

Internal Audit Department

O R A N G E C O U N T Y
6th Largest County in the USA

Internal Control and Compliance Audit:

PROBATION DEPARTMENT PUBLIC SAFETY REALIGNMENT (AB109)

For the Period
July 1, 2012 through June 30, 2013

Key Control Audit

The Public Safety Realignment Act (Assembly Bill 109) was signed into law in 2011 and transferred responsibility for supervising lower level inmates and parolees from the California Department of Corrections and Rehabilitation to counties. In Fiscal Year 2012-2013, the Probation Department claimed \$10.6 million in AB 109 expenditures.

At the request of the Probation Department, we audited internal controls and compliance over accounting and budgeting processes for tracking and claiming AB 109 expenditures, and for ensuring compliance with the legislative intent and government codes associated with the Public Safety Realignment Act.

We found internal controls over Probation’s accounting and budget processes are in place and provide reasonable assurance that the process for tracking and claiming costs is compliant with the Public Safety Realignment Act. Probation’s Postrelease Community Supervision Division is responsible for ensuring compliance with the Public Safety Realignment Act. We identified **one (1) Significant Control Weakness** and **four (4) Control Findings** to enhance Probation’s internal controls and compliance over the Public Safety Realignment Act.

AUDIT NO. 1323
REPORT DATE: FEBRUARY 18, 2014

Director: Dr. Peter Hughes, MBA, CPA, CIA
Senior Audit Manager: Michael Goodwin, CPA, CIA
Audit Manager: Kenneth Wong, CPA, CIA

RISK BASED AUDITING

GAO & IIA Peer Review Compliant – 2001, 2004, 2007, 2010



American Institute of Certified Public Accountants Award to Dr. Peter Hughes as 2010 Outstanding CPA of the Year for Local Government

GRC (Government, Risk & Compliance) Group 2010 Award to IAD as MVP in Risk Management



2009 Association of Certified Fraud Examiners’ Hubbard Award to Dr. Peter Hughes for the Most Outstanding Article of the Year – Ethics Pays



2008 Association of Local Government Auditors’ Bronze Website Award



2005 Institute of Internal Auditors’ Award to IAD for Recognition of Commitment to Professional Excellence, Quality, and Outreach

 ORANGE COUNTY BOARD OF SUPERVISORS'
Internal Audit Department

GAO & IIA Peer Review Compliant - 2001, 2004, 2007, 2010

Providing Facts and Perspectives Countywide

RISK BASED AUDITING

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OC Fraud Hotline (714) 834-3608



Transmittal Letter



Audit No. 1323 February 18, 2014

TO: Steven J. Sentman, Chief Probation Officer
Probation Department

FROM: Dr. Peter Hughes, CPA, Director
Internal Audit Department

SUBJECT: Internal Control and Compliance Audit: Probation
Department Public Safety Realignment (AB 109)

At the request of the Probation Department, we have completed an Internal Control and Compliance Audit of Probation Department Public Safety Realignment for the period July 1, 2012 through June 30, 2013. We performed this audit in accordance with our *FY 2013-14 Audit Plan and Risk Assessment* approved by the Audit Oversight Committee and the Board of Supervisors. Our final report is attached for your review.

Please note we have a structured and rigorous **Follow-Up Audit** process in response to recommendations and suggestions made by the Audit Oversight Committee (AOC) and the Board of Supervisors (BOS). Our **First Follow-Up Audit** will begin at six months from the official release of the report. A copy of all our Follow-Up Audit reports is provided to the BOS as well as to all those individuals indicated on our standard routing distribution list.

The AOC and BOS expect that audit recommendations will typically be implemented within six months and often sooner for significant and higher risk issues. Our **Second Follow-Up Audit** will begin at six months from the release of the first Follow-Up Audit report, by which time **all** audit recommendations are expected to be addressed and implemented. At the request of the AOC, we are to bring to their attention any audit recommendations we find still not implemented or mitigated after the second Follow-Up Audit. The AOC requests that such open issues appear on the agenda at their next scheduled meeting for discussion.

We have attached a **Follow-Up Audit Report Form**. Your department should complete this template as our audit recommendations are implemented. When we perform our first Follow-Up Audit approximately six months from the date of this report, we will need to obtain the completed form to facilitate our review.

Each month I submit an **Audit Status Report** to the BOS where I detail any material and significant audit findings released in reports during the prior month and the implementation status of audit recommendations as disclosed by our Follow-Up Audits. Accordingly, the results of this audit will be included in a future status report to the BOS.

