

County of San Bernardino

Auditor-Controller/Treasurer/Tax Collector
Internal Audits Section

Sheriff's Department:

Work Release and Ankle Monitoring Audit



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May 18, 2015

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SUBJECT: WORK RELEASE AND ANKLE MONITORING 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 July 2013 through May 2014. The primary objectives of the audit were to review the internal controls over the work release and ankle monitoring programs 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 January 20, 2015 and discussed our observations with management on February 3, 2015. 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:



Denise Mejico

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Enclosure

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Sheriff's Department:

Work Release and Ankle Monitoring 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 work release and ankle monitoring programs.

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: Cash receipts were not deposited in a timely manner.	5
	Recommendation: Management should ensure that the daily cash receipts, in excess of \$1,000, are deposited by the next business day or at least weekly if lesser amounts are collected.	
2	Finding: Controls for fee waivers and account adjustments should be improved.	6
	Recommendation: Management should develop and implement formal procedures to specifically include the department head or authorized designee's approval of fee waivers and inmate account adjustments.	
3	Finding: Written procedures for the Work Release Program and the Ankle Monitoring Program need to be established.	7
	Recommendation: Management should establish a set of procedures for day-to-day operations of the work release and ankle monitoring programs. The procedures should provide Department personnel with a clear understanding of their responsibilities and include a detailed authority structure for specific functions.	



Finding No.	Findings and Recommendations	Page No.
4	Finding: Controls over the cash receipts need to be improved.	8
	Recommendation: Management should establish and implement a procedure requiring a supervisor to verify that the bank deposits are intact prior to being transported to the bank.	
5	Finding: Controls for the transfer of accountability of cash need to be improved.	9
	Recommendation: Management should enforce the County's ICCM guidelines for the transfer of accountability for cash receipts. The Accounting Technician needs to recount the cash receipts in the presence of the Sheriff's Custody Specialist (SCS) immediately after the SCS has counted the cash drawer. The Accounting Technician should agree their count to the count sheets.	



Work Release and Ankle Monitoring Programs

Realignment AB 109 legislation was enacted to transfer jurisdiction of low-level criminal offenders from the State to the counties in an effort to reduce overcrowding. As of October 2011, local county detention facilities are now considered to be “county prisons” because the facilities currently house State inmates. Faced with the existing housing limitations, San Bernardino County was inevitably mandated to reduce inmate overcrowding.

The Sheriff's Work Release and Ankle Monitoring Programs are alternative measures in reducing the inmate population in the County's detention facilities. Sentenced inmates, either through a court order or an exercise of authority by the Sheriff, can fulfill the remainder of their sentence commitments by electing to serve on a work crew or be restricted to homes while wearing an ankle monitoring device (house arrest).

The Sheriff's Department requires the inmates to pay administrative fees to participate in the programs. If an inmate cannot afford the initial fees for the programs, then they are required to show proof of income and expenses so that the Sheriff's Custody Specialist can determine if the fees can be waived. Inmates cannot be denied access to the programs due to financial limitations. Additionally, the inmates must pay fees to the Sheriff's Department for any violations incurred while participating in the programs. The revenues received during FY 2013-2014 totaled \$2,419,731.

Service Provider for the Ankle Monitoring

The Sheriff's Department has a contractual agreement with a vendor that provides offender supervision and monitoring services for the Department's Ankle Monitoring Program. The vendor administers coverage 24 hours per day, 7 days per week to promptly detect unauthorized offender absences/late arrivals, equipment malfunctions, tampering, and independent corroboration of any reported violation.

Sufficient technicians are on-site at the Sheriff's Work Release office (Glen Helen Rehabilitation Center), during a 40 hour work week, to instruct users in the operation of the equipment and installing/removing equipment on the participants. These technicians are responsible for on-site maintenance and storage of equipment. The vendor maintains legal ownership of the equipment, even while the equipment is in the possession of the program participant.



