



Johnson County Auditor
Johnson County, Kansas
PERFORMANCE AUDIT

December 6, 2007

Audit of Department of Corrections

"The department needed to unify its two separate divisions"



Johnson County Audit Services

December 6, 2007

To: The Johnson County Board of County Commissioners
County Manager
Director, Department of Corrections

In accordance with the approved audit plan, we performed an audit of the Department of Corrections. Our objectives were to review financial and management controls over major functions of the Department and to determine compliance with county policy and Kansas law.

Audit results showed the department was not managed uniformly between divisions and lacked sufficient internal controls. This created vulnerabilities and risks in some department programs such as medication controls, key controls, collections and ethics. We made recommendations to improve management and internal controls especially in the Adult division.

The new Department Director was receptive to the audit results and in many instances began corrective measures during the audit. I appreciate the cooperation, candid dialog and quick response to the issues reported. Detailed responses to the recommendations are included in each issue reported and full text comments including comments on the audit conduct are included in Appendix II, page 29.

The audit was conducted according to applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, except that Peer Review has not been performed, and included such tests of the procedures and records as considered appropriate.

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AUDIT OF DEPARTMENT OF CORRECTIONS

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RESULTS AND RECOMMENDATIONS

1. Administration of the Department of Corrections Can Be More Efficient

Johnson County Department of Corrections administrators allowed the Adult and Juvenile divisions to operate without coordination or integration of common administrative functions. This organizational separation was exemplified by the lack of internal controls over medications, inventory, security, and accounts receivable at the Adult division while there were excellent controls over the same functions in the Juvenile division. Conversely, the Juvenile division's timekeeping system did not fully comply with County policy while the Adult division's did. Interviews with senior and key staff in both divisions disclosed there had been no meaningful communication on management and control issues between them for many years. The missions and outcomes of these divisions are different, but the core administration functions – payroll, accounting, inventory, accounts receivable and timekeeping – are exactly the same in both divisions and many of the other administrative functions have more similarities than differences. The lack of communication and coordination between the two divisions led to errors, duplicated efforts and practices, and unnecessary costs to the County.

Recommendations

We recommend the Director, Department of Corrections:

- 1.1 Review all common functions between the Adult and Juvenile divisions and merge them into one where feasible. Candidates for merger would be:
 - a. Payroll
 - b. Human Resources
 - c. Inventory
 - d. Vehicle management
 - e. Time control
 - f. Accounts Receivable
 - g. Medication Administration
- 1.2 Ensure consistency in managing administrative functions between the two divisions.
- 1.3 Develop procedures and train managers and staff regarding newly consolidated administrative functions.
- 1.4 Ensure that County and departmental policies, as well as state and federal laws and regulations, are applied uniformly across the entire Corrections department.

Management Comments

It became clear to me from the beginning of my employment that the Department of Corrections has not been operating in a unified manner. I have been strongly communicating my goal to staff

to operate as a whole department, rather than separate divisions. I understand that there are many benefits from a unified department with numerous shared services.

We have already begun the process of unification in many areas. For instance, in June we formed an employee committee of both Adult Residential Center Correctional Advisors and Juvenile Detention Center Corrections Officers for the purpose of recommending a new standardized work uniform for this group of staff. The committee completed its work in August by providing detailed specifications for a new, standardized uniform. We anticipate that these staff will be proudly wearing their new uniforms in November. The staff who participated on the committee communicated frequently with other staff in making their recommendations, so the employees feel much empowered by the entire process.

Recommendation 1.1:

I agree with the recommendation for centralization of the Human Resources functions, including payroll and time control, and we have already proceeded with these changes. All Human Resource issues must come through the Assistant Director, prior to action to ensure consistency and compliance with County regulations. I must approve all formal disciplinary actions. We are in the process of hiring a new Human Resources Coordinator who will be responsible for all departmental recruitment; interview processes; employee relations; position descriptions; job orders; use of leave/time control; monitoring of FMLA, EEO, Affirmative Action, and employee turnover rates; risk management; Workers Compensation claims; position control; and organizational charts. This position will also be responsible for monitoring the employee payroll functions to ensure all are performed consistently and appropriately I should note that this position is not a new position but one that was vacated recently. This allowed us the opportunity to revise the position description for the more centralized processes prior to posting and filling the position.

I understand that the Department's inventory process must be consistent through all divisions. There is already a centralized reporting system for all purchases of items in the department, but it appears that employees need more training regarding the application of that system and more active auditing of the items under the value of \$10,000. We will ensure that inventory procedures are communicated to appropriate staff and that the Department's central office carefully monitors this function.

We agree that the department's vehicle management needs to be unified rather than divided between two separate systems: juvenile and adult. We will centralize this function and appropriately share vehicle resources as needed.

We recognize that there are significant issues in the area of accounts receivable. The Assistant Director will work with a committee of employees from both juvenile and adult services to develop appropriate procedures and internal controls for purchases, bill payments, and reconciliation processes. We are currently working with JIMS to develop an accounts receivable system to meet the department's needs and ensure internal controls are met.

Medication administration bears the same issues and liability for both the Juvenile Detention Center and the Adult Residential Center. Because of the differences of their facilities, however, they cannot operate identically. We have, however, taken the administration of medications out of the hands of the Correctional Advisors at the Adult Residential Center and contracted for medical services with a correctional healthcare provider. The provider's nurses are responsible for inventory and delivery of the medications to the residents, similar to the process at the Juvenile Detention Center.

Recommendation 1.2:

I fully agree with the need for consistency of administrative functions within the Department, and we are actively proceeding in that direction as quickly as possible.

Recommendation 1.3:

I agree that appropriate procedures need to be developed to address the department's administrative functions, and we are proceeding as quickly with this as possible. As new procedures are developed, we will ensure consistent training to affected staff.

Recommendation 1.4:

I continue to emphasize with all departmental staff that we will follow County regulations and departmental policies. Employees have been told that if they believe that a policy or regulation needs to be revised, then they should make recommendations for the changes; otherwise, the rules will be followed. We continue to hold staff accountable for their failures to follow policies and regulations. I believe that the department's culture is improving in this regard and that staff want to do what is right.

In the past few months, we have ensured that all employees in the department have access to electronic mail on departmental computers. Prior to this time, there were numerous staff in the Juvenile Detention Center that had no access to electronic mail. This impeded our abilities to communicate well with staff. We are now using electronic mail as well as staff meetings to communicate better with all staff regarding departmental issues.

Discussion

The Department of Corrections' mission is to "successfully integrate criminal offenders back into society as productive, law-abiding members of the community." Organizationally, the department is divided into two major divisions—Adult Corrections and Juvenile Corrections. Each division has a series of programs and detention processes to accomplish the Department mission. The audit team examined the administrative functions between the two divisions to determine if these functions were managed effectively and efficiently. These functions included accounting, medication handling, inventory, payroll, accounts receivable and timekeeping.