As always, the Internal Audit Department is available to partner with your staff so that they can successfully implement or mitigate difficult audit recommendations. Please feel free to call me should you wish to discuss any aspect of our audit report or recommendation. Additionally, we will request your department complete a **Customer Survey** of Audit Services. You will receive the survey shortly after the distribution of our final report.

ATTACHMENTS

Other recipients of this report are listed on the **OC Internal Auditor's Report** on page 4.

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Probation Department
Public Safety Realignment (AB 109)
Audit No. 1323*

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Audit No. 1323

February 18, 2014

TO: Steven J. Sentman, Chief Probation Officer
Probation Department

FROM: Dr. Peter Hughes, CPA, Director
Internal Audit Department

SUBJECT: Internal Control and Compliance Audit: Probation Department
Public Safety Realignment (AB 109)

Audit Highlight

The Public Safety Realignment Act (Assembly Bill 109) was signed into law in 2011. The legislation transfers responsibility for supervising lower level inmates and parolees from the California Department of Corrections and Rehabilitation to counties. Each county receives a funding allotment based on a statewide formula for supervising the additional lower level inmates and parolees. In FY 2012-2013, the Probation Department claimed expenditures totaling **\$10.6 million** for fulfilling Public Safety Realignment responsibilities.

An audit was conducted of Probation's compliance with selected aspects of the legislative intent and government codes associated with the Public Safety Realignment Act. We also evaluated the Probation Department's accounting and budgetary processes for tracking and claiming expenditures. We noted **one (1) Significant Control Weakness** and **four (4) Control Findings** for tracking and claiming expenditures for Public Safety Realignment responsibilities.

OBJECTIVES

In accordance with our *FY 2013-14 Audit Plan and Risk Assessment* approved by the Audit Oversight Committee and the Board of Supervisors, and at the request of the Probation Department, the Internal Audit Department conducted an Internal Control and Compliance Audit of Probation Department Public Safety Realignment. This audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing prescribed by the Institute of Internal Auditors. The objectives of this audit were to:

1. Evaluate internal controls and compliance over Probation's accounting and budget practices for tracking and claiming costs associated with the Public Safety Realignment Act.
2. Determine if Probation has an established process to ensure compliance with the legislative intent and Government Codes associated with the Public Safety Realignment Act.
3. Determine if Probation's accounting practices for tracking and claiming costs associated with the Public Safety Realignment Act are efficient and effective (e.g., no backlogs, duplication of work, manual processes that could benefit from automation).

RESULTS

Objective #1: We found internal controls over Probation's accounting and budget practices are in place and provide reasonable assurance that the process for tracking and claiming costs are compliant with the Public Safety Realignment Act. Our audit identified **one (1) Significant Control Weakness** and **four (4) Control Findings** to enhance Probation's accounting and budget practices for claiming AB 109 expenditures.

Objective #2: We found Probation has a Postrelease Community Supervision Division responsible for ensuring compliance with the legislative intent and Government Codes associated with the Public Safety Realignment Act. No exceptions were noted under this objective.

Objective #3: We did not any note any backlogs, duplication of work in Probation's accounting and budget practices for tracking and claiming costs associated with the Public Safety Realignment Act.



The following table summarizes our findings and recommendations for this audit. See further discussion in the *Detailed Results, Findings, Recommendations and Management Responses* section of this report. See *Attachment A* for a description of Report Item Classifications.

Summary Table of Findings and Recommendations

Finding No.	Finding Classification (see Attachment A)	Finding and Page No. in Audit Report	Recommendation	Concurrence by Management?
1.	Significant Control Weakness	There are no internal written policies and procedures for preparing, reviewing or submitting quarterly AB 109 claims (pg.6).	Develop written policies and procedures to be followed for the quarterly AB 109 claims process.	Yes
2.	Control Finding	Some data entry errors and omissions were found in support schedules used for claiming AB 109 expenditures involving overtime and premium pay (pg.7).	Ensure an independent and detailed desk review is completed to help detect data entry errors and omissions.	Yes
3.	Control Finding	The calculation of County paid retirement benefits claimed for reimbursement did not consider the correct elements of compensation. Specifically, overtime costs should <u>not</u> be included and premium pay items should be included (pg.8).	Ensure expense claims include County paid retirement benefits incurred from the correct pay factors prescribed by the retirement system for compensation earnable.	Yes
4.	Control Finding	Service data from two local law enforcement agencies did not report certain information (dates of service, hourly rates) as prescribed by the Memorandums of Procedures and Understandings (pgs.9-10).	Ensure service data reported by local law enforcement agencies complies with agreed upon requirements.	Yes
5.	Control Finding	Probation's Postrelease Community Supervision Division's review of local law enforcement's data for reported service hours was not always performed timely or documented (pg.10).	Ensure service data is reviewed prior to submitting for claim reimbursement and indicate evidence of Probation's review.	Yes



