



Lexington-Fayette Urban County Government
OFFICE OF INTERNAL AUDIT

INTERNAL AUDIT REPORT

DATE: March 24, 2011

TO: Jim Gray, Mayor

CC: Richard Moloney, CAO
Clay Mason, Commissioner of Public Safety
Jane Driskell, Commissioner of Finance & Administration
Ron Bishop, Director of Community Corrections
Phyllis Cooper, Director of Accounting
Susan Straub, Communications Director
Urban County Council
Internal Audit Board

FROM: Bruce Sahli, Director of Internal Audit

RE: Community Corrections Fee Collections Audit

Background

The Division of Community Corrections is budgeted to receive approximately \$5.9 million in FY 2011 in fees collected for housing and medical services provided to state and federal inmates from the Kentucky Department of Corrections, the United States Marshalls Service, and the Federal Bureau of Prisons. Under contracts and agreements established with these governmental agencies, Community Corrections can bill set per diem rates for each inmate housed from these agencies. Community Corrections maintains an in-house billing system in order to classify, track, and bill each agency for these prisoners on a monthly basis. In FY 2011, Community Corrections is authorized to bill \$70 per day for each federal inmate housed, and \$31.34 per day for each state inmate housed. Community Corrections is also authorized to bill \$30 per hour as a guard transport fee for transporting federal inmates to and from their facility for court dates and medical appointments. Payments for these billed

services are usually received monthly by Community Corrections in the form of a check from the Kentucky Department of Corrections, and by wire transfer to the appropriate LFUCG bank account from applicable federal agencies.

In addition to collecting the above housing and medical fees, Community Corrections also receives various jail allotments and service fee distributions from the Kentucky Department of Corrections on a monthly and quarterly basis depending on the program. These allotments and distributions were established by Kentucky Revised Statutes and are primarily designed to help jail facilities in Kentucky recover portions of their related administrative costs. The dollar amounts received each year may vary based on annual state budget appropriations and the provisions of the Statutes involved.

Scope and Objectives

The general control objectives for the audit were to provide reasonable assurance that:

- Service contracts and agreements with outside governmental agencies are properly authorized and up-to-date
- Billings to outside governmental agencies are complete and accurate and performed in a timely manner
- Accounts receivable are maintained and monitored by Community Corrections management to ensure timely payments
- Payments are recorded to the LFUCG PeopleSoft financials in a timely and accurate manner
- Payments are reconciled to billings to ensure accurate payments and recordkeeping
- Deposits of payments are performed accurately and timely
- Adequate segregation of duties exists for related billing, collection, recording, and deposit processes
- Related management oversight processes are in place and effective

Audit results are based on observations, inquiries, transaction examinations, and the examination of other audit evidence and provide reasonable, but not absolute, assurance controls are in place and are effective. In addition, effective controls in place during an audit may subsequently become ineffective as a result of technology changes or reduced standards of performance on the part of management.

This was our first audit of the Division of Community Corrections' billing, collection, and receipt processes for inmate fees and allotments charged to federal and state governmental agencies. Our examination covered transactions for Fiscal Years 2008 through May 2010.

Statement of Auditing Standards

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

Audit Opinion

In our opinion, the controls and procedures did not provide reasonable assurance that the general control objectives were being met. Opportunities to improve controls are included in the Summary of Audit Findings.

Priority Rating Process

To assist management in its evaluation, the findings have been assigned a qualitative assessment of the need for corrective action. Each item is assessed a high, moderate, or low priority as follows:

High - Represents a finding requiring immediate action by management to mitigate risks and/or costs associated with the process being audited.

Moderate – Represents a finding requiring timely action by management to mitigate risks and/or costs associated with the process being audited.

Low - Represents a finding for consideration by management for correction or implementation associated with the process being audited.

Director of Community Corrections Response:

It should be noted that shortly after this director's arrival in June of 2004, I requested that the Division of Internal Audit do a complete financial audit of the Division of Community Corrections. The audit was requested due to the large sums of money that passed through this division, and the fact that I was new and from outside the division and this government. I wanted to have an independent review of the fiscal situation to be sure that I was not assuming responsibility for an operation that after some time the problems would be seen as having occurred "on my watch". Secondly I believed that while I had capable, honest people of integrity and character working in these positions, I felt the systems, processes and safeguards around them were weak and subject to question. I felt they could become the target of allegations without better checks and balances built in. I received the first installment of that audit in late 2004, and it was very helpful. It again confirmed my suspicions of insufficient checks and balances, and with the help of the Division of Internal Audit we corrected those deficiencies. Unfortunately, the Internal Audit Division, due to a shortage of staff resources could not do the entire audit as I had requested. A second installment was done in 2008, and again the system was strengthened. Now we have the third installment of the original 2004 request, and again we found that while staff was honest in the performance of their duties, and all monies were accounted for, improvements are needed.

The employee responsible for the duties of this audit had handled those duties for 27 years. Management conferred with our agency partners such as the US Marshals Service, the Kentucky Department of Corrections, and the LFUCG Division of Revenue to see if there were any problems, irregularities or concerns. We received no reports from any of those agencies including LFUCG Division of Revenue indicating any type of problems or concerns with the division's handling of any of these processes, or the employee involved.

In August of 2010 after the retirement of the employee tasked with these duties, we revised, and revamped the process. Ms. Janet Byrd has done an outstanding job in addressing the audit's findings well before the draft was received for our response in February 2011. Most of the Division's corrections to the audit's findings were in place by September 2010. I regret this audit was not completed in 2004 as I requested. I do believe even without the audit we were meeting the basic elements of accounting for the money and getting it to its proper account.

