

County of San Bernardino

Auditor-Controller/Treasurer/Tax Collector
Internal Audits Section

Sheriff's Department: Bail Receipting Process Follow-Up Audit



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SUBJECT: BAIL RECEIPTING PROCESS FOLLOW-UP 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 a follow-up audit of the Sheriff's Department for the period of April 1, 2015 through December 18, 2015. The objective of the audit was to determine if the recommendations for the findings reported in the December 12, 2014 audit of the bail receipting process have been implemented. 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 have provided a status of the audit findings identified in the original audit report issued on December 12, 2014. Of the 4 recommendations from the original audit report, 1 has been implemented and 3 have not been implemented.

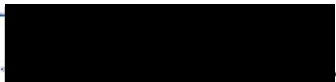
We sent a draft report to the Department on March 30, 2016. The Department's responses to the current status of our recommendations are included in this report.

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,

Oscar Valdez

Auditor-Controller/Treasurer/Tax Collector
San Bernardino County

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**Sheriff's Department:
Bail Receipting Process Follow-up Audit**

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Scope and Objective

Our audit examined the Department's bail receipting process for the period of April 1, 2015 to December 18, 2015. We conducted our fieldwork at the Sheriff's Bureau of Administration, Central Detention Center and the West Valley Detention Center.

The objective of this follow-up audit was to determine whether the Department implemented the recommendations contained in the prior audit report, *Sheriff's Department Bail Receipting Process Audit*, issued on December 12, 2014.

Methodology

In achieving the audit objective, 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.
- Testing bail receipts, cash bail tracking logs, and other supporting documentation.



Prior Finding 1: Controls over 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.

Current Status: Implemented

During our testing of 12 bail receipts for the period of April 1, 2015 to December 18, 2015, the bail receipt numbers and inmate information on the cash bail tracking log matched the bail receipt form, all bail receipts showed evidence of verification by a secondary Sheriff employee and all bail receipts clearly identified the method of payment used. In addition, all cash bail transactions were documented on the cash bail tracking log.



Prior 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 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 receipts reach \$1,000 or at least weekly if lesser amounts are collected. This additional safeguarding measure will reduce the likelihood of loss of cash due to theft.



Current Status: Not Implemented

There has been great improvement in the timeliness of cash deposits from the prior audit report. There were four cash bail transactions processed during the audit period of April 1, 2015 through December 18, 2015. Three (75%) of the transactions were deposited in 2 business days, but not by the next business day as required by the ICCM. In addition, the Detentions and Corrections Manual, revised in June 2015, was not amended to include a specified timeframe for delivering the cash bail received at the detention facilities to the Sheriff's Bureau of Administration.

Management's Response:

Detention facilities, where bail is being collected, are on a 24/7 operation while the Bureau of Administration operates Monday – Friday, 8 a.m. to 5 p.m. While this appears to be an issue, mitigation procedures currently in place, but certainly can be improved: Bail is immediately deposited into a metal locked box, this box can only be opened at the Sheriff's Bureau of Administration office; the Bail box is transported to the Sheriff's B of A the next business day (i.e. Bail received on Friday afternoon will be transported to B of A by Monday); bail receipts and money cannot be retrieved once deposited into the box. Cash bail received will be sent to Bureau of Administration the next regular business day, in time for the deposit to be taken to the bank, absent any extenuating circumstances.

Additional procedure will also be implemented where the box will be inspected every shift to find out if a trip to headquarters is necessary to be scheduled for the next business day.

The Bail Receipts are pre-numbered, a B of A staff maintains a control log to keep track as to which facility the receipts were released to, each receipt number is further logged to keep track and account for all receipts in sequence, including voided receipts.

The Jail procedures manual will be amended to incorporate necessary changes to incorporate applicable ICCM procedures.



Auditor's Response:

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

Prior 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 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 the 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.

Current Status: Not Implemented

A random selection of seven voided bail transactions was tested during the audit period of April 1, 2015 through December 18, 2015. Five (71%) of the transactions did not have supervisory approval and seven (100%) of the transactions did not have an explanation for the void.



Management's Response:

Sheriff's Department concurs with the Auditor recommendations and will require a supervisor or Watch Commander signature on all documents, including voided receipts.

Auditor's Response:

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

Prior 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.



Current Status: Not Implemented

Management has not segregated the duties for the processing of cash bail receipts. The Fiscal Assistant at the Bureau continues to count the cash, make the bank deposits, and reconcile the monthly bank statements.

Management's Response:

Sheriff's Department accepts and has implemented Auditor's recommendation and integrated these steps in its Operating Procedures. Cash Bail is received and counted in the presence of the Officer transporting the money. A receipt is issued and taken back to the facility. A deposit slip is prepared by the B of A Fiscal Specialist. Funds are deposited by a B of A supervisory staff and escorted by a Safety personnel. The bank deposit receipt is retained by the Fiscal Specialist and attached to the cash receipt. An Accountant reconciles the Bail Fine Bank statement monthly.

Auditor's Response:

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