



INTERNAL AUDIT REPORT

DATE: August 19, 2019

TO: Linda Gorton, Mayor

CC: Sally Hamilton, Chief Administrative Officer
Glenn Brown, Deputy Chief Administrative Officer
Aldona Valicenti, Chief Information Officer
Kenneth Armstrong, Commissioner of Public Safety
Steve Haney, Director of Community Corrections
Phyllis Cooper, Director of Accounting
Susan Straub, Communications Director
Urban County Council
Internal Audit Board

FROM: Bruce Sahli, CIA, CFE, Director of Internal Audit
Teresa Gipson, CFE, Internal Auditor

RE: Electronic Monitoring & Drug Testing Collections Audit

Background

The Division of Community Corrections provides Electronic Monitoring and Drug Testing through their Community Alternative Programs (C.A.P.) administered through the Bureau of Inmate Management. The Electronic Monitoring Program was designed to provide a population management alternative to the institution. It provides an alternative sanction to the courts by implementing a home incarceration program to protect public safety and supervise those eligible offenders who pose a minimal risk to the community. The Electronic Monitoring program accomplishes this through the use of high-tech electronic monitoring equipment. Participants in the program are



required to pay a deposit and all fees through the Adult Probation office, and obtain hookup from the Electronic Monitoring office located inside the Community Corrections facility.

Drug testing is made possible through the Community Alternative Program Drug Unit laboratory that utilizes the Beckman Coulter AU680 chemistry analyzer. The C.A.P. Lab provides confirmation testing upon request through an independent lab using the gas chromatography and mass spectrometry (GC/MS) technology. C.A.P. provides a secure testing site that is utilized by various LFUCG agencies, the judicial system, and outside supporting agencies who make referrals for drug testing where participants can receive cost effective and reliable drug testing to detect the use of alcohol and/or illegal substances. Participants in the program will be assigned to various testing panels that indicate the type of drugs being tested, and each panel is assigned a corresponding drug testing fee. The C.A.P. testing lab has a separate entrance located inside the Community Corrections facility for the convenience of participants.

Community Corrections charges a \$100 initial payment for electronic monitoring, as well as \$8 per day or \$56 per week for monitoring participants within Fayette County, and \$10 per day or \$70 per week for monitoring participants outside of Fayette County. There is also a set fee of \$80.00 for a four-day DUI monitoring. The electronic monitoring fees were last updated in May 2017, and were approved by the Director of Community Corrections. Electronic monitoring must be ordered by a court.

C.A.P. bills for drug testing based on the number of panels requested by the Agency that has ordered the drug test (i.e., the number of different drugs the participant is tested for). The standard rate is \$14.00 for a seven panel test, \$16.00 for a twelve panel test, and \$18.00 for a fourteen panel test. Test add-ons beyond the standard panel tests result in a minor increase in the drug testing fee. Some Agencies outside of Fayette County also use the C.A.P. drug testing facility because they do not have their own facility, and the rates for those Agencies may differ slightly. The drug testing fees were last updated in 2013, and were approved by the former Director of Community Corrections. Per Community Corrections management, in late 2014 or early 2015 another review of the drug testing fees was conducted, but the former Director decided not to change the fees. Community Corrections management anticipates that the drug testing fees will be reevaluated this year because the contract for their current drug testing machine will soon expire.



During the audit, the Department of Law opined that Kentucky Revised Statutes do not require local ordinance approval of the Community Corrections electronic monitoring fees or drug testing fees.

Scope and Objectives

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

- Written collection policies and procedures exist for these programs
- Collection of fees are properly supported, recorded and reported
- Receipt books/electronic logs are properly controlled
- Collections are secured and deposited timely
- Reconciliations are performed between collections activity and PeopleSoft records
- Segregation of duties are adequate for collection activity

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.

The scope of our audit included collection activity from July 2017 through February 28, 2019.

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 provided reasonable assurance that most of the general control objectives were being met. Opportunities to enhance 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 associated with the process being audited.

