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Internal Control Audit:

PROBATION DEPARTMENT GPS ELECTRONIC MONITORING PROGRAMS

For the Period July 1, 2010 through June 30, 2011

Global Positioning Satellite (GPS) is a worldwide navigation system of satellites positioned to receive signals from Earth and provide information to track whereabouts of offenders at a given point in time.

We audited the Probation Department's administration of GPS electronic monitoring programs to evaluate the adequacy of internal controls over billings, payments and contract administration, including the issuance, cost, and monitoring of GPS tracking devices; and for compliance with County and Probation Department policy and procedures. We also evaluated efficiency and effectiveness of Probation's administration of GPS electronic monitoring programs.

Probation has two different electronic monitoring programs. The Supervised Electronic Confinement (SEC)/Home Detention Program is administered through contracted services with an external vendor. The Continuous Electronic Monitoring (CEM) Program is administered internally by Probation Department staff.

Our audit found that internal controls and processes over the CEM Program are adequate; however, controls and processes for the contracted SEC/Home Detention Program need improvement in the areas of billing and contract administration. We identified six (6) Significant Control Weaknesses and two (2) Control Findings to improve controls and processes over the SEC/Home Detention Program.

AUDIT NO: 1127

REPORT DATE: MARCH 7, 2012

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2009 Association of Certified Fraud Examiners' Hubbard Award to Dr. Peter Hughes for the Most Outstanding Article of the Year – Ethics Pays







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Providing Facts and Perspectives Countywide

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Letter from Dr. Peter Hughes, CPA





Transmittal Letter

Audit No. 1127 March 7, 2012

TO: Steven J. Sentman, Chief Probation Officer

Probation Department

FROM: Dr. Peter Hughes, CPA, Director

Internal Audit Department

SUBJECT: Internal Control Audit: Probation Department

GPS Electronic Monitoring Programs

We have completed an Internal Control Audit of the Probation Department's GPS Electronic Monitoring Programs for the period July 1, 2010 through June 30, 2011. We performed this audit in accordance with our *FY 2011-12 Audit Plan and Risk Assessment* approved by the Audit Oversight Committee and the Board of Supervisors. Our final report is attached for your review.

Please note we have a structured and rigorous **Follow-Up Audit** process in response to recommendations and suggestions made by the Audit Oversight Committee (AOC) and the Board of Supervisors (BOS). Our **first Follow-Up Audit** will begin at <u>six months</u> from the official release of the report. A copy of all our Follow-Up Audit reports is provided to the BOS as well as to all those individuals indicated on our standard routing distribution list.

The AOC and BOS expect that audit recommendations will typically be implemented within six months and often sooner for significant and higher risk issues. Our **second Follow-Up Audit** will begin at <u>six months</u> from the release of the first Follow-Up Audit report, by which time **all** audit recommendations are expected to be addressed and implemented. At the request of the AOC, we are to bring to their attention any audit recommendations we find still not implemented or mitigated after the second Follow-Up Audit. The AOC requests that such open issues appear on the agenda at their next scheduled meeting for discussion.

We have attached a Follow-Up Audit Report Form. Your agency should complete this template as our audit recommendations are implemented. When we perform our first Follow-Up Audit approximately six months from the date of this report, we will need to obtain the completed document to facilitate our review.

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

As always, the Internal Audit Department is available to partner with your staff so that they can successfully implement or mitigate difficult audit recommendations. Please feel free to call me should you wish to discuss any aspect of our audit report or recommendations. Additionally, we will request your department complete a **Customer Survey** of Audit Services. You will receive the survey shortly after the distribution of our final report.

ATTACHMENTS

Other recipients of this report are listed on the OC Internal Auditor's Report on page 6.

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Audit No. 1127 March 7, 2012

TO: Steven J. Sentman, Chief Probation Officer

Probation Department

FROM: Dr. Peter Hughes, CPA, Director

Internal Audit Department

SUBJECT: Internal Control Audit: Probation Department

GPS Electronic Monitoring Programs

Audit Highlight

The Probation Department (Probation) offers specialized services for offenders. One such specialized service is its Global Positioning System (GPS). Probation has expanded the use of GPS to juvenile and adult offenders as an enhanced supervision tool and as an alternative to custody time. Probation collaborates with other County departments/agencies (OC Superior Courts, Sheriff-Coroner, District Attorney, and Public Defender) to develop a GPS process mutually benefiting all in the use of less staff while enhancing supervision.

Probation has two types of GPS Electronic Monitoring Programs in place:

- Supervised Electronic Confinement (SEC)/ Home Detention Program
- Continuous Electronic Monitoring (CEM) Program

Our audit identified six (6)
Significant Control
Weaknesses and two (2)
Control Findings to improve controls with regards to administration of GPS
Electronic Monitoring
Programs, primarily involving the SEC/Home Detention
Program contracted services.

OBJECTIVES

In accordance with our *FY 2011-12 Audit Plan and Risk Assessment* approved by the Audit Oversight Committee and the Board of Supervisors, the Internal Audit Department conducted an Internal Control Audit of the Probation Department's (Probation) GPS Electronic Monitoring Programs. Our audit included an evaluation of internal controls, testing compliance with County and Probation policies; and evaluating process efficiencies and effectiveness. Our audit was conducted in conformance with professional standards established by the Institute of Internal Auditors.

The objectives of this audit were to:

- Evaluate internal controls over billings, payments and contract administration of contractors used in the GPS Electronic Monitoring Programs, including the issuance, cost, and monitoring of GPS devices; and for compliance with County and Probation Department policy, procedures and adherence to contractual requirements.
- 2. Determine if the Probation Department's GPS Electronic Monitoring Programs are efficient and effective (e.g., backlogs, duplication of work, or manual processes that could be automated).

