



Fairfax County Internal Audit Office

**Office of the Sheriff, Inmate Pre-Release Funds Audit
Final Report**

February 2006

"promoting efficient & effective local government"

Executive Summary

We have completed our audit of the inmate pre-release funds of the Office of the Sheriff. We found that the financial and accounting controls over the funds were satisfactory and operating effectively. There were adequate records maintained to support the deposits, withdrawals, and other transactions affecting the inmate's accounts. However, we noted inadequate controls in the following areas:

- Too many employees had access to the control booth safe at the Pre-Release Center. As many as 26 staff members, two from the Finance Section and 24 from the Residential Program Section, had individual access to the safe.
- The staff responsible for determining and preparing the fees receivable report for inmates in the Electronic Incarceration Program (EIP) were the same staff collecting the fees and inputting them into the In-Trust system.
- There were 40 stale-dated checks in the Pre-Release Center's inmate funds checking account that are subject to the escheat laws of the Commonwealth of Virginia.
- Checks turned in by the inmates were not restrictively endorsed upon receipt.

Scope and Objectives

The Internal Audit Office had performed a full audit of the Pre-Release Center funds account in May 2002. Follow-up reviews conducted in October 2003 and April 2004 showed that all planned actions to implement the 2002 audit recommendations had been completed. Early this year, the Office of the Sheriff, through Lt. Colonel David J. Lubas, Chief Deputy Sheriff for Operations, asked Internal Audit to perform an audit of the Pre-Release Center funds account once more due to a recent change in branch chiefs. The objectives of the audit were to determine that adequate controls existed and were operating effectively to safeguard the inmate pre-release funds and petty cash fund from loss, errors and irregularities.

Our audit scope was limited to an examination of the controls currently in place over the inmate pre-release and petty cash funds, review of two consecutive months' bank reconciliations of the pre-release fund account, and testing of a sample of offender receipts and disbursements. Our audit did not examine the system controls over the Inmate Trust Fund Financial System (In-Trust). Our transaction testing did rely on those controls; therefore, this was a scope limitation. The potential impact of this circumstance on our findings was that some portion of transaction data could have been erroneous.

Methodology

Our audit approach included interviewing appropriate staff, observing employees' work functions, detailed testing of a random sample of receipts, disbursements and adjustments, and evaluating the processes for compliance with sound internal controls, government regulations, and departmental policies and procedures.

The Fairfax County Internal Audit Office is free from organizational impairments to independence in our reporting as defined by generally accepted government auditing standards. We report directly to and are accountable to the County Executive. Organizationally, we are outside the staff or line management function of the units that we audit. We report the results of our audits to the management of the department under review, the County Executive, and the Board of Supervisors, and reports are available to the public.

Findings and Recommendations

1. Access to the Control Booth Safe

The control booth safe at the Pre-Release Center could be accessed individually by as many as 26 staff members, two from the Finance Section and 24 from the Residential Program Section. The funds stored in the safe consisted of monies received from program offenders, averaging \$3,400 daily, and kept overnight for safekeeping until deposited the next day. During a typical weekend, the amount accumulated in the safe for deposit on Monday or the next business day could total as much as \$10,000.

The two Finance Section employees with access to the safe are responsible for picking up the money and receipts from the safe every morning and processing the money for deposit, except on Saturdays, Sundays, and holidays when the monies are left in the safe and picked up on the next business day. The 24 Residential staff (all sworn officers) man the control booth which is a 24-hour operation. They are responsible for receiving the cash and checks turned in by the inmates, processing the cash received into the system, dropping the monies through the slot in the safe, and searching the inmates for any additional money on their person. They have access to the key to open the safe at any time even though their job responsibilities do not require opening the safe.

The County's Accounting Technical Bulletin (ATB) 001 states that only one person with backup (the primary and alternate custodians) should have access to the funds in a safe. Moreover, sound cash controls require that access to open the safe should be given only to those employees whose job function requires such access.

The reason the 24 Residential staff members are given access to the safe is that there are sometimes offenders who are sentenced to jail only for the weekend (called the "weekenders"). Residential takes the inmates' excess money and puts it in the safe. When the weekenders leave on midnight of Sunday to go home and go to work, the Finance Section staff has not come in yet, so Residential has to take the money out of the safe and give it to the inmates.