Identical functions were managed differently at the two divisions

Adult Corrections management officials did not install appropriate management controls and major administrative functions were left vulnerable to fraud, abuse and unauthorized activity. Examples include:

- Lack of control over medications inventory and administration (See page 6)
- Lack of security for facility keys (See page 9)
- Lack of consolidation and internal controls for accounts receivable (See page 11)

The Juvenile Corrections division did not have these problems because controls were well developed and managed. They did, however, misinterpret the County payroll rules and allowed employees to take time off which should have been recorded as vacation or sick leave. With minor changes due to differences in missions, the management and internal controls at both divisions could be improved by communicating with each other and developing best practices to enhance the entire organization.

Juvenile Division
could be used as
benchmark

Executive and senior management are responsible for ensuring effective management controls over vulnerabilities in major programs. Our interviews disclosed that poor communication and a lack of integration of programs caused the two divisions to operate differently regarding management and internal controls over programs. Prior top level leadership did not cultivate an environment of unity within the department and missed the opportunity to share lessons learned between the two divisions. Interviews in the Adult Corrections division disclosed employees were aware of some of the weaknesses but were unsuccessful in receiving management support to fix them. At the entrance conference for this audit, the acting director of Adult Corrections requested a review of medication controls.

New leadership can make the Department of Corrections more effective

We discussed the internal control weaknesses with the new department director and she began making appropriate changes during the audit. She also requested a review of small tool inventory practices. The director expressed a need to develop a “one department” approach to management. As the director assesses the organization; we believe the following should be evaluated:

- Centralizing common administrative functions between the two divisions under one administrative division or integrate and coordinate the activities of the administrative functions
- Transferring resources as needed to accomplish the administrative functions
- Developing operating procedures for the administrative functions that apply to both divisions
- Training all managers and staff on the appropriate internal controls and administrative procedures
- Developing an empowering management culture

This may require cross training between departments, or focus groups and training sessions to share common problems and ideas.

Detailed discussions on the internal control weaknesses are contained in the following sections of the audit report.

2. Management Needs to Control Distribution of Medications

Medications at the Adult Residential Center (ARC) were vulnerable to misuse due to poor medication controls. No distinction was made in policy or procedures between the handling of common prescription medication and controlled substances. As a result, access to medications, including controlled substances was widely available to all staff members. Medication inventory counts, while taken daily, were regularly adjusted to actual counts. As a result, neither we nor ARC staff could determine if medications were missing or stolen. Staff were not trained to properly identify the medication given, or the resident receiving the medication, prior to dispensing drugs, as required by state law. In violation of federal law, unused or canceled prescriptions, including controlled substances, were routinely mailed to contacts of a resident's choosing. In contrast, medication controls at the Juvenile Detention Center (JDC) are more thorough and designed to meet federal and state requirements for the handling of medication.

Recommendations

We recommend the Director, Department of Corrections:

- 2.1 Bring all medications to a central location within the Adult Residential Center and establish a system of control and accountability.
- 2.2 Comply with federal and state requirements for the handling of medications, including controlled substances.
- 2.3 Institute appropriate supervision for the handling of all medications and ensure those dispensing medication have the required training and knowledge.
- 2.4 Use the system in place at JDC as a model, making changes as needed to account for the differences between the facilities.

Management Comments

Based on your observations and report the following actions have been taken to address the audit team's concerns:

- *We have dedicated one centrally located medication room in the Programs Building, where medication is kept and distributed to all residents.*
- *We have contracted for medication distribution services with Prison Health (PHS). PHS provides trained/qualified medical staff to administer and account for the medications of all clients.*
- *We now require that the only medication accepted for distribution at the Center be pre-packaged in "bubble-pack" style.*
- *Over the counter medications are no longer stored in the control centers or dispensed by Corrections staff. They are administered by PHS staff from the dedicated medication room.*

- *Medication procedures have been established and implemented and have been incorporated in our intake/orientation for new clients.*

Discussion

JDC and ARC receive, store and distribute prescription medication, including controlled substances. Controlled substances are pharmaceuticals identified by the United States Drug Enforcement Administration (DEA) as high risk for abuse. DEA requires strict accounting and record keeping for controlled substances from receipt to administration or destruction. These requirements include storing controlled substances separately from other medications and keeping accurate records of drug distribution.

ARC did not have appropriate controls over medications

Medication controls were not consistently applied at the two separate divisions. While JDC had exemplary medication controls, ARC had little to no controls. ARC medications were stored on carts in three separate buildings. Staff stored medications without distinguishing controlled substances from other prescriptions. All correctional advisors and custodial staff had access to the medications rooms within their assigned building. In addition, there was no formal inventory of medication room keys. Federal and state law requires proper controls over medication including separate storage of controlled substances and restricted access to appropriately authorized individuals.

ARC staff routinely sent unused or canceled prescriptions to contacts of a resident's choosing through the United States Postal Service (USPS). According to USPS regulations Publication 52, Chapter 48, Sections 482 and 483, such mailing is illegal. Staff expressed their discomfort with this process but were not aware the practice violated any laws or regulations.

ARC staff who administer medications were not properly trained or supervised

ARC staff were not trained to properly identify medications or residents and the process was not supervised by trained or knowledgeable personnel. Only one part-time nurse practitioner was available, and she had no supervisory authority with respect to medications. ARC staff distributed medicines throughout the day at designated times. Residents lined up in medication call lines and received the container of their prescription from correctional advisors. There was no procedure to positively identify the person receiving the medication. Instead, staff relied solely on facial recognition. Residents were then instructed to self medicate and return the bottle to the correctional advisor.

The correctional advisors were instructed to count the pills remaining and record the information on a medication inventory sheet. Each night a medication count audit was taken and the total compared to the inventory sheet. However, staff acknowledged if the count did not match, the inventory was adjusted with little to no determination of the reason for the discrepancy. These procedures were followed for all prescriptions regardless of their status as controlled substances.

In our interviews, ARC staff revealed concerns with the medication process and had expressed them to previous Correction's administrators. These concerns were repeatedly downplayed to the point staff no longer felt comfortable bringing them to management's attention.

JDC controls could be used as a benchmark

JDC used the services of a nursing contract agency to provide three registered nurses on staff 16 hours per day, 7 days per week. A qualified County Health Services Coordinator trained and supervised contract service nurses. JDC followed detailed guidelines and procedures on the receipt, storage and distribution of medication.

Access to a centralized medication room was highly controlled. Only on duty nursing staff, the Health Services Coordinator and the Deputy Director had key access. Within the controlled medical room, there was a locked medication closet. Within the closet, there was a separate locked medication cabinet. All controlled substances were bubble packed to individual doses and stored separately from other prescription medication. The medication room was institutionally licensed by the Board of Pharmacy and received quarterly inspections.

