

Dutchess County Sheriff's Office – Correction Division

January 2008 – December 2008

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## **Dutchess County Sheriff's Office – Correction Division (Jail)**

### ***Comptroller's Summary***

#### **Organization and Background**

The Dutchess County Sheriff's Office Correction Division's (Jail) Business Office is responsible for the recording, reporting and collection of various revenues and the management of four bank accounts. Attached as Addendum I is a brief description of each revenue and each bank account.

#### **Audit Scope, Objective and Methodology**

The objective of our audit was to review and assess the adequacy of internal controls over revenue collection and banking for the time period January 1, 2008 to December 31, 2008. A total of \$751,971.51 was reported as revenue (as of 5/1/09) and a total of approximately \$2.9 million was processed through the bank accounts. We interviewed appropriate jail officials and business office staff to gain an understanding of the department's operating and accounting procedures. In addition, we examined policies and procedures, financial records and performed limited transaction tests to determine the adequacy of internal controls over revenue and banking including cash handling.

#### **Summary of Findings**

The Jail's system of internal controls over revenue and banking should be strengthened in regards to written procedures, separation of duties, and monitoring to ensure effective and efficient management.

#### ***Detailed Findings***

Our assessment of the Jail's internal control system was based on the following components:

1. Control environment,
2. Communication,
3. Continuing risk assessment,
4. Control activities,
5. Monitoring.

#### **Control Environment**

Control environment is the attitude toward internal control and control consciousness established and maintained by both management and employees and supports compliance with laws, rules, regulations, and management directives. Management is responsible to set the tone and educate employees regarding the importance of internal controls.

Findings:

- The organization's control environment was weak in regards to:
  - Management's awareness of various internal control procedures that should be in place.
  - Lack of formalized policies, procedures and guidelines.

**Recommendations:**

- **Management should increase its knowledge of internal controls regarding accounting activities and ensure that employees at all levels understand the importance of control procedures.**
- **Develop comprehensive manuals for key accounting activities which comply with state, federal guidelines and best accounting practices.**

**Communication**

Communication is the exchange of useful information between and among people within the organization to support decisions and coordinate activities.

**Findings:**

- There were no comprehensive written fiscal policies and procedures describing revenue collection and banking to assist employees in the performance of their duties and to assist management in monitoring.
- Information was not consistently disseminated or explored regarding revenue. As a result:
  - NYS transportation costs were not claimed in their entirety.
  - The Jail's revenue reported did not include all year end accruals.

**Recommendations:**

- **Fiscal policies and procedures should be written and explicitly state the roles and responsibilities for key accounting functions. Manuals should be readily available to employees.**
- **Information should be consistently disseminated to the appropriate personnel.**

**Risk Assessment**

Risks are events that threaten the accomplishment of objectives which ultimately impact an organization's ability to function effectively and efficiently. Specific factors that indicate a higher than ordinary level of risk at the jail included: Changes in staffing, the lack of policies and procedures manuals for revenue and cash handling, multiple software systems, volume of cash/checking transactions.

**Findings:**

- Management did not consistently identify and assess and address risks as evidenced by:
  - Absence of written policies and procedures to aid employees.
  - Duties were not properly segregated to ensure checks and balances.
  - Training and education regarding accounting practices was not evidenced.
  - Oversight, verifications and monitoring of revenue and banking procedures was limited.

**Recommendations:**

- **Management should assess and identify risks on an on-going basis. Action should be taken to address significant risks identified through the risk assessment process and the risks identified in this audit report.**

## **Control Activities**

Control activities were reviewed for policies, procedures, and tools that would help prevent or reduce risks, ensure data integrity, and allow for the effective and efficient management of the Jail. Policies and procedures should include the following: authorization and oversight; properly designed records; appropriate security of assets and records; segregation of duties; and periodic reconciliations and verification.

## **REVENUE**

Policies, procedures and guidelines were not available for audit review. Employees stated they performed their jobs as they were trained.

