



CHESAPEAKE SHERIFF'S OFFICE

PERFORMANCE AUDIT



JULY 1, 2006 THROUGH JUNE 30, 2008

**CITY OF CHESAPEAKE, VIRGINIA
AUDIT SERVICES DEPARTMENT**

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October 2, 2008

Sheriff John R. Newhart
Chesapeake Sheriff's Office
401 Albermarle Drive
Chesapeake, Virginia 23322

Dear Sheriff Newhart,

We have completed our review of the Chesapeake Sheriff's Office (Department) for July 1, 2006 to June 30, 2008. Our review was conducted for the purpose of determining whether the Department was providing services in an economical, efficient, and effective manner, whether its goals and objectives were being achieved, and whether it was complying with applicable City and Department procedures in areas of payroll, safety, information technology, recruitment, turnover, operations, and grants management.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

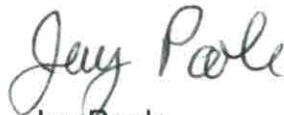
The Department operated and maintained the Chesapeake Corrections Center (CCC) and the jail work force and work release programs. In addition, the Department served criminal warrants, orders, summons, and other civil processes issued by the courts, as well as probation and parole violations issued by the Probation and Parole Offices. The Department was responsible for maintaining order and security within the City's court buildings and provided support services to judges as situations dictated. Extraditions and the transportation of inmates also fell under the purview of the Department.

For Fiscal Year (FY) 2007-2008, the Department had an operating budget of over \$33.2 million and an authorized compliment of 392 full time personnel. The Department received funds from Federal, State, and local sources. The Department's administration building and the CCC are located in the Chesapeake Municipal Complex in Great Bridge.

Based on our review, we determined the Department had accomplished its overall mission of operating and maintaining the CCC, providing security services to the various courts, and process and warrant service. However, we did identify several significant issues that needed to be addressed. These issues involved lack of timely and effective tracking of jail maintenance requests, staffing standards, check endorsements, Community Corrections Agency fees, separation of duties, reconciliation process, management oversight, verification of canteen commissions, and various contractual and code compliances.

This report, in draft, was provided to Department officials for review and response. Their comments have been considered in the preparation of this report. These comments have been included in the Managerial Summary, the Audit Report, and Appendix A. The Department's management, supervisors, staffs, and contractors, were very helpful throughout the course of this audit. We appreciated their courtesy and cooperation on this assignment.

Sincerely,



Jay Poole
City Auditor
City of Chesapeake, Virginia

C: William Harrell, City Manager
Mayor Alan P. Krasnoff
Members of the City Council

Managerial Summary

A. Objectives, Scope, and Methodology

We have completed our review of the Chesapeake Sheriff's Office (Department) for July 1, 2006 to June 30, 2008. Our review was conducted for the purpose of determining whether the Department was providing services in an economical, efficient, and effective manner, whether its goals and objectives were being achieved, and whether it was complying with applicable City and Department procedures in areas of operations, administration, work release, and canteen management.

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To conduct this audit, we reviewed and evaluated policies, procedures, and operational documents and reports. Also, we reviewed the Auditor of Public Accounts – The Virginia Sheriff's Accounting Manual Audit Specifications (APA), Code of Virginia, Compensation Board policy and procedure manual, and other applicable policies. We conducted site visits of the jail. We discussed these audit areas and conducted interviews with the Sheriff, Under-Sheriff, Chief Deputy, Administration Office Manager, Work Release Office Assistant, Community Correction's Director, Administrative Assistant, and various other Department personnel and contractors.

Major Observations and Conclusions

Based on our review, we determined the Department had accomplished its overall mission of operating, and maintaining, the CCC, providing security services to the various courts, and process and warrant service. However, we did identify several significant issues that needed to be addressed. These issues involved lack of timely and effective tracking of jail maintenance requests, staffing standards, check endorsements, Community Corrections Agency (CCA) fees, separation of duties, reconciliation process, management oversight, verification of canteen commissions, and various contractual and code compliances.

This report, in draft, was provided to Department officials for review and response. Their comments have been considered in the preparation of this report. These comments have been included in the Managerial Summary, the Audit Report, and Appendix A. The Department's management, supervisors, staffs, and contractors, were very helpful throughout the course of this audit. We appreciated their courtesy and cooperation on this assignment.

Methodology

To conduct this audit, we reviewed the Department's policies, procedures, and practices. This review included testing and evaluation of certain financial aspects of the work release inmate trust fund accounts to ensure the integrity of the funds. We conducted extensive analysis of the financial processes utilized in work release and home electronic monitoring to determine if the internal controls were adequate, if best accounting practices were being utilized, and if the Auditor of Public Accounts (APA), Sheriff Accounting Manual, and applicable laws and regulations were being adhered to. We reviewed aspects of the CCC maintenance procedures by requesting information to evaluate the effectiveness of the internal maintenance request system and determine if it summarized the maintenance requests and provided needed follow-up information in a timely fashion. The deputy to inmate ratio was also evaluated by requesting various inmate population numbers as well as the Department compliment assigned to the CCC. In addition to these items, various contracts including Medical Pharmaceutical and Commissary (Canteen) were reviewed. These reviews were to determine if the contracts and Request For Proposals (RFP) were effective, contained the appropriate projections, price increases tied to the Consumer Price Index, contained a statement of work, and protected the financial interests of both the inmates and the Department. The Canteen RFP was reviewed to determine if it contained a formula for commission calculations.

B. Performance Information

As one of the City of Chesapeake's constitutional offices, the Department was a multi-faceted department whose positions were funded primarily by the State Compensation Board. The City of Chesapeake provided the Department much needed subsidies to fund their operations. Also, the Department received Federal funding from the U.S. Marshall's Office for housing federal prisoners.

The Department operated and maintained the CCC and the jail work force and work release programs. In addition the Department served criminal warrants, orders, summons and other civil processes issued by the courts, as well as probation and parole violations issued by the Probation and Parole Offices. The Department was responsible for maintaining order and security within the City's court buildings and provided support services to judges as situations dictated. Extraditions and the transportation of inmates also fell under the purview of the Department.

C. Operational and Administrative Findings

While the Department appeared to be effectively accomplishing its overall mission, we did identify some areas where operational and administrative practices could be enhanced. We observed issues regarding jail maintenance, maintenance requests, staffing standards, and home electronic monitoring. We noted that the contract with the Medical Pharmaceutical contractor did not completely address the CPI increases for the entire duration of the five year term. Finally, we noted that the CCA did not have an adequate standard operating procedure for the collection of supervision fees.

1. CCC Building Maintenance and Repair

Finding – During our jail tour, we identified several items which needed ongoing maintenance and repairs at the CCC.

Recommendation – The Department should work with Facilities Management to complete the open maintenance requests.

Response – We agree with the findings above. Regarding the leaks in the domestic hot water system, a coordinated effort between CCC maintenance and Facility Management resulted in Southern Steel being contracted to complete the work. The repair work has been completed.

Regarding the medical unit ceiling, the medical housing unit, including the holding cell was treated and painted by an outside contractor, French Painting. The repair work has been completed.

Regarding the peeling paint in the gym, a coordinated effort between CCC maintenance and Facility Management resulted in French Painting being contacted to complete the work. The repair work has been completed.

Regarding the missing heating coils for the variable air volume boxes, efforts to remedy this condition required a coordinated effort between CCC maintenance and Facility Management. Tim Winslow, General Services Facilities Manager, is aware of the existing problem. Plans for a new facility and renovation of the existing facility have been presented to the City Manager for review. Until a decision is determined on the expansion project, Tim Winslow has requested that we stand by for a decision.

2. Maintenance Requests

Finding - We noted the need for a more efficient maintenance request system that could summarize the trouble calls and record maintenance requests so that they could be tracked and addressed in a timely fashion.

Recommendation – The Department should establish a more efficient internal maintenance request system that could summarize the maintenance requests and provide needed follow-up information in a timely fashion.

Response - We agree. The standards/compliance division is designing a spreadsheet that will meet the needs addressed and will greatly improve tracking methods. Completion/implementation is set to take place September 1, 2008.

3. Staffing Standards

Finding – The Department was not adequately staffed to service the ongoing inmate population.

Recommendation - The City should continue to work with the Department to attempt to obtain additional state funded jail deputy positions.

Response - We agree. The Sheriff's Office has been aware of the staff shortages, (Deputy v. Inmate ratio.) The Sheriff's Office has been working closely with the City Manager and Facility Management in reference to the expansion of our existing facility. The expansion addresses our staffing needs. The City obtained a consultant that conducted a Jail Needs Assessment and their findings concur with the auditors noting that we are understaffed and 186% over our rated bed capacity. A decision from the City Managers Office in reference to our expansion is forthcoming. The required timeline is to be determined by the City Manager's Office.

4. Home Electronic Monitoring

Finding – The Department was not endorsing money orders immediately upon receipt as required.

Recommendation – The Department should require the duty deputy to endorse the money orders with the City Treasurer's deposit stamp immediately upon receipt.

Response - We agree. The Deputy on duty who receives the money orders from the HEM participants will stamp each money order upon receipt with the City Treasurer's deposit stamp. The Sheriff's Office Standard Operating Procedure will be updated in order to include this requirement. The Standard Operating Procedure will be approved and updated by September 1, 2008.

5. Inmate Medical/Pharmaceutical Contract

Finding – The medical/pharmaceutical contract with the new contractor incorporated a cap on price increases in the second and third years of the contract. However, a cap on price increases was not incorporated into the fourth and fifth years of the contract.

