



**AUDIT REPORT ON**

**DOÑA ANA COUNTY**

**DETENTION CENTER**

**FOR THE PERIOD OF DECEMBER 1, 2008**  
**THROUGH JUNE 30, 2009**

**PRESENTED BY MILTON DURAN, DIRECTOR OF INTERNAL AUDIT**  
**DOÑA ANA COUNTY INTERNAL AUDIT**



August 1, 2009

Brian Haines, County Manager  
Sue Padilla, Assistant County Manager  
Chris Barela, Director, DAC Detention Center

### **Audit Report on Doña Ana County Detention Center**

An audit of the **Doña Ana County Detention Center** was conducted by the County Internal Audit Department for the period of December 1, 2008 through June 30, 2009. Policies and procedures were reviewed to determine the adequacy of internal controls and to ensure that processes are documented and effective. Relevant and competent information was obtained on the processes to assess the effectiveness and efficiency of the procedures. Functional areas impacted included Finance, Contracts, Procurement, Payroll and Accounts Payable.

A total of forty three (43) audit tests were performed during the course of this audit. Six (6) findings were noted during the audit. There were also six operational recommendations.

The Internal Audit Department will conduct follow-up reviews to verify that weaknesses noted have been effectively remedied.

IAD appreciated the cooperation and assistance provided by the departments' management and staff during the course of the audit.

*M.A. Duran*

Milton A. Duran, CIA  
Director of Internal Audit

cc: Internal Audit Committee  
Board of County Commissioners  
Bill Noland, Director of Finance  
Nasreen Nelson, Controller

## Objectives and Scope

The objectives of the audit were to determine if internal controls are adequate to ensure that:

- system access and approval hierarchy is appropriate for personnel in all related areas,
- purchase order processing is effective,
- policies and procedures for disbursements and receipts are documented accurately and are operating,
- vendor evaluation and selection is comprehensive and objective,
- the process for payroll is appropriate and effective,
- segregation of duties is appropriate and effective for related areas,
- operational processes (non-technical) are appropriate and consistently applied.

The audit was performed by Milton Duran, Internal Auditor.

### Summary of Audit Findings

#### Audit Tests

##### *Total test work population*

Number of tests performed	43
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##### *Audit findings*

Number of Findings	Type I	4
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Number of Findings	Type II	2
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<i>Total findings</i>		6
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*Percent of Financial findings to tests performed* 14%

Operational Recommendations	6
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### Prior Audit Issues

No previous audits have been performed on the Detention Center. There was no Financial Type I internal control deficiencies relating to the Detention Center reported by Kriegel, Gray and Co's, independent public accountants for the fiscal year 2008.

*INTERNAL CONTROL findings* according to the Government Auditing Standards definition of deficiencies:

- Type I - an internal control deficiency
- Type II - a significant deficiency
- Type III - a material weakness

## FINDINGS

### **Finding #1- Use of Inmate Welfare Funds. Type II finding.**

The review of the Inmate Welfare fund activity disclosed periodic expenditures for the current and prior fiscal years that were not appropriate. The funds are to be used for the welfare and benefit of the inmates. The Inmate Welfare fund is administered by the Detention Center management who has signatory authority. There is no evidence that the authority was established by ordinance. A review of expenditures noted that expenditures were either an inappropriate use of welfare funds or used in lieu of regularly budgeted line items. The use of this fund circumvents the budget and procurement processes. Such use does not provide appropriate levels of internal controls and segregation of duties to ensure funds are used in accordance with prescribed requirements. The lack of effective oversight subjects the funds to high risk.

The actual receipts and expenditures have not been reflected in the accounts of the County. This has resulted in understatement of revenues of \$128,009.38 and \$77,573.07 in fiscal year 2008 and for fiscal year 2009 as of December, 2008, respectively. It has also resulted in understatement of expenditures of \$ 104,690.04 and \$52,086.09 in fiscal years 2008 and as of December 2008, respectively.