Nursing staff dispensed medication to juveniles during regularly scheduled medication times. A color coded dot system tracked individual medicine distribution schedules. Prior to delivery, nursing staff divided medication into individualized doses. Nurses identified juveniles through identity wrist bands and picture identification cards prior to dispensing medication. Residents with medication allergies were required to wear red wristbands and all others wore white bands. Nurses were instructed to remember the "5 Rights of Medication":

1. Right patient
2. Right time and frequency of administration
3. Right dose
4. Right route of administration
5. Right drug

New Director of Corrections takes action

We issued a Quick Reaction memorandum On April 13, 2007, to the new Director of Corrections to provide for immediate corrective action. The director took immediate action and on May 29, 2007, announced plans to fund nursing coverage in conjunction with establishing medication controls similar to those in place at JDC.

3. Management Needs to Improve ARC Key Control

There were no controls over permanently issued ARC building keys. Staff did not maintain an inventory and did not have an accurate count of keys. Although there were procedures for controlling keys from time of issuance to time of turn-in, they were not followed. As a result, the facility was not fully secured and was at risk for:

- Unauthorized access by former employees
- Property theft
- Unauthorized access to medication
- Compromised safety of staff and clients
- Compromised public safety

In contrast, key controls at JDC were more thorough, secure and designed to meet the needs of a correctional facility.

Recommendations

We recommend the Director, Department of Corrections:

- 3.1 Establish a system of accountability and control over ARC keys commensurate with the security requirements of the facility including:
 - Placing the key control function at the level of a security officer
 - Clearly establishing the responsibility for each key and the management of the key control system
 - Removing the ability of the maintenance staff to reproduce keys
 - Establish an accountability system to ensure terminated employees relinquish keys prior to their last day

Management Comments

During the course of the Johnson County audit of Corrections operations, it was brought to our attention that key control at the Adult Residential Center (ARC) needed to be significantly improved.

Based on your observations and report, the following steps have been taken to address the audit team's concerns and to ensure the safety and security of our facility, residents, staff, and the public.

- *We have designated one staff person to control facility keys. Currently we are using our Executive Assistant in this role. We have, however, considered making this an Operations function once the process is in place and some restructuring of operational staff is complete.*
- *Each ARC staff person was provided a key control form and was instructed to inventory all keys in his/her possession and the purpose/type of each key. From this, a spreadsheet was created with staff names, keys in their possession, and the purpose of the keys.*

- *In coordination with facility maintenance staff, each building key has been stamped with a letter and corresponding number assigned to each staff member to better identify/track the keys assigned to individual staff members.*
- *The Key Controller has met with all staff to verify keys assigned and has re-issued numbered keys to staff.*
- *A master key log has been created for each housing unit and the programs building to identify keys to file cabinets, desks, cubicle drawers/file cabinets, and fire alarm systems. This log will be maintained to track keys being issued and keys returned or not returned.*

Discussion

Effective key control is essential to the security of a correctional institution. Compromised key control poses safety threats to staff, the public and inmates. Components of effective key control are accountability and the control of the duplication of keys.¹ We met with representatives of both ARC and JDC to discuss their key control systems.

ARC did not have effective control over facility keys

ARC did not maintain a list of building keys and did not have an accurate count of keys issued. Permanently issued ARC building keys provide access to all exterior and most interior doors. ARC Policy 03.10 states, “All keys will be inventoried on a quarterly basis the first week of each month by the Key Inventory Controller or designee.” However, interviews with staff revealed the correctional advisor previously assigned as the Key Controller never created or maintained an inventory of keys. In addition, there is no accountability system to ensure terminated employees relinquish keys prior to their last day.

JDC key controls were more secure

JDC key controls were thorough and well administered. The JDC Deputy Director of Operations acts as the facility key controller. Each key is stamped with a security series number and an individually assigned key number. Issued key documentation is kept on file along with a Key Security Agreement all employees are required to sign. Unassigned keys are located in a secure key box with restricted access. Keys are inventoried on a regular basis.

New Director of Corrections takes action

We issued a Quick Reaction memorandum On May 29, 2007, to the new Director of Corrections to provide for immediate corrective action. The director took action to establish and enforce adequate ARC key controls commensurate with the security and operational needs of the facility.

¹ *Prison and Jail Administration: Practice and Theory*, Peter M. Carlson and Judith Garrett, Jones and Barlett, 2005

4. ARC Accounts Receivable System Needs Improvement

ARC accounts receivable system does not retain permanent records of amounts charged for services or unpaid balances due to the County when the client is released from the facility. Currently, ARC records charges and payments on individual Excel spreadsheets for each resident. A copy of the spreadsheet is printed when the client leaves the system and the electronic spreadsheet is deleted. In many cases the printed copy is not retained in the client file as required by ARC procedures. No comprehensive receivable reports are prepared and receivables are not totaled or reconciled. Consequently, Correction's management is unable to monitor, report on, or effectively collect receivables. As a result, revenue remains uncollected and there is a substantial risk of theft or fraud.

Recommendations

We recommend the Director, Department of Corrections:

- 4.1 Establish an accounts receivable system complete with standard internal controls.
- 4.2 Reconcile receivables and create internal management reports complete with beginning and ending account balances as well as detailed additions and subtractions.
- 4.3 Immediately stop the practice of deleting electronic ledgers upon a resident's release.
- 4.4 Take appropriate steps to collect assessed fees prior to a resident's release from the facility.

Management Comments

I fully agree that the ARC's accounts receivable system needs to be completely revised. Management is currently working with JIMS to determine if they can build an accounts receivable system to meet Corrections Department needs and ensure internal controls are met. Management will ensure that receivables are reconciled and that internal management reports are created with beginning and ending account balances as well as detailed additions and subtractions. Corrections stopped the practice of deleting electronic ledgers when a resident is released immediately after we became aware of the problem. Corrections will implement a process in which we will collect residents' fees as much as possible prior to release from the facility. We will also ensure that we have appropriate forwarding addresses to which collection notices can be mailed for those offenders who do not have enough money to pay their fees prior to leaving the facility.

Discussion

The main ARC objective is to reintegrate criminal offenders into the community as successful and productive citizens. While sentenced to the facility, able residents are required to work or to be actively seeking employment. Upon admission, each client is assigned to a Resource Developer who provides orientation and pre-employment training and assistance if needed.

ARC clients are charged \$13 dollars per day for room and board, laundry and transportation services. Residents are also assessed additional charges for the actual cost of medication, urinalysis tests, and program related fees. Residential case managers work with clients to prepare a weekly budget, including the payment of all ARC fees assessed. Residents are required to have all income and debts reviewed prior to the deposit of each paycheck. Case managers are required to actively monitor adherence to prepared budgets.