Recommendation – The City should attempt to negotiate a cap on the rate of the contract's increase for the fourth and fifth years. While it may be difficult for the City to negotiate a cap in a medical/pharmaceutical contract for the fourth and fifth years of the contract, an attempt should be made regardless even if it involves negotiating a cap slightly higher than the four percent cap agreed to for the second and third years of the contract. Negotiating such a contract will allow the City and the Department to more accurately budget for these costs.

Response - Forwarded to Purchasing at the attention of the Purchasing and Contract Manager. We agree in principle that we should attempt to negotiate caps on the 4th and 5th years of the contract. In fact, we did attempt to place caps on these two years, but were unsuccessful. The contractor was reluctant to negotiate the 4% on years one through three, but we insisted that a cap be placed, or no contract. Our original plan was to revisit after year two, and before exercising the option for year three to negotiate caps. At that time, we will have some price history with this contractor, and a better view of industry trends in prices for this marketplace. We have found through other contracts that involve chemicals and medical supplies that the industry is so volatile that some vendors are insisting that they cannot predict with any certainty prices beyond a few months. As recently as a year ago, we were able to cap prices for a year or more, but no longer. For example, chemical based products for the Water Treatment Plant and Garage are being adjusted in increments as short as three months. We pushed very hard to cap years one through three and were successful. Therefore, while it might be desirable to cap the two remaining years, it is difficult to do so at this time. We will attempt again, but please be assured that we will pursue this issue both now, and in the future.

6. Review of CCA Supervision Fees

Finding - The Chesapeake Community Corrections Agency (CCA) did not have an approved standard operating procedure in place to facilitate the collection of supervision fees from offenders placed with the agency.

Recommendation - The CCA should implement and follow the approved standard operating procedure for the collection of supervision fees.

Response – The CCA staff has worked very diligently with the Department of Criminal Justice Services (DCJS) and the Chesapeake City Treasurer, Ms. Barbara Carraway, to develop a Collection of Fees Procedure. The Department of Criminal Justice Services has approved our procedure for the Collection of Fees, in accordance with Policy Number 7.1, Part III, Standard 3.8. Date reviewed was June 1, 2008. DCJS approved this version on 06-17-08.

D. Work Release Issues

In reviewing Work Release operations we noted that the Department staff assigned to carry out the Work Release functions was very organized. However, we did note a number of instances where they were not in full compliance with APA internal control guidelines. Specifically, we identified issues related to separation of duties regarding the Department's deposit process, disbursement process, reconciliation process and management oversight, payments of inmates' personal bills, and inmate authorization for enrollment into the Work Release program.

1. Separation of Duties and the Deposit Process

Finding - The Department's deposit process for incoming Work Release funds did not separate the collection, reconciliation, and deposit of funds from the bookkeeping function. Deposits were also not made within one business day of receipt. Additionally, pre-numbered receipts were not issued to inmates when checks were submitted to the Work Release staff.

Recommendation – The Standard Operating Procedure should be changed to clearly separate key functions, adopt a one-day deposit requirement, and incorporate the issuance of pre-numbered receipts when wages are received.

Response - We agree. As required by the accounting guidelines, collection, reconciliation, and the deposit of funds will be separated using the following process.

1. Security Deputies/Counselors will accept all paychecks as they are brought in by the residents, they will then stamp the back "For Deposit Only" and make copies of the checks and the stubs.
2. These copies will be forwarded to the Work Release Counselor who will prepare the distribution sheets which will be identified by the inmate number.
3. The SOP will be revised to reflect this change. (J 30.03)
4. When all checks are collected, the final deposit will be tabulated by a Work Release Counselor on Monday morning, or the next available business day.
5. After the balances are verified the Counselor will then proceed to the bank and make the physical deposit.
6. This procedure is currently in place.
7. The Standard Operating Procedure will be approved and updated by September 1, 2008.

2. Separation of Duties and the Disbursement Process

Finding – The disbursements process did not include an adequate system of controls as required by the APA Guidelines.

Recommendation – Update SOP J190.01c to implement the applicable APA requirements and include additional management oversight.

Response – We agree. As required by the accounting guidelines, the collection, reconciliation, and deposit of funds will be separated using the following process.

1. Security Deputies/Counselors will accept all paychecks as they are brought in by the residents, they will then stamp the back “For Deposit Only” and make copies of the checks and the stubs.
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5. After the balances are verified, the Counselor will then proceed to the bank and make the physical deposit.
6. This procedure is currently in place.
7. The Standard Operating Procedure will be approved and updated by September 1, 2008.

3. Reconciliation Process & Management Oversight

Finding – SOP J20.04a specified that the Work Release Commander would be responsible for fiscal control, yet the SOP did not define how the position would monitor the financial activities of the function, resulting in the absence of an independent cash reconciliation process.

Recommendation – The Work Release Commander should be responsible for fiscal control, and the SOP should define how the position will monitor the financial activities of the function, so that cash reconciliation process will be enhanced.

Response - We agree. The SOP will be updated to include how management will monitor the financial activities of the unit. Additionally, the SOP changes will define the methods in which the Work Release Commander will monitor fiscal control of all funds as follows:

1. The Work Release Commander or his AOIC will review the final transaction report to ensure that the weekly transaction report coincides with the actual disbursements.
2. The financial process has been addressed by separating the disbursement and deposit process to alleviate any potential misappropriation or loss of funds.
3. Any disbursement checks will require dual signatures, a Work Release Supervisor, and the counselor who received the disbursement sheets.
4. With the exception of the dual signatures, (new checks were ordered) this procedure is currently in place.
5. The Standard Operating Procedure will be approved and updated by September 1, 2008.

4. Inmate Personal Bills

Finding – The Department’s practice of making personal payments to family or friends or paying personal bills for inmates was inconsistent with Code of Virginia §53.1-131 (referenced in SOPJ190.01c) and the Work Release Court Order Agreement.

Recommendation – The Department should comply with the Agreement and Virginia Code and discontinue this practice.

Response - We agree. In the future it will be standard practice to follow the Va. Code when disbursing any and all inmate funds. (53.1-60). The Chesapeake Sheriff’s Office Standard Operating Procedure will reflect this mandate. Counselors will closely monitor the court fines as indicated in relation to their savings. This procedure is currently in place.

5. Inmate Authorization for Enrollment into the Work Release Program

Finding – Work Release Orders located in inmate files did not always include a judge’s signature as required by APA guidelines.

Recommendation – The Department should establish a follow-up procedure to ensure all Orders requiring judge’s signatures are maintained with the inmate files.

Response - We agree. Counselors have been instructed to review and audit all case files on a monthly basis and ensure that releasee has authorization (i.e. a signed court order) to validate his participation in the Work Release Program. DOC-Jail contract bed (JCB), and Re-entry Program (REP), do not require authorization for enrollment; therefore, judges signature will not be on the court order. To provide consistency and ensure compliance pertaining to authorization, the files that do not require signed orders will be designated on the front cover with (JCB) or (REP). This procedure is currently in place.

E. Canteen Operations

At the time of our audit, the Department had issued an RFP to solicit vendors for the renewal of the Commissary contract. In reviewing the RFP in conjunction with the Department’s operations, we identified a number of issues that could impact the success of the contract. These issues included verification of commissions and return of inmate files.

1. Review of Canteen RFP No. 8081

Finding – The Department did not have a process to verify the accuracy of the monthly commissions submitted by the Canteen contractor. The RFP also did not require the vendor to define how commissions were to be determined.

Recommendation – The Department should obtain an understanding of the methodology used to determine the basis for the sales figures when calculating commissions from the contractor. An SOP should also be developed and implemented that would require Department personnel to periodically verify the commissions.

Response – We agree. It is important to note that during this audit our canteen service provider for the past 3 years was A.B.L. Management. As of July 2008 Keefe Group has taken over the canteen contract.

The verification of commissions will be overseen by the Compliance Officer who will conduct monthly audits of inmate accounts. The Compliance Officer will prepare findings on a quarterly basis and file such documents for review. The scope of the audit will be a random selection of inmates that will encompass 15% of the average daily population or approximately 175 inmate accounts annually.

Attached in Appendix A is a billing practices manual that clearly defines how Keefe calculates commissions. According to the final contract the 27.5% commission is paid on total sales less sales tax and non-commissionable postage items. These funds are deposited to the inmate program account on a monthly basis.

The Standard Operating Procedure will be approved and updated by September 1, 2008.

2. Inmate Files

Finding - The canteen RFP did not address the return of inmate files upon completion of contract.

Recommendation - We recommend an addendum to the final contract which would include a statement requiring the return of all inmate files upon completion of the contract.

Responses – Forwarded to Purchasing at the attention of the Purchasing and Contract Manager. We agree with the findings for these two items [E.2. and E.3.] and will ensure the contracts are amended to include the audit comments. We will forward copies upon completion.

3. Compliance with Accounting Guidelines

Finding - The RFP did not require the vendor to comply with APA accounting guidelines pertaining to canteen operations and inmate trust funds.

Recommendation - The final contract should specifically require the contractor to comply with the Auditor of Public Accounts Virginia Sheriff's Accounting Manual pertaining to internal controls, canteen operations, and inmate trust funds, should the contractor be responsible for the management of such funds.

Response – Forwarded to Purchasing at the attention of the Purchasing and Contract Manager. We agree with the findings for these two items [E.2. and E.3.] and will ensure the contracts are amended to include the audit comments. We will forward copies upon completion.

4. Inmate Trust Funds Managed by the Contractor

Finding – The Department allowed the contractor to be responsible for the handling of all inmate funds including their custody and deposit.