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

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

SUMMARY OF AUDIT FINDINGS

Finding #1: Missing Electronic Monitoring Account Documentation **Priority Rating: High**

Condition:

The accounting fees and payments for 18 of 81 (22%) participants in the electronic monitoring program could not be determined because the participants were not included in the multiple Excel spreadsheets used to manage the accounting for the program. We were told by management that these participants had completed the program with a zero balance and would have been deleted from the worksheets. However, we were able to determine correct fees and payments for participants currently participating in the program and for participants who had left the program with a remaining balance (including a credit balance). We were also informed that



participants with a balance are never written off but remain on the spreadsheets in case they participate in the program at a future date. The spreadsheets serve the purpose of a subsidiary ledger that supports C.A.P. electronic monitoring program collection activity recorded in PeopleSoft.

Effect:

Deleting accounts from those spreadsheets results in the removal of subsidiary ledger records.

Recommendation:

The Division of Community Corrections should retain the complete set of subsidiary ledgers as required by LFUCG Records Retention Schedule Series L3204. The retention plan should also include records for closed accounts with a zero balance, because those records contain payment history that supports collections recorded in PeopleSoft.

Director of Community Corrections Response:

The Division concurs with the finding. Beginning April 2019, all Electronic Monitoring participants are being entered in the Accounts Receivable program for QuickBooks. Each participant's fees, payments, and participation will be documented and the records retained.

Commissioner of Public Safety Response:

Action taken by Division of Community Corrections should correct the indicated condition and bring about compliance.

Finding #2: Late Payment for Drug Testing Services Noted
Priority Rating: High

Condition:

Community Corrections has agreements with outside agencies to perform drug testing for agency participants, and the agency is billed on a monthly basis. We reviewed a sample of these billings to determine if invoiced amounts were adequately supported and payment was received for services rendered. We identified 5 of 57 (9%) invoices to outside agencies that had not been paid as of the end of fieldwork. The outstanding invoices ranged from three to five months past due (payment terms are 30 days net). According to management, they had made contact with the agencies regarding the



outstanding invoices; however, we were not provided documentation to verify that management was taking timely and appropriate action to monitor and resolve late payments from outside agencies.

Effect:

The absence of a documented process to monitor and address late payments from outside agencies may result in failure to collect amounts due.

Recommendation:

The Inmate Accounts Office at Community Corrections should develop a documented process to regularly monitor all outstanding invoices and resolve late payments as expeditiously as possible.

Director of Community Corrections Response:

The Division concurs with the finding. The Division has modified its collection of Drug Testing fees for other counties and is utilizing the Accounts Receivable program in QuickBooks. All invoices are e-mailed to the participating agencies and monthly contact is made until payments are received in full. As of August 2019 all outstanding fees more than 30 days have been collected.

Commissioner of Public Safety Response:

Action taken by Division of Community Corrections had and should continue to correct the indicated condition and bring about compliance.

Finding #3: Late Deposits
Priority Rating: High

Condition:

All Community Correction collections are brought to the Inmate Accounts Office on a daily basis where collections are prepared for daily deposit and then picked up by armored services. We noted that on 6 of the 15 (40%) days tested, collections for electronic monitoring were deposited from one to four days late.

Effect:

Late deposits expose collections to the risk of loss or theft.



Recommendation:

All deposits should be delivered to the bank on the same or next business day in order to comply with CAO Policy #40 (Policy & Procedure for Cash & Check Handling).

Director of Community Corrections Response:

The Division concurs with the finding. The Division has worked with the commissary provider to modify the kiosk that accepts drug testing funds to also accept electronic monitoring funds. As of July 11th all electronic monitoring participants have been instructed to make payments for participation via the kiosk located in the CAP office. The funds from this kiosk are retrieved and deposited every business day.

Commissioner of Public Safety Response:

Condition should be resolved via action taken.

Finding #4: Reconciliation of Deposits to Postings in PeopleSoft Needed
Priority Rating: High**Condition:**

We noted a deposit of \$1,628 from December 19, 2017 was not entered into PeopleSoft Financials until May 24, 2018. According to Community Corrections management, PeopleSoft Financials was down during this time and deposits were performed manually. Community Corrections management stated that when PeopleSoft became available, the deposit was not posted and this was not discovered until May 2018.

Effect:

Deposits for fee collection activity may not be accurately posted to the Division accounts in PeopleSoft Financials.