RESULTS

Objective #1: Our audit noted there are two different electronic monitoring programs in Probation. The Supervised Electronic Confinement (SEC)/Home Detention Program is externally administered through contracted services. The Continuous Electronic Monitoring (CEM) Program is internally administered by Probation staff.

Our audit found internal controls and processes are adequate and effective over the CEM Program; however, controls and processes for the contracted SEC/Home Detention Program need improvement, specifically in the areas of billing and contract administration. We identified six (6) Significant Control Weaknesses and two (2) Control Findings to improve controls and processes over administration of the SEC/Home Detention Program contracted services.

<u>Objective #2:</u> Our audit found administration of Probation's GPS Electronic Monitoring Programs is efficient and effective (e.g., no backlogs, duplication of work, manual processes that could benefit from automation); however, we noted Probation is exploring alternatives for administering the SEC/Home Detention Program, such as performing the services internally or by further evaluating program staffing costs.



Summary of Audit Findings and Recommendations

The following Summary of Audit Findings and Recommendations shows our findings and recommendations resulting from our audit. See further discussion in the Detailed Findings, Recommendations and Management Responses section of this report. See Attachment A for a description of Report Item Classifications.

Finding No.	Report Item Classification	Findings	Recommendations	Concurrence by Management	Page No. in Audit Report
1 & 2	Significant Control Weaknesses	Probation did not bill the contractor (Sentinel) a monthly fee in accordance with the Agreement; and Probation is not recovering its full cost (incurring about \$196,000 annually) to administer the SEC program, whereas the Agreement indicates it should not incur any direct costs.	Ensure the SEC contractor is billed a monthly fee in accordance with the Agreement; consider making adjustments to retrieve any additional monies owed to the County for previous contract years; and periodically evaluate SEC program costs and staffing and ensure all applicable staff are included in the evaluation.	Yes	7-10
3.	Significant Control Weakness	Monthly payment from SEC contractor is not received timely (payments received between 40 to 69 days late).	Ensure contractor submits the monthly fee to the County in a timely manner.	Yes	10-11
4.	Significant Control Weakness	It was not clearly defined who in Probation receives and reviews SEC monthly contractor reports.	Probation needs to define responsibility for receiving and reviewing monthly contractor reports.	Yes	11
5.	Significant Control Weakness	A Quality Control Plan was not established and maintained by the contractor.	Ensure contractor establishes and maintains a Quality Control Plan to ensure that the requirements of the Agreement are met.	Yes	11-12
6.	Significant Control Weakness	Probation did not formally or consistently evaluate SEC Contractor quality assurance and performance requirements.	Ensure contractor performance is evaluated using quality assurance and performance requirements specified in the contract.	Yes	12-13
7.	Control Finding	Probation does not have a process to verify the number of daily SEC program participants reported by the contractor (Sentinel).	Implement a process to periodically verify the number of daily SEC Program participants provided by contractor.	Yes	13-14
8.	Control Finding	The SEC Annual Reconciliation Package prepared in Probation is not reviewed and approved by a Supervisor.	Ensure the Annual Reconciliation Package is reviewed and approved by a Supervisor or Manager.	Yes	14



BACKGROUND

The Probation Department (Probation) assists the criminal court system in Orange County. Probation Officers supervise about 23,000 adult and juvenile offenders on court-ordered probation or in diverse programs. *Probation* means the conditional release of an offender under specific terms ordered by the court. It provides an opportunity for offenders to redirect their lives and pay restitution to their victims while under the supervision of the Probation Department.

When juvenile or adult defendants are charged with law violations, Probation conducts criminal investigations and provides information for the Juvenile and Criminal Courts to make sentencing decisions. After sentencing, Probation enforces court orders specific to each offender. If the court orders a juvenile offender to serve a commitment in a local institution, that custody time is served in one of five correctional facilities operated by Probation. Adult offenders will serve time in one of the County jails. An alternative for serving jail time is supervised electronic confinement using GPS technology. Probation has two electronic confinement programs available for offenders meeting eligibility criteria.

GPS Electronic Monitoring Programs

Global Positioning Satellite (GPS) System Electronic Monitoring Programs are one of Probation's specialized services within its field supervision and institutional programs. GPS is a worldwide navigation system of several satellites that are positioned to receive signals from earth and capable of providing information relative to latitude, longitude, and time of the collected coordinates. GPS monitoring of juvenile and adult offenders is used as an enhanced supervision tool and as an alternative to custody time.

There are two types of GPS Electronic Monitoring Programs in place in Probation:

- Supervised Electronic Confinement (SEC)/Home Detention Program
- Continuous Electronic Monitoring (CEM) Program

Supervised Electronic Confinement (SEC)/Home Detention Program

The SEC/Home Detention Program (SEC) is an electronic confinement program under which adult minimum security and low-risk offenders committed to Orange County Jails or other County correctional facilities, or granted probation, may voluntarily participate in the SEC/ Home Detention Program during their sentence in lieu of confinement, at their expense. Participants of the program are evaluated by Probation staff for program eligibility/suitability and the participants must agree to the use of electronic monitoring. The SEC/Home Detention Program is operated in accordance with the provision of California Penal Code Section 1203.016.