SUMMARY OF AUDIT FINDINGS

Finding #1: Program Change Control Processes Needed

Priority Rating: High

Condition:

Community Corrections was authorized to charge the Kentucky Department of Corrections a medical per diem rate of \$1.91 in FY 2010 for each state inmate housed at the jail. Our detail testing noted that in December 2009 and March 2010, Community Corrections charging a medical per diem rate of \$20.00 for each inmate housed, resulting in overcharges of \$110,081.54 and \$126,566.67, respectively, being submitted to the State (the correct billing amounts were \$10,898.46 and \$12,153.33, respectively). We then reviewed other such billings issued during this period and noted three additional overcharges caused by the same incorrect per diem rate in the months of April, May, and June 2010. The Community Corrections Revenue Officer stated she was aware of these errors and attributed them to a “glitch” in the billing system. In an e-mail dated August 30, 2010 she stated this “glitch” had been corrected. The State identified these billing errors and did not submit any overpayments.

We were unable to determine how the incorrect rate was posted in the billing system, as software changes to that system are not formally documented, reviewed, or approved by management (i.e., change management processes are absent). The very significant overbilling amounts also indicate the absence of a reasonable review of invoices on the part of Community Corrections personnel prior to their being submitted to the effected agency for payment.

Effect:

The absence of change control management represents a significant weakness in the billing system. The absence of a manual review of invoices for reasonableness by Community Corrections personnel represents a training and due diligence issue that needs to be addressed procedurally.

Recommendation:

LFUCG’s Chief Information Officer and the Division of Computer Services recently enacted a government-wide policy entitled “LFUCG Software Change Management Policies and Procedures”. Community Corrections management should consult with the Division of Computer Services and implement change management procedures designed to authorize and track changes made to the Community Corrections billing system and related records. This process should ensure that all system changes are documented and reviewed for accuracy and completeness once implemented, and a detailed audit report highlighting all

system changes should be provided to management for review. The possibility of designing edit or reasonability checks into the Community Corrections billing system to flag such errors in an exception report for management review prior to any invoicing should also be researched. The Revenue Officer responsible for submitting invoices should be trained to evaluate them for reasonableness and to investigate unusually large invoices prior to their being submitted for payment.

Director of Community Corrections Response:

Management concurs with the audit recommendations. This issue has been resolved. The staff member now assigned these duties is identifying errors prior to the final billing. The Division's computer services unit is currently investigating the ongoing software issue. The Division has implemented the Division of Computer Services change order request form for any changes to existing programming.

Commissioner of Public Safety Response:

I concur with the finding and recommendation.

Finding #2: Segregation of Duties Issue

Priority Rating: High

Condition:

The Community Corrections Revenue Officer is responsible for the billing, collection, posting, and depositing of fees collected for the accounts examined during the audit. She performs these duties without any oversight, review, or approval by management.

Effect:

The absence of properly segregated duties reduces management's ability to prevent, detect, and/or correct billing and collection errors and irregularities, thereby significantly increasing financial risk.

Recommendation:

Billing and collection responsibilities should be properly segregated to ensure that no one person has complete control over billing, collection, recording, and depositing functions.

Director of Community Corrections Response:

Management concurs with the audit findings. This issue has been resolved. Management has assigned the billing duties to one staff member, with additional staff being trained in the billing process. To segregate the duties, staff in the financial unit will be responsible for posting and depositing payments in PeopleSoft.

Commissioner of Public Safety Response:

I concur with the finding and recommendation.

Finding #3: Written Procedures Need to be Developed

Priority Rating: High

Condition:

Written procedures do not exist for the billing, collection, posting, and depositing of payments for these agency accounts. Written procedures are an important internal control that provides process instruction, performance standards, and a basis for measuring compliance with management expectations.

Effect:

The absence of written procedures could result in Community Corrections personnel being inconsistent in following management's directions and in fulfilling management's expectations. The absence of these procedures also makes it more difficult to train employees and hold them accountable for their performance.

Recommendation: Detailed written procedures should be developed for the billing and collection processes associated with this function.

Director of Community Corrections Response:

Management concurs with the audit findings. This has been resolved. Written procedures have been developed for the billing and collection processes as of February 2011. (See Management Response Attachment A).

Commissioner of Public Safety Response:

I concur with the finding and recommendation.

Finding #4: Court Transport Supporting Documentation Not Retained

Priority Rating: High

Condition:

Community Corrections does not retain supporting documentation for court transport hour and mileage charged to the United States Marshals Service. All such support is submitted with the related monthly billings.

Effect:

Failure to retain this documentation violates the Intergovernmental Agreement (IGA) between Community Corrections and the United States Marshals Service, which requires Community Corrections to retain supporting documentation for three years for purposes of federal audit and examination.

Recommendation:

A copy of the supporting documentation should be retained in compliance with the IGA and as evidence that transactions are accurately recorded.

Director of Community Corrections Response:

Management concurs with the audit findings. This has been resolved as of September 2010. All supporting documentation is being retained.

Commissioner of Public Safety Response:

I concur with the finding and recommendation.

Finding #5: Billing Reconciliation Process Needed**Priority Rating: High****Condition:**

Our testing noted that variances occurred in 30 out of 37 applicable transactions tested (81%) between the amount originally billed the state and federal agencies and the amount subsequently paid to Community Corrections, with an average variance of \$4,893.98 after adjusting for two very large billing errors caused by the billing system glitch described in Finding #1. See Attachment I for details. Audit evidence suggests that these billing discrepancies are primarily the result of the incomplete documentation of inmate movements prepared by various law enforcement officials that is beyond Community Corrections control. To remedy this problem, Community Corrections and federal and state agency representatives exchange inmate housing and movement information to arrive at an agreed upon final payment. Although there is substantial documentation demonstrating the results of this information exchange, there is no process to formally document a monthly summary reconciliation of billings to payments or the specific reasons for the discrepancies.