*#1 Recommendation:* It is recommended that Finance review the detailed reconciliations prepared by Treasury and the Detention Center personnel. Finance must record the monthly transactions to reflect the actual activity of receipts and disbursements for the fund on a regular basis. It is also recommended that signature authority be removed from the Detention Center Director and personnel as the Center has no ordinance authority over said fund. Funds should be placed in the custody of the Treasury and expenditures request should follow appropriate County procurement and payment request processes.

This matter was brought to the attention of Management and resulted in immediate corrective action. As of July 1, 2009, the account will be reconciled, controlled and documented by the Treasury and Finance Departments. All receipts will be recorded by Finance and disbursements will follow prescribed purchasing / procurements policy and procedures. Reconciliations shall be maintained by Treasury.

*#1 Management response by Chris Barela, Director of Detention Center and Michael Pitts, Accounting Specialist.*

The system is now in place to monitor, reconcile and record activity of this account via the Treasurer's office. Detention Center Management will cooperate with the recommendations made on behalf of this audit.

### **Finding #2- Segregation of duties between Purchasing and Receiving – Type II finding.**

A review of the purchasing cycle revealed the purchasing function and the receiving function is performed by the same person. Segregation of duties is not appropriate.

*#2Recommendation:* It is recommended requisition and receiving functions be performed by separate individuals. It is also recommended that the receiving function be performed by the accounting specialist to establish separation of duties.

*#2 Management responses by Chris Barela, Director, DC and Brenda Mosley, Purchasing-Accounting Specialist.*

We concur. In order to implement the recommendation, the Doña Ana County Detention Center will separate these duties with two individuals. Purchasing-Accounting Specialist will continue to carry out the purchasing function, however, receiving shall be verified by Accounting Specialist.

**Finding #3- Contract reviews. Type I Finding.**

The primary services contractor has a multiyear contract. Recently renewals and extensions of the contracts were completed following a general performance review. The review process for renewals is performed jointly by Purchasing, Detention Center management and the Compliance Officer. The renewal of the contract contained a Cost Price Index adjustment (CPI) increase. The County's CPI use in other contracts revealed that the CPI adjustment for the year was actually a decrease. County wide application of CPI methodology must be consistent and defined as to which CPI shall be used in contracts. The difference in applying the CPI index resulted in increased costs to the County. Increased costs were approximately \$30,000 in the maintenance/janitorial contract and approximately \$29,000 in the Inmate Food Service Contract.

*#3 Recommendations:* County wide use of CPI applications must be consistent and defined as to which CPI indices shall be used in contracts. Purchasing contracting should ensure consistent application and eliminate the possibility of misinterpretation. Contracts should contain well defined CPI indices and methods of calculation to be used by the parties.

*#3 Management response by Chris Barela, Director, DC*

We agree with the recommendation. This office will comply with whatever CPI formula is determined to be appropriate by Finance Department. When a formula is determined, a notice should be sent to all vendors identifying for uniformity the formula as the County CPI.

**Finding #4- Organizational structure- Type I Finding.**

Organizational structure must establish segregation of duties and clearly define the lines of authority. It is noted that the Director does not distribute the organizational chart among employees. This practice leads to confusion, conflicts on assignments and uncertainty as to the lines of authority.

*#4 Recommendation:* It is recommended that the Organization Chart be distributed and discussed with key employees to eliminate confusion about lines of authority.

*#4 Management response by Chris Barela, Director, DC*

The organization structure provided is clear and concise within the organization. There is no confusion regarding lines of authority at the detention center. Even so, DACDC understands that other County Departments may not be able to clearly differentiate the lines of command, therefore Detention Management will provide a new organization chart with specific names assigned to positions

**Finding #5- Purchasing Cycle -Type I Finding.**

A review of the Purchasing process and related disbursements disclosed some of the transactions did not follow requirements of bidding and purchase order approvals through the County's Banner integrated system. The exceptions included the disbursement from the Inmate Welfare fund. Of 24 tested items, 20 were found as exceptions.

*#5 Recommendation: It is recommended the Department comply with processing and reporting requirements for the purchasing goods and services. All purchasing must be processed through proper requisition and purchase order procedures.*

*#5 Management response Chris Barela, Director, DC and Brenda Mosley, Purchasing Specialist.*

As a result of this audit Detention Center Management acknowledges this concern. Although all purchase activity in this fund have been held to the standards of County purchasing i.e., bidding, quotes, & GSA. The inmate welfare fund had not been integrated to the County Banner system and thereby has not had all the oversight by County Purchasing Department. Detention Center Management will cooperate and adhere to the recommendations of this audit.

