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I N T E R N A L A U D I T

**SECOND AND FINAL
CLOSE-OUT FOLLOW-UP
INTERNAL CONTROL AUDIT:
PROBATION DEPARTMENT
PUBLIC SAFETY
REALIGNMENT (AB 109)
AS OF AUGUST 31, 2015**



**Audit Number 1323-F2 (Reference 1529)
Report Date: September 28, 2015**



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Orange County Auditor-Controller

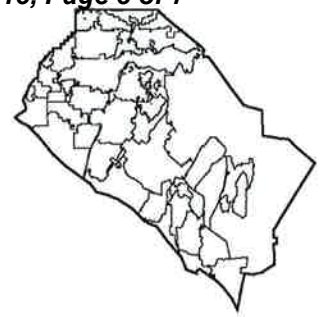
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Transmittal Letter

Audit No. 1323-F2
(Reference 1529)

September 28, 2015

TO: Steven Sentman, Chief Probation Officer
Probation Department

SUBJECT: Second and Final Close-Out Follow-Up Internal Control Audit: Probation Department Public Safety Realignment (AB 109) As of August 31, 2015, Original Audit No. 1323, Issued February 18, 2014, First Follow-Up Audit No. 1323-F1, Issued February 11, 2015

We have completed our Second and Final Close-Out Follow-Up Internal Control Audit of Probation Department Public Safety Realignment (AB 109) as of August 31, 2015. Our final report is attached for your review.

I submit an **Audit Status Report** quarterly to the Audit Oversight Committee (AOC) and a monthly report to the Board of Supervisors (BOS) where I detail any critical and significant audit findings released in reports during the prior month and the implementation status of audit recommendations as disclosed by our Follow-Up Audits. Accordingly, the results of this audit will be included in future status reports to the AOC and BOS.

Toni Smart, CPA, Director
Auditor-Controller Internal Audit Division

Attachments

Other recipients of this report:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- Eric H. Woolery, Auditor-Controller
- Frank Kim, County Executive Officer
- Mark Denny, Chief Operating Officer
- Chris Bieber, Chief Deputy Probation Officer, Filed Operations Bureau
- Bryan Prieto, Chief Deputy Probation Officer, Operations Support Bureau
- Sue DeLacy, Director, Probation Post Release Community Support Division
- Lala Ragen, Acting Director, Probation Administrative and Fiscal Division
- Jon Humann, Budget Manager, Probation Administrative and Fiscal Division
- Kaajal Kamdar, Administrative Manager, Probation Administrative and Fiscal Division
- Foreperson, Grand Jury
- Robin Stieler, Interim Clerk of the Board of Supervisors
- Macias Gini & O'Connell LLP, County External Auditor



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Probation Department Public Safety Realignment (AB 109)
Audit No. 1323-F2***

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Internal Auditor's Report

Audit No. 1323-F2

September 28, 2015

TO: Steven Sentman, Chief Probation Officer
Probation Department

FROM: Toni Smart, CPA, Director
Auditor-Controller Internal Audit Division

SUBJECT: Second and Final Close-Out Internal Control Audit: Probation Department Public Safety Realignment (AB 109), Original Audit No. 1323, Issued February 18, 2014
First Follow-Up Audit 1323-F1, Issued February 11, 2015

SCOPE

We have completed a Second and Final Close-Out Follow-Up Audit of Probation Department Public Safety Realignment (AB 109). Our audit was limited to reviewing actions taken, as of August 31, 2015, to implement the **remaining three recommendations** from our First Follow-Up Audit report. We conducted this Second Follow-Up Audit in accordance with the FY 2015-16 Audit Plan and Risk Assessment approved by the Audit Oversight Committee and Board of Supervisors (BOS).

BACKGROUND

The original audit found internal controls over Probation's accounting and budget processes are in place and provide reasonable assurance that the process for tracking and claiming costs is compliant with the Public Safety Realignment Act. The original audit identified **one Significant Control Weakness** and **four Control Findings** to enhance Probation's internal controls and compliance over the claiming process for the Public Safety Realignment Act.

RESULTS

Our Second Follow-Up Audit found that the Probation Department has taken satisfactory corrective action to implement the remaining three recommendations. As such, this report represents the final close-out of the original audit.