Effect:

Without a formal reconciliation of billings submitted to payments received, billing discrepancies may not be properly evaluated and corrected for current or future billings. This reconciliation would also document the evaluation of the paying entity's billing disputes and provide reasonable assurance against any undue reliance on such disputes.

Recommendation:

Community Corrections should perform a monthly reconciliation between amounts originally billed and subsequently paid and document the reason(s) for any discrepancies. Necessary corrections to the billing system should then be made as a result of errors noted in the reconciliation process. Community Corrections senior management should review and approve the reconciliation to ensure both its timely completion and its sufficient analysis of the reason(s) for any discrepancies. Any unexplained discrepancies should be resolved with the paying entity. Through this reconciliation process, management may also be able to identify recurring errors that can be reduced or removed via coordination with the paying entity.

Director of Community Corrections Response:

Management concurs with the audit findings. This issue has been resolved as of September 2010. All discrepancies are resolved prior to final billing.

Commissioner of Public Safety Response:

I concur with the finding and recommendation.

Finding #6: Late Deposit Activity Noted**Priority Rating: Moderate****Condition:**

Community Corrections does not record the actual date when payments from entities examined during this audit are received. However, assuming the check cut date plus three additional business days for checks to be received by Community Corrections, we noted five instances out of 55 payments tested (9%) were checks were deposited from two to ten business days late (this late deposit activity was not recent-these occurred in FY 2008, and is therefore given a Moderate Priority Rating).

Effect:

Failure to deposit payments in a timely manner increases the risk of loss or theft. Cash flow can also be affected, and would be particularly problematic during the difficult budget year LFUCG is currently experiencing.

Recommendation:

The recently enacted CAO Policy #40 (Policy & Procedure for Cash & Check Handling) supersedes any Division or Department deposit procedures. Per CAO Policy #40, all funds received by Departments and Divisions should be immediately endorsed and presented to the Revenue front counter within one business day of receipt for locations in the downtown campus and within two business days for the outlying locations. Deposits

made directly to the bank should be made on the same or next business day. Community Corrections personnel should be instructed to log payments when received, and to adhere to this Policy on a consistent basis. We also recommend Community Corrections management discuss with appropriate state personnel the possibility of having state payments made via wire transfer.

Director of Community Corrections Response:

Management concurs with the audit findings. This issue has been resolved as of September 2010. The staff member who was responsible for this function during the time period noted was not in the office for extended periods of time due to approved FMLA. The Division has corrected the issue and additional staff members are available to assume the duties if needed.

Commissioner of Public Safety Response:

I concur with the finding and recommendation.

Finding #7: Payments Posted to Incorrect Accounts

Priority Rating: Moderate

Condition:

We identified eight instances out of 61 deposits tested (13%) where collections were posted to incorrect revenue accounts in PeopleSoft (seven of which occurred in FY 2008, resulting in a moderate priority rating). We also found no evidence of management's review and approval of the entries.

Effect:

Erroneous postings to the PeopleSoft revenue accounts results in incorrect revenue recognition and affects the usefulness and reliability of financial information.

Recommendation:

Management should review all revenue postings to the PeopleSoft accounts for accuracy. The development of written procedures regarding the posting of payments recommended in Finding #3 should also assist in preventing future posting errors.

Director of Community Corrections Response:

Management concurs with the audit findings. This issue has been resolved. The timeframe noted was during the early stages of PeopleSoft implementation and staff's unfamiliarity with the software. The written procedures have been developed (See Management Response Attachment A). The Division has conferred with the Division of Revenue to streamline our revenue accounting as of February 2011.

Commissioner of Public Safety Response:

I concur with the finding and recommendation.

Finding #8: Accounts Receivable Report Needed

Priority Rating: Moderate

Condition:

Community Corrections does not prepare an Accounts Receivable report to identify and track outstanding balances of the accounts examined in this audit. A monthly Cumulative Monthly Status Report is produced which shows payments received, but does provide information regarding outstanding payments.

Effect:

Without an Accounts Receivable report, Community Corrections management does not have an effective method for monitoring outstanding payments or ensuring timely follow up on past due amounts.

Recommendation:

A monthly Accounts Receivable report should be prepared for management review. A follow up process should be implemented to address any past due payments identified by this report.

Director of Community Corrections Response:

Management concurs with the audit findings. This has been resolved as of February 2011. A written report has been developed and is now in use. (See Management Response Attachment B) The report is available on a shared drive for Management review.

Commissioner of Public Safety Response:

I concur with the finding and recommendation.

Finding #9. Transaction Support Missing

Priority Rating: Moderate

Condition:

We were unable to locate supporting documentation for four transactions selected for detail testing (two for federal agency billings and two for state agency billings).

Effect:

Failure to consistently maintain documentation to support the invoicing of federal and state agencies may be a violation of various agreements with them, and could place the LFUCG in a difficult position if audited by those agencies.

Recommendation:

Procedures should be put in place to consistently maintain billing support.

Director of Community Corrections Response:

The findings do not provide a timeframe regarding the missing documentation. There is not enough information in the finding to substantiate the condition. Management is now consistently retaining the supporting documentation.

Commissioner of Public Safety Response:

I concur with the finding and recommendation.

Finding #10: Late Invoicing Noted**Priority Rating: Moderate****Condition:**

We identified two billings totaling \$126,210.40 that were invoiced at least one month late. Although both occurred in calendar 2008 (resulting in a moderate priority rating), the significant dollar amount of the late billings indicates the need for a systematic and documented timely billing process.