Scope and Objective

Our audit examined the Department's work release and ankle monitoring programs for the period of July 2013 through May 2014. We conducted our fieldwork at the Glen Helen Rehabilitation Center. The objective of our audit was to review the internal controls over the work release and ankle monitoring programs.

Methodology

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

- Reviewing the San Bernardino County Internal Controls and Cash Manual
- Interviewing Department management and personnel that were directly involved in the work release and ankle monitoring programs
- Observing departmental personnel perform their respective job functions
- Testing daily cash deposit transactions and other supporting documentation



Finding 1: Cash receipts were not 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."

Cash receipts for the work release and ankle monitoring programs are counted and deposited Monday through Thursday. To determine the timeliness of the cash deposits, we tested 206 cash deposits that were processed by the Department during the audit period. We noted 23 of the 206 cash deposits were not deposited timely. The cash receipts for the 23 deposits totaled \$279,100.

Management was unaware of the County's ICCM guidelines regarding timely cash deposits. Maintaining large amounts of cash at the Department significantly increases the risk of misappropriation of cash.

Recommendation:

We recommend that management and staff familiarize themselves with the County's ICCM. Management should ensure that the daily cash receipts, in excess of \$1,000, are deposited by the next business day or at least weekly if lesser amounts are collected. In addition, management should also establish and implement routine monitoring procedures that would provide management with adequate assurance that the cash receipts are deposited in a timely manner.

Management's Response:

Out of Custody Program Detail (OCPD) deposits will continue to be made Monday through Thursday. OCPD only has one assigned Accountant Technician. Based on current staffing, OCPD will continue to make deposits Monday through Thursday and no changes will be made at this time.

Auditor's Response:

The Department has assumed the risk involved with not making deposits on Friday. During FY 2013-2014, the average monthly cash deposit was approximately \$200,000.



Finding 2: Controls for fee waivers and account adjustments should be improved.

Chapter 3 - *Cash Controls*, page 3-3, of the County's Internal Controls and Cash Manual (ICCM) states that departments must not make adjustments to customers' ledger accounts without approval by the department head or authorized designee.

The Ankle Monitoring Program participants are required to complete the Fee Waiver/Reduction Application to demonstrate their inability to pay the program fees. After the application has been reviewed and approved, the participant is exempt from paying the program fees. However, we noted that there was no approving signature or date documented on the application.

Additionally, inmate account adjustments are necessary when recording errors are made by Department personnel. We noted that account adjustments are neither reviewed nor approved by a supervisor.

Management was unaware of the County's ICCM guidelines for approval of account adjustments. The risk of potential theft and error increases when account adjustments are not approved by a supervisor.

Recommendation:

We recommend that management and staff familiarize themselves with the County's ICCM. Management should develop and implement formal procedures to specifically include the department head or authorized designee's approval of fee waivers and inmate account adjustments. Personnel with approving authority should have a thorough understanding of the purpose of an account adjustment to ensure it is reasonable. Additionally, management should develop a monitoring protocol that includes routine reviews of selected transactions to determine if any unauthorized adjustments have occurred on inmate accounts.

Management's Response:

All fee waivers or fee reductions shall be approved by the sergeant prior to granting the fee waiver or fee reduction. The sergeant shall initial and date the bottom of the application and indicate what the reduced fees shall be or if the fees will be waived.

Auditor's Response:

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



Finding 3: Written procedures for the Work Release Program and the Ankle Monitoring Program need to be established.

The County's Internal Control and Cash Manual on page 2-2 states that by establishing internal controls, management is provided with reasonable assurance that their objectives are being met in a supportive control environment. An effective control environment includes the existence of policies and procedures.

The Department currently does not have operational procedures describing the key functions and responsibilities for the work release and ankle monitoring programs.

The Department's prior administration did not establish procedures for either program. When there are no written procedures, processes may be inconsistent and impact the Department's ability to operate efficiently and effectively.