In our review of the accounts receivable system, we examined account ledgers, interviewed ARC staff including management and case managers and reviewed applicable policies and procedures. County policy requires adherence to generally accepted accounting principles. These principles require an adequate system of internal controls for management to ensure appropriate accounting and compliance with management direction.

The accounts receivable system was not effective

The accounts receivable system failed to meet generally accepted accounting principles based on weak internal controls and poor record keeping and reporting mechanisms. ARC administrative secretaries maintained individual Excel spreadsheets created for each client in order to track fees assessed and payments made. At the end of each week, case managers submitted a written activity statement to administrative staff detailing weekly assessed charges and payments. The administrative staff entered charges and payments into a client's individual spreadsheet. At the beginning of the following week, the spreadsheets were printed creating an account statement for each client. These statements were given to the case managers. ARC staff did not combine the individual spreadsheets to determine the aggregate amount due to Corrections. Therefore, the accounts receivable balances were not reported or managed.

Account ledgers were missing

We examined files for 184 ARC clients who resided at the facility during 2006 to determine the accounts receivable balance based on the client financial ledgers. The client ledgers were missing from 18 percent of the files reviewed. In these cases, we were not able to determine total ARC fees charged to, or payments collected from the clients. In addition, no electronic copies were available to review because they were routinely deleted once a resident was released from the Center. As a result we were not able to determine an accurate accounts receivable balance.

Fees assessed were not collected

Of the account ledgers we were able to review, 28 percent of the total fees charged were not collected prior to a resident's release. Uncollected ARC balances in our statistical sample totaled \$48,003. When projected upon the remaining population, this equates to an estimated yearly uncollected balance of \$181,203.

5. ARC Fee Forgiveness Practices Need Re-evaluation

ARC did not consistently assess appropriate resident fees. There are no policies or procedures governing the forgiveness of fees beyond the first 2 weeks of residency. In the absence of policy, case managers waived additional fees based on their own perception of prevailing circumstances. This contributed to an inconsistent and inequitable application of fee forgiveness and resulted in a significant loss of revenue for ARC. In addition, case managers were collecting resident Court Services fees, placing them unnecessarily in the loop of payments to the Court. These payments occurred without proper internal controls needed to protect both Corrections employees and ARC residents.

Recommendations

We recommend the Director, Department of Corrections:

- 5.1 Evaluate the purpose and effectiveness of resident fee waivers,
- 5.2 If management continues the practice of fee forgiveness, internal controls are needed including:
 - Detailed fee forgiveness policies and procedures including specific conditions needed to satisfy waiver criteria,
 - Active management analysis and oversight to ensure the equitable and consistent application of forgiven fees,
 - Integrating the recording and tracking of forgiven fees into the accounts receivable system in order to report on and account for waived revenue.

Management Comments

We are in the process of developing policies and procedures for fee collection and forgiveness that will include specific conditions needed to satisfy waiver criteria. Management will be responsible for analyzing and oversight to ensure equitable and consistent forgiveness of fees, only in rare instances as appropriate. Management will ensure that the recording and tracking of forgiven fees are integrated in the new accounts receivable system. In order to provide a more immediate resolution, we have implemented a process in which each fee forgiven must be approved by the Director of the Adult Residential Center prior to forgiving the fee. Also, case managers can no longer accept payments. All payments must be received through the Mall Control area.

Discussion

ARC waives the first 2 weeks of a resident's rent and boarding fees per Corrections policy. There are however no written policies concerning the waiving of additional fees. ARC does not track or report aggregate total fees forgiven. In the absence of policy or management oversight, there are no internal controls to ensure appropriate compliance with management direction.

ARC Fee waivers were significant

We examined a statistical sample of 184 files of clients who resided at the facility during 2006. We reviewed financial ledgers to calculate waived ARC fees. Client ledgers were missing from 33 files (18%) of those reviewed. In these cases, we were unable to determine the total fees waived. Table 5.1 shows the impact of these waivers.

Table 5.1: Impact of Fee Waivers

Waiver Type	Fees Waived	
	Sample Items	Projected Yearly
Standard First 2 Weeks	\$26,008	\$98,176
Additional Waivers	\$24,234	\$93,308
Total	\$50,242	\$191,484

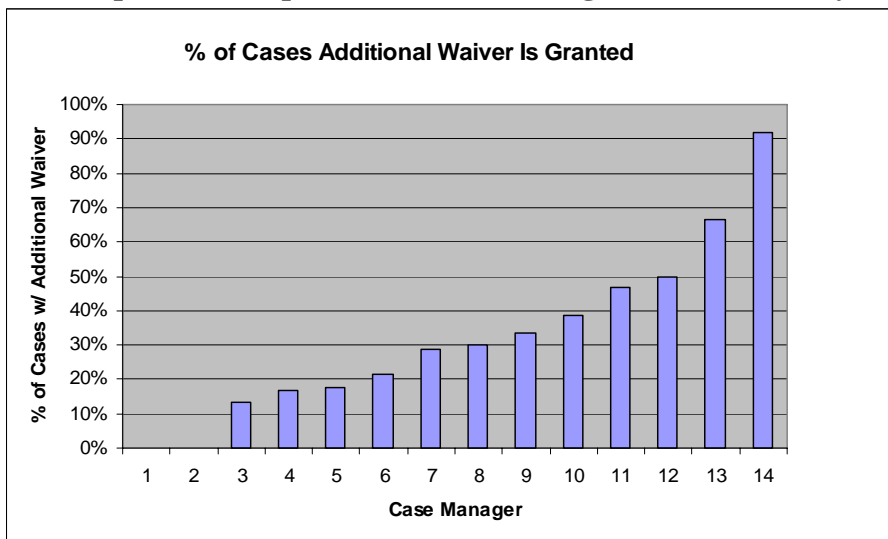
Source: Audit analysis of a selected sample of account ledgers

Additional fee waivers were granted inequitably

In the absence of written policy, case managers and senior case managers developed fee waiver criteria based on their perceptions of a resident's prevailing financial circumstance.

The sample revealed these additional waivers were granted inconsistently and inequitably. While one case manager forgave fees in 92 percent of assigned cases, two others granted no additional waivers. The difference in case managers presented in Graph 5.1 demonstrates the need for detailed written policy in conjunction with active management review and oversight of the fee waiver process.

Graph 5.1: Comparison of Case Manager Waiver Activity



Source: Audit analysis of a selected sample of account ledgers

Case managers unnecessarily collect court payments

Prior to July 2006, clients were able to make ARC payments to virtually any available Corrections employee, including correctional advisors, case managers and residential supervising officers. Residents are now required to make payments at the centrally located Mall Control area within ARC. This change protects Corrections staff by removing them from the cycle of payments. However, interviews with staff revealed many continue to accept resident payments of Court Services fees. Once accepted, the case manager places the payment into a sealed envelope and sends it through County interoffice mail to Court Services. This practice places case managers unnecessarily at risk by placing them once again in the cycle of resident payments.