Effect:

LFUCG cash flow may be affected if invoices are not submitted in a timely fashion. This is particularly problematic during the difficult budget year LFUCG is currently experiencing.

Recommendation:

Procedures should be established to ensure all billable charges are invoiced in a timely manner. A reasonable goal is the invoicing of all such charges within five business days after the billing cycle cutoff. As part of this process, management should receive a summary of invoices to be submitted for review and approval.

Director of Community Corrections Response:

Management concurs with the audit findings. This issue has been resolved as of September 2010. The staff member who was responsible for this function during the time period noted

was not in the office for extended periods of time due to approved FMLA. The Division has corrected the issue and additional staff members are available to assume the duties if needed.

Commissioner of Public Safety Response:

I concur with the finding and recommendation.

Finding # 11: Improved State Billing Support Needed

Priority Rating: Moderate

Condition:

Kentucky Department of Corrections rates are calculated each year based on the annual budget appropriation and applicable state statutes. We were unable to sufficiently validate prior and existing billing rates with this agency due to a lack of supporting documentation. In response to our request for confirmation of the rates, the Kentucky Department of Corrections issued an e-mail as the only verification that the rates being billed by Community Corrections were correct. In this e-mail, the respondent stated they provide annual Memorandums notifying jails of per diem rates set for the upcoming year, but we were unable to obtain any of these Memorandums.

Effect:

Without sufficient supporting documentation, Community Corrections may use outdated or incorrect per diem rates.

Recommendation:

Community Corrections should develop a procedure to obtain a formal Memorandum from the Kentucky Department of Corrections on an annual basis and retain this document as support for billing rates.

Director of Community Corrections Response:

The Division has contacted the Kentucky Department of Corrections. There is no formal Memorandum issued regarding the state's local reimbursement rate. Verification will only be sent, via e-mail, if or when there is a change in the housing or medical fees. The state has no plans to change its procedure. This is how it is handled with all jails, and the matter is beyond our control.

Commissioner of Public Safety Response:

I concur with the finding and recommendation.

Finding #12: Missing Files in Intake**Priority Rating: Moderate****Condition:**

We selected 43 inmates to review for proper classification in the billing system. Six inmate's files (14%) could not be located by the intake staff, indicating the need for improved file retention and/or organization procedures.

Effect:

Although much inmate data also resides on Community Correction's in-house inmate system, the physical records are important support and may include source documents from which such data is posted.

Recommendation:

Management should review intake file retention procedures to ensure that physical records are accurately filed and available for inspection on a consistent basis.

Director of Community Corrections Response:

The Division books over 29,000 inmates in a calendar year. The electronic version of all booking records is available. There is insufficient information in the condition to respond. The records cited may have been in use in other areas of the facility.

Commissioner of Public Safety Response:

I concur with the finding and recommendation.

RISK OBSERVATIONS

Standards for the Professional Practice of Internal Audit stipulate that it is the Office of Internal Audit's responsibility to inform management of areas where risk to the organization or those it serves exist. The following observations identified risks to Community Corrections that are outside the scope of the audit, but which are considered to be of sufficient importance to deserve mention in this report and to ensure awareness by senior Administration personnel and the Urban County Council.

Inmate System Response Time Appears Substandard:

We noted that the inmate system used for intake processing purposes that is maintained in-house by Community Corrections exhibited a very slow processing speed. A Community Corrections employee also informed us that the inmate system will "lock up" at times (we did not experience any "lock ups" during our use of this system). Since this system is highly critical to operations at Community Corrections, we recommend management consult with

the Division of Computer Services and other resources as needed to evaluate and address this issue.

Director of Community Corrections Response:

Management concurs with the audit findings. The Division's computer services unit resolved this situation as of September 2010.

Commissioner of Public Safety Response:

I concur with the finding and recommendation.

Written Procedures for Inmate Billing Classification Need to be Developed:

We observed that one employee is primarily responsible for determining inmate billing classification. Although another employee is apparently being cross-trained as a backup, the intake classification process should be formally documented in written procedures to provide process instruction for cross-training purposes, to provide performance standards, and to provide a basis for measuring compliance with management expectations.

Director of Community Corrections Response:

Management concurs with the audit findings. The Division has developed written procedures as of February 2011. See Management Response Attachment C).

Commissioner of Public Safety Response:

I concur with the finding and recommendation.