BACKGROUND

The primary mission of the Probation Department is to service “the community using efficient and research supported corrections practices to: reduce crime, assist the Courts in Managing Offenders, Promote lawful and productive lifestyles, and assist victims.” The Probation Department accomplishes its mission and strategic objectives through the following three Bureaus: (1) Field Operations; (2) Juvenile Intake and Detention; and (3) Operations Support. Probation’s responsibilities for Public Safety Realignment primarily involve Field Operations for monitoring offender activities and Operations Support for filing expenditure claims.

On April 4, 2011, the Public Safety Realignment Act (AB 109) was signed into law in an effort to address crowding in California’s prisons and assist in alleviating the state’s financial crisis. The 2011 Public Safety Realignment Act transferred responsibilities for supervision of felons released from prison with a committing offense for non-violent, non-serious, or no-high risk sex crime to counties starting October 1, 2011. The Orange County Community Corrections Partnership (OCCCP) was established and is a collaboration among all the components of the adult criminal justice system including the Sheriff-Coroner, District Attorney, Public Defender, Superior Court and Probation. On October 18, 2011, the OC Board of Supervisors approved the Public Safety realignment Implementation Plan presented by the OCCCP. In response, Probation created the **Postrelease Community Supervision Division (PCS)** to handle these additional offenders. As of December 2012, Probation received 2,553 prison releases under PCS and supervises an additional 456 new offenders under mandatory supervision.

Probation claimed the following costs associated with the Public Safety Realignment:

Quarter	FY 2011-2012	FY 2012-2013
9/30	\$ 93,880.96	\$ 1,673,943.33
12/31	584,942.38	2,434,042.59
3/31	836,767.38	2,212,559.12
6/30	2,291,384.76	4,341,118.63
Total	\$3,806,975.48	\$10,661,663.67

SCOPE AND METHODOLOGY

Our audit scope evaluated internal controls and compliance with selected aspects of the Public Safety Realignment Act between July 1, 2012 and June 30, 2013, and included the following:

1. Evaluating Probation’s internal controls and compliance over accounting and budgetary practices for tracking and claiming Public Safety Realignment costs. We selected the FY11-12 4th Quarter Claim Request for testing, which included ensuring completeness, propriety, mathematical accuracy, amounts agree to supporting documentation, and evidence of a management review.
2. Evaluating the Memorandums of Procedures and Understandings between the County and local law enforcement agencies for reporting Public Safety Realignment costs to Probation for claiming. We tested reported claimed costs from a sample of County departments and local law enforcement agencies.
3. Reviewing a sample of Public Safety Realignment “cost applies” from other County departments to determine compliance with claiming requirements.
4. Obtaining an understanding of the Auditor-Controller’s process to reimburse claim expenditures to Probation.
5. Determining if Probation has a process that ensures on-going compliance with the legislative intent and government codes of the Public Safety Realignment Act.



SCOPE EXCLUSIONS

We did not review Probation's administration of Public Safety Realignment or other associated activities other than those areas identified in our scope. We did not include a review of internal controls or processes in the Sheriff-Coroner, District Attorney, Public Defender, Health Care Agency or any local law enforcement agencies other than stated in this report. In addition, we did not assess, evaluate or obtain independent validation regarding the necessity, reasonableness, cost, and time associated with Public Safety Realignment activities in Probation or in other entities. We did not include a review of information system controls used in administering Public Safety Realignment.

Management's Responsibilities for Internal Controls

In accordance with the Auditor-Controller's County Accounting Manual section S-2 *Internal Control Systems*, "All County departments/agencies shall maintain effective internal control systems as an integral part of their management practices. This is because management has primary responsibility for establishing and maintaining the internal control system. All levels of management must be involved in assessing and strengthening internal controls...". Control systems shall be continuously evaluated (by Management) and weaknesses, when detected, must be promptly corrected. The criteria for evaluating an entity's internal control structure is the Committee of Sponsoring Organizations (COSO) control framework. Our Internal Control Audit enhances and complements, but does not substitute for Probation's continuing emphasis on control activities and self-assessment of control risks.