Probation uses a contractor, **Sentinel Offender Services**, **LLC** (Sentinel) to provide SEC services and equipment. Sentinel provides all GPS hardware, software, monitoring services, enrollment, orientation, consultation, installation, violation notification, documentation, reports, and technical-support services for participants twenty-four hours a day, seven days a week. SEC services are used in Probation's **Adult Special Supervision Division**, where Probation staff are assigned to supervise program participants.

Sentinel collects revenue from SEC Program participants per a daily fee schedule based on gross monthly income of the participant. The contractor pays Probation, in arrears, a non-refundable monthly fee in an amount based on the average daily total per month of SEC Program participants as set forth in the contract. The monthly fee is intended to cover the salaries, benefits, services, and supplies of Probation personnel who screen potential participants, monitor program operations, and provide supervisory probation responsibilities. During the audit period (FY 10-11), Sentinel paid Probation \$690,372 and had from 283 to 321 daily SEC/Home Detention Program participants.



Continuous Electronic Monitoring (CEM) Program

The CEM Program is offered by Probation as an alternative to jail time and is for primarily <u>adult and juvenile offenders</u> considered as <u>higher risk and needing special supervision</u>. CEM is an electronic system capable of continuous monitoring twenty-four hours a day, seven days a week. The CEM Program is operated in accordance with the provision of California Penal Code Sections 1210.07 ~ 1210.16.

The primary difference between SEC and CEM programs is that for CEM, Probation staff performs the enrollment, orientation and continuous monitoring services. Probation's Special Services Division has a Monitoring Center at the Manchester Office Building where offenders are monitored. The Monitoring Center is staffed with six Technical Assistants who are Probation employees.

A contractor, **Satellite Tracking of People, LLC (STOP)** provides **GPS tracking devices** (BluTag Active Offender Tracking Device) and monitoring software to Probation at a daily rate of **\$4.25** per participant. The Agreement with STOP provides devices for up to three hundred (300) people. At least ten percent (10%) of CEM tracking devices and spare tracking device straps are stored on-site at a Probation facility for emergency situations. During the audit period, Probation paid STOP a total of **\$361,613** for the tracking devices provided to Probation.

CEM services are utilized by the following Probation divisions: 1) **Special Supervision Division** (includes Adult Sex Offender Supervision, Domestic Violence Supervision, Gang Violence Suppression, High Control Offenders); 2) **Juvenile Court Division** (includes the Home Supervision Program); 3) **Juvenile Hall Division** (includes the Accountability Commitment Program); and 4) **Juvenile Supervision Division**.

The table below summarizes the differences between the SEC/Home Detention and CEM Programs:

	Supervised Electronic Confinement (SEC)	Continuous Electronic Monitoring (CEM)
Contractor	Sentinel Offender Services, LLC	Satellite Tracking of People, LLC
Participants	Adults	Adults and Juveniles
Services	GPS Hardware, Software, Enrollment, Installation, Monitoring, and Reports (eligibility and on-going supervision performed by Probation staff)	GPS Hardware and Software from contractor (Enrollment, Installation, Monitoring, and Reports performed by Probation)
Monitoring	24 hours, 7 days, provided by Contractor	24 hours, 7 days, performed by Probation
Compensation	Monthly fee received from Contractor based on average number of program participants	Monthly fee <u>paid</u> to Contractor based on number of devices used



SCOPE AND METHODOLOGY

Our audit covered the period July 1, 2010 through June 30, 2011 and included the following:

- 1. Evaluation of internal controls over billing and contract administration of the SEC/Home Detention Program including payments from contractor, contractor performance, and contract compliance.
- 2. Evaluation of internal controls in the CEM Program including GPS device inventory management, and payments made to the contractor for providing tracking devices.
- 3. Inquiry, review, observation, and testing of relevant documentation for assessing the adequacy and effectiveness of internal controls over the SEC/Home Detention and CEM programs and contracts.
- 4. Evaluation of efficiency and effectiveness of GPS Electronic Monitoring Programs, such as backlogs, duplication of work, manual processes that could benefit from automation.

SCOPE EXCLUSIONS

Our scope did not include controls and processes for determining program eligibility determination, case management and monitoring of probationers, or the monitoring software and information systems used.

Management's Responsibilities for Internal Controls

In accordance with the Auditor-Controller's County Accounting Manual section S-2 *Internal Control Systems*, "All County departments/agencies shall maintain effective internal control systems as an integral part of their management practices. This is because management has primary responsibility for establishing and maintaining the internal control system. All levels of management must be involved in assessing and strengthening internal controls." Control systems shall be continuously evaluated by Management and weaknesses, when detected, must be promptly corrected. The criteria for evaluating an entity's internal control structure is the Committee of Sponsoring Organizations (COSO) control framework. Our Internal Control Audit enhances and complements, but does not substitute for Probation's continuing emphasis on control activities and self-assessment of control risks.

Inherent Limitations in Any System of Internal Control

Because of inherent limitations in any system of internal controls, errors or irregularities may nevertheless occur and not be detected. Specific examples of limitations include, but are not limited to, resource constraints, unintentional errors, management override, circumvention by collusion, and poor judgment. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate. Accordingly, our audit would not necessarily disclose all weaknesses in Probation's operating procedures, accounting practices, and compliance with County policy.

Acknowledgment

We appreciate the courtesy extended by the Probation Department staff during our audit. If we can be of further assistance, please contact me directly or Eli Littner, Deputy Director at 834-5899, or Michael Goodwin, Senior Audit Manager at 834-6066.