Recommendation – The Department should limit the contractor's responsibilities pertaining to inmate trust funds to only the accounting or tracking of incoming receipts and disbursements to and from inmate accounts.

Response - We agree. The recommendation was for the Sheriff's Office to maintain control of the inmate program account to maximize interest revenues. The account does not accrue interest as these funds must always remain readily available due to the volatility of inmate relocation to other facilities and releases. This section also recommends that someone, other than the contractor should receipt and deposit all funds. The Sheriff's Office has specifically contracted with a professional canteen corporation to prevent us from having to hire someone to handle these funds on a day to day basis. Keefe meets with every accounting standard required by the Commonwealth of Virginia. Based on that we are satisfied with our internal auditing standards as a means to track and control this inmate trust fund. The Sheriff's Office will develop oversight procedures which will include a review of account reconciliations to inmate accounts for accuracy quarterly.

The Standard Operating Procedure will be approved and updated by September 1, 2008.

CHESAPEAKE SHERIFF'S OFFICE
PERFORMANCE AUDIT
JULY 1, 2006 THROUGH JUNE 30, 2008

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A. Objectives, Scope, and Methodology

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1. Organization

The Department was divided into three functional divisions; Administration, Operations, and Corrections. The Administration Division was responsible for General Administration, Internal Affairs, Public Information, and Special Projects. The Operations Division was responsible for Civil Enforcement, Fugitive Squad, and the Courts. The Corrections Division was responsible for the administration of the CCC and was divided into three sections, Administrative Services, Corrections, and Work Release.

2. Community Corrections Agency

The Community Corrections Agency (CCA) was funded as a special revenue fund and was comprised of two functions: Diversion Services and Pretrial Services. The program provided a continuum of sanction and supervision for certain persons awaiting trial or convicted of a misdemeanor or non-violent felony, as defined in §19.2-316, for whom the courts may impose a jail sentence and who may require less than institutional custody. Pre and Post trial services are provided to all Chesapeake Courts.

For FY 2008 the Diversion Services had 670 offenders placed on supervision and had a total of 129,232 supervision days. For completed placements, Diversion Services helped collect almost \$24,000 in restitution and over \$35,000 in court costs and fines. At the same time, offenders assigned to the CCA accumulated over 10,000 hours of community service. The Pretrial Services had 420 defendants placed on supervision during FY 2008 and had a total of 50,848 supervision days.

On June 13, 2008, the Department of Criminal Justice Services informed CCA of its approval of the Fee collection SOP §3.8. Also, effective July 1, 2008, the CCA was organizationally transferred from the Department and placed as a division of the Human Services Department for the purpose of more City oversight. This transfer coincided with the retirement of the long standing CCA Director. The City Treasurer planned to begin CCA fee collections effective August 1, 2008.

3. Community Service

One of the hallmarks of the Department was the magnitude of community service that was provided to the citizens of Chesapeake. Each year, the Department along with the South Norfolk Ruritan's Club jointly sponsored the Great American Food Fest. This event was held at the Chesapeake City Park and attracted a crowd of well over 6,000. Proceeds benefited the Sheriff's Elderly and Indigent Victims of Crime Program and other Department and Ruritan projects.



Great American Food Fest at Chesapeake City Park

In addition to the Food Fest, the Department sponsored a two day Senior Support Service's Seminar. This event had been held annually since 1987 and crowds numbered in excess of 1,200. This program was free to senior citizens and provided medical screening and many other informative activities for seniors.



Senior Support Services Seminar – Chesapeake Conference Center

The Department was also the incubator for what became Project Lifesaver. Established in 1999 as an initiative of the 43rd Search and Rescue Company, Project Lifesaver was an innovative and rapidly growing program whose primary mission was locating missing persons, mostly those suffering Alzheimer's Disease and related disorders, such as Autism. Project Lifesaver used advanced technology to find lost adults and children. This was accomplished by the use of wristbands with an electronic transmitter which was tracked by specially trained members of the Project Lifesaver's team. Additional training helped the team members relate to, and communicate effectively with, the Alzheimer's patient. This helped to make them more cooperative and easier to transport back to their homes.

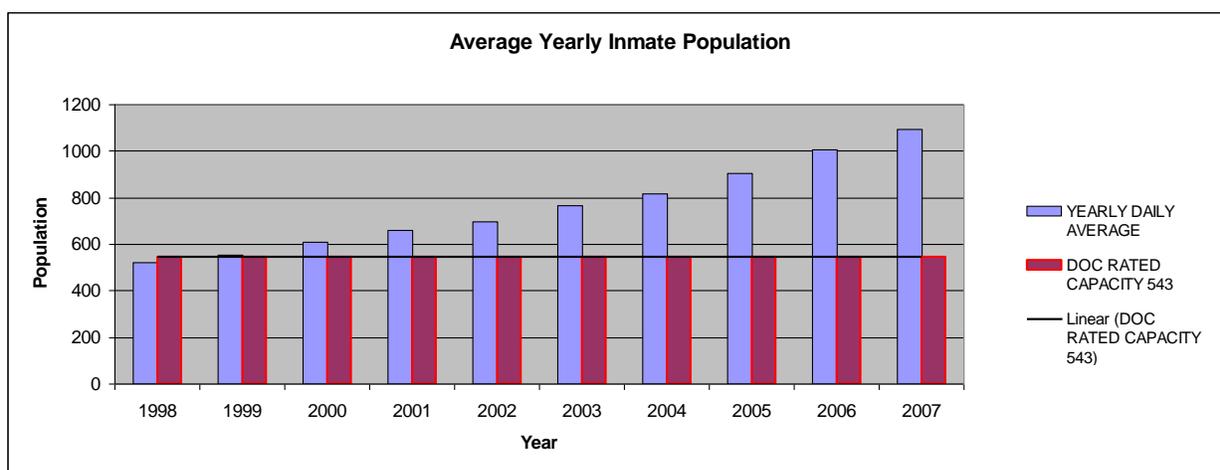


Project Lifesaver Wrist band

4. Jail Population

The CCC was built in 1961 and later expanded to have a capacity of 543 prisoners. However, the population of the CCC had been on a steady increase over the last ten years. In 1998 the jail population averaged 552 inmates a day. As of 2007, the CCC population averaged 1,096 a day. These inmates were responsible for over 35,000 hours of volunteer service each year. In addition, through the work force and work release programs inmates were able to pay off thousands of dollars in court costs, fines, restitution, and other obligations.

Exhibit 1



In response to the continued increase of the CCC population the Department had undertaken several steps to remediate the situation. In the short term the Department had requested, and received approval, for the leasing of five temporary pods. These pods would be installed outside the perimeter of the existing CCC and have a rated capacity of approximately 265 beds. The pods would require the hiring of 40 additional personnel and would be leased for 3 - 4 years.

For the long term future of the CCC the Department had signed a contract for a consultant to find three feasible locations for a new CCC. The consultant would also assist in the writing of the RFP for constructing the new CCC. The consultant's work would take approximately fourteen months to complete. The CCC construction was projected for at least three years.

5. Accreditation

In 2005, the Department undertook an extensive and comprehensive review of the internal policies, procedures, and operations of the CCC. This self examination was in preparation for an accreditation review by the American Correctional Association Commission on Accreditation for Corrections (ACA). The ACA is the oldest and most prestigious correctional membership organization in the United States and represented over 20,000 correctional practitioners at all levels and disciplines. The major intent of the ACA was to represent the corrections profession in major legislation, plan and promote professional development, and develop national standards for correction facilities. Accreditation was voluntary and offered the opportunity to be evaluated against national standards, and measurable criteria for upgrading programs, staffing, and physical plant, on a continuous basis. The CCC was visited in March 2005 and after a rigorous review, and correction of several minor items, received full accreditation. This accreditation was for three years and was due for recertification in 2008.

C. Operational and Administrative Findings

While the Department appeared to be effectively accomplishing its overall mission, we did identify some areas where operational and administrative practices could be enhanced. We observed issues regarding jail maintenance, maintenance requests, staffing standards, and home electronic monitoring. We noted that the contract with the Medical Pharmaceutical contractor did not completely address the CPI increases for the entire duration of the five year term. Finally, we noted that the CCA did not have an adequate Standard Operating Procedure (SOP) for the collection of supervision fees.

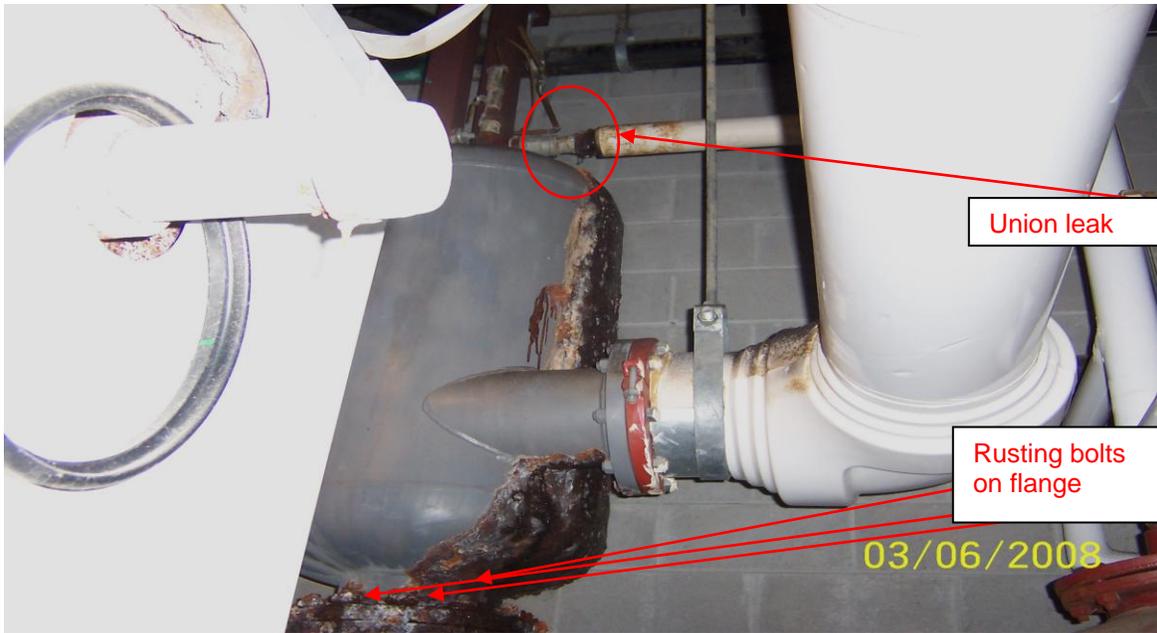
1. CCC Building Maintenance and Repair

Finding – During our jail tour, we identified several items which needed ongoing maintenance and repairs at the CCC.