Inherent Limitations in Any System of Internal Control

Because of inherent limitations in any system of internal controls, errors or irregularities may nevertheless occur and not be detected. Specific examples of limitations include, but are not limited to, resource constraints, unintentional errors, management override, circumvention by collusion, and poor judgment. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate. Accordingly, our audit would not necessarily disclose all weaknesses in Probation's operating procedures, accounting practices, and compliance with County policy.

Acknowledgment

We appreciate the courtesy extended to us by the Probation Department during our audit. If we can be of further assistance, please contact me directly at 834-5475 or Michael Goodwin, Senior Audit Manager at 834-6066.

Attachments

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

Members, Board of Supervisors
Members, Audit Oversight Committee
Michael B. Giancola, County Executive Officer
Mark Denny, Chief Operating Officer
Mike Kerr, Assistant to the Chief Operating Officer
Chris Bieber, Chief Deputy Probation Officer, Field Operations Bureau
Bryan Prieto, Chief Deputy Probation Officer, Operations Support Bureau
Sue DeLacy, Director, Probation Post Release Community Support Division
Ian Rudge, Director, Probation Administrative and Fiscal Division
Foreperson, Grand Jury
Susan Novak, Clerk of the Board of Supervisors
Macias Gini & O'Connell LLP, County External Auditor



Objective #1: Evaluate internal controls and compliance over Probation's accounting and budget practices for tracking and claiming costs associated with the Public Safety Realignment Act.

AUDIT STEPS AND RESULTS

To accomplish this objective, we audited internal controls over Probation's processes for tracking and claiming costs associated with the Public Safety Realignment Act. We performed the following audit steps:

- ✓ Reviewed pertinent legislation, government codes and County requirements for the Public Safety Realignment Act of 2011.
- ✓ Held meetings and conducted walkthroughs of the tracking and claiming process and controls with Probation Department management and staff responsible for processing and reviewing expenditure claims.
- ✓ Evaluated the adequacy of the Probation Department's written policies and procedures for tracking and claiming expenditures incurred for Post Release Community Support (AB 109).
- ✓ Evaluated accounting and budget practices by testing the quarterly expenditure claim for June 30, 2013 totaling \$4.3 million. For the one quarterly expenditure claim selected, we evaluated whether the expenditure claim was accurate, valid, adequately supported, properly recorded, and authorized.
- ✓ Selected two local law enforcement agencies (Garden Grove, Anaheim) and tested Public Safety Realignment expenditures for compliance to claiming requirements.
- ✓ Obtained an understanding and tested a sample of Public Safety Realignment costs incurred by other County departments that were "cost applied" in Probation's quarterly claim.
- ✓ Obtained an understanding of the Auditor-Controller's process in reviewing and reimbursing Probation's quarterly Public Safety Realignment claim.
- ✓ Evaluated reimbursement claims submitted by the Probation Department and the journal vouchers prepared by the Auditor-Controller's office for fiscal year 2012-2013 totaling \$10.6 million.

CONCLUSION

Our audit found internal controls over Probation's accounting and budget practices are in place and provide reasonable assurance that the process for tracking and claiming costs are compliant with the Public Safety Realignment Act. However, our audit disclosed **one (1) Significant Control Weakness** and **four (4) Control Findings** to enhance Probation's process for tracking and claiming Public Safety Realignment Act expenditures.

The findings and recommendations are discussed below:



Finding 1 – No Claim Processing Policies and Procedures (Significant Control Weakness)

Summary

The Probation Department does not have written policies and procedures for preparing and reviewing Public Safety Realignment claims. Having written policies and procedures for preparing and submitting the claim is significant because only one individual in Probation is primarily responsible for compiling support and preparing the quarterly reimbursement claim.

Details

Our audit found that Probation had not yet developed written policies and procedures for the relatively new claiming process. A Finance/Budget Manager in Probation's Operations Support has the primary responsibility to compile, review and input data from Probation, other County departments, and about 10 local law enforcement agencies into the quarterly Public Safety Realignment claim. The Administrative and Fiscal Division Director performs a high-level review of the claim before it is submitted to the Auditor-Controller for reimbursement.

Because this is a new claiming process and only one person has primary responsibility for the claim, it is important to have detailed written policies and procedures for compiling, preparing and reviewing the claim in the event that individual is not available. Written policies and procedures should include specific steps for the following:

1. Compilation of data to prepare the claim.
2. Claim schedule calculations, including samples of documents to support the claim.
3. Allowable costs for proper and efficient performance of the program's objectives.
4. Schedule, calendar or due date to complete the claim.
5. Oversight roles and responsibilities for the reviewing manager to ensure claims are accurate and verified to be necessary and reasonable expenses incurred for the benefit of the program.
6. Process to submit the claim to the Auditor-Controller.
7. Identification of claim schedule objectives, risks and internal controls in place to mitigate or prevent the risks from occurring.