Attachments

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

Members, Board of Supervisors
Members, Audit Oversight Committee
Thomas G. Mauk, County Executive Officer
Chris Bieber, Chief Deputy Probation Officer, Field Operations Bureau
Brian Prieto, Chief Deputy Probation Officer, Operations Support Bureau
Sean Barry, Chief Deputy Probation Officer, Juvenile Intake/Detention Bureau
Steve Sandoval, Supervising Probation Officer, Probation Special Supervision
Brian Wayt, Director, Probation Administrative and Fiscal Division
Lorna Winterrowd, Administrative Manager II, Probation Fiscal Services
Jeng-Jeng Castillo, Administrative Manager I, Probation Fiscal Services
Foreperson, Grand Jury
Susan Novak, Clerk of the Board of Supervisors



<u>Objective #1</u>: Evaluate internal controls over billings, payments and contract administration of contractors used in the GPS Electronic Monitoring Programs, including the issuance, cost, and monitoring of GPS devices; and for compliance with County and Probation Department policy, procedures and adherence to contractual requirements.

Our audit found there are two methods of providing electronic monitoring services in Probation. The Supervised Electronic Confinement (SEC)/Home Detention Program is for low risk adult offenders and is administered through contracted services with Sentinel Offender Services, LLC (Sentinel) to provide equipment and monitoring services. Sentinel provides all GPS hardware, software, monitoring, enrollment, orientation, installation, violation notification, reports, and technical-support services for participants on a daily, twenty-four hour continuous basis. Probation is responsible for applicant screening and on-going supervision of offenders in the program.

The Continuous Electronic Monitoring (CEM) Program is for adult and juvenile offenders considered as higher risk and needing special supervision. Probation staff performs the enrollment, orientation and continuous monitoring services. Probation staffs a Monitoring Center located at the Manchester Office Building. A contractor, Satellite Tracking of People, LLC (STOP) provides the GPS tracking devices and monitoring software to Probation at a daily rate of \$4.25 per participant.

Conclusion

Based on our audit, we found controls and processes for the CEM Program to be adequate and effective. However, we found that controls over the SEC/Home Detention Program need improvement, specifically in the areas of billing and contract administration. We identified six (6) Significant Control Weaknesses and two (2) Control Findings to improve controls over administration of the SEC/Home Detention Program. The following are our findings and recommendations:

Findings 1 and 2 – Billing of SEC Program Fees and Determination of Program Costs

Summary

- 1. Our audit found that Probation did not accurately bill Sentinel a monthly fee based on the "average daily total per month of SEC program participants" in accordance with the Sentinel Agreement. We noted an additional \$47,343 that could have been billed based on the Agreement's fee schedule.
- 2. The Agreement also states that the County should not incur any direct costs due to operation of the program, including Probation staffing costs. Probation informed us the SEC/Home Detention Program is costing \$196,000 annually for staff and program administration that are not recovered through contractor fees. Probation did not review its staffing requirements biannually and adjust its cost allocation as allowable in the Agreement. (Significant Control Weaknesses)

Details

1. Paragraph 1 of Attachment C in the Sentinel Agreement states: "Contractor will pay the Probation Department in arrears each month a non-refundable monthly fee in an amount based on the average daily total per month of SEC program participants as set forth in paragraph 8 of this Attachment to cover the salaries, benefits, services and supplies of Probation Department personnel who will screen potential participants, monitor program operations, and provide probation supervision responsibilities. The monthly non-refundable fee may vary from month to month, and shall be based on the average daily total number of SEC program participants for that month."

Our audit noted that Probation billed Sentinel at an amount lower than the fee schedule based on the monthly average number of participants. The table below shows the amounts actually billed and what could have been billed based on contract terms. The fee schedule is based on the monthly average number of participants and Probation's staffing needs per contract, based on the number of participants.



FY 2010-11 Sentinel Monthly Fee Payments

Month	Average Daily Total Per Month of SEC Program Participants	Probation Staffing Per Contract	Actual Probation Staffing	Amount Billed by Probation	Amount Should Have Been Billed Per Number of Participants Per Contract	Difference
Jul	283	5 DPO II,	1 SPO,	\$58,787	\$64,818	\$6,031
2010	222	2 OS	6 DPO II, 2 OS	# 50 707	DO 4 D 4 D	DO 004
Aug 2010	286	5 DPO II, 2 OS	1 SPO, 6 DPO II, 2 OS	\$58,787	\$64,818	\$6,031
Sep	290	5 DPO II,	1 SPO,	\$58,787	\$64,818	\$6,031
2010		2 OS	6 DPO II, 2 OS			
Oct 2010	287	5 DPO II, 2 OS	1 SPO, 6 DPO II, 2 OS	\$58,787	\$64,818	\$6,031
Nov	265	5 DPO II,	1 SPO.	\$58,787	\$64,818	\$6,031
2010	203	2 OS	6 DPO II, 2 OS	φ30,707	φ04,010	ψ0,031
Dec	241	4 DPO II,	1 SPO,	\$51,251	\$51,251	\$0
2010		1 ½ OS	6 DPO II, 2 OS			
Jan	239	4 DPO II,	1 SPO,	\$51,251	\$51,251	\$0
2011		1 ½ OS	6 DPO II, 2 OS			
Feb	261	5 DPO II,	1 SPO,	\$58,787	\$64,818	\$6,031
2011		2 OS	6 DPO II, 2 OS			
Mar	292	5 DPO II,	1 SPO,	\$58,787	\$64,818	\$6,031
2011		2 OS	6 DPO II, 2 OS			
Apr	293	5 DPO II,	1 SPO,	\$58,787	\$64,818	\$6,031
2011		2 OS	6 DPO II, 2 OS			
May	308	6 DPO II,	1 SPO,	\$58,787	\$75,369	\$16,582
2011		2 ½ OS	6 DPO II, 2 OS			
Jun	321	6 DPO II,	1 SPO,	\$58,787	\$75,369	\$16,582
2011		2 ½ OS	6 DPO II, 2 OS			
		Total		\$690,372	\$771,784	\$81,412*