Attachment I
Community Corrections Fees Audit
Billed to Paid Variance

Invoice Date	Description	Community Corrections Invoice Amount	Amount Paid	Variance
N/A	REV CI HOUSING JUNE	\$148,285.24	\$131,651.05	\$16,634.19
10/3/2007	REV C-I HOUSING SEPT.	\$176,328.22	\$177,721.66	-\$1,393.44
11/5/2007	REV C-I HOUSING OCT 2007	\$203,529.33	\$184,744.98	\$18,784.35
3/3/2008	REV HOUSING CLASS D JAN 2008	\$6,880.11	\$9,870.20	-\$2,990.09
3/10/2008	REV USM HOUSING FEB 2008	\$193,723.50	\$197,815.50	-\$4,092.00
4/2/2008	REV USM HOUSING MAR 2008	\$199,571.32	\$201,971.32	-\$2,400.00
5/8/2008	REV CLASS D HOUSING APRIL 2008	\$2,670.76	\$6,357.57	-\$3,686.81
6/4/2008	REV USM MAY 2008	\$109,172.11	\$109,232.11	\$60.00
9/11/2008	REV AUG 2008 C-I MEDICAL	\$9,490.79	\$9,744.82	-\$254.03
9/11/2008	REV AUGUST 2008 C-I HOUSING	\$145,549.67	\$147,433.19	-\$1,883.52
10/2/2008	REV MEDICAL CLASS D SEPT 2008	\$339.98	\$529.07	-\$189.09
11/10/2008	REV USM HOUSING SEPT 2008	\$119,330.29	\$132,821.20	-\$13,490.91
11/12/2008	REV CI HOUSING OCT 2008	\$158,426.51	\$151,539.89	\$6,886.62
12/2/2008	REV BOP HOUSING NOV 2008	\$18,480.00	\$18,503.06	-\$23.06
2/10/2009	REV MEDICAL C-I JAN 2009	\$9,565.28	\$9,122.16	\$443.12
2/10/2009	REV CI HOUSING JAN 2009	\$146,269.44	\$139,441.68	\$6,827.76
3/4/2009	HOUSING CLASS D FEB 2009	\$1,648.08	\$4,591.08	-\$2,943.00
4/6/2009	REV CI HOUSING MAR 2009	\$123,938.76	\$123,791.61	-\$147.15
6/5/2009	REV CLASS D MEDICAL MAY09	\$30.56	\$257.85	-\$227.29
7/16/2009	REV USM HOUSING JUNE 2009	\$134,829.64	\$134,633.20	\$196.44
10/6/2009	REV CI MEDICAL SEP 09	\$10,705.55	\$10,304.45	\$401.10
11/18/2009	REV USM HOUSING NOV 2009	\$154,812.09	\$164,654.60	-\$9,842.51
12/3/2009	REV CI HOUSING NOV 2009	\$172,865.99	\$163,978.13	\$8,887.86
01/11/2010	REV CI MEDICAL DEC 2009	\$120,980.00	\$10,898.46	\$110,081.54
2/16/2010	REV USM HOUSING JAN 2010	\$144,158.23	\$144,168.23	\$10.00
03/04/2010	REV CI HOUSING FEB 2010	\$162,678.47	\$152,848.85	\$9,829.62
4/7/2010	REV CI HOUSING MAR 2010	\$203,628.48	\$186,765.09	\$16,863.39
4/7/2010	REV CI MEDICAL MAR 2010	\$138,720.00	\$12,153.33	\$126,566.67
4/12/2010	REV BOP HOUSING MAR 2010	\$32,280.00	\$28,680.00	\$3,600.00
5/7/2010	REV CI HOUSING APRIL 2010	\$176,658.04	\$162,825.94	\$13,832.10

Management Response Attachment A

BILLING PROCEDURES

February 2011

Billing for the Federal Bureau of Prisons Office, US Marshal's Services and State Billing Office is always done at the first of every month. **Always check first with the Court Processing Department to see if everything is in the system before creating the invoice spread sheets.**

Create an spread sheet invoice listing for each of the above agencies along with a Federal listing for Federal Bureau of Prisons Office and US Marshals Services. Federal listing is given to the Medical Department to get information needed and they will return them to you.

Federal Bureau of Prisons Office- Using the invoice spread sheet look it over to see if you find any days counted wrong. Fax a copy of the spread sheet to the Agency in North Carolina for their review and then they will send you the spread sheet back. When received and compared and everything is correct mail the agency a cover sheet, invoice spread sheet and Federal listing for payment.

US Marshals Office- Using the invoice spread sheet look it over first, e-mail the agency requesting their invoice spread sheet. Compare the two, if there are differences e-mail the Court Processing Office for answers. When answers are returned make the necessary changes. E-mail the agency our invoice spread sheet so they can look it over and to make sure we agree. If everything agrees send them a cover sheet, invoice spread sheet, Federal listing and figures for medical miles, guard hours along with court hours and court miles for payment. The guard hours, mileage, court hours and mileages are totaled from the sheets received from our Transport Division for the month.

State Billing Office- E-mail the agency requesting their invoice register. Once received, create our invoice register and compare. Make a list of the differences for the Court Processing Department to check and they will give a reason as to who is correct once they check the records. Once changes are received and the necessary changes are made, you are now ready to e-mail cover sheet, invoice register, copy of our differences along with the answers back to the agency. When they are done they will e-mail everything back and if the dollar amount is different you will need to reconcile the differences. Take the differences from the agency and run them by the Court Processing Office to see if we need to make changes to our files or if we need to alert the agency of our findings to see if there is a problem in KOMS. If our findings are correct the agency will e-mail us to let us know that we will have a rebill on the following month.

Contact people

Robert Revell (919)575-2072
Melissa Smith (859) 233-2513

Fax# (919) 575-2075 Federal Bureau of Prisons
Fax# 233-2517 U.S. Marshals Service

Marka Burns (502)564-4795

State Billing Office

Collection and Posting

Federal Bureau of Prisons and US Marshals Services money comes via ACH which is direct deposit and an e-mail is received from the Accounting Department along with a copy of the statement when deposits are received. E-mail is printed and given to our Financial Department to post and send two copies of the posting to Revenue. One copy is returned from Revenue which is stamped verified and is attached to the billing. The State Billing Office will mail a check which is given to the Financial Department to post and send two copies of the posting to Revenue. One copy is returned from Revenue which is stamped verified and is attached to the billing.