The development and use of policy and procedural manuals minimizes variation and promotes quality through consistent implementation of a process, reduced work effort, along with improved comparability and credibility, even if there are temporary or permanent personnel changes. Policy and procedural manuals can be used as a part of a personnel training program, since they should provide detailed work instructions. Also, documented procedures minimize opportunities for miscommunication and can address quality control concerns. Properly documented and effectively communicated operational policies and procedures along with the identification of risks and internal controls will significantly enhance the expenditure claim process.

Recommendation No. 1

Probation Department establish written policies and procedures for the Public Safety Realignment expenditure claims process. Documented policies and procedures should be reviewed and approved by the Probation Department's management and current versions need to be readily accessible for reference by personnel responsible for the expenditure claim process.

Probation Department Management Response:

Concur. The Administrative and Fiscal Division is currently preparing a set of desk procedures that describe the steps for preparing and processing claims. Prior to implementation these desk procedures will be reviewed and approved by Department Management.



Finding 2 – Data Entry Errors in Support Schedules (Control Finding)

Summary

Data entry errors involving overtime and premium pay were found in support schedules used for claiming Public Safety Realignment expenses. There is not a process in place for a detailed desk review of the quarterly claims to help detect potential data entry errors.

Details

Our audit found that a high-level review of the quarterly claim and support schedules was performed by the Director of Administrative and Fiscal Services at the time of the claim. The high-level review was documented through signature authorization and approval for the reimbursement claim. However, a detailed desk review of the claim support schedules was not performed by someone other than the preparer of the claim. Our testing of the claim for the quarter ended June 30, 2013 noted the following low value data entry errors that were not detected in the review process:

1. In one (1) instance, none of the regular, overtime and compensatory time payroll hours for a staff member assigned full-time to the program were entered.
2. In one (1) instance, a portion of the payroll hours for a staff member assigned full-time to the program were not entered. Wages for a staff member working specifically on a project should include vacations, holiday, sick leave, and other excused absences.
3. In one (1) instance, night shift differential pay was recorded to an incorrect staff member.
4. In two (2) instances, night shift differential pay was incorrectly entered.
5. In two (2) instances, bilingual pay for a staff member was not entered.
6. In two (2) instances, armed assignment pay for a staff member was not entered.

A detailed desk review of the quarterly Public Safety Realignment expense claim and support schedules will help detect data entry errors and increases the reliability of the quarterly expense claims.

Recommendation No. 2

Probation ensure that independent, detailed desk reviews be performed, documented and retained on Public Safety Realignment claims and supporting schedules to ensure validity and accuracy of data and amounts shown.

Probation Department Management Response:

Concur. As part of the desk procedures being developed in response to Finding No. 1, the Department will implement a more detailed, formalized desk review process. Although such a procedure cannot guarantee that typos or minor data entry errors will not occur in the future, we agree that it is a worthwhile step toward tightening the accuracy control of this important documentation.



Finding 3 – County Paid Retirement Benefits were Incorrectly Calculated (Control Finding)

Summary

Probation's quarterly claim allows for labor costs related to administering the Public Safety Realignment Act. Labor expenses include wages, shift premiums, and fringe benefits. A portion of fringe benefits is County paid retirement benefits. Our audit noted that Probation incorrectly included overtime, and did not include shift premiums in the calculation of retirement benefits claimed.

Details

Probation's quarterly claim for labor expenses from personnel includes wages, shift premiums, and fringe benefits. A portion of the fringe benefits is County paid retirement benefits. Probation claims the expense of County paid retirement benefits incurred from the staff member's base wage and overtime. However, we found that Probation did not factor the correct elements of pay used to calculate County paid retirement expense benefits. Specifically,

1. Probation incorrectly added retirement benefits based upon overtime pay when the County does not pay retirement benefits on overtime pay.
2. Probation did not claim the expense of County paid retirement benefits incurred from premium pay items above the staff member's hourly base wage that are included as part of an employee's compensation defined for retirement purposes. The premium pay items not included were night shift differential pay, bilingual pay, and armed assignment pay.

County of Orange Accounting Procedure B-2, *Billing Rates and Indirect Costs*, states: "County policy for charging the costs of County services to outside agencies, businesses, and individuals, and other County funds, is for full cost recovery whenever possible." The procedure also states that labor burden "is a combination of the costs of employees' non-productive time and fringe benefits (e.g., insurance, retirement) that is typically calculated as a percentage of base pay and is applied to employees' hourly pay rates. Inclusion of a labor burden helps recover costs of employees' non-productive time and fringe benefits."