Legend:

SPO: Supervising Probation Officer DPO II: Deputy Probation Officer II

OS: Office Specialist

We were informed the reason for the differences in billing resulted because the monthly fee was based upon a revised rate of \$58,787 for an average daily total of 251-300 SEC program participants and five (5) DPO II and one (1) OS. Per the Agreement, a rate of \$64,818 for an average daily total of 251-300 SEC program participants and five (5) DPO II and two (2) OS should have been used to determine the monthly fee. The rate was revised during a maternity leave of one OS in April 2009; however, the revised rate has been used since then and has not been readjusted.

^{*} It should be noted that Probation determines their actual SEC staffing costs at year-end and either invoices or refunds Sentinel for the difference. For our audit period, the year-end adjustment based on Probation staffing per contract resulted in Sentinel owing the County an additional \$34,069, reducing the total difference from \$81,412 to \$47,343. However, Probation's actual staffing costs were based on staffing levels indicated in the Agreement and not actual staff costs incurred in Probation.



2. The Sentinel Agreement also allows Probation to revise the non-refundable monthly fee rates twice a year in January and July to reflect actual County costs. Per Attachment C of the Agreement:

"The Administrator will review the non-refundable monthly fee amount on January 1 and July 1 of each year this Contract is in effect, and the Administrator will adjust the non-refundable monthly fee to reflect any changes to County employee salaries, benefits, services or supplies. The Administrator will review the non-refundable monthly fee amount for the purpose of (1) calculating actual costs for the past twelve (12) month period, and (2) calculating the new monthly fee for the next twelve (12) month period reflecting any changes to County employee salaries, benefits, services or supplies."

As stated above, Probation determines annually their actual staffing costs used to administer the SEC/ Home Detention Program. However, we noted the salary and benefits for one SPO and one DPO were not included in Probation's calculation of costs for administering the SEC Program, and therefore did not accurately represent actual probation staffing costs for SEC Program, which would result in additional monies owed to the County. Also, Probation had not analyzed their costs biannually as per the Agreement, but was in the process of updating the fees after our audit period.

We believe that Probation should clarify their understanding of the methodology used to determine the appropriate monthly non-refundable fee. Specifically, it should be clear how the fee is assessed based on the number of participants and actual Probation staffing levels. Probation should also evaluate the prior fees that were charged to Sentinel and determine if Probation should recoup the under billed fees. We also believe that Probation should have periodic reviews and updates of their staffing needs and costs for the SEC/Home Detention Program and have those reviews documented and retained.

Recommendation No. 1

Probation Department ensure accurate determination of the monthly fee billed to Sentinel and make adjustments to retrieve any additional money owed to the County for previous years of the contract.

Probation Department Management Response:

Concur – Probation plans to institute additional procedures to enhance the reconciliation and review of monthly data to ensure that we are billing and receiving the proper amounts on a monthly and annual basis. Probation does perform an annual reconciliation that ensures that all appropriate costs are billed for the program. Our most recent review of monthly billings and 12-month reconciliation resulted in an estimated amount of \$210,070 as Sentinel's outstanding balance from August 2011 through January 2012. That balance included an adjustment of \$34,069 for FY 10/11. Probation has advised Sentinel that payment of the outstanding balance is due by March 30, 2012.

Recommendation No. 2

Probation Department periodically evaluate its costs and staffing needs to administer the SEC/Home Detention Program and make any adjustments to the contract with Sentinel for the non-refundable monthly fee to cover its program costs. This evaluation should determine if all applicable Probation personnel are included in the cost-recovery analysis.

Probation Department Management Response:

Concur – Probation will ensure that fee structure is reviewed and modified on a biannual basis as required by the contract. Probation does not plan to make contract modifications at this time to include the cost of the Supervising Probation Officer as it was never the intent of the fee structure to include those costs. Under the contract, the monthly fee covers the cost of line staff who provide direct supervision services to program participants. Those line staff report to a Supervising Probation Officer (SPO) who oversees the SEC program, as well as other operations outside that program, as part of his total responsibilities. As such, the SPO is excluded from program cost recovery.



Please note that the department's maximum staffing for providing direct supervision services under the contract was based upon the anticipated monthly average daily total of program participants. That estimate was included in the Request for Proposal (RFP) that resulted in a contract award to Sentinel.

Thus, as stated in Attachment C, the monthly fee calculation is based on both the monthly average daily total of program participants, as well as the actual staffing (see paragraphs 3 and 8). Please also note the cost of a sixth DPO, while not included in the monthly fee calculation for May-June 2011, was included in the 12-month reconciliation of actual costs. The department subsequently billed Sentinel for that reconciled amount.

The department will soon be releasing a new Request for Proposal. The contract resulting from the new RFP is expected to streamline and simplify the fee reimbursement structure for future years.

Finding 3 – SEC Program Fees Not Received Timely

Summary

Our audit found that Sentinel did not make their payments timely to Probation for the months of July 2010, December, 2010, and June 2011, where payments were received between **40-69 days** after receipt of the invoices. (Significant Control Weakness)

Details

The contractor for the SEC Program (Sentinel) is required to pay the County within fifteen (15) days after receipt of a County invoice. For July 2010, December, 2010, and June 2011, payment was not received from Sentinel in a timely manner as shown in the table below.