Accounts Receivable Ledger

Management Response Attachment B

Month/ Year	Billed	Received	Difference	Payment Received	Reason
July, 2010					
USM	\$182,766.00	\$182,766.00		9/17/2010	
BOP	\$21,480.00	\$21,480.00		9/9/2010	
STATE	\$148,344.68	\$148,376.02	\$31.34	9/16/2011	Tried to Bal. Norma's work
Aug. 2010					
USM	\$231,055.00	\$231,055.00		10/11/2010	
BOP	\$16,030.00	\$16,030.00		10/13/2010	
STATE	\$128,122.70	\$128,592.80	\$470.10	10/13/2010	Bal. (over paid of 15 days on M. Smith)
Sept. 2010					
USM	\$234,360.00	234,360.00		11/24/2010	
BOP	\$13,440.00	\$13,440.00		1/1/2010	
STATE	\$110,631.00	\$109,220.70	\$1,410.31	11/16/2010	Bal. (difference is Barrett, Isaacs & Smith
					877.52 (470.10) and 62.68
BOP	\$3,510.00	\$3,510.00		11/24/2010	Supplementary Billing for June
USM	\$22,160.00	\$22,160.00		2/16/2011	Supplementary Billing for June
					(waiting approval-last fiscal yr. billing/ State)
Oct. 2010					
USM	\$263,359.50	\$263,359.50		12/7/2010	
BOP	\$19,320.00	\$19,320.00		12/7/2010	
STATE	\$120,207.71	\$120,895.28	\$1,096.90	12/10/2010	pd. 28 days-Battett-Sept& 7day-Faulkner
					(877.52 and 219.38)
Navy	\$70.00	\$70.00		12/20/2010	
Nov. 2010					
USM	\$267,875.50	\$267,875.50		1/5/2011	
BOP	\$16,030.00	\$16,030.00		1/12/2011	
STATE	\$123,413.06	\$125,042.74	\$1,629.68	1/18/2011	Bal. (Re-billed 52 days on James Wood)

Accounts Receivable Ledger

Dec. 2010					
USM	271,470.50	\$271,470.50		2/9/2011	
BOP	\$19,600.00	\$19,600.00		2/9/2011	
STATE	\$122,566.90	\$122,002.78	\$532.78	2/9/2011	rebill \$1096.90 errors in KOMS (35days diff)
Jan. 2011					
BOP	\$15,120.00				
USM	\$234,321.18				
STATE	\$112,912.10	\$114,009.00	\$1,096.90	3/7/2011	Overage is rebill from KOMS Errors in Dec.
Feb. 2011					
BOP	\$14,840.00				
USM	\$161,607.61				
STATE	\$124,431.74				
BOP (Med)	\$214.59				
Mar. 2011					
BOP					
USM					
STATE					
Apr. 2011					
BOP					
USM					
STATE					
May, 2011					
BOP					
USM					
STATE					
Jun. 2011					
BOP					

Accounts Receivable Ledger

USM					
STATE					

Accounts Receivable Ledger

Management Response Attachment B

Month/ Year	Billed	Received	Difference	Payment Received	Reason
July, 2011					
USM					
BOP					
STATE					
Aug. 2011					
USM					
BOP					
STATE					
Sept. 2011					
USM					
BOP					
STATE					
BOP					
USM					
Oct. 2011					
USM					
BOP					
STATE					
Navy					
Nov. 2011					
USM					
BOP					
STATE					

Accounts Receivable Ledger

Dec. 2011					
USM					
BOP					
STATE					
Jan. 2012					
BOP					
USM					
STATE					
Feb. 2012					
BOP					
USM					
STATE					
Mar. 2012					
BOP					
USM					
STATE					
Apr. 2012					
BOP					
USM					
STATE					
May. 2012					
BOP					
USM					
STATE					
Jun. 2012					
BOP					

Accounts Receivable Ledger

USM					
STATE					

Accounts Receivable Report
part 2

Management Response Attachment B

Month/Year	Amount Received	Date Received
July. 2010		
APF & Medical Co-Pay	\$24,362.43	July 8/26/2010
District Court Jail Fee	\$11,843.92	July & Aug-8/30/2010
DUI Service Fees		
Social Security Incentive	\$6,400.00	7/8/2010
Jail Allotment	\$98,255.29	7/22/2010
Aug. 2010		
APF & Medical Co-Pay	\$25,009.67	10/5/2010
District Court Jail Fee	\$10,786.79	Aug & Sept.-10/6/2010
DUI Service Fees		
Social Security Incentive	\$7,000.00	8/9/2010
Jail Allotment	\$98,255.29	8/11/2010
Sept. 2010		
APF & Medical Co-Pay	\$21,711.90	10/5/2010
District Court Jail Fee		
DUI Service Fees		See Oct.
Social Security Incentive	\$800.00	9/9/2010
Jail Allotment	\$98,255.29	9/16/2010
Oct. 2010		
APF & Medical Co-Pay	\$23,132.10	2/17/2011
District Court Jail Fee	\$11,946.89	Sept & Oct-11/2/2010
DUI Service Fees	\$16,953.57	Rec'd Qtr--10/6/2010
Social Security Incentive	\$1,600.00	10/25/2010
Jail Allotment	\$98,255.29	10/6/2010
Nov. 2010		
APF & Medical Co-Pay	\$20,282.57	2/17/2011
District Court Jail Fee	\$11,441.53	Oct & Nov-12/07/2010
DUI Service Fees		
Social Security Incentive	\$2,400.00	11/5/2010
Jail Allotment	\$98,255.29	11/5/2010
Dec. 2010		
APF & Medical Co-Pay	\$19,123.37	2/17/2011
District Court Jail Fee	\$10,978.99	Nov. & Dec.-01/05/2011
DUI Service Fees		
Social Security Incentive	\$3,200.00	12/7/2010
Jail Allotment	\$98,255.29	12/8/2010
Jan. 2011		
APF & Medical Co-Pay	\$22,737.88	2/17/2011
District Court Jail Fee	\$11,303.76	Dec. & Jan.-02/07/2011
DUI Service Fees	\$15,172.91	Rec'd Qtr-----1/5/2011
Social Security Incentive	\$200.00	1/7/2011
Jail Allotment	\$98,255.29	1/6/2011
Feb. 2011		
APF & Medical Co-Pay	\$23,982.95	3/3/2011
District Court Jail Fee	\$11,430.95	Jan. & Feb.-3/3/2011
DUI Service Fees		
Social Security Incentive	\$800.00	3/7/2011
Jail Allotment	\$98,255.29	2/3/2011