Having the safe accessible to several staff members, singly and individually, eliminates accountability in instances of loss of funds due to thefts and mistakes.

Recommendation: Pre-Release Center management should consider implementing dual access control over the safe. This means that access to the safe should always be by two people to reduce the risk of loss of funds when only one person accesses the safe. To enforce dual control, the safe should be equipped with a locking mechanism that requires two keys or two combinations under the control of two individuals to open it.

As an alternative, access to the safe may be limited to the two people from the Finance Section whose job responsibilities require such access. The monies of the offenders who come in only for the weekend should be kept by Residential in a separate locked drawer, instead of the safe, and returned to the inmates when they leave on Sunday morning.

Management Response: We have implemented changes in response to earlier discussions with Internal Audit about reorganization and changes within the agency. We believe that these changes address concerns noted and meet recommendations as well as comply with the provisions and guidelines of the County ATB-001.

The safe and all financial and funding equipment items have been removed from the control booth and are no longer located in that area. The methodology formerly used for funds and monies to be dropped off for inmates has been discontinued and replaced as of December 1, 2005. The staff will no longer accept cash or personal checks for inmates at the control booth window. A secure safe, accessible by combination entry only has been installed in the facility lobby for family and friends of inmates to deposit money orders (no cash or checks) for the inmates. Access to this safe is limited to the administrative/accounting/finance staff as it is a part of their job responsibility. A second safe has also been installed outside of the control booth and in the secured area of the facility where funds (tips, wages) are collected and stored from inmates coming in from work after routine business hours. Inmates returning from work who may have cash on their person will confirm the amount of money with the staff and place those funds in an envelope with signatures from both acknowledging the amount received. The envelope is then placed through the slot opening and into the safe. This safe as well is only accessible by the finance staff. Weekenders are restricted to a twenty dollar limit to have on them when they report for weekends. They are allowed to retain this amount with them during their stay for use in vending machines. If they have amounts more than the \$20 that is allowed, the inmate is required to secure the additional funds in a locker located in the lobby of the AIB facility. The inmate is the only person who has access to the locker and they maintain control of the locker key while they are incarcerated for the weekend.

2. EIP Separation of Duties

We noted a lack of separation of duties in the billing and collection of fees for the Electronic Incarceration Program (EIP). The EIP staff that was responsible for

determining how much was due from the inmates and informing the Finance Section of the amounts receivable, was also the same staff collecting the funds and inputting them into the system. Program fees amounted to \$15 per day for each EIP inmate and revenue is paid to the County at the end of each month.

Sound internal controls require separation of duties between billing and collection, i.e., the individual who receives the inmates' payments should not also maintain the balance due from the inmates. Without a proper separation of duties, the payments received may not be reflected on the accounts receivable report showing the inmates' outstanding balances that the EIP staff sends to the Finance Section, thus providing an opportunity for theft or fraud.

Recommendation: Pre-Release Center management should implement an effective separation between the EIP billing and collection functions. Someone other than the person in charge of determining the amounts due and preparing the accounts receivable report should receive the payments and input them to the system.

Management Response: The fees and charges are assessed at the time of enrollment in the program by the selection committee that approves program entry. The EIP staff will continue to collect the payments of fees from the EIP inmates. The inmates must have those payments in the form of a money order or it is not accepted by the deputy. The money order has a carbon copy which serves and suffices as the inmate's receipt of payment. The payments are then brought to the facility and placed in the finance safe just as other money and payments are received. The finance clerks who collect the funds from the safes and log them in as received are the second piece of the separation of duty requirement for this process. They remove the monies from the safes and maintain a record of all funds and payments received. This satisfies the separation for logging, accounting and maintaining documentation. This action plan will be implemented by December 1, 2005.

3. Stale-dated Checks

In our review of the July 31, 2005, bank account reconciliation of the Pre-Release Center's checking account, we noted 40 stale-dated checks, totaling \$2,462, that had been outstanding for over a year. Three of these checks, totaling \$989, had been outstanding since March 2001. All these old outstanding checks are subject to the escheat requirements of the Commonwealth of Virginia.