According to Code of Virginia §53.1-5, “Facility floors, halls, corridors, and other walkway areas shall be maintained in a clean, dry, hazard-free matter.” It also states that “The detention area shall be maintained in a clean, dry, hazard-free manner.”

During the audit we took a jail tour and identified several items that were in obvious need of repair. We photographed a water leak from the domestic hot water system union; bent diesel fuel lines with visible creases; and peeling and flaking ceiling paint in two common exercise areas located in the 4th floor pod. Although this was not included in our photographs, we also observed a ceiling leak in one of the medical area’s holding room. According to staff, the ceiling damage was caused by a toilet supply line leaking above the Medical facility. The ceiling and walls had apparent water damage with a sediment trail on the walls indicative of repeat leaks.

- The maintenance room had a water leak from a domestic hot water system union that had left a sediment trail down the side of a storage tank and standing water on the floor. The leak was first noted on November 21, 2006. The maintenance team was aware of the leak and had submitted a repair request to General Services for an outside contractor to repair, but no steps were taken to divert the leak. The leak was finally repaired by the Jail maintenance team on May 21, 2008.



Water Leak from Domestic Hot Water System

- The fuel lines (supply to the diesel from the exterior fuel tank and return from the diesel to the tank) for the diesel along the floor were bent and had visible creases. The fuel lines did not have trip hazard warning safety tape nor adequate support under or a bridge over them. The Maintenance Supervisor indicated that the creases had been there since after the diesel generator was installed and that there were no leaks during the three-day continuous running during Hurricane Isabel.



Bent Diesel Fuel Line

- The ceiling paint in two of the 4th floor exercise areas had severe peeling and flaking.



Flaking and Peeling Ceiling Paint

There were two major jobs requests that had not been satisfied by Facilities Management:

- Hot water supply lines were deteriorating. There were five known deterioration locations and more were being reported. The hot water supply line issues were ongoing and continuous. Requests for repairs were forwarded to Facilities Management in June 2007, December 2007 and January 2008.

- The heating coils for five of the Variable Air Volume (VAV) boxes were removed by Chesapeake Controls (contractor) because of deterioration of the coils. There was no indication of a disposition to replace the missing VAV boxes. Additionally, the manufacturer no longer provided the original equipment so the replacement and housing would have to be adapted to fit. The issues with the VAV boxes had been reported to Facilities Management for at least five years. The most recent unit failure occurred on April 24, 2007.



Missing Variable Air Volume box from open day area – Pod 2C

Recommendation – The Department should work with Facilities Management to complete the open maintenance requests. The Department should catalog all of its facilities maintenance issues and meet with Facilities Management to develop a timetable for addressing these issues. Developing this timetable will help ensure that the facility continues to function as needed.

Response – We agree with the findings above. Regarding the leaks in the domestic hot water system, a coordinated effort between CCC maintenance and Facility Management resulted in Southern Steel being contacted to complete the work. The repair work has been completed.

Regarding the medical unit ceiling, the medical housing unit, including the holding cell was treated and painted by an outside contractor, French Painting. The repair work has been completed.

Regarding the peeling paint in the gym, a coordinated effort between CCC maintenance and Facility Management resulted in French Painting being contacted to complete the work. The repair work has been completed.

Regarding the missing heating coils for the variable air volume boxes, efforts to remedy this condition required a coordinated effort between CCC maintenance and Facility Management. Tim Winslow, General Services Facilities Manager, is aware of the existing problem. Plans for a new facility and renovation of the existing facility have been presented to the City Manager for review. Until a decision is determined on the expansion project, Tim Winslow has requested that we stand by for a decision.

2. Maintenance Requests

Finding - We noted the need for a more efficient maintenance request system that could summarize the trouble calls and record maintenance requests so that they could be tracked and addressed in a timely fashion.

The Department should have the capability of being able to determine the status of its maintenance requests. Maintenance requests were reported to the staff through a variety of sources such as phone calls, e-mails, or hard copy form. The maintenance crew would maintain all requests in paper form in a log book which was maintained for a one-year period.

When asked about the number and types of maintenance requests over the past year, the maintenance staff was unable to accurately provide this information. This occurred in large part because the maintenance staff used a manual system that made it very time consuming to extract and summarize data. There also was no system to track the cost for any one particular maintenance request. Without an adequate tracking system, the Department was not able to effectively manage its maintenance requests.

Recommendation – The Department should establish a more efficient internal maintenance request system that could summarize the maintenance requests and provide needed follow-up information in a timely fashion.

The Department should seek the assistance of Facilities Management, or other City entity, in developing an automated work sheet to track the status of its maintenance requests internally. Using this approach will help the Department develop the automated worksheet more quickly and should also help ensure that all significant maintenance items are covered.

Response - We agree. The standards/compliance division is designing a spread sheet that will meet the needs addressed and will greatly improve tracking methods. Completion/implementation is set to take place September 1, 2008

3. Staffing Standards

Finding – The Department was not adequately staffed to service the ongoing inmate population.

The Virginia State Compensation Board recommends a ratio of one deputy per every three inmates of rated population capacity. In a jail experiencing overcrowding, the Compensation Board, upon the request of the Regional Jail Superintendent, may allocate one additional jail officer for every five average daily prisoners above operational capacity.

For calendar year 2007, we noted that during the time of our audit the jail had an average daily population of 1,096 inmates, an amount of 553 inmates over the amount of the facility's rated capacity of 543 inmates. Based upon these ratios the jail should have had 181 deputies for the rated capacity and an additional 111 deputies for the average daily prisoners above operational capacity for a total of 292 deputies. However, Chesapeake's complement included only 267 deputies – a shortage of at least 25 deputies.

This situation occurred because the State Compensation Board did not fully fund all of the required deputy positions. However, the continued existence of staffing shortages creates a potentially dangerous situation for the deputies.

Recommendation - The City should continue to work with the Department to attempt to obtain additional state funded jail deputy positions.

Although the State Compensation Board has been reluctant to fully fund all of the jail's staffing requirements, the Department should work with the City Manager's Office to attempt to obtain the additional required positions. Obtaining these positions will reduce the risk of an incident associated with overcrowding in the jail facility.

Response – We agree. The Sheriff's Office has been aware of the staff shortages, (Deputy v. Inmate ratio.) The Sheriff's Office has been working closely with the City Manager and Facility Management in reference to the expansion of our existing facility. The expansion addresses our staffing needs. The City obtained a consultant that conducted a Jail Needs Assessment and their findings concur with the auditors noting that we are understaffed and 186% over our rated bed capacity. A decision from the City Manager's Office in reference to our expansion is forthcoming. The required timeline is to be determined by the City Manager's Office.

4. Home Electronic Monitoring

Finding – The Department was not endorsing money orders immediately upon receipt as required by APA Guidelines.

APA Accounting Guidelines section 2-1 regarding internal controls required that checks be restrictively endorsed as soon as received by collections personnel. We noted that the duty deputy collected money orders from inmates subject to electronic monitoring weekly and distributed a receipt to the inmates upon receipt. Money orders were turned into the Office Assistant for endorsement and then prepared for deposit to the City Treasurer's Office.

The situation occurred because the Department's SOP did not adequately address this requirement. However, if this situation is not addressed, it is possible that the Department could lose some of the effected money orders or misappropriated.

Recommendation – The Department should require the duty deputy to endorse the money orders with the City Treasurer's deposit stamp immediately upon receipt.

All money orders received from inmates in the electronic monitoring program should be endorsed by the duty deputy when received. This practice will help ensure compliance with the APA guideline and minimize risk associated with the money orders.

Response - We agree. The Deputy on duty who receives the money orders from the HEM participants will stamp each money order upon receipt with the City Treasurer's deposit stamp. The Sheriff's Office Standard Operating Procedure will be updated in order to include this requirement. The Standard Operating Procedure will be approved and updated by September 1, 2008.

5. Inmate Medical/Pharmaceutical Contract

Finding – The medical/pharmaceutical contract with the new contractor incorporated a cap on price increases in the second and third years of the contract. However, a cap on price increases was not incorporated into the fourth and fifth years of the contract.

We reviewed RFP No. 8027, the vendor proposal related to this RFP, and former contract file with Wexford. Based on our review, the new contractor's approach to medical and pharmaceutical care appeared to be comprehensive.