Orange County Employees Retirement System, *Compensation Earnable For General Members*, states: "Compensation Earnable, also known as 'Comp Earnable,' are pay items above a member's hourly base wage that may be included as part of their Final Average Salary. Items included in Compensation Earnable are base salary and wages, bilingual premium pay, shift differential pay, longevity incentive, automobile allowance (if paid in cash), and on-call pay. Items excluded from compensation earnable include true overtime. Also, the *Memorandum of Understanding 2009-2012 County of Orange and the Orange County Employees Association for the Probation Services Unit*, indicates premium pay includes night shift differential, on-call pay, call-back pay, bilingual pay, and armed assignment pay.

Recommendation No. 3

Probation ensure its expense claims include County paid retirement benefits incurred from pay factors prescribed by the retirement system and collective bargaining agreements.

Probation Department Management Response:

Concur. The Department has already corrected this practice and will ensure that inclusion/exclusion of retirement benefits are thoroughly addressed in the desk procedures currently being prepared.



Finding 4 – Incomplete Service Data from Law Enforcement Agencies (Control Finding)

Summary

Certain service data elements (service dates and regular hourly rates) were not included in the information reported by law enforcement agencies as required by the Memorandums of Understandings and Procedures. Although these elements are required, they did not have a financial impact on the claim we tested.

Details

Our audit of selected reimbursement claims received from local law enforcement agencies noted:

1. The Sheriff-Coroner processed a journal voucher on July 5, 2013 for reimbursement of law enforcement services totaling \$21,577. Source documents were provided with names of law enforcement personnel, overtime rates, and number of service hours performed. However, the source documents did not show the specific date of service or the regular hourly rates of employees as required by the Memorandum of Procedures.
2. The City of Garden Grove submitted an invoice dated June 18, 2013 and received reimbursement totaling \$35,838. The City of Garden Grove provided a listing for the service periods with the names of the law enforcement personnel providing the services, regular hourly rate, overtime rate, and number of service hours performed. The source documents showed a range of service dates but did not show a specific date with hours for law enforcement services provided as required by the Memorandum of Understanding.

The *Memorandum of Procedures between Orange County Sheriff-Coroner Department and Orange County Probation Department for Public Safety Realignment and Postrelease Community Supervision Cost Reimbursement to Local Law Enforcement Agencies for Enhanced Services and Other Authorized Expenditures* states:

- Under Section 7.1, “*Sheriff shall submit claims to Probation for services rendered and authorized expenditures incurred under this MOP, with the following minimum information:*”
- Under Section 7.1.1, “*Date of service and/or expenditure.*”
- Under Section 7.1.2, “*Name(s) of Sheriff law enforcement personnel who rendered the services, with their hourly and overtime rates, and number of service hours performed...*”

The *Memorandum of Understanding between the City of Garden Grove and the County for Public Safety Realignment and Postrelease Community Supervision Cost Reimbursement to Local Law Enforcement Agencies for Enhanced Services and Other Authorized Expenditures* states:

- Under Section 7.1, “*OC Probation’s Fiscal Services Unit shall issue instructions to City for claiming reimbursement of expenses under this MOU. City shall submit invoices for services rendered and authorized expenditures incurred under this MOU, accompanied by the source documents...with the following minimum information:*”
- Under Section 7.1.1, “*Date of service and/or expenditure.*”
- Under Section 7.1.2, “*Name(s) of City law enforcement personnel who rendered the services, with their hourly and overtime rates, and number of service hours performed...*”

According to Probation, if the State disallows any claims during an audit, the local law enforcement agency is responsible for reimbursing Probation for any findings related to their claimed costs.

Recommendation No. 4

Probation ensure service data reported by local law enforcement agencies comply with the requirements in the Memorandums of Procedures and Understanding.



Probation Department Management Response:

Concur. The Department will reinforce with claiming agencies the importance of including date of service and regular hourly rate information in their submittals. Probation will also discuss with County Counsel and the County Executive Office the level of stringency needed in processing AB109-related claims, and a possible revision to the Memorandums of Procedures and Understanding. It is important to reemphasize, as well, that in the event a State audit leads to the disallowance of any expenditures claimed by local law enforcement, the local agency is responsible for reimbursing Probation.

Finding 5 – Review of Law Enforcement Service Hours Not Documented (Control Finding)

Summary

The Postrelease Community Supervision Division's review of reported service hours provided by local law enforcement agencies was not always documented or performed timely.

