2012 through July 2013. The primary objectives of the audit were to review the internal controls over the inmate bail receipting process and to identify opportunities for improvement. We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors.

We identified several procedures and practices that could be improved. We have listed these areas for improvement in the Audit Findings and Recommendations section of this report.

We sent a draft report to the Department on September 18, 2014 and discussed our observations with management on September 25, 2014. The Department's responses to our recommendations are included in this report.

We would like to express our appreciation to the personnel at the Sheriff's Department who assisted and cooperated with us during this engagement.

Respectfully submitted,

Larry Walker

Auditor-Controller/Treasurer/Tax Collector
San Bernardino County

By:

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Enclosure

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Date Report Distributed: 12-16-14

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Sheriff's Department: Bail Receipting Process Audit

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Summary of Audit Results

Our findings and recommendations are provided to assist management in improving internal controls and procedures relating to the Department's bail receipting practices.

The table below summarizes the audit findings and recommendations for this audit engagement. For further discussion, refer to our *Audit Findings and Recommendations* section of this report.

Finding No.	Findings and Recommendations	Page No.
1	Finding: Controls over the bail receipting process need to be improved.	5
	Recommendation: Management should establish and implement routine monitoring procedures that would provide management with adequate assurance of the employees' compliance with the established policies and procedures.	
2	Finding: Cash bail receipts were not deposited in a timely manner.	6
	Recommendation: Management needs to strengthen its oversight over the Department's cash handling practices by reinforcing the guidelines established in the County's Internal Controls and Cash Manual.	
3	Finding: Controls for voiding bail transactions need to be improved.	7
	Recommendation: Management should enforce the County's ICCM guidelines to document an explanation for voided transactions and approval from personnel with a higher-level of authority.	
4	Finding: The duties for processing cash bail transactions need to be properly segregated.	8
	Recommendation: Management should segregate duties for the processing of cash bail receipts to mitigate the risk of undetected errors and potential theft.	



- **Finding 1: Controls over the bail receipt process need to be improved.**

Our testing of the 36 bail receipts and supporting documentation revealed the following conditions associated with the bail receipting process:

- Four (11%) of the bail receipt numbers on the cash bail tracking log did not match the bail receipt form.
- Four (11%) had inmate information on the cash bail tracking log, such as the inmate's name, that did not match the bail receipt form.
- Nine (25%) of the transactions did not show evidence that a Sheriff's employee verified the bail transactions on the cash bail tracking logs.
- Eleven (31%) of the transactions did not clearly identify the method of payment used.
- Cash bail transaction for \$25,000 was not documented on the cash bail tracking log.

- **Finding 2: Cash bail receipts were not deposited in a timely manner.**

The Department processed seven cash transactions during the audit period. For all seven transactions, we noted the cash receipts remained at the detention facilities between 3 to 43 days before the lockbox was delivered to the Sheriff's Bureau of Administration. The cash receipts for the seven transactions totaled \$175,871.

- **Finding 3: Controls for voiding bail transactions need to be improved.**

The Sheriff's detention staff is not required to obtain supervisory approval when bail transactions are voided. We noted that 9 of the 11 voided transactions tested had no evidence of the supervisor's approval. Additionally, an explanation for the void was not documented for 8 of the 11 voided transactions.

- **Finding 4: The duties for processing cash bail transactions need to be properly segregated.**

The cash bail received at the detention facilities is transported to the Sheriff's Bureau of Administration (Bureau) by a deputy. The Fiscal Assistant at the Bureau counts the cash, makes the bank deposits, and reconciles the monthly bank statements. These duties are incompatible and should not be performed by the same individual.



Bail Receipting Process

Bail transactions are processed at all detention facilities throughout the County. The Sheriff's Department (Department) accepts either bail bonds or cash bail for inmates held in custody. Our audit primarily focused on the Department's cash bail receipting transactions.