Recommendation:

The Inmate Accounts Office at Community Corrections should perform monthly reconciliations to ensure all fees are collected and deposits are posted to PeopleSoft in a timely manner. The monthly reconciliation process should be documented to provide an audit trail.

Director of Community Corrections Response:

The Division concurs with the finding. The supervisor of the Inmate Accounts office (Administrative Specialist Sr.) now audits all PeopleSoft deposits at the end of each



month to insure that all deposits have been journaled and posted to the correct accounts.

Commissioner of Public Safety Response:

Action taken by Division of Community Corrections should correct the indicated condition and bring about compliance.

Finding #5: Electronic Monitoring Accounts Receivable System Needed

Priority Rating: High

Condition:

As noted in Finding #1, Community Corrections uses multiple Excel spreadsheets to manage the electronic monitoring participant accounts. When we inquired about accounts receivable options to manage the electronic monitoring collections instead of using multiple Excel spreadsheets, management indicated that the Sentinel program used to electronically monitor participants has an accounts receivable module, but it has never been used to manage fees and payments.

Effect:

The use of multiple spreadsheets instead of an available accounts receivable program increases the likelihood of errors and inefficiency.

Recommendation:

Community Corrections management should seek to utilize the accounts receivable function available within the Sentinel program to manage participant accounts. If the Sentinel accounts receivable program is not sufficient to meet those needs, Community Corrections management should consider exploring other accounts receivable software that can meet Community Corrections account management needs.

Director of Community Corrections Response:

The Divisions concurs with the finding. Beginning April 2019, all Electronic Monitoring participants are being entered in the Accounts Receivable program for QuickBooks. Each participant's fees, payments, and participation will be documented and the records retained. The Division will be eliminating the spreadsheet maintained by the electronic monitoring staff. The Division did investigate utilizing the A/R system offered by the current electronic monitoring provider. This was at an additional cost to the Division. The Division has a current license for QuickBooks.



Commissioner of Public Safety Response:

The utilization of QuickBooks should address this concern, but I have asked the Director to review this matter periodically to ensure the software continues to fit the need.

Finding #6: Documentation Missing for Some Drug Testing Fees
Priority Rating: Moderate**Condition:**

Adequate documentation for 3 of 60 (5%) collection transactions were not provided to indicate the type of drug testing requested. We were provided with agency forms for two of the participants; however, the fee charged did not correspond with the normally requested panel. Therefore, we could not verify the accuracy of the fee. We were not provided documentation for the remaining participant. According to C.A.P. personnel, agencies send requests for drug testing with a seven, twelve, or fourteen panel request (the panel number indicates the amount of drugs being tested). C.A.P. then bills the agencies a flat rate per panel.

Effect:

Inadequate drug panel documentation may result in the wrong drug testing being performed and inaccurate fees being charged.

Recommendation:

C.A.P. management should establish a filing system where all agency forms indicating the type of drug testing requested can be consistently maintained.

Director of Community Corrections Response:

The Division concurs with the finding. No drug tests can be performed or entered in to the drug testing database without a court order. Copies of the court orders will be placed in a 3 ring notebook and the records retained.

Commissioner of Public Safety Response:

I have also asked the Director to convert the court orders to digital files (Scan) and store them on the Division's server as well. The "3 ring notebook", can be used for quick reference, but "digitizing" the documents will ensure they are properly retained for any future needs.



Finding #7: Deposits Coded to the Wrong Collection Source**Priority Rating: Moderate****Condition:**

During our reconciliation review to determine if invoices were paid and posted to PeopleSoft, we noted 4 of 52 (8%) deposits for drug testing collections were miscoded as electronic monitoring collections.

Effect:

Miscoding collections to the wrong collection source misstates collection activity for both programs.

Recommendation:

Inmate Accounts personnel should take care to consistently post collection activity to the correct collection source in the PeopleSoft Financials.

Director of Community Corrections Response:

The Division concurs with the finding. The supervisor of the Inmate Accounts office (Administrative Specialist Sr.) now audits all PeopleSoft deposits at the end of each month to insure that all deposits have been posted to the correct accounts.

Commissioner of Public Safety Response:

Action taken by Division of Community Corrections should correct the indicated condition and bring about compliance.