Accounts Receivable Report
part 2

March, 2011		
APF & Medical Co-Pay		
District Court Jail Fee		
DUI Service Fees		
Social Security Incentive		
Jail Allotment	\$98,255.29	3/7/2011
April, 2011		
APF & Medical Co-Pay		
District Court Jail Fee		
DUI Service Fees		
Social Security Incentive		
Jail Allotment		
May, 2011		
APF & Medical Co-Pay		
District Court Jail Fee		
DUI Service Fees		
Social Security Incentive		
Jail Allotment		
June, 2011		
APF & Medical Co-Pay		
District Court Jail Fee		
DUI Service Fees		
Social Security Incentive		
Jail Allotment		
Total	\$1,198,899.79	

Accounts Receivable Report
part 2

Management Response Attachment B

Month/Year	Amount Received	Date Received
July. 2011		
APF & Medical Co-Pay		
District Court Jail Fee		
DUI Service Fees		
Social Security Incentive		
Jail Allotment		
Aug. 2011		
APF & Medical Co-Pay		
District Court Jail Fee		
DUI Service Fees		
Social Security Incentive		
Jail Allotment		
Sept. 2011		
APF & Medical Co-Pay		
District Court Jail Fee		
DUI Service Fees		
Social Security Incentive		
Jail Allotment		
Oct. 2011		
APF & Medical Co-Pay		
District Court Jail Fee		
DUI Service Fees		
Social Security Incentive		
Jail Allotment		
Nov. 2011		
APF & Medical Co-Pay		
District Court Jail Fee		
DUI Service Fees		
Social Security Incentive		
Jail Allotment		
Dec. 2011		
APF & Medical Co-Pay		
District Court Jail Fee		
DUI Service Fees		
Social Security Incentive		
Jail Allotment		
Jan. 2012		
APF & Medical Co-Pay		
District Court Jail Fee		
DUI Service Fees		
Social Security Incentive		
Jail Allotment		
Feb. 2012		
APF & Medical Co-Pay		
District Court Jail Fee		
DUI Service Fees		
Social Security Incentive		
Jail Allotment		

Accounts Receivable Report
part 2

March, 2012		
APF & Medical Co-Pay		
District Court Jail Fee		
DUI Service Fees		
Social Security Incentive		
Jail Allotment		
April, 2012		
APF & Medical Co-Pay		
District Court Jail Fee		
DUI Service Fees		
Social Security Incentive		
Jail Allotment		
May, 2012		
APF & Medical Co-Pay		
District Court Jail Fee		
DUI Service Fees		
Social Security Incentive		
Jail Allotment		
June, 2012		
APF & Medical Co-Pay		
District Court Jail Fee		
DUI Service Fees		
Social Security Incentive		
Jail Allotment		
Total	\$0.00	

Management Response Attachment C

Billing Procedures

Federal Billing

All inmates booked as federal inmates are put in the billing program and are classified depending on whose custody they are in. The court status assigned during the booking process shows what billing category they are placed in. Bureau of Prisons inmates are booked with a court status of "L". ICE inmates are booked with a court status of "T". Federal inmates that are in the custody of agencies such as US Marshal's, ATF, FBI, DEA, etc. are booked with the court status of "F". The paperwork we receive with the inmate should indicate whose custody they are in. It is important to have the inmate booked correctly to ensure the correct agency gets billed.

- 1) Federal Inmates- All inmates booked as a federal with the court status "F" needs to be placed in the Federal Billing program.
 - a. Open billing program
 - b. Select "Federal" under the billing categories
 - c. Click on "manage records"
 - d. Click on "get more inmate names"
 - e. Click on any inmates name that is active or released that have a court status of "F"
 - f. Click "add selected inmate"
 - g. When all names with the court status "F" have been added click "OK" to go back to next screen.
 - h. Click "OK" again to go back to next screen
- 2) Federal Bureau of Prisons Inmates- All inmates booked as a federal with the court status "L" needs to be placed in the Federal Bureau of Prisons billing program.
 - a. Open billing program
 - b. Select "Federal Bureau of Prisons" under the billing categories
 - c. Click on "manage records"
 - d. Click on "get more inmate names"
 - e. Click on any inmates name that is active or released that have a court status of "L"
 - f. Click "add selected inmate"
 - g. When all the names with the court status "L" have been added click "OK" to go back to next screen.
 - h. Click "OK" again to go back to next screen
- 3) ICE Inmates- We currently do not bill for ICE inmates but if that ever started they would be placed under the billing category of "immigration".

- 4) Billing status end date- For federal inmates the computer will automatically put the end date in the program based on the release date.
- 5) Record Status- Once the subject is released and the billing for the month the subject was released in is totally completed then the record status can be changed from "active" to "complete". This will remove the name from the list and can only be retrieved by computer services. Whether the billing is totally completed can be verified by the Administrative Specialist in charge of billing.

State Billing

You cannot always determine whether inmates need to be on the State Billing Program based on how they are booked alone. There are several steps that are taken to help identify state inmates. Some subjects are state inmates when they are booked and some don't become state inmates until after they have been here awhile. We are given paperwork on some subjects and others are based on information acquired from KOMS (Kentucky Offender Management System).