When the City entered into the agreement related to RFP 8027, it was able to address issues regarding inmate population projections, price adjustments methodology, pharmaceutical reporting, and per diem rate. However, while the City was able to negotiate a cap of no more than four percent for price increases in the first two years of the contract it was unable to negotiate a similar cap for years four and five of the contract. Instead these increases were slated to be correlated with the Bureau of Labor Statistics CPI – for Medical Services average based upon the 12 month period ending two months before the date of the contract anniversary date. For the calendar years 2006 and 2007 the amount of these increases would have been 4.09 and 5.88 percent.

We noted that the City negotiated a contract addendum that included the cap for the second and third years. However, because the City did not successfully negotiate a cap for the fourth and fifth years, the cost associated with the contract could increase substantially in those years.

Recommendation – The City should attempt to negotiate a cap on the rate of the contract's increase for the fourth and fifth years. While it may be difficult for the City to negotiate a cap in a medical/pharmaceutical contract for the fourth and fifth years

of the contract, an attempt should be made regardless even if it involves negotiating a cap slightly higher than the four percent cap agreed to for the second and third years of the contract. Negotiating such a contract will allow the City and the Department to more accurately budget for these costs.

Response - We agree in principle that we should attempt to negotiate caps on the 4th and 5th years of the contract. In fact, we did attempt to place caps on these two years, but were unsuccessful. The contractor was reluctant to negotiate the 4% on years one through three, but we insisted that a cap be placed, or no contract. Our original plan was to revisit after year two, and before exercising the option for year three to negotiate caps. At that time, we will have some price history with this contractor, and a better view of industry trends in prices for this marketplace. We have found through other contracts that involve chemicals and medical supplies that the industry is so volatile that some vendors are insisting that they cannot predict with any certainty prices beyond a few months. As recently as a year ago, we were able to cap prices for a year or more, but no longer. For example, chemical based products for the Water Treatment Plant and Garage are being adjusted in increments as short as three months. We pushed very hard to cap years one through three and were successful. Therefore, while it might be desirable to cap the two remaining years, it is difficult to do so at this time. We will attempt again, but please be assured that we will pursue this issue both now, and in the future.

6. Review of CCA Supervision Fees

Finding - The Chesapeake Community Corrections Agency (CCA) did not have an approved standard operating procedure in place to facilitate the collection of supervision fees from offenders placed with the agency.

Prior to our audit, the CCA had developed an SOP to address Supervision Fees which did not include efficient financial practices and sufficient internal controls. The process was a very manual, paper driven process that did not take advantage of accounting software technology that offered management adequate reporting capability needed to easily manage the fee setting and collection process.

We noted that the City was unable to obtain the required Department of Criminal Justice Services (DCJS) approval needed to begin collecting fees, and as a result had to delay collections for almost one year. A lack of understanding of the collections process coupled with slow internal review processes prior to our review created the delayed implementation, which may have cost the CCA more than \$40,000 in uncollected fees.

After a concerted effort that included the CCA, the City Attorney's Office, and input from Audit Services, the SOP was successfully approved by DCJS on June 13, 2008 for an August 1, 2008 implementation date. Because of the difficulty in obtaining the approval, any failure to follow the new SOP could result in CCA program fee losses.

Recommendation - The CCA should implement and follow the approved standard operating procedure for the collection of supervision fees.

The CCA's continued use of the SOP should result in continued DCJS approval and the continued flow of supervision fees to the program.

Response – The CCA staff has worked very diligently with the Department of Criminal Justice Services (DCJS) and the Chesapeake City Treasurer, Ms. Barbara Carraway, to develop a Collection of Fees Procedure. The Department of Criminal Justice Services has approved our procedure for the Collection of Fees, in accordance with Policy Number 7.1, Part III, Standard 3.8. Date reviewed was June 1, 2008. DCJS approved this version on 06-17-08.

D. Work Release Issues

In reviewing Work Release operations we noted that the Department staff assigned to carry out the Work Release functions was very organized. However, we did note a number of instances where they were not in full compliance with APA internal control guidelines. Specifically, we identified issues related to separation of duties regarding the Department's deposit process, disbursement process, reconciliation process and management oversight, payments of inmates' personal bills, and inmate authorization for enrollment into the Work Release program.

1. Separation of Duties and the Deposit Process

Finding - The Department's deposit process for incoming Work Release funds did not separate the collection, reconciliation, and deposit of funds from the bookkeeping function. Deposits were also not made within one business day of receipt. Additionally, pre-numbered receipts were not issued to inmates when checks were submitted to the Work Release staff.

The APA Sheriff's Accounting Guidelines Section 2-1 pertaining to internal controls requires the collection/receipting, reconciliation, and deposit process of incoming funds to be separate from the bookkeeping function. Section 2-2 requires deposits to be made to the Sheriff's bank account within one day of receipt. According to APA Accounting Guideline 5-6 and SOP J30.03a entitled "Work Release Money", "Work Release inmates shall keep all their receipts until their sentence has expired."

We noted that the deposit process used by the Department combined all four key functions (collections, reconciliation, deposit of funds, and bookkeeping function) into one main function. As funds flowed through to the record/bookkeeping function, the absence of properly segregated duties compromised the integrity of the controls.

Initially, the process required the on-duty deputy to collect inmate paychecks. The deputy restrictively endorsed the checks with "For Deposit Only" and the bank account number. Checks were then stored in the locked Work Release front office. Each weekend, the deputy and inmate determined and documented how funds were to be distributed on each inmate's "Distribution Sheet," which also served as the inmate's receipt. Distribution Sheets were maintained in an inmate file and are not pre-numbered. Inmate pay checks were forwarded to the Work Release Office Assistant who prepared the bank deposit and posted the incoming receipts to a Quickbooks inmate accounting record. Each week, a set of checks and the related deposit slip were forwarded to the Work Release Driver who took the deposit to the bank. The driver returned the bank's validated deposit slip to the Office Assistant who maintained the record for bank reconciliation purposes. At the end of each month the Office Assistant prepares the bank reconciliation. Based on a sample of 15 checks received by the Work Release staff, the average length of time (including weekends) from receipt to deposit was 3.4 days.

The main reason for the lack of segregated functions was due to a small staff size. Also, the Standard Operating Procedure entitled "Work Release Money" J30.03a did not clearly call for the separation of the key functions. Additionally, the SOP did not specify the mandatory one-day requirement regarding the deposit.

The continued combination of the key deposit functions could potentially lead to misappropriation of funds or loss of inmate checks prior to deposit. Also, the absence of the one-day deposit requirement could lead to untimely deposits. Finally, the lack of a pre-numbered receipt could cause complications in accounting for all incoming paychecks.

Recommendation – The Standard Operating Procedure should be changed to clearly separate key functions, adopt a one-day deposit requirement, and incorporate the issuance of pre-numbered receipts when wages are received.

Since the duty deputy receives the checks, that position should issue receipts, prepare the deposit, and make photocopies of checks and stubs. The deputy should then forward the checks and deposit slip directly to the driver. This procedure will facilitate a more timely deposit by the Work Release Driver, who should ensure that each deposit is made within one business day of receipt. Validated receipts along with authorized inmate "Disbursements Sheets," and photocopied checks and stubs should then be forwarded to the Office Assistant to process the receipts into the individual trust fund accounts.

Response - We agree. As required by the accounting guidelines, collection, reconciliation, and the deposit of funds will be separated using the following process.

- 1. Security Deputies/Counselors will accept all paychecks as they are brought in by the residents, they will then stamp the back "For Deposit Only" and make copies of the checks and the stubs.**
- 2. These copies will be forwarded to the Work Release Counselor who will prepare the distribution sheets which will be identified by the inmate number.**
- 3. The SOP will be revised to reflect this change. (J 30.03)**
- 4. When all checks are collected, the final deposit will be tabulated by a Work Release Counselor on Monday morning, or the next available business day.**
- 5. After the balances are verified the Counselor will then proceed to the bank and make the physical deposit.**
- 6. This procedure is currently in place.**
- 7. The Standard Operating Procedure will be approved and updated by September 1, 2008.**

2. Separation of Duties and the Disbursement Process

Finding – The disbursements process did not include an adequate system of controls as required by the APA Guidelines.

APA Accounting Guidelines section 11-5 B-1 to B-6 required the following control procedures:

- (a) Ensure dual signature on checks.
- (b) Ensure all disbursements were made by check.
- (c) Ensure voided or cancelled checks were maintained in check register.
- (d) Ensure someone other than the employee responsible for receipt of cash had investigated items returned by the bank.

We identified the following control issues related to the Work Release disbursement process:

- Supporting inmate disbursement sheets were not required to be reviewed for proper authorization by the designated check signers.
- The process of revising the authorized disbursements amounts, maintaining the inmate disbursement bookkeeping records, mailing checks, and performing bank reconciliations were assigned to only one individual.
- Work Release checks only required one signature.
- When a Work Release inmate was released from custody the Department had practices of cashing the inmates' checks for them rather than just providing the check to the inmate.
- Voided or cancelled checks were placed in a file folder and eventually destroyed without independent review/authorization.

This situation occurred because SOP J190.01c that pertained to the Work Release Disbursement Process did not address the APA requirements regarding internal control. The Office Assistant had been given primary responsibility for cash handling processes and resolving bank reconciliation issues without the appropriate level of departmental management oversight due to the small size of the Work Release Office. However, without appropriate oversight and controls the Work Release Office risks loss of funds.

Recommendation – Update SOP J190.01c to implement the applicable APA requirements and include additional management oversight.