The Department accepts the following methods of payment for cash bail transactions:

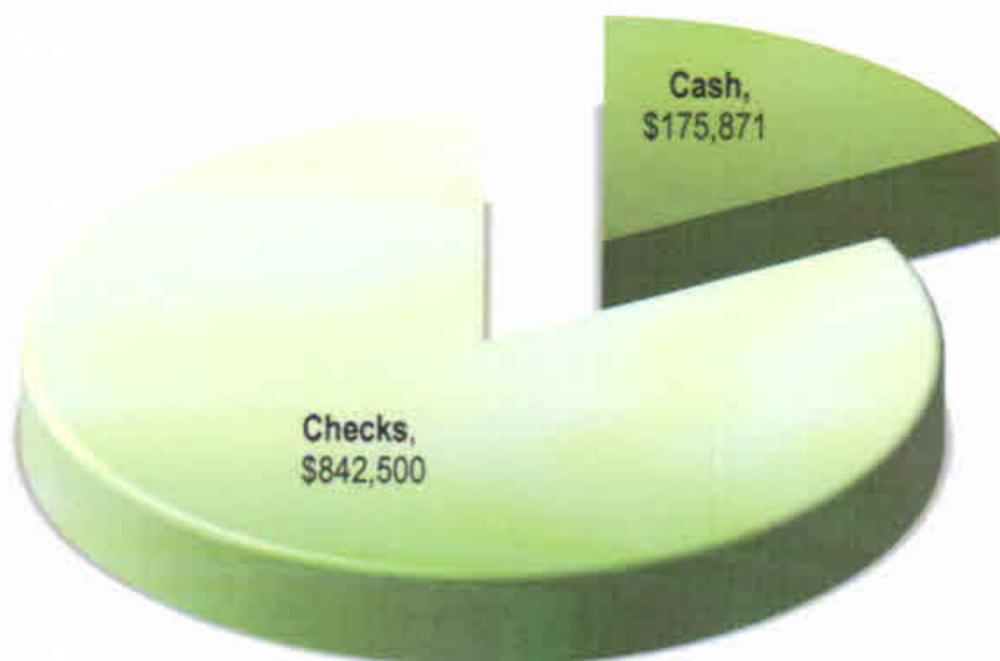
- Cash
- United States money order
- Western Union money order
- Commercial institution cashier's check.

Department personnel are required to complete a prenumbered cash bail receipt when bail is received in cash, money order, or cashier's check. Every bail transaction must be recorded in the facility cash bail log.

All cashier's checks and money orders are addressed and sent directly to the Superior Court. When cash is received, it must be transported to the Sheriff's Bureau of Administration (Bureau). The Bureau staff continues processing the bail transaction by depositing the cash into the Bail and Fine account at Chase Bank and issuing a check to the Superior Court. The amount for cash and checks received from June 2012 through July 2013 is illustrated in the graph below.

Bail Receipts

(Excludes bail bond transactions)





Scope and Objectives

Our audit examined the Department's bail receipting process for the period of July 2012 through June 2013. We conducted our fieldwork at the Sheriff's Bureau of Administration and the West Valley Detention Center. The objective of our audit was to review the internal controls over the bail receipting process.

Methodology

In achieving the audit objectives, the following evidence gathering and analysis techniques were used, including but not limited to:

- Reviewing the Department's policies and procedures and the San Bernardino County Internal Controls and Cash Manual.
- Interviewing Department management and personnel that were directly involved in the bail receipting process.
- Observing departmental personnel perform their respective job functions
- Testing bail receipts, cash bail tracking logs, bank reconciliations, and other supporting documentation.



Finding 1: Controls over the bail receipting process should be improved.

The County's Internal Control and Cash Manual (ICCM), Chapter 2 – *Internal Controls*, page 2-3, states that all transactions should be accurately and properly recorded on all documents and records.

Our testing of the 36 bail receipts and supporting documentation revealed the following conditions associated with the bail receipting process:

- Four (11%) of the bail receipt numbers on the cash bail tracking log did not match the bail receipt form.
- Four (11%) had inmate information on the cash bail tracking log, such as the inmate's name, that did not match the bail receipt form.
- Nine (25%) of the transactions did not show evidence that a Sheriff's employee verified the bail transactions on the cash bail tracking log.
- Eleven (31%) of the transactions did not clearly identify the method of payment used.
- Cash bail transaction for \$25,000 was not documented on the cash bail tracking log.

Inadequate monitoring controls resulted in procedural deficiencies in the day-to-day operations. Management cannot ensure that employees are complying with the ICCM if ongoing monitoring activities are not performed.

Recommendation:

Management should establish and implement routine monitoring procedures that would provide management with adequate assurance of the employees' compliance with the established policies and procedures.

Management's Response:

AGREE – The Sheriff's Department will review its procedures and policies for documentation. Additional training will also be conducted at all facilities to ensure the process is being done correctly.

Auditor's Response:

The Department's planned actions will correct the deficiencies noted in the finding.