6. Management Can Improve Delinquent Fee Collections

By Corrections policy, ARC residents who fail to pay fees for a continuous period of 60 days may have their accounts referred to a collection agency for recovery. However, the files reviewed lacked clear documentation regarding what information is sent to the collection agency, who sent it, and when they sent it.

Corrections did not actively monitor the delinquent fee collections process. Management did not request or receive regular, detailed reports from the contracted collection agency. As a result, staff did not review balances assigned or collected. The collection agency contract had not been evaluated for a number of years. Cost effective collections alternatives such as the State of Kansas Setoff Program, were not considered. Corrections collection policies were vague, contributing to a potentially inequitable referral process. Weak policies, a failure to analyze and evaluate the collections process, and the failure to determine accounts receivable balances may have resulted in loss of revenue recovery and contributed to the undermining of the collections process.

Recommendations

We recommend the Director, Department of Corrections:

- 6.1 Actively monitor and continually evaluate the delinquent fee collections process by:
 - Maintaining accurate accounts receivable balances
 - Requesting and analyzing regular, detailed reports of referred and collected balances,
 - Annually reviewing and evaluating third party collections agency contracts,
 - Have all collections contracts reviewed by County Legal staff.
- 6.2 Seek cost effective alternatives to delinquent fee collections such as the State of Kansas Setoff Program or assistance from the County Treasurer collections services.
- 6.3 Create collections management policies that mitigate inequities and maximize returns by clearly establishing specific and direct criteria for the delinquent accounts referral process.

Management Comments

Improvement of this process is directly linked to the revamping of the accounts receivable system. Management will actively monitor and evaluate the entire collections process. We will maintain accurate accounts receivable balances. We will request and analyze regular detailed reports of referred and collected balances. We will annually review and evaluate third party collections agency contracts and have all collections agency contracts reviewed by the County's legal staff. We will look at all cost effective alternatives to delinquent fee collections, including the State's Setoff Program. We will develop appropriate collections management policies. Our overall goals will be to maximize our returns through aggressive collections practices and to cease inequities in the process.

Discussion

During the course of the audit we reviewed the policies, procedures and practices concerning the collection of delinquent client fees. Good collections management practices are components of effective internal controls. These controls contribute to an effective organization and help ensure compliance with management direction.

Collections policies were vague

Corrections debt referral policy 07.25 8(a) states:

“Should a client fail to pay program fees as directed for a continuous period of 60 days, incurred balances may be forwarded to the contracted collection agency for recovery”.

The use of the word “may” leaves opportunity for increased discretion from those making collections referral decisions. This combined with the absence of clear, specific criteria creates increased potential for the inequitable referral of delinquent accounts. Amending the policy to include direct language such as “shall” would convey that the referral of delinquent accounts is the rule and not the exception.

Collection agency contracts were not actively reviewed

Contract agreements between Corrections and a third party collections agency had not been reviewed for a number of years. The current ARC agreement was signed in May of 2000 and has subsequently been automatically renewed without any documented evidence of management reevaluation. JDC contractual agreement was signed in November of 2003 and has also been automatically renewed each subsequent year.

These contractual agreements consisted of one page documents composed by the collection agency. Department contractual agreements should be reviewed by County Legal staff to ensure the inclusion of standard built in protections to County interests.

Collection activity reports were not requested or received

Prior to the audit, the department never requested or received a detailed list of referred collection activity including: client name, balance referred, total recovered, and account status. Upon request, this information was available from the collection agency and they were willing to provide it regularly. Review of this information could be used as a collections management tool and could assist management in evaluating the effectiveness of the collections process.

Cost effective collections alternatives could be explored

Alternative or complimentary programs could potentially improve the collections process. For example, the State of Kansas Setoff Program allows participating state agencies, municipalities and district courts to set off moneys the State of Kansas owes debtors against moneys owed to the State of Kansas. Debts are matched to income tax refunds, state payroll, unclaimed property

and other miscellaneous payments including state lottery payoffs. Participants keep control of referred accounts and the fee charged for the service is considerably less than standard collection agency fees.

7. JDC Application of Paid Time-Off Needs Improvement

The department administered Paid Time-Off (PTO) differently between ARC and JDC. A lack of communication or coordination between the two major divisions created an environment in which two separate applications of PTO developed. ARC accounted for and paid employees for all scheduled leave, regardless of hours regularly worked. In contrast, when a JDC employee worked over 40 hours and took paid leave during that week, for example, 44 hours on the time sheet including 40 hours worked and 4 hours vacation, payroll representatives adjusted the employees paid time off so only 40 hours was paid during the week and no vacation was charged. JDC adjustment of PTO is inconsistent with County policy requiring accounting for scheduled time off.

Recommendations

We recommend the Director, Department of Corrections:

- 7.1 Ensure JDC accounts for all scheduled Paid Time Off appropriately and consistent with County policy.

Management Comments

We changed the practice that was taking place at the JDC immediately after learning about the discrepancies between the JDC and ARC. We announced the appropriate method of reporting leave to all staff in the department and learned that many of the department's case managers and field staff were also reporting leave incorrectly. All employees are now aware of the changes, and management is monitoring the process carefully to ensure consistent and appropriate application.

Discussion

We reviewed 263 timesheets from the department, 152 from ARC and 111 from JDC. We observed ARC charged PTO, vacation and sick leave, when an employee had worked 40 hours or more during the work week. JDC did not use this method.

We reviewed this process with County legal counsel. Their opinion was the employee's scheduled hours need to be accounted for. If an employee is not available during a time when he or she is scheduled to work, some form of PTO must be recorded for that period whether or not the employee subsequently, or previously, works additional, unscheduled time in that day or work week.

For example, an employee scheduled to work from 8 to 5 M-F schedules vacation for Monday from 8 to 5. If the employee works on Saturday in that week from 8 to 5 at the request of his or her supervisor, 8 hours of vacation would be charged and 48 hours would be paid. No overtime would be accrued because there are 40 hours of work time and 8 hours of time off.

8. Management Can Improve Purchasing Efficiency

Management can improve purchasing efficiency by more effectively using the County Purchasing Card (P-Card) program. Corrections ranked last among all County departments in the percentage of purchases made via P-Cards. Management did not effectively delegate purchasing responsibility to subordinate staff or take the responsibility of managing the P-Card System. As a result, the department purchasing process was inefficient and potential savings were not realized.

Recommendations

We recommend the Director, Department of Corrections:

- 8.1 Use the Office of Financial Management established purchasing criteria which encourages the use of P-Cards as the preferred method of payment for a majority of purchases under \$10,000,
- 8.2 Delegate purchasing responsibilities to subordinate staff while actively managing and monitoring the purchasing process.