Per information received from the Unclaimed Property Division of the Virginia Department of the Treasury, all intangible property (including moneys, checks, drafts and deposits) held for the owner by any government agency or public authority, has a holding period or dormancy requirement of only one year. Therefore, outstanding checks dated June 30, 2004, and prior, were required to be reported and escheated to the Commonwealth of Virginia by November 1, 2005. This requirement is pursuant to the Virginia Uniform Disposition of Unclaimed Property Act (the Act), section 55-210.9. Failure to comply could result in the imposition of penalties and

interest prescribed in the Act. Penalties are also imposed for the non-issuance of due diligence letters to the payees or owners of the uncashed stale-dated checks.

Recommendation: We recommend the following:

(1) The Pre-Release Center should develop written procedures on the handling of stale-dated checks, including requirements for complying with the due diligence, reporting and escheat requirements of the Unclaimed Property Act. These procedures should be made part of SOP 902.

(2) The Pre-Release Center should determine which of the stale-dated checks in the checking account should be transferred to unclaimed property and escheated to the Commonwealth of Virginia.

Management Response: We have planned SOP revisions to be initiated and completed during the month of January, 2006. During these changes and updates, to include SOP 902, we will incorporate guidelines which require that we implement procedures that will adhere to those established by the County ATB and are in compliance with the requirements established by the state to achieve due diligence.

We have also contacted the state Treasurer's Office and arranged to report all outstanding stale dated checks as found during this audit. The Unclaimed Property Office discussed the report with us and it has been agreed that we will contact them the first week of January to download the software needed to file the report. The supervisory, administrative assistant will complete the report by January 31, 2006.

4. Check Processing

We noted that checks were not restrictively endorsed upon receipt from the inmates by the Residential Program staff in the control booth. Instead, endorsement was done the next day by the Finance Section staff after they picked up the checks from the safe and processed them for deposit.

The Department of Finance's (DOF's) over-the-counter collections guidelines state that all checks should be endorsed on the back with a stamp, "For Deposit Only/Account Number and Agency Name" when received.

Restrictively endorsing checks upon receipt ensures that all checks are deposited in the designated bank account and not diverted for other purposes. The longer the checks are not endorsed, the greater the risk that they will be improperly negotiated.

Recommendation: Checks should be restrictively endorsed upon receipt.

Management Response: The installation of the safes in the AIB facility (formerly referred to as CCD/PRC) in December 2005 will now change the check receipting process and address the check processing concerns. The Residential staff no longer has access to the safe to handle the checks or other monies. All payroll

checks and money orders are now deposited into the safes by the inmate and they remain there until they are picked up and retrieved by the finance staff that logs them in and documents the same for credit to the respective accounts, deposit and accurate accounting procedures. All payroll checks and money orders are stamped with restrictive endorsement by the finance staff.

5. Notice of Changes in Inmate Work Status

All employed Work Release offenders are required under their individual financial plans to reimburse the County with a portion of their wages to help defray the cost of their keep. The Finance Section is responsible for charging them the appropriate room and board fee. We noted one instance during our sample testing where an inmate was not charged room and board fees after August 8, 2005. He should have been charged for the period up to the time his employment was terminated on August 20, 2005. The reason for not charging the fees was that the Finance Section had relied on verbal communication received from the Residential staff about the inmate being held in and not working during this period. However, since there was nothing in writing about this from Residential, the fees were eventually charged and collected from the inmate prior to the conclusion of the audit.

Communication from the Residential Section to the Finance Section about an inmate's work status is necessary to allow the latter to perform its task of collecting from the Work Release offenders the appropriate room and board fees. If an inmate is held in on certain days for a court appearance, medical reasons, or a possible program violation, the Finance Section should be notified since the inmate is not supposed to be charged room and board on the days that he is not working. The same is true if his employment is terminated for any reason. The communication from Residential should be in writing to avoid confusion or misunderstanding about the inmate's correct work status.

Without written notification from the Residential Section regarding the inmate's work status, the Finance Section could potentially continue charging the inmate the daily room and board fee on days when he/she is not working. Conversely, the Finance Section might stop collecting the fee based simply on verbal information about an inmate's status that may be incorrect, as was the case in one of the sample records tested during our audit.

Recommendation: Pre-Release Center management should include a requirement in SOP 902 that the Residential Section notify the Finance Section in writing whenever the work status of a Work Release offender changes.

Management Response: With the planned SOP changes and revisions in January 2006, we will address the need and requirement for written notification to the Finance Section of status changes when inmates either begin work or when there is a change in their work/pay status. This written notice can be formal memo or a notation through e-mail.