- 1) Adding State Inmates- Once it is determined if a subject is a state inmate then they are all placed in the same billing category.
 - a- Open billing program
 - b- Select "State" under the billing categories
 - c- Click on "manage records"
 - d- Click on "get more inmate names"
 - e- Find the subjects name and click on it. The list can be sorted by names or court status. It can also be sorted by active or released inmates. Sometimes if the subject gets released before it is added then computer services will have to be notified to add the name because it may not be on the list for selection.
 - f- Click "add selected inmate"
 - g- Click "OK" to go back to next screen
 - h- Click "OK" again to go back to next screen
 - i- Under the section labeled "inmates: state" locate the name you just added and click on the name
 - j- Click "edit record"
 - k- The first option is the "date code". This code indicates which date will be used to begin the billing as a state inmate.
 - "1" is for booking date. If the subject was a state inmate when he was booked then select this code.
 - "2" is for sentence date. If the subject became a state inmate because he was sentenced to state time then select this code.
 - "3" is for retainer date. If the subject had a detainer placed after he was booked and the detainer made him a state inmate then select this code.

"4" is for revoked date. This code is not used.

"5" is for start date. This code is not used.

- l- Based on the "date code" that was entered the actual date may need to be entered next. If the date code "1" was selected then no date is entered. The program will automatically put the booking date in the "billing status start date". If the date code "2" was selected then the date the subject was sentenced is entered in the box labeled "sentence". If the date code "3" was selected then the date the detainer was placed on the subject needs to be entered in the box labeled "detainer". You should always check to make sure the "billing status start date" is correct based on the information you have entered.
 - m- If the subject's start date was based on the fact they were sentenced then the Judge's division that sentenced him is entered in the box labeled "Judge". For example if Judge Clark who is the Judge of the 8th division was the sentencing Judge then the number 8 should be entered.
 - n- If a detainer was placed by a parole officer then the parole officer's name is placed in the box labeled "parole officer"
 - o- If the subject has any holders they may be added to the box labeled "holders"
 - p- Notes may be entered in the square box located beneath the inmate's name. For example if the subject is a retention of prisoner from another county and is a state inmate then the county they are from is entered in the square box. Also if the subject is an alternative sentence inmate then the details of the alternative sentence is entered in the square box. When the subject is released the information of how or where they were released to should be entered in the square box.
 - q- If the subject is an alternative sentenced inmate then the "n" should be changed to "y" in the "altsentence:" box.
- 2) How to determine which inmates are state inmates- There are several ways a person can be booked and be a state inmate. Two subjects can be booked the exact same way and one is a state inmate and the other is not a state inmate. There are steps that are taken to identify which inmates are state inmates.
- a. Circuit Court inmates that are sentenced to 1 year or more become state inmates on the date they are sentenced. A list of everyone sentenced to 1 year or more is maintained by court processing personnel. The subjects are added to the billing program and are monitored for movement until they leave the facility or the state time is completed. At that time the billing is updated to end the billing.
 - b. Inmates that are booked as "retention of prisoners" from another county may be serving state time in the other county they came from. A report of "retention of prisoner" inmates is generated daily from the facility reports queue by court processing personnel. This is to identify which inmates in

the facility have recently been booked as “retention of prisoner”. The names of the new subjects are checked by looking at KOMS (Kentucky Offender Management System). If KOMS shows the subject is an “active inmate” then he is a state inmate and needs to be added to the billing program. Once the inmate is returned to the facility from which they came from the billing is stopped.

- c. Inmates that are booked as “Parole Violation” are always state inmates. When a booking officer books the charge of parole violation they will leave a copy of the offender index and detainer in court processing’s box located in the intake area. This information is gathered by court processing personnel and entered in the billing program. Once the subject is released, transferred or the detainer is lifted then the billing is stopped.
 - d. Inmates may be sentenced to 1 year or more but placed on probation and given conditions to meet. These conditions may include completing the hope center in jail, serving a smaller sentence such as 30 days or weekends, or remaining in custody until a bed is available at a treatment facility. This is considered an alternative sentence and the subject should be placed in the billing program. Inmates referred to the drug court program are not considered state inmates for billing purposes. If an inmate is sentenced while out of custody on bond and ordered to report to the facility to complete an alternative sentenced then the billing should start on the date they are booked. Once the inmate has completed the conditions of the alternative sentence then the billing is stopped.
- 3) Billing status end date- For state inmates the billing stops on the day before the subject is transferred or released from state custody. The state does not pay for the last day the subjects are in state custody. The State only pays for the days that the subjects stay in state custody until after midnight. Once it is determined what date the billing should be stopped then that date should be entered in the “billing status end date” box .
- 4) Record Status- Once the subject is released and the billing for the month the subject was released in is totally completed then the record status can be changed from “active” to “complete”. This will remove the name from the list and can only be retrieved by computer services. Whether or not the billing is totally completed can be verified by the Administrative Specialist in charge of billing.

Deleting records

If it is discovered that an inmate has been entered into the billing program in error then the record can be deleted. Highlight the subjects name and click on “edit records”. Then simply click the “delete record” button on the right hand side. This will remove the record from the billing queue. You can still add the

name at a later time by going back to the “manage record” queue and clicking on “get more inmates”.

Monthly reconciliation

After the end of each month you should check all paperwork gathered throughout the month to ensure all subjects are entered in the system correctly. Once all information for the month has been added you should notify the Administrative Specialist in charge of billing that the program is completely updated for the month. She will check to see if there are any discrepancies between our information and the correlating agencies information. Any discrepancies that are found should be researched to discover the reason for a discrepancy. All findings are reported back to the administrative specialist and if needed the billing program should be corrected.