Management Comments

When the department learned about its failure to use P-Cards as much as possible, we issued 12 additional P-Cards and have instructed appropriate staff to utilize the P-Cards. As of September 2007, we had already increased our P-Card usage rate by 26% over 2006 and had incurred 196 transactions more than last year. In September 2007, the Corrections Department was the 15th highest user of P-Cards of all County departments. In September 2007, we had achieved a 40% to 60% P-Card to Purchase Order Ratio. Staff will continue to review purchases and determine if additional cards are needed and will continue to delegate purchasing responsibilities to subordinate staff while actively managing and monitoring the purchasing process.

Discussion

County departments and agencies are obligated to follow County expenditure policies and procedures. When possible, County guidelines encourage the use of P-Cards as an efficient means to reduce the processing cost of procuring goods and services.

Opportunities exist to improve efficiency

According to the County Office of Financial Management (OFM), the transaction cost for Purchase Orders (POs) under \$10,000 is \$91.13. In contrast, costs for P-Card transactions are significantly less, at \$21.79 per transaction. This represents a potential savings of \$69.34 on every transaction conducted with a P-Card instead of a PO. For this reason, OFM established a goal to achieve an 80/20 P-Card to PO use ratio Countywide.

In 2006, Corrections had the lowest percentage of P-Card transactions of any County department. Corrections P-Card use for transactions under \$10,000 was 24 percent, in contrast to the County average of 67 percent. If Corrections increased P-Card use to County average levels, audit analysis revealed a potential transaction cost savings of \$68,691 per year.

Table 8.1 Breakdown of 2006 P-Card Use V. Purchase Orders

Transaction Type	Average County Department %	Department of Corrections %
P-Card	67	24
Purchase Order	33	76
	100	100

Source: OFM Purchasing Activity Report & Audit Services Analysis

9. The Department Could Benefit From Centralized Accounting Policies and Procedures

The department did not have centralized comprehensive financial accounting policies or procedures. The lack of a written centralized accounting policy or procedures created an environment in which ARC and JDC developed their own written and unwritten accounting procedures. As a result, there are accounting inconsistencies between the separate divisions of the department.

Recommendations

We recommend the Director, Department of Corrections:

9.1 Develop centralized, comprehensive financial and accounting policies and procedures.

Management Comments

We agree that centralized accounting policies and procedures are necessary and have begun working on these policies. Our goal is to have the policies and new systems in place by spring 2008.

Discussion

Generally accepted accounting principles require an adequate system of internal controls for management to ensure appropriate accounting and compliance with management direction. Clear, written and centralized accounting policies and procedures are a component of good internal controls. Corrections did not have centralized, comprehensive financial and accounting policies and procedures. Interviews with staff revealed frustration with this condition, which they believed was a product of turnover and instability within the Administrative division of the department. In the absence of centralized policies, each division developed their own written and unwritten financial and accounting procedures.

10. The Performance Measurement System Could be More Effective

The performance goals and measures submitted in County Budget documents lacked clarity and, in some cases, measurability. Key terms and intentions used in the goals were not defined clearly to make the measured result useful. In some cases, any achievement satisfied the goal. In one instance, the outcome data reported was in error. We attributed the cause for this condition to a lack of understanding of the clarity needed in defining goals and measuring performance to obtain a useful outcome. As a result, outcome measures as reported in the budget did not produce meaningful assessments of program activity.

Recommendation

We recommend the Director, Department of Corrections:

- 10.1 Reassess the current performance goals and measures and develop goals that specifically describe the outcome desired and develop specific performance measures to measure the outcomes and goal achievements.

Management comments

We have reviewed the Performance Goals and Measurements and plan to modify the stated performance measures in 2008. Prior to that time, the department's vision and mission statements will be modified and as an extension of that process, new goals and better measurements of those goals will be established. Many of the stated goals did not directly correlate with meaningful outcome measurements. Additionally, the Kansas Department of Corrections is implementing statewide initiatives to reduce the number of probationers who are remanded to the custody of the Secretary of Corrections due to probation condition violations. The statewide measurements will be incorporated into the local goals and measurements.

Discussion

The objective of establishing performance goals and measures is to evaluate progress, success or failure of programs. The goals set the targets for the organization—targets that are deemed to be the most important points of concentration for the managers. These goals must be clearly stated so progress can be measured and course changes made as needed to keep the organization moving in the appropriate direction. Performance measures must be precise and relevant to the performance goal. These measures must provide the data necessary to determine progress for achieving the goals.

Specific goals set
organization
targets

Performance goals were not well-defined

Many of the performance goals did not have sufficient definitions of the terms used in the goals. Consequently, measures of these goals could not be effective. For example:

- Goal:** Successfully discharge a high percentage of adult felony offenders from JOCO corrections programs
- Measure:** Increase the percentage of adult felony offenders who are successfully discharged without serving their controlling sentences.
- Outcome:** The reported outcome for this measure was 80 percent discharged in 2002 and 2004 and 61 percent discharged in 2006 and an estimated 63 percent discharged for 2007.

The term “high percentage” is not defined. What percentage range equals normal? What range signifies “high”? The performance measure does not match the definition of the goal. The performance measure is not calling for a “high percentage” of successfully discharged offenders, only an *increase* in percentage. Without a definition of “high percentage” any percentage increase could be claimed a successful outcome.

Define “high percentage”

Since the definitions are not clear, the interpretation of the results is also unclear. Although the reported outcomes show a significant decrease in percentage (19%) between 2004 and 2006, there is no way to determine if the outcomes are good or bad. One could say one is better than the other, but did the department meet the goal? Perhaps the 80 percent and 61 percent are both considered “high percentage”. Perhaps neither is considered “high percentage”.

In response to our inquiry, the Director stated:

The 80% success rates for 2002 and 2004 appear inaccurate and the method utilized to determine those rates is unknown. According to the information collected from the Total Offender Activity Documentation System (TOADS), the percentage of felony offenders who successfully discharged from department programs in 2004 was 54%.

The percentage increase will be modified to reflect realistic increases over time with consideration given to the statewide initiative which will provide funding to decrease the number of offenders sent to prison for technical violations in FY2006 by 20% (during FY2008 and FY2009).

In another example, the goal for a series of corrections case management programs is to ensure case manager/client ratio of 1:15, 1:20 etc. The term “ensure” means guarantee. This is not an effective expectation. The department has no control over the number of population served and only has a set level of resources. A population increase may affect the actual ratio by adding more cases to the case managers. A population decrease may affect the ratio by having fewer cases per case manager. The overall outcome to satisfy the goal is a resource outcome—increase or decrease which is driven by the population numbers. While the department can always reduce resources, it may not be able to acquire additional resources to meet population surges. As a result the goal is not achievable.

In response to our inquiry, the Director stated:

This measurement will be modified or eliminated in 2008 as it is not a meaningful measurement of productivity or cost effectiveness.