Recommendation:

Management should establish a set of procedures for day-to-day operations of the work release and ankle monitoring programs. The procedures should provide Department personnel with a clear understanding of their responsibilities and include a detailed authority structure for specific functions. Furthermore, management should communicate departmental procedures to all personnel directly involved with the work release and ankle monitoring programs and ensure the procedures are accessible at all times.

Management's Response:

The Out of Custody Program Detail office has worked hand-in-hand with the Administrative Support Unit on creating post orders for each position in the office. The process is about 80% complete and the first draft is currently in review. Once completed, the post orders will provide a clear understanding of the employee's daily responsibilities and proper procedures to eliminate inconsistent practices. This will allow the operation to operate more efficiently, effectively and within the guidelines of the Internal Controls and Cash Manual (ICCM).

Auditor's Response:

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



Finding 4: The controls over the cash receipts need to be improved.

The County's Internal Controls and Cash Manual (ICCM), Chapter 9 – Bank Accounts, page 9-4, states "supervisors must verify that deposits are intact. Deposits must consist of the same currency, checks, and/or money orders that were originally collected."

The Accounting Technician is responsible for preparing the bank deposits for the work release and ankle monitoring programs. However, no one verifies that the deposits are intact by comparing the cash intake records with the bank deposit slips.

Management was unaware of the County's ICCM bank deposit guidelines. There is an increased likelihood of theft when there is no supervisory review of the bank deposits.

Recommendation:

Management should establish and implement a procedure requiring a supervisor to document verification that the bank deposits are intact prior to being transported to the bank.

Management's Response:

All bank deposits shall be verified with the daily cash intake records completed by the Sheriff Custody Specialists (SCS's). The verification shall be completed by the Accountant Technician AND a Deputy Sheriff. Both employees shall initial, date and place their employee number on the daily cash count sheet. Any discrepancies shall be immediately reported to the sergeant.

Auditor's Response:

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



Finding 5: Controls for the transfer of accountability of cash need to be improved.

According to the Internal Controls and Cash Manual (ICCM), page 6-5, after the cashiers have counted their drawers, "the supervisor must then recount the cash in the presence of the cashiers and agrees his/her count to the count sheet."

At the end of each business day, the Sheriff's Custody Specialist (SCS) counts the cash received from the program fees. We noted that the recount was not conducted by the Accounting Technician immediately after the SCS counted their drawer. Furthermore, the Accounting Technician does not perform the recount in the presence of the SCS. Since the cash was counted and verified at separate times, there was no proper transfer of accountability of the daily cash receipts.

Management was unaware of the County's ICCM's guidelines for the transfer of accountability for cash receipts. Inadequate transfer controls provide opportunity to misappropriate cash, thereby increasing the risk of potential theft.

Recommendation:

Management should enforce the County's ICCM guidelines for the transfer of accountability for cash receipts. The Accounting Technician needs to recount the cash receipts in the presence of the SCS immediately after the SCS has counted the cash drawer. The Accounting Technician should agree their count to the count sheets. In addition, management should periodically monitor the cash receipting function to ensure that the staff is complying with the established policies and procedures.

Management's Response:

At the completion of the day, two (2) Work Release SCS's shall verify the daily cash received and ensure the totals match the Fiscal Recap amount obtained from JIMSnet. Both SCS's shall complete an Out of Custody Program Detail (OCPD) Cash Count Form. Both SCS's shall sign, date and place their respective employee numbers at the bottom of the form. Any discrepancies shall be immediately reported to the sergeant.

Prior to depositing the monies collected in the Electronic Confinement Program unit, the two (2) assigned SCS's shall complete the OCPD Cash Count form and verify the totals to the Master Fiscal List. Both employees shall sign, date and place their respective employee numbers on the OCPD Cash Count form. A signed copy of the form shall be provided to the Work Release SCS's to ensure



reconciliation. A copy will be deposited in the safe with the monies received. Any discrepancies shall be immediately reported to the sergeant.

Auditor's Response:

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