Invoice Date	Payment Due Date	Payment Received Date	Late Days
August 2, 2010 (for July)	August 17, 2010	October 12, 2010	55
January 7, 2011 (for Dec.)	January 22, 2011	March 4, 2011	40
June 30, 2011 (for June)	July 15, 2011	September 23, 2011	69

Per the Sentinel Agreement, Section 4: "Contractor shall pay County monthly in arrears the County fee referenced in Section 4, entitled 'Contract Payments,' above, and as set forth in Attachment C, within fifteen (15) days after receipt of a County invoice."

According to Probation, Sentinel is late in its monthly payments on an average of about 45 days. We noted that Probation contacts Sentinel repeatedly through email and telephone each month to request the payment.

Included in the Sentinel Agreement is a *Performance Requirements Summary Chart* that describes the required services, performance indicators, acceptable quality level standards, methods of surveillance, and liquidated damages in the event of non-performance by the contractor. It states that "*Probation Department may impose a fine of '\$200 per day until rectified for non-performance of Contractor in reference to Contract Payment (Sections 4 and 5 of Contract)."*

Although allowable per the contract terms, Probation has not imposed any liquidated damages on Sentinel for consistently making late fee payments. Probation should take measures with Sentinel to ensure they are compliant with contract terms concerning the timeliness of payments.

Recommendation No. 3

Probation Department ensure Sentinel submits the monthly non-refundable fee payment in a timely manner. If Sentinel is not compliant, Probation should consider assessing liquidating damages on Sentinel as allowable per the terms in the Agreement.



Probation Department Management Response:

Concur – Probation has issued a letter to Sentinel requiring payment of past due amounts and will continue to ensure that monthly payments going forward are received timely.

Finding 4 – Responsibility for Receipt and Review of Monthly Contractor Statements Not Clearly Defined

Summary

Per the Sentinel Agreement, the contractor is required to submit monthly statements to Probation that includes the number of referrals, fees charged, and monthly gross receipts by the fifteenth (15th) of each month. We were informed this information was submitted; however, it was not clear in Probation who received the reports and who had responsibility for reviewing them. (Significant Control Weakness)

Details

Per the Sentinel Agreement, Section 4: "Contractor shall prepare monthly statements, which shall include the number of referrals, fees charged and monthly gross receipts. All statements shall be submitted by the fifteenth (15) calendar of the month."

According to Probation, Sentinel has been submitting the required monthly statements. However, the responsibility for receiving and reviewing these reports has not been clearly established in Probation. Probation's SEC/Home Detention Program staff and the contract administrator were not aware of where these reports were sent and the process to review the contractor reports.

The intent of requiring monthly statements from Sentinel was to enable Probation to monitor contractor performance and to review contractor information (referrals, fees and gross receipts). This information is important in monitoring contractor compliance and should be reviewed by Probation's program staff, budget staff, and the contract administrator.

Recommendation No. 4

Probation Department define responsibility for receiving and reviewing the monthly statements provided by Sentinel.

Probation Department Management Response:

Concur – Probation will develop a procedure to ensure that the monthly reports are reviewed and discrepancies are followed up with the vendor.

Finding 5 – Contractor Quality Control Plan Needs Enhancements

Summary

Sentinel has not established and maintained a Quality Control Plan to ensure that the requirements of the Contract are met. The agreement requires Sentinel to provide a plan to Probation at the inception of the agreement and as changes occur. (Significant Control Weakness)

Details

Per the Sentinel Agreement Attachment A – Scope of Work: "Contractor shall establish and maintain a Quality Control Plan to ensure that the requirements of the Contract are met. An updated copy must be provided to the County's Project Director on the Contract's start date and as changes occur. The original plan and any future amendments are subject to County review and approval and shall include, but shall not be limited to:



- 1. A functional performance test and evaluation of the continuous electronic monitoring equipment, with documented results, each time the equipment is issued to and returned by a participant; Contractor will provide a written plan describing how its system will be tested and how performance standards will be met.
- 2. An inspection system assuring ongoing delivery of services; it must specify the activities to be audited/inspected on either a scheduled or unscheduled basis, how often audits/inspections will be accomplished, the title of the individual(s) who will perform and record the audits/inspections and the methods for identifying and preventing deficiencies in the quality of the system. All audit/inspection results must be documented and available for review by County during normal business hours.
- A computerized method of tracking equipment inventory, maintenance, battery life, and service records specific to each piece of equipment in accordance with suggested manufacturer's maintenance specifications.
- 4. A method for ensuring uninterrupted services in the event of a strike of Contractor's employees.
- 5. A method for ensuring that offender record confidentiality is maintained.
- 6. Contractor's responsibility for safeguarding all County information provided for use by Contractor."

Probation maintained an undated and unsigned document on file that was considered the contractor's Quality Control Plan. We could not determine when the document was prepared or actions taken to ensure compliance. We believe the Quality Control Plan should be more formal, dated and signed by both parties. Lack of a complete and effective Quality Control Plan by the Contractor may increase the risk of non-performance and non-compliance with contract requirements. We provided examples of other Quality Control Plans to Probation.

Recommendation No. 5

Probation Department ensure Sentinel establish and maintain a formal and signed Quality Control Plan to ensure that the requirements of the Contract are met. An updated copy must be provided to Probation as changes occur.

Probation Department Management Response:

Concur – Probation will ensure that the contractor provides a formal Quality Control Plan and provides the proper updates as needed.