**Finding #6- Expenditure Code-Type I Finding.**

A review of the disbursements disclosed several entries with incorrect expense account codes which were consistent with the incurred expense account code. Expenditures for various staff training and medical group meals were charged to the Care of Inmates account. Staff meals are not an allowable expense under current policy.

*#6 Recommendation: It is recommended all purchasing activity follow prescribed requisition and purchase order procedures. All accounting codes must correlate to budget line items with adequate funding available.*

*#6 Management response Chris Barela, Director, DC and Brenda Mosley, Purchasing Specialist.*

Although the purchases under this line item have been for work related training and or business conducted during the hours of lunch, Detention Center Management acknowledges the recommendation and will make adjustments to ensure that purchases match the coding on the budget per purchase.

## Operational Recommendations

Internal Audit defines *operational comments* according to the following scale

- I. Strong – operations are adequate and efficient
- II. Satisfactory – there are a few issues management needs to address
- III. Unsatisfactory – there are many issues management needs to address
- IV. Not acceptable – there are many issues management needs to address in a high priority manner.

The overall summary grade for the following recommendations is Grade II, Satisfactory. There are a few items management needs to address; however, overall controls appear to be documented and are operating effectively.

**Finding #A Internal Budget Revisions.** A sample of Internal Budget Revisions (IBR's) were reviewed and examined for appropriateness and proper recording. Excess IBR requests were noted indicating poor budget or unrealistic spending patterns.

*#A Operational Recommendation: The use of IBR's should be limited to key account reconciliations throughout the year.*

*#A Management response by Chris Barela, Director, DC*

The Detention Center has met with Finance Department and has identified new line items that will assist us in more accurately track and match purchases to accounting codes thereby reducing the need for IBR's in the future.

**Finding #B Welfare fund expenditures.** Expenditures from the Inmate Welfare funds should be for appropriate uses for welfare of inmates as defined by legal or penal system best practices. Management does not have specific guidelines defining appropriate expenditures.

*#B Operational recommendation: Detention Center should reaffirm strict interpretation of use of welfare funds using best practices guidelines as a model. Research on practices by other institutions should be established as guidelines.*

*#B Management response by Chris Barela, Director, DC and Brenda Moseley, Purchasing Specialist*

The Detention Center has enlisted the assistance of County Legal Department to research this matter to determine and identify exact practice standards and spirit of the guideline. All past expenditures in this fund has been used for the benefit “of and needs” of inmates, even in cases where the detention center has budgeted line items. When the research is completed the Detention Center will comply with the standards and guidelines established.

**Finding #C Payroll Time sheets.** Timesheets are approved by the departmental supervisor (signatory evidence) prior to processing of payroll. It was noted that Leave forms are excessively used by employee to replace time lost due to tardiness. Many of the Vacation Leave forms indicated minimal times of less than 1/4 hour. This creates an administrative burden on payroll administrators. As many as 50 forms were noted in the pay period reviewed.

*#C Operational recommendation. It is recommended the Detention Center establishes a policy regarding the use of leave forms for minimal times. It is suggested less that a minimum amount of time be established that can be used to account for time lost or tardy and refrain from using the Leave forms.*

*#C Management response by Chris Barela, Director, DC and Mercy Garibay, Payroll administrator, DC*

As a result of this audit, this issue was identified and has been remedied. The Detention Center shall only record and remit payment for time worked, and not use leave forms for tardy or late times or leave without pay and generally follow established payroll guidelines.

**Finding #D Payroll administrator.** All payroll related processes are performed by the Payroll Administrator. It is a one person department. The payroll process for this department is complex and burdensome because of the number employees, shift differentials, and the 24/7 operational nature of the department. The all functions are performed solely by the one person and there is no adequately trained person as an alternative. In event of an accident or an extended absence by that staff person, the department would be negatively impacted.