Findings:

Deficiencies were noted as follows:

### Authorization and Oversight

- The Jail supervisory oversight for revenue reporting and collections should be improved. Errors in claiming were not found by Jail personnel and procedures were not in place to find and correct errors.

### Properly Designed Procedures and Recordkeeping

- Processes reviewed were not properly designed to ensure all revenue was received, reported, and maximized. Specific findings are:
  - Information used to generate the Juvenile transportation billings was not complete. As a result of our audit, the Jail's Shift Commander Report was given to the employee who claims the transportation costs to ensure all eligible expenditures were billed for reimbursement.
  - Claiming guidelines for inmate transportation were not properly understood by staff resulting in a total of \$3,319.24 under claimed. As a result of this audit this amount was billed for 2006 – 2008.
  - Revenues from: Disciplinary charges, telephone commissions and social security incentives did not have a complete audit trail of supporting documentation and procedures were not designed to ensure revenue was maximized.
  - There was not a complete process to ensure all funds were collected and accounted for.

### Security of Assets and Records

- Policies and procedures were not available regarding the control and access of records including software accessibility to ensure availability to authorized employees only.

### Reconciliation and Verification

- Errors we noted in revenue records were not identified by Jail staff due to a lack of reconciliation and verification. In addition, a complete record identifying each accounts receivable was not available evidencing periodic review of revenues due.

## **Recommendations:**

- **Management must establish written policies, procedures and guidelines based on best accounting practices to ensure all of the above deficiencies are addressed to improve internal controls over revenue collection.**

## **BANKING**

The jail has four bank accounts that are solely maintained by the Jail's fiscal office: funds are collected, deposited and disbursed. A person is assigned the responsibility to maintain and reconcile bank accounts monthly. Approximately \$2.9 million dollars was managed in 2008. Each bank account has a unique purpose as follows:

**Bail Account-** A total of \$2,079,724.33 was deposited into the Bail account through 2008. Bail money received at the Jail is credited to this account. Within 24 hours it is turned over to the court who imposed the bail.

**Commissary Account-** A total of \$330,288.58 was deposited into the Commissary account through 2008. This account is established, maintained and operated for the purpose of making available for sale to prisoners items deemed proper and consistent with the health and welfare of the prisoners.

**Inmate Account-** A total of \$477,964.62 was deposited into the Inmate account through 2008. Disbursements are made to the inmate or on the inmate's behalf.

**Inmate Welfare Account-** A total of \$67,377.26 was deposited into the Inmate Welfare account through 2008. Profits from the Commissary account are placed in this account and are to be used to purchase items for the purpose of the prisoner welfare and rehabilitation.

### Findings:

Written policies, procedures and guidelines were not available for audit review. Employees' roles and responsibilities for each bank account were not written and oversight of each bank account was limited. Employees stated they performed their jobs as they were trained.

Deficiencies were noted as follows:

#### Authorization and Oversight

- The Jail had limited supervisory oversight for banking. Routinely, the individual assigned the responsibility of managing the bank account had total control of the accounts. Periodic review of transactions was not evidenced by Supervisory staff: i.e. Business Manager or Jail Administrator.

#### Properly Designed Procedures and Recordkeeping

- Written policies, procedures and guidelines were not available for each bank account.
- Despite the availability of staff, procedures were not designed to ensure checks and balances were in place in the handling of banking transactions including the receipting, depositing, disbursing, reconciliation and oversight of funds.
- As a result of our audit, an authorization form was instituted to document purchases from the Inmate Welfare account.

#### Security of Assets and Records

- Checkbooks and signature stamps are kept in employees desks.
- The signature stamp of the Jail Administrator was not limited to the Jail Administrator's use.

### Segregation of Duties

- The majority of the banking duties for each account are handled by one employee which is a significant internal control risk. Duties included the counting of cash, data entry, balancing to electronic generated reports, preparing deposits, writing checks, signing checks, disbursing checks, reconciling bank accounts.