Finding 6 – Contractor Quality Assurance and Performance Requirements Not Evaluated

Summary

Probation does not consistently or formally evaluate Sentinel's performance under the agreement using the quality assurance procedures entitled *Performance Requirements Summary*. (Significant Control Weakness)

Details

Per the Sentinel Agreement under Quality Assurance: "The County will evaluate Contractor's performance under this Contract using the quality assurance procedures specified in Attachment B, entitled 'Performance Requirements Summary,' attached hereto and incorporated herein by reference, or other such procedures as may be necessary to ascertain Contractor's compliance with the Contract. Monitoring techniques used by the County to determine the quality of contractor's performance include, but are not limited to:



- Random sampling inspections
- 100% inspection
- Periodic reports
- Site visits

Attachment B of the Sentinel Agreement – Performance Requirements Summary states "This Performance Requirements Summary (PRS) Chart lists the required services which will be monitored by the County during the term of this Contract; performance indicators; Acceptable Quality Level Standards (AQLS); method of surveillance; and liquidated damages for not meeting the AQLS."

Our audit noted that Probation monitors certain aspects of contractor performance through their involvement with the program and clients, but there is no formal or consistent process for evaluating performance requirements, or did we see any documentation of such evaluations. Lack of a contractor performance evaluation increases the risk of non-performance and non-compliance with contract requirements.

Recommendation No. 6

Probation Department ensure contractor performance requirements are evaluated and documented using quality assurance procedures specified in the contract.

Probation Department Management Response:

Concur – Probation will institute procedures to ensure the proper evaluation and documentation of the Quality Control Plan as required by the contract.

Finding 7 – Number of SEC Program Participants Not Verified

Summary

At the end of each workday, Sentinel sends a *Daily List of SEC Program Participants* via email to Probation. We noted that Probation does not have a process in place to verify the number of daily SEC Program Participants reported by Sentinel to their program records. (Control Finding)

Details

Paragraph 1 of Attachment C of the Sentinel Agreement states: "Contractor will pay the Probation Department in arrears each month a non-refundable monthly fee in an amount based on the average daily total per month of SEC program participants as set forth in paragraph 8 of this Attachment to cover the salaries, benefits, services and supplies of Probation Department personnel who will screen potential participants, monitor program operations, and provide probation supervision responsibilities. The monthly non-refundable fee may vary from month to month, and shall be based on the average daily total number of SEC program participants for that month."

At the end of each workday (Monday through Friday), Sentinel sends via email a *Daily List of SEC Program Participants* to Probation (for Saturday and Sunday, Probation uses Friday's number). The monthly non-refundable fee varies from month to month and is based on the average daily total number of SEC program participants for that month as reported by Sentinel.

An Administrative Manager in Probation Fiscal Services prints out the list and saves it in a folder. At the end of the month, the manager calculates the average daily total number of SEC program participants for that month by dividing the total of the daily number of SEC program participants by the number of days of that month. Based on the average daily total number of SEC program participants for that month, the non-refundable monthly fee is determined (also see related Findings No. 1 and 2).



Not periodically verifying the number of participants in the SEC program as reported by the contractor increases the risk that errors or irregularities could occur and impact the amount of the fee paid to the County.

Recommendation No. 7

Probation Department implement a process to periodically verify the number of daily SEC Program Participants provided by Sentinel.

Probation Department Management Response:

Concur – As part of the review procedure that will be established as part of recommendation number 4, Probation will ensure that a process for the periodic audit of daily program participants is included.

Finding 8 – No Supervisory Review and Approval of SEC Annual Reconciliation

Summary

At the end of each fiscal year, Probation determines the actual SEC staffing costs and either invoices or refunds the contractor (Sentinel) for the difference. We noted that this *Annual Reconciliation Package* is not reviewed and approved by a Supervisor in Probation. (Control Finding)

Details

At the end of the fiscal year, an Administrative Manager in Probation prepares an *Annual Reconciliation Package* based on monthly payments billed and received from Sentinel, and actual SEC Program staffing cost based on salaries and benefits of Probation staff working in the SEC program. A comparison is made of the monthly payments received from Sentinel with actual Probation costs incurred. If it is determined that the monthly payments by Sentinel during the year does not equal actual County costs for that period, any surplus paid by the contractor or deficit owed to the County is included in the amount invoiced for the month of August of the subsequent fiscal year. We found the *Annual Reconciliation Package* is not reviewed and approved by a Supervisor to help ensure the completeness and accuracy of the analysis and reconciliation.

Per best business practices, documented review and approval of documents is important to determine accuracy and effectiveness of documents. Lack of supervisory review and approval of documents can result in errors and irregularities that may not be detected.

Recommendation No. 8

Probation Department ensure a Supervisor documents their review and approval of the SEC/Home Detention Program *Annual Reconciliation Package* to ensure accuracy and completeness of the reconciliation.

Probation Department Management Response:

Concur – Probation will ensure that the annual reconciliation billing review is formally documented.



<u>Objective #2</u>: Determine if the Probation Department's GPS Electronic Monitoring Programs are efficient and effective (e.g., backlogs, duplication of work, or manual processes that could be automated).

Conclusion

Based on our audit of the SEC and CEM programs, we did not note any instances of backlogs, duplication of work, or manual processes that could benefit from automation.

It was noted in Finding No. 1 that Probation is paying for direct costs of the SEC program at approximately \$196,000 annually. This contradicts the requirements in the Sentinel Agreement that Probation should not incur any direct costs to administer the program. The Agreement allows Probation to evaluate their costs twice a year and revise their rates accordingly.