Details

During our review of claims for reimbursement of expenses from law enforcement services, the following was noted where either a review was performed and was not documented, or the review was not performed timely by the Postrelease Community Supervision Division:

1. A review was not documented on a claim from the Sheriff-Coroner for the June 2013 quarter totaling \$21,577.
2. A review was not documented on a claim from the City of Anaheim for the period June 2013 totaling \$73,700.
3. A review was not documented on a claim from the City of Fullerton for the period July 2012 through June 2013 totaling \$75,648.
4. A claim from the City of Santa Ana for the period January 2013 through June 2013 totaling \$408,974 was authorized for reimbursement by Probation's Operations Support Bureau on July 10, 2013. However, the review of reported service hours by Probation's Post Release Community Supervision Division was completed on July 16, 2013, six (6) days after reimbursement was authorized.

When reported data is reviewed in a complete and timely manner, accountability is strengthened and risk of errors and irregularities decrease.

Recommendation No. 5

Probation ensure service data reported by local law enforcement agencies is reviewed prior to reimbursement and indicate the reviewer's name and date reviewed.

Probation Department Management Response:

Concur. Probation will formalize its review of law enforcement service data and document such reviews. It should be noted, however, that a timely review is difficult to achieve with some claims, including with ones cited by Internal Audit. In practice, a local law enforcement agency may not submit its claim until very late in the fiscal year (sometimes just days before year-end), and in those instances, it is difficult for the Department to complete as thorough and formalized a review of service hours as would be our preference. In those instances, Probation will continue to give local law enforcement the benefit of the doubt, and ask for reimbursement after the fact, in the event sufficient documentation is not eventually provided and verified.

Detailed Results, Findings, Recommendations and Management Responses



Objective #2: Determine if Probation has an established process to ensure compliance with the legislative intent and Government Codes associated with the Public Safety Realignment Act.

AUDIT STEPS AND RESULTS

To accomplish this objective, we audited how Probation ensures compliance with the Public Safety Realignment Act. We performed the following audit steps:

- ✓ Reviewed the Orange County Public Safety Realignment and Postrelease Community Supervision 2012 Update from the Community Corrections Partnership Executive Committee and related sections from the Penal Code.
- ✓ Held meetings and conducted interviews with Probation Department management and staff responsible for Post Release Community Support (AB 109).
- ✓ Evaluated selected Penal Code 3450(b) sections associated with Public Safety Realignment and Probation's records and evidence to accomplish post release community supervision.
- ✓ Assessed Probation's Postrelease Community Supervision Division's approach to assess risks and ensure compliance with other operational aspects of Public Safety Realignment.

The intention of this objective was to determine if Probation has a process in place to ensure ongoing compliance with requirements of the Public Safety Realignment Act for program requirements other than the quarterly claiming process, including the administration, risk management and oversight of Public Safety Realignment.

CONCLUSION

Our audit found Probation has a Postrelease Community Supervision Division responsible for ensuring compliance with the legislative intent and Government Codes associated with the Public Safety Realignment Act. Probation has identified the requirements and risks for the Public Safety Realignment Act and has implemented practices to monitor and manage the risks to ensure ongoing compliance. Probation established the Postrelease Community Supervision Division to administer the program and to handle the additional offenders under Public Safety Realignment. This Division has about 59 employees consisting of a Director, Assistant Deputy Director, Supervising and Deputy Probation Officers and support staff. Probation has implemented programs to reduce recidivism among criminal offenders. Probation utilizes a validated risk/needs assessment instrument to implement evidence-based practices to reduce recidivism, which is a primary objective of Public Safety Realignment. This division also operates a Day Reporting Center to reduce costs of incarceration and improve life skills; uses an electronic recordkeeping system for providing data to Probation Officers and to generate monthly reports, and involves the Health Care Agency when the offender has mental health issues.

No findings or recommendations came to our attention under this objective.

Objective #3: Determine if Probation's accounting and budget practices for tracking and claiming costs associated with the Public Safety Realignment Act are efficient and effective (e.g., no backlogs, duplication of work, manual processes that could benefit from automation).

CONCLUSION

Based on our audit, we did not note any instances of backlogs or duplicated work in Probation's accounting and budget practices for tracking and claiming costs associated with the Public Safety Realignment Act

No findings or recommendations came to our attention under this objective.