Based on our First and Second Follow-Up Audits, the following is the implementation status of the five original recommendations:

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

Recommendation No. 1: Probation establish written policies and procedures for the Public Safety Realignment expenditure claims process. Documented policies and procedures should be reviewed and approved by the Probation Department's management and current versions need to be readily accessible for reference by personnel responsible for the expenditure claim process.

Current Status: Implemented (Second Follow-Up Audit). Probation prepared and finalized policies and procedures for the Public Safety Realignment expenditure claims process. The policies and procedures include an overview for compiling the salary and supply costs for department personnel assigned to the program and address elements that would be helpful in describing the Public Safety Realignment claiming process. The policies and procedures were approved by Probation Department's management, and the current version is accessible for reference by personnel responsible for the quarterly claiming process. Because Probation finalized the AB 109 claiming policies and procedures and made them accessible to staff, we consider this recommendation implemented.



Internal Auditor's Report

Finding No. 2 – Data Entry Errors in Support Schedules (Control Finding)

Recommendation No. 2: Probation ensure that independent, detailed desk reviews be performed, documented and retained on Public Safety Realignment claims and supporting schedules to ensure validity and accuracy of data and amounts shown.

Current Status: Implemented (Second Follow-Up Audit). Probation assigned the responsibilities for preparing and performing a detailed desk review of quarterly Public Safety Realignment claims and supporting schedules to a Staff Specialist and Administrative Manager, respectively. Probation updated its policies and procedures to include a section on the claim reviewer's responsibilities. We reviewed the Public Safety Realignment claim for the quarter ended June 30, 2015, and saw evidence of the desk reviews that were performed and documented by the reviewer. Probation Department maintains the detailed desk reviews performed, documented, and retained on Public Safety Realignment claims and supporting schedules to ensure validity and accuracy of data and amounts shown. Because Probation took corrective action concerning detailed desk reviews, we consider this recommendation implemented.

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

Recommendation No. 3: Probation ensure its expense claims include County paid retirement benefits incurred from pay factors prescribed by the retirement system and collective bargaining agreements.

Current Status: Implemented (Second Follow-Up Audit). During the First Follow-Up Audit, it was noted that Probation correctly claimed County paid retirement benefits for a majority of pay factors prescribed by the retirement system and collective bargaining agreements, but County paid retirement benefits were not claimed for a one-time, off schedule lump sum payment. The planned action was to only address the future payments and not subsequently claim for reimbursement. Since the First Follow-Up Audit, there have not been any off schedule lump sum payments.

In our Second Follow-Up Audit, we reviewed four staff members with pay factors other than base salary and noted that in all instances Probation accurately claimed County paid retirement benefits incurred as prescribed by the retirement system and collective bargaining agreements. The pay factors tested were night shift differential pay, bilingual pay, and armed assignment pay. In addition, Probation Department updated its policies and procedures regarding internal controls over county paid fringe benefits (such as one-time lump sum payments) to ensure these types of payments are not missed in the future. Because Probation took corrective action to ensure the accurate claiming of County paid retirement benefits, we consider this recommendation implemented.

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

Recommendation No. 4: Probation ensure service data reported by local law enforcement agencies comply with the requirements in the Memorandums of Procedures and Understanding.

Current Status: Implemented (First Follow-Up Audit). We reviewed five reimbursement claims received from local law enforcement agencies for the quarter ended June 30, 2014, and noted that in all instances the service data provided: (a) the specific dates of service; (b) names of law enforcement personnel; (c) hourly and overtime rates of law enforcement personnel rendering services; and (d) number of service hours performed. Since we found no testing exceptions and the service data reported by local law enforcement agencies complied with the requirements of the Memorandums of Procedures and Understanding, we consider this recommendation implemented.



Finding No. 5 – Review of Law Enforcement Service Hours Not Documented (Control Finding)

Recommendation No. 5: Probation ensure service data reported by local law enforcement agencies is reviewed prior to reimbursement and indicates the reviewer's name and date reviewed.

Current Status: **Implemented (First Follow-Up Audit).** We reviewed five reimbursement claims received from local law enforcement agencies for the quarter ended June 30, 2014, and noted that in all instances a review was performed and documented prior to reimbursement. Since Probation ensured service data reported by local law enforcement agencies was reviewed and documented prior to reimbursement, we consider this recommendation implemented.

ACKNOWLEDGEMENT

We appreciate the assistance extended to us by the Probation Department during our Second Follow-Up Audit. If you have any questions, please contact me directly at 834-5475, or Michael Goodwin, Assistant Director at 834-6066.