To ensure that the Department complies with the applicable APA guidelines and improves its Work Release Office oversight, the Department should consider the following:

- (a) Develop procedures to provide reasonable assurance that only authorized payments were being deducted and mailed,
- (b) Ensure that there is proper segregation of duties between the collection/receipts, reconciliation, and disbursement process. During our audit all three functions were being performed by the bookkeeper.
- (c) Develop management oversight procedures.

Response – We agree. As required by the accounting guidelines, the collection, reconciliation, and deposit of funds will be separated using the following process.

- 1. Security Deputies / Counselors will accept all paychecks as they are brought in by the residents, they will then stamp the back “For Deposit Only” and make copies of the checks and the stubs.**
- 2. These copies will be forwarded to the Work Release Counselor who will prepare the distribution sheets which will be identified by the inmate number.**
- 3. The SOP will be revised to reflect this change. (J 30.03)**
- 4. When all checks are collected, the final deposit will be tabulated by a Work Release Counselor on Monday morning, or the next available business day.**
- 5. After the balances are verified, the Counselor will then proceed to the bank and make the physical deposit.**
- 6. This procedure is currently in place.**
- 7. The Standard Operating Procedure will be approved and updated by September 1, 2008.**

3. Reconciliation Process & Management Oversight

Finding – SOP J20.04a specified that the Work Release Commander would be responsible for fiscal control, yet the SOP did not define how the position would monitor the financial activities of the function, resulting in the absence of an independent cash reconciliation process.

According to the APA Accounting Guideline 2-2, someone independent of the collection process and bookkeeper should reconcile recorded receipts to the general ledger. Guideline 4-3 refers to another type of reconciliation that requires a review of the sum of individual inmate cash balances to determine if the total agrees with the total of the cash control weekly ledger. Proper accounting controls dictate that reconciliations be performed independently or monitored and reviewed thoroughly by a higher level employee.

We did not observe evidence of management oversight of the Work Release financial activities. This situation apparently occurred because there was no process established for independent monitoring of Work Release financial activity. Due to the small size of the Work Release Office, the responsibility for reconciliations had fallen within the bookkeeping function. However, lack of management oversight could lead to potential losses of funds that could go undetected.

Recommendation – The Work Release Commander should be responsible for fiscal control, and the SOP should define how the position will monitor the financial activities of the function, so that cash reconciliation process will be enhanced.

The Department should Incorporate APA Accounting Guideline 2-2 regarding reconciliations into the existing SOPs and implement SOP J20.04a as it pertains to the financial operations of the Work Release Program, especially the reconciliation processes. Also, the SOP should define the methods in which the Work Release Commander will enforce and monitor fiscal control of Work Release funds.

Response - We agree. The SOP will be updated to include how management will monitor the financial activities of the unit. Additionally, the SOP changes will define the methods in which the Work Release Commander will monitor fiscal control of all funds as follows:

- 1. The Work Release Commander or his AOIC will review the final transaction report to ensure that the weekly transaction report coincides with the actual disbursements.**
- 2. The financial process has been addressed by separating the disbursement and deposit process to alleviate any potential misappropriation or loss of funds.**
- 3. Any disbursement checks will require dual signatures, a Work Release Supervisor, and the counselor who received the disbursement sheets.**
- 4. With the exception of the dual signatures, (new checks were ordered) this procedure is currently in place.**
- 5. The Standard Operating Procedure will be approved and updated by September 1, 2008.**

4. Inmate Personal Bills

Finding – The Department’s practice of making personal payments to family or friends or paying personal bills for inmates was inconsistent with Code of Virginia §53.1-131 (referenced in SOPJ190.01c) and the Work Release Court Order Agreement.

According to Code of Virginia §53.1-131, “Wages earned by offender ... are paid to administrator after payroll deductions ...and monies are to be distributed in this order: upkeep, inmate travel costs, child support, and court ordered fines (including restitution.) Any balance is to be paid to the offender upon release.”

According to the Work Release Court Order Agreement, “... all money earned by the defendant be turned over to the Chesapeake Sheriff’s Department to be expended or held in accordance with the Work Release Agreement.” None of the work release agreements sampled included any amounts for family, friends, or other personal bills. We extracted a sample of Disbursement Sheets to demonstrate their inconsistency with these rules. Examples follow:

Sample	Personal Bills	Savings	Remaining Court Fine
1	\$175.99	\$725.00	\$111.90
2	\$500.00	\$363.20	\$1,380.99
3	\$500.00	\$200.02	\$25.81
4	\$200.00	\$200.00	\$182.77
5	\$51.00	\$855.00	\$0.00
6	\$570.12	\$50.00	\$19.06
7	\$30.00	\$150.00	\$1,682.88
8	\$100.00	\$486.80	\$329.00
9	\$2,233.64	\$50.00	\$142,184.64
10	\$150.00	\$4,800.27	\$872.91

Work Release inmates were allowed to direct a portion of their wages to pay their family, friends, or personal bills. According to the Work Release staff, they understood that the program was to assist the inmates in caring for their families and to allow for savings to provide start-up funds upon the inmate’s release from jail.

Because of this practice, inmates could leave the Work Release program without maximizing their court ordered payments. Also, the process of making payments directed toward family, friends, or personal bills was inconsistent with the Work Release Agreement, Virginia Code, and SOP.

Recommendation – The Department should comply with the Agreement and Virginia Code and discontinue this practice.

Since the Department’s intent was to assist the Work Release inmates with their transition into the regular work force the Department should consider alternatives that accomplish this objective while complying with the applicable guidelines. Such alternatives could include additional training or management oversight that does not involve the Department making the payments directly. The Department may wish to consult with the finance division within the City of Virginia Beach Sheriff’s Office to identify ways of implementing this new practice.

Response - We agree. In the future it will be standard practice to follow the Virginia Code when disbursing any and all inmate funds. (53.1-60). The Chesapeake Sheriff’s Office Standard Operating Procedure will reflect this mandate. Counselors will closely monitor the court fines as indicated in relation to their savings. This procedure is currently in place.

5. Inmate Authorization for Enrollment into the Work Release Program

Finding – Work Release Orders located in inmate files did not always include a judge’s signature as required by APA guidelines.

Virginia Code §53.1-131 states that “any court having jurisdiction for the trial of a person charged with a criminal offense ... if it appears to the court that such offender is a suitable candidate for work release, assign the offender to a work release program under the supervision of a probation officer, the sheriff, or the administrator of a local or regional jail or a program designated by the court.”

We reviewed a test sample of 15 work release orders for proper approval.

- Eleven had a judge’s signature and were certified copies.
- Two were approved and referenced to the Jail Board contract and did not require a judge’s signature.
- Two did not have a signed Order available. Upon further review, the Work Release Counselor was able to site a reference to a Jail Board contract which would not have required a judge’s signature for one of the orders. The Clerk of the Circuit Court was able to produce a signed copy of the Order in their files for the other one.

This situation appeared to have occurred because a follow-up procedure did not exist to ensure Orders requiring judge’s signatures were included in the file. There was also no consistency in documenting authorization through Jail Board Contracts in inmate files. The lack of documented authorization made it difficult to ensure proper compliance with APA Guidelines pertaining to authorization.

Recommendation – The Department should establish a follow-up procedure to ensure all Orders requiring judge’s signatures are maintained with the inmate files.

The Department should also always make consistent references to inmate files when a jail board contract is required rather than a judge’s signature. This practice will help supervisory personnel ensure that documentation was appropriate.

Response - We agree. Counselors have been instructed to review and audit all case files on a monthly basis and ensure that releasee has authorization (i.e., a signed court order) to validate his participation in the Work Release Program. DOC-Jail contract bed (JCB), and Re-entry Program (REP), do not require authorization for enrollment; therefore, judges’ signature will not be on the court order. To provide consistency and ensure compliance pertaining to authorization, the files that do not require signed orders will be designated on the front cover with (JCB) or (REP). This procedure is currently in place.

E. Canteen Operations

At the time of our audit, the Department had issued an RFP to solicit vendors for the renewal of the Commissary contract. In reviewing the RFP in conjunction with the Department's operations, we identified a number of issues that could impact the success of the contract. These issues included verification of commissions and return of inmate files.

1. Review of Canteen RFP No. 8081

Finding – The Department did not have a process to verify the accuracy of the monthly commissions submitted by the Canteen contractor. The RFP also did not require the vendor to define how commissions were to be determined.

RFP 8081, Statement of Work, Contractor's Responsibility 2i states that the Contractor shall "keep full and accurate accounting of sales and other records related to the commissary services covered by this agreement in accordance with generally accepted accounting principles. All such records shall be retained by the contractor for a period of three years and must be available for audit by the City, the Sheriff, or the Sheriff's representative at any time. The contractor shall keep all such records within the City of Chesapeake or make them available to the Sheriff on demand within 72 hours."

Although a monthly statement of commissions was provided to the Sheriff's Office along with a commission check, we noted that the RFP did not require the contractor to disclose a methodology of how sales figures were derived in determining commissions. Additionally, there was no SOP that required routine verification of commissions by Department personnel.

The situation occurred because a verification procedure had not been incorporated into the Department's SOP for the contract. However, if this situation is not addressed, it could result in an underreporting of commissions.

Recommendation – The Department should obtain an understanding of the methodology used to determine the basis for the sales figures when calculating commissions from the contractor. An SOP should also be developed and implemented that would require Department personnel to periodically verify the commissions.

Department personnel should ensure that they have a sufficient understanding of the methodology utilized for the commission payments that are submitted to the Department. Once this understanding is obtained, the Department should ensure that the commission is verified on at least a quarterly basis. Such steps will help ensure that the Department receives all of the commission funds that it is due.