Finding 2: Cash bail receipts should be deposited in a timely manner.

The County's Internal Controls and Cash Manual (ICCM), Chapter 3 - *Cash Controls*, page 3-3, states "Deposits must be made by the next business day when the amount of receipts (including cash, checks, and money orders) reaches \$1,000 or at least weekly if lesser amounts are collected."

The Department processed seven cash transactions during the audit period. For all seven transactions, we noted the cash receipts remained at the detention facilities between 3 to 43 days before the lockbox was delivered to the Sheriff's Bureau of Administration. The cash receipts for the seven transactions totaled \$175,871.

Management was unaware of the County's ICCM guidelines regarding timely cash deposits. Additionally, management did not specify a timeframe in the policy manual for delivering the cash bail received at the detention facilities to the Sheriff's Bureau of Administration. Maintaining large amounts of cash at the Department significantly increases the risk of misappropriation of cash.

Recommendation:

Management needs to strengthen its oversight over the Department's cash handling practices by reinforcing the guidelines established in the County's Internal Controls and Cash Manual. Management should provide formal training on the ICCM for Department personnel directly involved in processing cash bail transactions. Management should also establish and implement routine monitoring procedures that would provide management with adequate assurance of the employees' compliance with the established policies and procedures.

Additionally, management should amend the Detentions and Corrections Manual, Section 10.230.0, *Cash Bail Receipt Distribution*, to include a specified timeframe for delivering the cash bail received at the detention facilities to the Sheriff's Bureau of Administration. The timeframe should provide for deposits to be made by the next business day when the receipts reach \$1,000 or at least weekly if lesser amounts are collected. This additional safeguarding measure will reduce the likelihood of the loss of cash due to theft.

Management's Response:

AGREE – The largest three jails: WVDC, CHRC, and CDC all have daily pick up of all receipts. The other smaller booking facilities: Big Bear, Morongo, Barstow and Needles will be improved as soon as the Department can work out the logistics.



Auditor's Response:

The Department's actions and planned actions will correct the deficiencies noted in the finding.

Finding 3: Controls for voiding bail transactions should be improved.

Chapter 6 - *Receipts*, page 6-8, of the County's Internal Controls and Cash Manual (ICCM) states that a supervisor's approval must be obtained at the time a transaction is voided. Additionally, an explanation for the void must also be documented.

The Sheriff's detention staff is not required to obtain supervisory approval when bail transactions are voided. We noted that 9 of the 11 voided transactions tested had no evidence of the supervisor's approval. Additionally, an explanation for the void was not documented for 8 of the 11 voided transactions.

Management was unaware of the County's ICCM guidelines for processing voided transactions. Additionally, a formal procedure for documenting the reason for voided transactions and requiring the approval of an authority official is not in place. The likelihood of theft of cash bail funds increases if effective controls over voided transactions are not established.

Recommendation:

Management should enforce the County's ICCM guidelines to document an explanation for voided transactions and approval from personnel with a higher-level of authority. Periodic monitoring would ensure that staff is performing their duties as communicated by management.

Management's Response:

AGREE – This has been addressed at all facilities. All transactions that are voided or an error is found now are approved by a supervisor.

Auditor's Response:

The Department has implemented actions that will correct the deficiency noted in the finding.



Finding 4: The duties for processing cash bail transactions should be properly segregated.

The County's ICCM, Chapter 2 – *Internal Controls*, page 2-3, states that no one person should be assigned concurrent duties that would allow them complete control over a transaction or an asset. Effective segregation of duties reduces the risk that any one person could perpetrate and conceal errors and irregularities in the normal course of their duties.

The cash bail received at the detention facilities is transported to the Sheriff's Bureau of Administration (Bureau) by a deputy. The Fiscal Assistant at the Bureau counts the cash, makes the bank deposits, and reconciles the monthly bank statements. These duties are incompatible and should not be performed by the same individual.

Management was unaware of the County's ICCM's guidelines for proper segregation of duties. Not segregating duties increases the risk of undetected errors and potential theft.

Recommendation:

Management should segregate duties for the processing of cash bail receipts to mitigate the risk of undetected errors and potential theft. The likelihood of errors and potential theft is reduced when responsibilities are segregated among multiple individuals.

Management's Response:

AGREE – The Department is working on developing and implementing policies in all areas to comply with the County's Internal Controls and Cash Manual.

Auditor's Response:

The Department's planned actions will correct the deficiency noted in the finding.