Probation is exploring alternatives to address their costs, such as performing SEC services internally and performing an analysis of Probation program staffing costs. We support Probation's analysis of alternatives to reduce their costs for administering the SEC program.

No findings and recommendations were identified under this objective.



ATTACHMENT A: Report Item Classifications

For purposes of reporting our audit observations and recommendations, we will classify audit report items into three distinct categories:

Critical Control Weaknesses:

Audit findings or a combination of Significant Control Weaknesses that represent serious exceptions to the audit objective(s) and/or business goals. Management is expected to address Critical Control Weaknesses brought to their attention immediately.

Significant Control Weaknesses:

Audit findings or a combination of Control Findings that represent a significant deficiency in the design or operation of internal controls. Significant Control Weaknesses require prompt corrective actions.

Control Findings:

Audit findings concerning <u>internal controls</u>, <u>compliance issues</u>, or <u>efficiency/effectiveness issues</u> that require management's corrective action to implement or enhance processes and internal controls. Control Findings are expected to be addressed within our follow-up process of six months.



ATTACHMENT B: Probation Department Management Responses



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MAILING ADDRESS: P.O. BOX 10260 SANTA ANA, CA 92711-0260

DATE: February 28, 2012

TO: Peter Hughes, Director of Internal Audit

FROM: Steven Sentman, Chief Probation Officer

SUBJECT: Internal Control Audit of Probation Department GPS Electronic Monitoring

Programs

In response to the draft audit report titled "Internal Control Audit: Probation Department GPS Electronic Monitoring Programs", below are the Probation Department responses to the recommendations.

Recommendation No. 1 – Probation Department ensure accurate determination of the monthly fee billed to Sentinel and make adjustments to retrieve any additional money owed to the County for previous years of the contract.

Concur – Probation plans to institute additional procedures to enhance the reconciliation and review of monthly data to ensure that we are billing and receiving the proper amounts on a monthly and annual basis. Probation does perform an annual reconciliation that ensures that all appropriate costs are billed for the program. Our most recent review of monthly billings and 12-month reconciliation resulted in an estimated amount of \$210,070 as Sentinel's outstanding balance from August 2011 through January 2012. That balance included an adjustment of \$34,069 for FY 10/11. Probation has advised Sentinel that payment of the outstanding balance is due by March 30, 2012.

Recommendation No. 2 – Probation Department periodically evaluate its costs and staffing needs to administer the SEC/Home Detention Program and make any adjustments to the contract with Sentinel for the non-refundable monthly fee to cover its program costs. This evaluation should determine if all applicable Probation personnel are included in the cost-recovery analysis.

Concur - Probation will ensure that fee structure is reviewed and modified on a biannual basis as required by the contract. Probation does not plan to make contract modifications at this time to include the cost of the Supervising Probation Officer as it was never the intent of the fee structure to include those costs. Under the contract, the monthly fee covers the costs of line staff who provide direct supervision services to program participants. Those line staff report to a Supervising Probation Officer (SPO) who oversees the SEC program, as well as other operations outside that program, as part of his total responsibilities. As such, the SPO position is excluded from program cost recovery.

Please note that the department's maximum staffing for providing direct supervision services under the contract was based upon the anticipated monthly average daily total of program participants. That estimate was included in the Request for Proposal (RFP) that resulted in a contract award to Sentinel.



ATTACHMENT B: Probation Department Management Responses (continued)

Thus, as stated in Attachment C, the monthly fee calculation is based on both the monthly average daily total of program participants, as well as the actual staffing (see paragraphs 3 and 8).

Please also note the cost of a sixth DPO, while not included in the monthly fee calculation for May-June 2011, was included in the 12-month reconciliation of actual costs. The department subsequently billed Sentinel for that reconciled amount.

The department will soon be releasing a new Request for Proposal. The contract resulting from the new RFP is expected to streamline and simplify the fee reimbursement structure for future years.

Recommendation No. 3 – Probation Department ensure Sentinel submits the non-refundable fee payment in a timely manner. If Sentinel is not compliant, Probation should consider assessing liquidating damages on Sentinel as allowable per the terms in the Agreement.

Concur - Probation has issued a letter to Sentinel requiring payment of past due amounts and will continue to ensure that monthly payments going forward are received timely.

Recommendation No. 4 – Probation Department define responsibility for receiving and reviewing the monthly statements provide by Sentinel.

Concur - Probation will develop a procedure to ensure that the monthly reports are reviewed and discrepancies are followed up with the vendor.

Recommendation No. 5 – Probation Department ensure Sentinel establish and maintain a formal and signed Quality Control Plan to ensure that the requirements of the Contract are met. An updated copy must be provided to Probation as changes occur.

Concur – Probation will ensure that the contractor provides a formal Quality Control Plan and provides the proper updates as needed.

Recommendation No. 6 – Probation Department ensure contractor performance requirements are evaluated and documented using quality assurance procedures specified in the contract.

Concur - Probation will institute procedures to ensure the proper evaluation and documentation of the Quality Control Plan as required by the contract.

Recommendation No. 7 – Probation Department implement a process to periodically verify the number of daily SEC Program Participants provided by Sentinel.

Concur – As part of the review procedure that will be established as part of recommendation number 4, Probation will ensure that a process for the periodic audit of daily program participants is included.

Recommendation No. 8 – Probation Department ensure a Supervisor documents their review and approval of the SEC/Home Detention Program Annual Reconciliation Package to ensure accuracy and completeness of the reconciliation.

Concur – Probation will ensure that the annual reconciliation billing review is formally documented.