Response – We agree. It is important to note that during this audit our canteen service provider for the past 3 years was A.B.L. Management. As of July 2008 Keefe Group has taken over the canteen contract.

The verification of commissions will be overseen by the Compliance Officer who will conduct monthly audits of inmate accounts. The Compliance Officer will prepare findings on a quarterly basis and file such documents for review. The scope of the audit will be a random selection of inmates that will encompass 15% of the average daily population or approximately 175 inmate accounts annually.

Attached (Appendix A) is a billing practices manual that clearly defines how Keefe calculates commissions. According to the final contract the 27.5% commission is paid on total sales less sales tax and non-commissionable postage items. These funds are deposited to the inmate program account on a monthly basis.

The Standard Operating Procedure will be approved and updated by September 1, 2008.

2. Inmate Files

Finding - The canteen RFP did not address the return of inmate files upon completion of contract.

We reviewed the Inmate Commissary Service contract RFP No. 8081 Statement of Work §2(e) which required the contractor to maintain hard copies of the receipts in an individual file for each inmate. It also required the contractor to maintain the inmate files and released inmate files for the duration of the contract.

We noted that the contract did not mention the status of the inmate files once the contract was complete. While this appeared to be a contractual oversight the failure to address this issue may result in inmate files not being returned upon termination of contract.

Recommendation - We recommend an addendum to the final contract which would include a statement requiring the return of all inmate files upon completion of the contract.

This addendum should also specify the conditions under which the inmate files should be returned once the contract is complete. The addendum should help ensure that the files are adequately maintained on an on-going basis.

Responses – We agree with the findings for these two items [E.2. and E.3.] and will ensure the contracts are amended to include the audit comments. We will forward copies upon completion.

3. Compliance with Accounting Guidelines

Finding - The RFP did not require the vendor to comply with APA accounting guidelines pertaining to canteen operations and inmate trust funds.

The APA Virginia Sheriff's Accounting Manual in section 3-5 provides guidance for the administration of the canteen operation. This guidance includes controls related to establishment of bank accounts, depositing of canteen funds, and payment of canteen expenses and reconciliation of canteen bank accounts and preparation of canteen financial statements. Regarding inmate trust funds, the manual requires inmates' personal funds held by the facility to be controlled by accepted accounting procedures [6VAC15-40-800].

We noted that, while the Department had established many of the control structures required by the APA guidelines, these requirements were not included as stated requirements in the RFP. The requirement appears to have been omitted from the RFP. However, if it is not included in future RFP or contract addendums, the Department may find it difficult to enforce those requirements on the contractor.

Recommendation - The final contract should specifically require the contractor to comply with the Auditor of Public Accounts Virginia Sheriff's Accounting Manual pertaining to internal controls, canteen operations, and inmate trust funds, should the contractor be responsible for the management of such funds.

In addition to requiring compliance with the procedures for canteen operations and inmate trust funds outlined in the APA manual, the Department should develop management oversight procedures to ensure that the contractor complies with the requirements.

Response – Forwarded to Purchasing at the attention of the Purchasing and Contract Manager. We agree with the findings for these two items [E.2. and E.3.] and will ensure the contracts are amended to include the audit comments. We will forward copies upon completion.

4. Inmate Trust Funds Managed by the Contractor

Finding – The Department allowed the contractor to be responsible for the handling of all inmate funds including their custody and deposit.

In order to maximize the interest revenues on inmate funds, the Department should have control of the inmate bank account. In conducting our review, we noted that the canteen contractor actually controlled the accounts. This practice had been incorporated into previous City contracts for a number of years. However, this practice did not allow the Department to receive the benefit of interest earned on the accounts.

Recommendation – The Department should limit the contractor's responsibilities pertaining to inmate trust funds to only the accounting or tracking of incoming receipts and disbursements to and from inmate accounts.

Cash receipts should be receipted and deposited by someone other than the contractor whose sole responsibility would be to enter the incoming funds into the Inmate Trust Fund accounting system. The bank account should be controlled by the Department.

Departmental personnel should provide a detailed summary of inmate deposits for the contractor's bookkeeping record. The contractor should bill the Sheriff's Office for the amount of inmate purchases. Periodically, the Department personnel should review the contractor's supporting documents to verify the accuracy of the contractor's invoices.

This process will allow the Department to have knowledge of and access to excess funds in inmate accounts where a portion could be reinvested in bonds of the Commonwealth of VA or the U.S. The interest received from the bonds or investments could then be used for the benefit of the inmates. Additionally, there should be a specific accounting and reporting of inmate accounts to the Department, and an annual audit that would attest to the accuracy and completeness of the contractor's accounting records, as well as compliance with the Auditor of Public Accounts Virginia Sheriff's Accounting Manual regarding inmate funds.

Response – We agree. The recommendation was for the Sheriff's Office to maintain control of the inmate program account to maximize interest revenues. The account does not accrue interest as these funds must always remain readily available due to the volatility of inmate relocation to other facilities and releases. This section also recommends that someone, other than the contractor should receipt and deposit all funds. The Sheriff's Office has specifically contracted with a professional canteen corporation to prevent us from having to hire someone to handle these funds on a day to day basis. Keefe meets with every accounting standard required by the Commonwealth of Virginia. Based on that we are satisfied with our internal auditing standards as a means to track and control this inmate trust fund. The Sheriff's Office will develop oversight procedures which will include a review of account reconciliations to inmate accounts for accuracy quarterly.

The Standard Operating Procedure will be approved and updated by September 1, 2008.

APPENDIX A

RESPONSE FROM CHESAPEAKE SHERIFF'S OFFICE OFFICIALS

**INCLUDING ADDITIONAL RESPONSES
FROM HUMAN SERVICES &
PURCHASING OFFICIALS**

MEMORANDUM

TO: Jay Poole, City Auditor

FROM: Lt. Colonel J. J. O'Sullivan, Chief Deputy

DATE: October 2, 2008

RE: Sheriff's Office: Internal Audit

This memorandum is to advise you that I have received and reviewed the revised audit responses provided by your office. The responses provided by Lieutenant Jenny Wendell, in collaboration with Darren Padilla, are acceptable and are approved for publish as written.

If I can provide you with further assistance, please feel free to contact my office.

1. CCC Building Maintenance and Repair

Finding – During our jail tour, we identified several items which needed ongoing maintenance and repairs at the CCC.

Recommendation – The Department should work with Facilities Management to complete the open maintenance requests.

Response – We agree with the findings above. Regarding the leaks in the domestic hot water system, a coordinated effort between CCC maintenance and Facility Management resulted in Southern Steel being contacted to complete the work. The repair work has been completed.

Regarding the medical unit ceiling, the medical housing unit, including the holding cell was treated and painted by an outside contractor, French Painting. The repair work has been completed.

Regarding the peeling paint in the gym, a coordinated effort between CCC maintenance and Facility Management resulted in French Painting being contacted to complete the work. The repair work has been completed.

Regarding the missing heating coils for the variable air volume boxes, efforts to remedy this condition required a coordinated effort between CCC maintenance and Facility Management. Tim Winslow, General Services Facilities Manager, is aware of the existing problem. Plans for a new facility and renovation of the existing facility have been presented to the City Manager for review. Until a decision is determined on the expansion project, Tim Winslow has requested that we stand by for a decision.

2. Maintenance Requests

Finding - We noted the need for a more efficient maintenance request system that could summarize the trouble calls and record maintenance requests so that they could be tracked and addressed in a timely fashion.

Recommendation – The Department should establish a more efficient internal maintenance request system that could summarize the maintenance requests and provide needed follow-up information in a timely fashion.

Response - We agree. The standards/compliance division is designing a spreadsheet that will meet the needs addressed and will greatly improve tracking methods. Completion/implementation is set to take place September 1, 2008

3. Staffing Standards

Finding – The Department was not adequately staffed to service the ongoing inmate population.

Recommendation - The City should continue to work with the Department to attempt to obtain additional state funded jail deputy positions.

Response – We agree. The Sheriff's Office has been aware of the staff shortages, (Deputy v. Inmate ratio.) The Sheriff's Office has been working closely with the City Manager and Facility Management in reference to the expansion of our existing facility. The expansion addresses our staffing needs. The City obtained a consultant that conducted a Jail Needs Assessment and their findings concur with the auditors noting that we are understaffed and 186% over our rated bed capacity. A decision from the City Managers Office in reference to our expansion is forthcoming. The required timeline is to be determined by the City Manager's Office.

4. Home Electronic Monitoring

Finding – The department was not endorsing money orders immediately upon receipt as required by APA Guidelines.

Recommendation – The Department should require the duty deputy to endorse the money orders with the City Treasurer's deposit stamp immediately upon receipt.

Response - We agree. The deputy on duty who receives the money orders from the HEM participants will stamp each money order upon receipt with the City Treasurer's deposit stamp. The Sheriff's Office Standard Operating Procedure will be updated in order to include this requirement. The Standard Operating Procedure will be approved and updated by September 1, 2008.

5. Inmate Medical/Pharmaceutical Contract

Finding – The medical/pharmaceutical contract with the new contractor incorporated a cap on price increases in the second and third years of the contract. However, a cap on price increases was not incorporated into the fourth and fifth years of the contract.

Recommendation – The City should attempt to negotiate a cap on the rate of the contract's increase for the fourth and fifth years. While it may be difficult for the City to negotiate a cap in a medical/pharmaceutical contract for the fourth and fifth years of the contract, an attempt should be made regardless even if it involves negotiating a cap slightly higher than the four percent cap agreed to for the second and third years of the contract. Negotiating such a contract will allow the City and the Department to more accurately budget for these costs.