*#D Operational recommendation. It is recommended the DC management identify an alternate and provide adequate training to perform those duties. This is an urgent matter that management should address.*

*#D Management response by Chris Barela, Director, DC and Mercy Garibay, Payroll administrator, DC*

Although I recognize this as important, I am unable to comply with this request. Currently, I reach out to other County Departments for assistance or hire a temporary. Each position I have is worked at maximum capacity and is already engaging all possible overlapping duties. Detention Center does not have the means to set up and provide an alternate payroll person within the existing staffing.

**Finding #E Overtime Costs.** Some items are over-spent. Management is aware of the condition. Overtime costs continue to be a problem. Overtime is paid in lieu of adequate staff. This results in employee burn out and loss of alertness. Overtime costs have increased consecutively for the last three fiscal years. Increased management attention to this issue is needed. Although this is an industry issue, management should make additional proactive efforts to better manage this issue.

*#E Operational recommendation: It acknowledged management has several on-going efforts to manage the condition. Management should develop a cost control plan to make improvements. It is recommended that management consider the use of civilian employees to perform administrative duties currently performed by officers. This will provide additional officer coverage in needed areas. Other initiatives must be developed.*

*#E Management response by Chris Barela, Director, DC* The Detention Center and County Management are currently working to address this issue. This year we have added 26 officer level positions increasing our officer FTE's to 165 for Adult and Juvenile facilities. Based on the current hiring trend we anticipate that we shall have all 26 (13 are still vacant) positions filled by November 2009. We have also added two civilian positions to assist with inmate program needs. I have also submitted a request for

five civilian positions, four to carry out disposition duties and one in reception, where I have five officers working. Even so, overtime will remain an issue until this facility is staffed with at least 202 grade 11 officer level positions.

**Finding #F. Risk Management.** The number of claims and incidents reported by NMAC during the period 7-1-07 through 3-31-09 showed 28 claims on the multi-line policy and 49 workman's comp cases. NMAC reported \$316,544 in multi-line claims costs and \$146,520 in workman's comp costs for the referenced period.

The claims filed against the by the department is among the highest in the county as reported by the NM Association of Counties (NMAC). Risk management department performs inspections, reviews and analysis of risk exposure issues on the Detention Center. There is substantial improvement in departmental claim activity although it continues to be a major concern for management. The current fiscal year 2010 claims have shown an increase from the prior year and management is monitoring activity, causes and developing programs in attempts to minimize occurrences.

In addition there are six pending law suits. There are probable losses on those claims and NMAC will prescribe the loss reserves according to Risk Management and legal counsel.

*#F Operational recommendation: The high occurrence of incidents, claims and lawsuits related to operations justifies continued close monitoring of risk awareness and management correction actions. Some significant improvement in compliance is noted but Senior Management should give additional guidance and direction. The Detention Center management and Compliance Officer maintain a log of inspections and risk issues noted but vigilance and proactive/educational programs must be increased to continue incident reduction efforts. The Detention Center communication with Risk Management department should be improved with the immediate reporting of incidents and results of all inspections, incidents, and updated reports on corrective actions. This communication could result in Risk Management Department's prompt review, assessment, and recommendations to minimize incidents and reduce costs.*

*#F. Management response by Chris Barela, Director, DC and Don Fennerty, Compliance Officer.*

Detention staff (Compliance Specialist and Safety Sergeant) shall participate in the Inspection schedule for 2009 (inspections bi-monthly): The detention facility is broken up into seven zones for custodial, and maintenance and safety, the seven zones will be inspected approximately (4) four times per year by the Safety Sergeant and Compliance Specialist. More frequent inspections are done bi-weekly by officers and Aramark Maintenance. Results are recorded both in JCMS and ICIS pro system.

Other strategies will include analysis of past injuries and future injury analysis including discovery of common injury types such as falls, sprains, strains and work with risk management to evaluate and determine the common behavioral causes such as rushing, complacency, frustration, and fatigue. We will include information and recommendations to risk management so they may:

1. Put together an action plan for recording injuries, investigation of injury, auditing or inspection of area.
2. We will provide risk management with information so that they may generate monthly supplements to RAP specific to DACDC for all future incidents.
3. Graph Data types (area, injury type, cause type) including analysis.