### Reconciliation and Verification

- Reconciliations were not consistently done correctly:
  - The Inmate account and the Commissary bank accounts were not reconciled properly. Both accounts were overdrawn and adjustments were not properly handled.
- Monthly bank reconciliations were not evidenced with a supervisory review to ensure bank reconciliations were correct and complete resulting in no separation of duties.

### **Recommendations:**

- **Management must establish written policies, procedures and guidelines based on best accounting practices to ensure all of the above deficiencies are addressed to improve internal controls over the bank accounts. Special attention must be given to segregation of banking duties, verification of data and complete accurate reconciliations.**

### **Monitoring**

Monitoring is the review of an organization's activities and transactions to assess the quality of performance over time and to determine whether controls are effective. Monitoring is most effective, when all employees understand the organization's mission, objectives, responsibilities, and levels of risk tolerance.

### Finding:

- Management did not provide consistent reviews of activities including transaction sampling to identify and address deficiencies and weaknesses.

### **Recommendation:**

- **Management should put in place processes to independently monitor activities and transactions. Oversight should be in place on a day to day basis and immediate corrective action plans and controls should be put in place where weaknesses are identified.**

## ***Addendum I***

### **REVENUE ACCOUNTS**

#### **Sheriff Fees- \$104,594.11**

Juvenile Transportation is revenue derived from the Department of Social Services for the transportation of Juveniles to and from detention facilities and the courts.

Disciplinary Fees include restitution for the loss of or damage to county property and surcharges approved by New York State. Fees are imposed from a disciplinary hearing and are drawn from the existing or future funds within an inmate's account.

#### **Other Safety \$27,200.00**

##### Social Security Incentive

Monies received from the Social Security Administration for individuals incarcerated and who receive social security benefits. The Dutchess County Sheriff's Department has an agreement to report confined individuals in order for Social Security to suspend payments to that individual. Incentive payments to the Jail are \$400.00 per inmate reported within 30 days.

#### **Public Safety \$2,943.18**

##### Transportation Costs

Monies reimbursed from NYS Department of Correctional Services for the transportation of state prisoners to and from state prison and the county jail.

#### **Jail Facilities and other Governments \$273,327.20**

Reimbursement is at a rate of \$37.60 per day for the following:

##### Parole Violators

State payments for parole violators incarcerated at the DC jail.

##### State Ready

Reimbursement for inmates sentenced to a state correctional facility not transferred to a facility. Compensation is received if the inmate remains in county custody for more than 10 days.

#### **Commissions \$124,871.31**

The County has an agreement with a communications vendor for installation and operation of inmate telephones at the jail. Pursuant to the agreement, the county receives monthly commission payments based on a percentage of income.

**Crime Control \$69,520.00**

SCAAP Program - State Criminal Alien Assistance Program. The Federal Bureau of Justice Assistance provided funding towards correction officer salary costs for incarcerated undocumented criminal aliens who have at least one felony or two misdemeanor convictions and who are incarcerated for at least 4 consecutive days.

**Insurance Recoveries \$84,998.31**

Worker Compensation claim awards.

**Refund Prior Year \$1,185.27**

This account contained refunds of 2007 expenses.

**Unclassified Revenue \$995.50**

Revenue generated from copy charges, subpoenas.

**BANK ACCOUNTS**

**Fines and Bail-** Jail money is receipted to this account and is turned over to the originating court within 24 hours. Ending reconciled bank balance was zero.

**Inmate Account-** Inmate money is received during booking, through the mail or in person. In addition to this account, there is also a \$600 petty cash drawer maintained to disburse inmate money upon their release.

**Commissary Account-** This account was established, maintained and operated for the purpose of making available for sale to prisoners items deemed proper and consistent with the health and welfare of prisoners.

**Inmate Welfare Account-** This account contains the profits from the inmate commissary. This money is restricted for the use of prisoner welfare and rehabilitation according to guidelines from the NYS Commission of Corrections.