Response - Forwarded to Purchasing to the attention of Victor Westbrook.

6. Review of CCA Supervision Fees

Finding - The Chesapeake Community Corrections Agency (CCA) did not have an approved standard operating procedure in place to facilitate the collection of supervision fees from offenders placed with the agency.

Recommendation - The CCA should implement and follow the approved standard operating procedure for the collection of supervision fees.

Response – Forward to Human Services to the attention of Cookie Roberts.

D. Work Release Issues

1. Separation of Duties and the Deposit Process

Finding - The Department's deposit process for incoming Work Release funds did not separate the collection, reconciliation, and deposit of funds from the bookkeeping function. Deposits were also not made within one business day of receipt. Additionally, pre-numbered receipts were not issued to inmates when checks were submitted to the Work Release staff.

Recommendation – The Standard Operating Procedure should be changed to clearly separate key functions, adopt a one-day deposit requirement, and incorporate the issuance of pre-numbered receipts when wages are received.

Response - We agree. As required by the accounting guidelines, collection, reconciliation, and the deposit of funds will be separated using the following process.

1. Security Deputies / Counselors will accept all paychecks as they are brought in by the residents, they will then stamp the back "For Deposit Only" and make copies of the checks and the stubs.
2. These copies will be forwarded to the Work Release Counselor who will prepare the distribution sheets which will be identified by the inmate number.
3. The SOP will be revised to reflect this change. (J 30.03)
4. When all checks are collected, the final deposit will be tabulated by a Work Release Counselor on Monday morning, or the next available business day.
5. After the balances are verified the Counselor will then proceed to the bank and make the physical deposit.
6. This procedure is currently in place.
7. The Standard Operating Procedure will be approved and updated by September 1, 2008.

2. Separation of Duties and the Disbursement Process

Finding – The disbursements process did not include an adequate system of controls as required by the APA Guidelines.

Recommendation – Update SOP J190.01c to implement the applicable APA requirements and include additional management oversight.

Response – We agree. As required by the accounting guidelines, the collection, reconciliation, and deposit of funds will be separated using the following process.

1. Security Deputies / Counselors will accept all paychecks as they are brought in by the residents, they will then stamp the back “For Deposit Only” and make copies of the checks and the stubs.
2. These copies will be forwarded to the Work Release Counselor who will prepare the distribution sheets which will be identified by the inmate number.
3. The SOP will be revised to reflect this change. (J 30.03)
4. When all checks are collected, the final deposit will be tabulated by a Work Release Counselor on Monday morning, or the next available business day.
5. After the balances are verified, the Counselor will then proceed to the bank and make the physical deposit.
6. This procedure is currently in place.
7. The Standard Operating Procedure will be approved and updated by September 1, 2008.

3. Reconciliation Process & Management Oversight

Finding – SOP J20.04a specified that the Work Release Commander would be responsible for fiscal control, yet the SOP did not define how the position would monitor the financial activities of the function, resulting in the absence of an independent cash reconciliation process.

Recommendation – The Work Release Commander should be responsible for fiscal control, and the SOP should define how the position will monitor the financial activities of the function, so that cash reconciliation process will be enhanced.

Response - We agree. The SOP will be updated to include how management will monitor the financial activities of the unit. Additionally, the SOP changes will define the methods in which the Work Release Commander will monitor fiscal control of all funds as follows:

1. The Work Release Commander or his AOIC will review the final transaction report to ensure that the weekly transaction report coincides with the actual disbursements.
2. The financial process has been addressed by separating the disbursement and deposit process to alleviate any potential misappropriation or loss of funds.

3. Any disbursement checks will require dual signatures, a Work Release Supervisor, and the counselor who received the disbursement sheets.
4. With the exception of the dual signatures, (new checks were ordered) this procedure is currently in place.
5. The Standard Operating Procedure will be approved and updated by September 1, 2008.

4. Inmate Personal Bills

Finding – The Department’s practice of making personal payments to family or friends or paying personal bills for inmates was inconsistent with Code of Virginia §53.1-131 (referenced in SOPJ190.01c) and the Work Release Court Order Agreement.

Recommendation – The Department should comply with the Agreement and Virginia Code and discontinue this practice.

Response - We agree. In the future it will be standard practice to follow the Va. Code when disbursing any and all inmate funds. (53.1-60). The Chesapeake Sheriff’s Office Standard Operating Procedure will reflect this mandate. Counselors will closely monitor the court fines as indicated in relation to their savings. This procedure is currently in place.

5. Inmate Authorization for Enrollment into the Work Release Program

Finding – Work Release Orders located in inmate files did not always include a judge’s signature as required by APA guidelines.

Recommendation – The Department should establish a follow-up procedure to ensure all Orders requiring judge’s signatures are maintained with the inmate files.

Response - We agree. Counselors have been instructed to review and audit all case files on a monthly basis and ensure that releasee has authorization (i.e. a signed court order) to validate his participation in the Work Release Program. DOC-Jail contract bed (JCB), and Re-entry Program (REP), do not require authorization for enrollment; therefore judges signature will not be on the court order. To provide consistency and ensure compliance pertaining to authorization, the files that do not require signed orders will be designated on the front cover with (JCB) or (REP). This procedure is currently in place.

E. Canteen Operations

1. Review of Canteen RFP No. 8081

Finding – The Department did not have a process to verify the accuracy of the monthly commissions submitted by the Canteen contractor. The RFP also did not require the vendor to define how commissions were to be determined.

Recommendation – The Department should obtain an understanding of the methodology used to determine the basis for the sales figures when calculating commissions from the contractor. An SOP should also be developed and implemented that would require Department personnel to periodically verify the commissions.

Response – We agree. *It is important to note that during this audit our canteen service provider for the past 3 years was A.B.L. Management. As of July of 2008, Keefe Group has taken over the canteen contract.

The verification of commissions will be overseen by the Compliance Officer who will conduct monthly audits of inmate accounts. The compliance officer will prepare findings on a quarterly basis and file such documents for review. The scope of the audit will be a random selection of inmates that will encompass 15% of the average daily population or approximately 175 inmate accounts annually.

Attached (Appendix A) is a billing practices manual that clearly defines how Keefe calculates commissions. According to the final contract the 27.5% commission is paid on total sales less sales tax and non-commissionable postage items. These funds are deposited to the inmate program account on a monthly basis.

The Standard Operating Procedure will be approved and updated by September 1, 2008.

2. Inmate Files

Finding - The canteen RFP did not address the return of inmate files upon completion of contract.

Recommendation - We recommend an addendum to the final contract which would include a statement requiring the return of all inmate files upon completion of the contract.

Responses – Forwarded to Purchasing at the attention of Victor Westbrook

3. Compliance with Accounting Guidelines

Finding - The RFP did not require the vendor to comply with APA accounting guidelines pertaining to canteen operations and inmate trust funds.

Recommendation - The final contract should specifically require the contractor to comply with the Auditor of Public Accounts Virginia Sheriff's Accounting Manual pertaining to internal controls, canteen operations, and inmate trust funds, should the contractor be responsible for the management of such funds.

Response – Forwarded to Purchasing at the attention of Victor Westbrook

4. Inmate Trust Funds Managed by the Contractor

Finding – The Department allowed the contractor to be responsible for the handling of all inmate funds including their custody and deposit.

Recommendation – The Department should limit the contractor's responsibilities pertaining to inmate trust funds to only the *accounting* or tracking of incoming receipts and disbursements to and from inmate accounts.

Response – We agree. The recommendation was for the Sheriff's Office to maintain control of the inmate program account to maximize interest revenues. The account does not accrue interest as these funds must always remain readily available due to the volatility of inmate relocation to other facilities and releases. This section also recommends that someone, other than the contractor should receipt and deposit all funds. The Sheriff's Office has specifically contracted with a professional canteen corporation to prevent us from having to hire someone to handle these funds on a day to day basis. Keefe meets with every accounting standard required by the Commonwealth of Virginia. Based on that we are satisfied with our internal auditing standards as a means to track and control this inmate trust fund. The Sheriff's Office will develop oversight procedures which will include a review of account reconciliations to inmate accounts for accuracy quarterly.

The Standard Operating Procedure will be approved and updated by September 1, 2008.

PURCHASING COMMENTS TO AUDIT OF SHERIFF'S DEPARTMENT

5. Inmate Medical/Pharmaceutical Contract

Response – We agree in principle that we should attempt to negotiate caps on the 4th and 5th years of the contract. In fact, we did attempt to place caps on these two years, but were unsuccessful. The contractor was reluctant to negotiate the 4% on years one through three, but we insisted that a cap be placed, or no contract. Our original plan was to revisit after year two, and before exercising the option for year three to negotiate caps. At that time, we will have some price history with this contractor, and a better view of industry trends in prices for this marketplace. We have found through other contracts that involve chemicals and medical supplies that the industry is so volatile that some vendors are insisting that they cannot predict with any certainty prices beyond a few months. As recently as a year ago, we were able to cap prices for a year or more, but no longer. For example, chemical based products for the Water Treatment Plant and Garage are being adjusted in increments as short as three months. We pushed very hard to cap years one through three and were successful. Therefore, while it might be desirable to cap the two remaining years, it is difficult to do so at this time. We will attempt again, but please be assured that we will pursue this issue both now, and in the future.

2. Inmate Files

3. Compliance with Accounting Guidelines

Response - We agree with the findings for these two items and will ensure the contracts are amended to include the audit comments. We will forward copies upon completion.

Victor Westbrook
Purchasing and Contracts Manager
September 22, 2008