11. Ethics Violations Were Not Reported

During 2003 to 2005, two members of the family of a Correction's employee were assigned to the supervision of ARC. Normal operating procedures were not followed for these two individuals. Not all required fees were collected, unpaid fees were not referred to collections, and records related to these individuals were not maintained in compliance with policy. Management was able to override the policy and controls used to manage clients. In addition, other members of Corrections staff were aware of these conditions and did not report them.

Recommendations

We recommend the Director, Department of Corrections:

- 11.1 Provide training to staff to emphasize their responsibility to report violations of ethics policies.
- 11.2 Modify the ethics policy to indicate how to report violations outside the organization when necessary.

Management Comments

We agree that ethical violations must be reported. In my initial meetings with all staff of the department in April and May, I emphasized that any staff violations of policies or other misconduct must be reported immediately to a supervisor. I told staff that such violations would not be tolerated and that all employees were obligated to report, that they could not just "look the other way." I believe that we have created a culture of integrity and openness so that staff will feel comfortable in reporting violations. We will revise our Ethics policy to ensure that staff know to whom they can report violations when they are not comfortable reporting the information to Departmental administrators.

Discussion

The department policy "Ethics - Conflict of Interest," which is based on the Johnson County Code of Ethics, states, in part:

- No staff member will act in his/her official capacity in any matter in which he/she has personal interest that could in the least degree impair his/her objectivity.
- No staff member shall give gifts, favors, or services to a client, client's family, or close associate.
- Each staff member will report without reservation any corrupt or unethical behavior which could affect either a client or the integrity of the organization.
- Staff members will have only professional relationships with clients while in the care and custody of Johnson County.

OBJECTIVES, SCOPE AND METHODOLOGY

Objectives

Our objectives were to review financial and management controls over major functions of the Department and to determine compliance with county policy and Kansas law along with the following additional areas:

- Review organizational structure
- Identify management and accounting structures for reporting and financial transactions
- Identify programs
- Evaluate the effectiveness of management and accounting controls
- Follow-up on results of prior Corrections internal audit reports
- Review transactions in AP, P-Card, and expense reimbursements for 2005 and 2006
- Small asset inventory review
- Review compliance with county policy and Kansas law

Background

The audit was selected because of a transition in the leadership of the Department. The Department of Corrections provides various degrees of detention programs for individuals referred through the court system.

Johnson County Corrections has two main management divisions, Adult and Juvenile Services, and central management functions that support both divisions. Adult Services manages the Adult Residential Center (ARC) in Gardner as well as other Adult offender programs, such as house arrest. Juvenile Services maintains the Juvenile Detention Center (JDC), has oversight responsibility for the Juvenile Intake and Assessment Center (JIAC), and operates other programs, such as house arrest.

The central management functions include the directors' office and financial management.

There have been two internal audit reports issued concerning the Corrections department. One concerned the JIAC facility and the other dealt with specialized funds managed by Corrections such as the Client Reimbursement Fund.

Scope and Methodology

To accomplish the audit objectives the auditors:

- Obtained copies of financial records
- Interviewed Corrections staff
- Toured Corrections facilities
- Reviewed Trial balances for 2004 to 2006
- Tested payroll transactions
- Reviewed employee timesheets

- Reviewed drug handling procedures
- Used statistical sampling to test application of fee waivers and collections
- Tested small asset inventory
- Tested capital inventory
- Analyzed purchasing card activity
- Analyzed space use plans including waiting list data
- Reviewed cash tracking by documenting process from billing to cash deposit
- Benchmarked correctional facility user fees
- Consulted with Legal Counsel
- Reviewed appropriate State laws and Federal regulations

We analyzed the department's financial operations, policies and procedures, and internal controls and developed our conclusions and recommendations based on the materials gathered and results of this analysis.

The audit scope was impaired by the inability to obtain records for part of our review of inmate accounts receivable. Eighteen percent of the files included in our statistical sample were destroyed leaving no record of what was paid or owed by inmates who were released from Corrections programs. The impact on our audit was the inability to give a precise analysis of outstanding fees owed the Department of Corrections. Consequently neither we nor the Department of Corrections knows the status of accounts for some discharged inmates.

FULL TEXT MANAGEMENT COMMENTS**Johnson County Department of Corrections**

206 West Loula Street • Olathe, KS 66061
Elizabeth Gillespie, Director of Corrections
(913) 715-4500 Fax (913) 829-0107

DATE: October 25, 2007

TO: William D. Miller, County Auditor

FROM: Elizabeth Gillespie, Director
Department of Corrections

SUBJECT: **Response to Internal Audit Results and Recommendations**

The audit of the Department of Corrections commenced very shortly after I began my employment with Johnson County. I was pleased to see that the audit was taking place so quickly following the transition in leadership of the department. The practice of auditing operations following this type of change has been very beneficial for all concerned but especially so for me as I have been leading the establishment of goals and priorities for the department.

Department of Corrections staff appreciated the manner in which the audit was conducted. Your staff were very considerate of the employees' needs to continue their normal work while they were retrieving materials that your staff requested. I also appreciate your taking the time to update administrative staff about significant problems as they were discovered. We were obviously able to begin correcting those situations immediately.

I also want to say that the Department of Corrections has many dedicated, hard working employees who have committed themselves to working with offenders to help them succeed. They are very proud of their accomplishments. Perhaps some of the issues that have surfaced through this audit reflect the fact that the staff have been focused on their goals of offender behavioral changes with not enough attention to infrastructure. They are learning that there are many other areas in which they need to focus their attentions too, and they are working hard to make necessary improvements.

I will address each of the results/recommendations provided as follows:

1. Administration of the Department of Corrections Can Be More Efficient

It became clear to me from the beginning of my employment that the Department of Corrections has not been operating in a unified manner. I have been strongly communicating my goal to staff

to operate as a whole department, rather than separate divisions. I understand that there are many benefits from a unified department with numerous shared services.

We have already begun the process of unification in many areas. For instance, in June we formed an employee committee of both Adult Residential Center Correctional Advisors and Juvenile Detention Center Corrections Officers for the purpose of recommending a new standardized work uniform for this group of staff. The committee completed its work in August by providing detailed specifications for a new, standardized uniform. We anticipate that these staff will be proudly wearing their new uniforms in November. The staff who participated on the committee communicated frequently with other staff in making their recommendations, so the employees feel much empowered by the entire process.

Recommendation 1.1:

I agree with the recommendation for centralization of the Human Resources functions, including payroll and time control, and we have already proceeded with these changes. All Human Resource issues must come through the Assistant Director prior to action to ensure consistency and compliance with County regulations. I must approve all formal disciplinary actions. We are in the process of hiring a new Human Resources Coordinator who will be responsible for all departmental recruitment; interview processes; employee relations; position descriptions; job orders; use of leave/time control; monitoring of FMLA, EEO, Affirmative Action, and employee turnover rates; risk management; Workers Compensation claims; position control; and organizational charts. This position will also be responsible for monitoring the employee payroll functions to ensure all are performed consistently and appropriately. I should note that this position is not a new position but one that was vacated recently. This allowed us the opportunity to revise the position description for the more centralized processes prior to posting and filling the position.