ATTACHMENT A: Report Item Classifications

For purposes of reporting our audit observations and recommendations, we will classify audit report items into three distinct categories:

▶ **Critical Control Weaknesses:**

These are Audit Findings or a combination of Auditing Findings that represent critical exceptions to the audit objective(s) and/or business goals. Such conditions may involve either actual or potential large dollar errors or be of such a nature as to compromise the Department's or County's reputation for integrity. Management is expected to address Critical Control Weaknesses brought to their attention immediately.

▶ **Significant Control Weaknesses:**

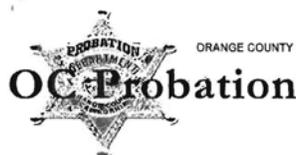
These are Audit Findings or a combination of Audit Findings that represent a significant deficiency in the design or operation of internal controls. Significant Control Weaknesses require prompt corrective actions.

▶ **Control Findings:**

These are Audit Findings concerning internal controls, compliance issues, or efficiency/effectiveness issues that require management's corrective action to implement or enhance processes and internal controls. Control Findings are expected to be addressed within our follow-up process of six months, but no later than twelve months.



ATTACHMENT B: Probation Department Management Responses



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MEMORANDUM

DATE: February 5, 2014
TO: Dr. Peter, Hughes, CPA, Internal Audit Director
CC:
FROM: Chief Probation Officer Steve  Sentman
SUBJECT: Response to the Internal Audit Department's Report on Public Safety
Realignment (AB109) Claiming, Audit No. 1323

Finding No. 1 – No Claim Processing Policies and Procedures

Recommendation No. 1

Probation Department should establish written policies and procedures for the Public Safety Realignment expenditure claims process. Documented policies and procedures should be reviewed and approved by the Probation Department's management and current versions need to be readily accessible for reference by personnel responsible for the expenditure claim process.

Probation Management Response

Concur. The Administrative and Fiscal Division is currently preparing a set of desk procedures that describe the steps for preparing and processing claims. Prior to implementation these desk procedures will be reviewed and approved by Department management.

Finding No. 2 – Data Entry Errors in Support Schedules

Recommendation No. 2

Probation should ensure that independent, detailed desk reviews be performed, documented and retained on Public Safety Realignment claims and supporting schedules to ensure validity and accuracy of data and amounts shown.



ATTACHMENT B: Probation Department Management Responses (continued)

Dr. Peter Hughes

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February 5, 2014

Probation Management Response

Concur. As part of the desk procedures being developed in response to Finding No. 1, the Department will implement a more detailed, formalized desk review process. Although such a procedure cannot guarantee that typos or minor data entry errors will not occur in the future, we agree that it is a worthwhile step toward tightening the accuracy control of this important documentation.

Finding No. 3 – County Paid Retirement Benefits were Incorrectly Calculated

Recommendation No. 3

Probation should ensure its expense claims include County paid retirement benefits incurred from pay factors prescribed by the retirement system and collective bargaining agreements.

Probation Management Response

Concur. The Department has already corrected this practice and will ensure that inclusion/exclusion of retirement benefits are thoroughly addressed in the desk procedures currently being prepared.

Finding No. 4 – Incomplete Service Data from Law Enforcement Agencies

Recommendation No. 4

Probation should ensure service data reported by local law enforcement comply with the requirements in the Memorandums of Procedures and Understanding.

Probation Management Response

Concur. The Department will reinforce with claiming agencies the importance of including date of service and regular hourly rate information in their submittals. Probation will also discuss with County Counsel and the County Executive Office the level of stringency needed in processing AB109-related claims, and a possible revision to the Memorandums of Procedures and Understanding. It is important to reemphasize, as well, that in the event a State audit leads to the disallowance of any expenditures claimed by local law enforcement, the local agency is responsible for reimbursing Probation.

Finding No. 5 – Review of Law Enforcement Services Hours Not Documented

Recommendation No. 5

Probation should ensure that service data reported by local law enforcement agencies is reviewed prior to reimbursement and indicate the reviewer's name and date reviewed.



ATTACHMENT B: Probation Department Management Responses (continued)

Dr. Peter Hughes

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February 5, 2014

Probation Management Response

Concur. Probation will formalize its review of law enforcement service data and document such reviews. It should be noted, however, that a timely review is difficult to achieve with some claims, including with ones cited by Internal Audit. In practice, a local law enforcement agency may not submit its claim until very late in the fiscal year (sometimes just days before year-end), and in those instances, it is difficult for the Department to complete as thorough and formalized a review of service hours as would be our preference. In those instances, Probation will continue to give local law enforcement the benefit of the doubt, and ask for reimbursement after the fact, in the event sufficient documentation is not eventually provided and verified.