

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Auditor - Controller	(2) MEETING DATE 5/7/2013	(3) CONTACT/PHONE Kerry Bailey 788-2979/Matt Purkiss 781-5099	
(4) SUBJECT Consideration of a follow-up review of the Home Detention and Alternative Work Programs.			
(5) RECOMMENDED ACTION It is recommended that the Board receive the item and file.			
(6) FUNDING SOURCE(S)	(7) CURRENT YEAR FINANCIAL IMPACT \$0.00	(8) ANNUAL FINANCIAL IMPACT \$0.00	(9) BUDGETED? Yes
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. ___) <input type="checkbox"/> Board Business (Time Est. ___)			
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input checked="" type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input type="checkbox"/> N/A Date: April 12, 2011	
(17) ADMINISTRATIVE OFFICE REVIEW <i>Nikki J. Schmidt</i>			
(18) SUPERVISOR DISTRICT(S) All Districts -			

County of San Luis Obispo



TO: Board of Supervisors
FROM: James P. Erb, CPA, Auditor - Controller
DATE: 5/7/2013
SUBJECT: Consideration of a follow-up review of the Home Detention and Alternative Work Programs.

RECOMMENDATION

It is recommended that the Board receive the item and file.

DISCUSSION

Under provision of California Codes 1203.016 and 4024.2 the Board of Supervisors authorized the Sheriff-Coroner to offer the Home Detention and Alternative Work Programs for minimum security inmates and low risk offenders. Participation in either of the programs is voluntary, and application fees and daily participation fees are charged to cover the costs to the County. Payments from participants may be made in cash or by credit card at the cashier's window, or on-line through GovPayNet.

Our office identified internal control weakness and provided recommendations to strengthen internal controls during a review of the Home Detention and Alternative Work Programs conducted in March 2011. We recently performed a follow-up review to determine if the Sheriff-Coroner's Department implemented the recommendations provided in our March 29, 2011 report and submitted for the Board's consideration on April 12, 2011.

The progress and results of our follow-up review and compilation of the report were delayed due to the need to reassign staff to perform the State mandated agreed-upon procedures audits required by ABX1 26 which dissolved redevelopment agencies throughout the state.

OTHER AGENCY INVOLVEMENT/IMPACT

Sheriff-Coroner.

FINANCIAL CONSIDERATIONS

The Home Detention and Alternative Work Programs generated revenue of \$394,728 during fiscal year 2010-11 to offset the cost of administering these alternatives to incarceration.

FOLLOW-UP RESULTS

We found that the Department has implemented our recommendations as detailed in the attached follow-up report to the Sheriff-Coroner.

Monitoring activities, including follow-up reviews, help maintain reporting accountability and responsibility and contribute to the County's vision of a well-governed community.

ATTACHMENTS

1. Home Detention and Alternative Work Programs Follow-Up Report



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Office of the Auditor-Controller

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TO: IAN PARKINSON, SHERIFF-CORONER
FROM: JAMES P ERB, AUDITOR-CONTROLLER *J. E.*
DATE: APRIL 22, 2013
SUBJECT: FOLLOW-UP REVIEW OF THE HOME DETENTION AND ALTERNATIVE WORK PROGRAMS

Our office previously performed a review of the Home Detention and Alternative Work Programs and issued a report to you on March 29, 2011. We recently performed a follow-up review to determine if the Sheriff's Department implemented the recommendations identified in the audit report.

Background

Under provision of California Codes 1203.016 and 4024.2 the Board of Supervisors authorized the Sheriff-Coroner to offer the Home Detention and Alternative Work Programs for minimum security inmates and low risk offenders. Participation in either of the programs is voluntary, and application fees and daily participation fees are charged to cover the costs to the County. Together the programs generated revenue of \$394,728 during fiscal year 2010-11 to offset the cost of administering these alternatives to incarceration. Payments from participants may be made in cash or by credit card at the cashier's window, or on-line through GovPayNet. The cashier deposits the payments made for the program at the Sheriff's Business Office, and the Sheriff's Business Office in turn deposits the collections at Union Bank.

Purpose

The purpose of our follow up review was to determine if the Sheriff's Department implemented the recommendations provided in our March 29, 2011 report.

Scope

We reviewed the internal controls and the frequency of deposits for fiscal year 2012-13 as needed to verify the implementation of our recommendations.

Methodology

We conducted interviews and physical observations to evaluate internal controls, and we conducted interviews with management and reviewed deposit receipts at the Sheriff's Business Office to determine the frequency of deposits.

Results

We found that the Department has implemented the two recommendations provided in the prior audit report. The follow-up results to the findings and recommendations from that report are discussed below:

Previous Findings & Recommendations

1. Internal Controls Inadequate

Internal controls are the primary method by which departments reduce the risk for reporting errors, misappropriation, and theft, and are designed to provide reasonable assurance regarding effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws, regulations, policies, and procedures. We determined internal controls were inadequate because there was no separation of cash handling, reporting, and reconciling duties. In addition there were no processes to reconcile and verify accounts, balances, deposits, and participant compliance. Managers were unaware of the required internal controls and stated they were under the impression the Sheriff's Business Office was performing reconciliation and verification of deposits. The lack of internal controls resulted in an increased risk for reporting errors, misappropriation, and theft; no verification of participants' compliance with court orders; and no assurance of the reliability of financial reporting.

Recommendation

The Sheriff's Office must update record keeping of financial and participant data in the two programs. The recording and maintenance of payments, receipts, deposits, and participant activities must be simplified and readily available for review if internal controls are to be implemented and remain effective. In addition, cash handlers and managers in the Home Detention, Alternative Work and Alternative Sentencing Programs must read and adhere to the County Cash Handling Policy.

Follow-Up Results

We found the Sheriff's Office has instituted appropriate separation of duties for the cash handling, reporting and reconciling duties. Additionally, processes have been implemented to reconcile and verify accounts, balances, deposits and participant compliance.

2. Deposits not Timely

The Cash Handling Policy requires collections of \$500 or more be deposited the next business day and at no time less frequent than weekly. Due to existing resources and lack of proximity to the bank, the Assistant Auditor-Controller has agreed to change deposit requirements for the Sheriff-Coroner's Office by requiring that deposits be made on Monday, Wednesday, and Friday. However, we determined the Home Detention and Alternative Work Programs routinely did not make deposits for up to two-weeks. Program officers were unaware of the cash deposit requirements which resulted in large sums of cash (\$19,000 in one instance) remaining on-site and un-deposited. This increased the risk of loss due to theft, errors, and misplacement.

Recommendation

Program officers must deposit collections exceeding \$500 every Monday, Wednesday, and Friday in accordance with the Assistant Auditor-Controller's amended requirements.

Follow-Up Results

We found the Home Detention and Alternative Work Programs were making deposits in accordance with the Auditor-Controller's amended requirements.

We would like to thank the Sheriff's Office management and staff for their cooperation during our follow-up review.