I understand that the Department's inventory process must be consistent through all divisions. There is already a centralized reporting system for all purchases of items in the department, but it appears that employees need more training regarding the application of that system and more active auditing of the items under the value of \$10,000. We will ensure that inventory procedures are communicated to appropriate staff and that the Department's central office carefully monitors this function.

We agree that the department's vehicle management needs to be unified rather than divided between two separate systems: juvenile and adult. We will centralize this function and appropriately share vehicle resources as needed.

We recognize that there are significant issues in the area of accounts receivable. The Assistant Director will work with a committee of employees from both juvenile and adult services to develop appropriate procedures and internal controls for purchases, bill payments, and reconciliation processes. We are currently working with JIMS to develop an accounts receivable system to meet the department's needs and ensure internal controls are met.

Medication administration bears the same issues and liability for both the Juvenile Detention Center and the Adult Residential Center. Because of the differences of their facilities, however, they cannot operate identically. We have, however, taken the administration of medications out of the hands of the Correctional Advisors at the Adult Residential Center and contracted for medical services with a correctional healthcare provider. The provider's nurses are responsible for inventory and delivery of the medications to the residents, similar to the process at the Juvenile Detention Center.

Recommendation 1.2:

I fully agree with the need for consistency of administrative functions within the Department, and we are actively proceeding in that direction as quickly as possible.

Recommendation 1.3:

I agree that appropriate procedures need to be developed to address the department's administrative functions, and we are proceeding as quickly with this as possible. As new procedures are developed, we will ensure consistent training to affected staff.

Recommendation 1.4:

I continue to emphasize with all departmental staff that we will follow County regulations and departmental policies. Employees have been told that if they believe that a policy or regulation needs to be revised, then they should make recommendations for the changes; otherwise, the rules will be followed. We continue to hold staff accountable for their failures to follow policies and regulations. I believe that the department's culture is improving in this regard and that staff want to do what is right.

In the past few months, we have ensured that all employees in the department have access to electronic mail on departmental computers. Prior to this time, there were numerous staff in the Juvenile Detention Center that had no access to electronic mail. This impeded our abilities to communicate well with staff. We are now using electronic mail as well as staff meetings to communicate better with all staff regarding departmental issues.

2. Management Needs to Control Distribution of Medications

As already stated within your report, this problem has been satisfactorily addressed. The County's contract for offender medical services for the Adult Detention Centers and the Department was recently re-bid. A new provider, Correct Care Solutions, will assume responsibility on January 1, 2008. We have ensured that appropriate medication management staffing and procedures will be continued at both the Adult Residential Center and the Juvenile Detention Center with the new contract.

3. Management Needs to Improve ARC Key Control

As already stated within your report, we have addressed this problem and have established and implemented an effective key control policy at the Adult Residential Center.

4. ARC Accounts Receivable System Needs Improvement

I fully agree that the ARC's accounts receivable system needs to be completely revised. Management is currently working with JIMS to determine if they can build an accounts receivable system to meet Corrections Department needs and ensure internal controls are met. Management will ensure that receivables are reconciled and that internal management reports are created with beginning and ending account balances as well as detailed additions and subtractions. Corrections stopped the practice of deleting electronic ledgers when a resident is released immediately after we became aware of the problem. Corrections will implement a process in which we will collect residents' fees as much as possible prior to release from the facility. We will also ensure that we have appropriate forwarding addresses to which collection notices can be mailed for those offenders who do not have enough money to pay their fees prior to leaving the facility.

5. ARC Fee Forgiveness Practices Need Re-evaluation

We are in the process of developing policies and procedures for fee collection and forgiveness that will include specific conditions needed to satisfy waiver criteria. Management will be responsible for analyzing and oversight to ensure equitable and consistent forgiveness of fees, only in rare instances as appropriate. Management will ensure that the recording and tracking of forgiven fees are integrated in the new accounts receivable system. In order to provide a more immediate resolution, we have implemented a process in which each fee forgiven must be approved by the Director of the Adult Residential Center prior to forgiving the fee. Also, case managers can no longer accept payments. All payments must be received through the Mail Control area.

6. Management Can Improve Delinquent Fee Collections

Improvement of this process is directly linked to the revamping of the accounts receivable system. Management will actively monitor and evaluate the entire collections process. We will maintain accurate accounts receivable balances. We will request and analyze regular detailed reports of referred and collected balances. We will annually review and evaluate third party collections agency contracts and have all collections agency contracts reviewed by the County's legal staff. We will look at all cost effective alternatives to delinquent fee collections, including the State's Setoff Program. We will develop appropriate collections management policies. Our overall goals will be to maximize our returns through aggressive collections practices and to cease inequities in the process.

7. JDC Application of Paid Time-Off Needs Improvement

We changed the practice that was taking place at the JDC immediately after learning about the discrepancies between the JDC and ARC. We announced the appropriate method of reporting leave to all staff in the department and learned that many of the department's case managers and field staff were also reporting leave incorrectly. All employees are now aware of the changes, and management is monitoring the process carefully to ensure consistent and appropriate application.

8. Management Can Improve Purchasing Efficiency

When the department learned about its failure to use P-Cards as much as possible, we issued 12 additional P-Cards and have instructed appropriate staff to utilize the P-Cards. As of September 2007, we had already increased our P-Card usage rate by 26% over 2006 and had incurred 196 transactions more than last year. In September 2007, the Corrections Department was the 15th highest user of P-Cards of all County departments. In September 2007, we had achieved a 40% to 60% P-Card to Purchase Order Ratio. Staff will continue to review purchases and determine if additional cards are needed and will continue to delegate purchasing responsibilities to subordinate staff while actively managing and monitoring the purchasing process.

9. The Department Could Benefit from Centralized Accounting Policies and Procedures

We agree that centralized accounting policies and procedures are necessary and have begun working on these policies. Our goal is to have the policies and new systems in place by spring 2008.

10. The Performance Measurement System Could be More Effective

As we already reported, we plan to modify the performance measures in 2008.

11. Ethics Violations Were Not Reported

We agree that ethical violations must be reported. In my initial meetings with all staff of the department in April and May, I emphasized that any staff violations of policies or other misconduct must be reported immediately to a supervisor. I told staff that such violations would not be tolerated and that all employees were obligated to report, that they could not just "look the other way." I believe that we have created a culture of integrity and openness so that staff will feel comfortable in reporting violations. We will revise our Ethics policy to ensure that staff know to whom they can report violations when they are not comfortable reporting the information to Departmental administrators.