

SANTA BARBARA COUNTY SHERIFF'S OFFICE
CALIFORNIA DEPARTMENT OF CORRECTIONS
AND REHABILITATION AGREEMENT NO C06.444

Audit Reports

For the Period of February 1, 2007 through June 30, 2009



Issued by the Office of Santa Barbara County Auditor-Controller
Robert W. Geis, CPA, Auditor-Controller

**Santa Barbara County Sheriff's Office
California Department of Corrections and Rehabilitation
Agreement No. C06.444**

Audit Reports

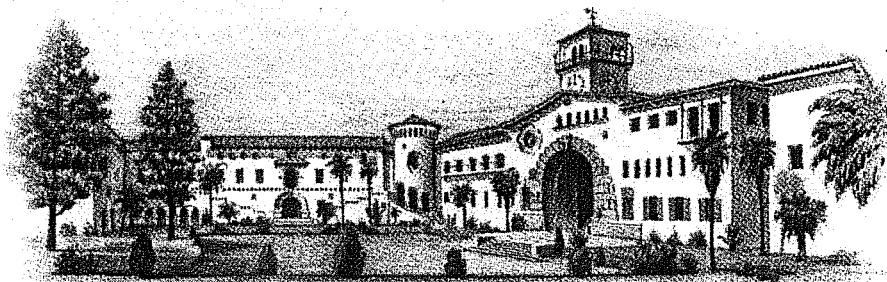
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County of Santa Barbara

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Office of the Auditor-Controller

Auditor's Report

To the Office of the Santa Barbara County Sheriff:

We were engaged to audit the accompanying Statement of Grant Revenues and Expenditures and the Statement of Costs Claimed and Accepted (the financial statements) of the Office of the Santa Barbara County Sheriff (Sheriff) in accordance with the California Department of Corrections and Rehabilitation (CDCR) grant agreement No.C06.444 (the grant agreement) for the period February 1, 2007 through June 30, 2009. The financial statements are the responsibility of the Sheriff's management.

The accompanying financial statements were prepared for the purpose of complying with the requirements of the CDCR, Adult Programs Handbook as described in Note 1 and are not intended to be a complete presentation of the County's revenues and expenditures.

Under the grant agreement, the Sheriff is required to track program participation and attendance records. We could not obtain supporting documentation, including but not limited to, participant case files, participant sign-in sheets, and case manager notes to validate program participation. We were unable to satisfy ourselves regarding program participation by means of other audit procedures.

Because the Sheriff could not provide records supporting program participation and attendance for 28 percent of our sample, and we were unable to apply other auditing procedures to satisfy ourselves, the scope of our work was not sufficient to enable us to express, and accordingly, we do not express an opinion on the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2011 on our consideration of the Sheriff's internal control over financial reporting pertaining to the financial statements and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.

This report is intended for the information of the Sheriff's management and for filing with the CDCR. However, this report is a matter of public record and its distribution is not limited.

Robert W. Geis, CPA
Auditor-Controller
August 30, 2011

**Santa Barbara County Sheriff's Office
California Department of Corrections and Rehabilitation
Agreement No. C06.444**

**Statement of Grant Revenues and Expenditures
For the Period, February 1, 2007 through June 30, 2009**

Grant Revenue	
State	\$ 652,500
	<hr/>
Total Revenues	652,500
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Grant Expenditures	
Grantee Personnel Costs	2,653
Sub-Contractors/Consultant Costs	649,752
Travel	95
	<hr/>
Total Expenditures	652,500
	<hr/>
Excess of Revenues over Expenditures	\$ -
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

**Santa Barbara County Sheriff's Office
California Department of Corrections and Rehabilitation
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**Statement of Costs Claimed and Accepted
For the Period, February 1, 2007 through June 30, 2009**

<u>Budget Line Item</u>	<u>Costs Claimed</u>	<u>Costs Accepted</u>	<u>Recommended Disallowances</u>
Grantee Personnel Costs	\$ 2,653	\$ 2,653	\$ -
Sub-Contractors/Consultant Costs	649,752	641,633	8,119
Travel	95	95	-
Totals	<u>\$ 652,500</u>	<u>\$ 644,381</u>	<u>\$ 8,119</u>

The accompanying notes are an integral part of these financial statements.

**Santa Barbara County Sheriff's Office
California Department of Corrections and Rehabilitation
Agreement No. C06.444**

**Notes to the Financial Statements
For the Period, February 1, 2007 through June 30, 2009**

1. Summary of Significant Accounting Policies

General Program Information

The California Department of Corrections and Rehabilitation (CDCR) administers grant funding for the Sheriff's Office Re-entry Program. This program supports an effort to reduce parolee recidivism by providing residential reentry services including alcohol and drug counseling, clean and sober living skills, life skills resources, family reunification and vocational training services to parolees.

Basis of Accounting

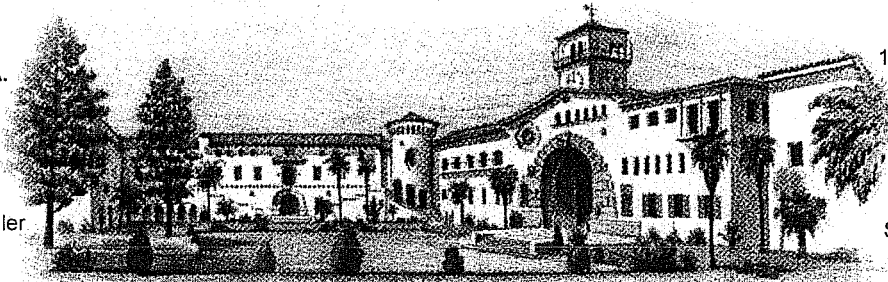
The accompanying financial statements are prepared from the grant award as approved by the CDCR the Request for Fund Disbursements (Forms DCP Grant 004), and the Sheriff's records.

Forms DCP Grant 004 were prepared by the Sheriff's personnel in accordance with CDCR requirements. The *Statement of Grant Revenues and Expenditures* and *Statement of Costs Claimed and Accepted* were prepared for the purpose of complying with the requirements of the CDCR, Adult Programs Handbook. Accordingly, the accompanying financial statements are not intended to present the financial position and changes in financial position of the Sheriff's Office as a whole, in conformity with accounting principles generally accepted in the United States of America.

County of Santa Barbara

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Office of the Auditor-Controller

Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With Government Auditing Standards

To the Office of the Santa Barbara County Sheriff:

We were engaged to audit the Statement of Grant Revenues and Expenditures and the Statement of Costs Claimed and Accepted (the financial statements) for the California Department of Corrections and Rehabilitation grant agreement No.C06.444 of the Office of the Santa Barbara County Sheriff (Sheriff) for the period February 1, 2007 through June 30, 2009. As specifically discussed in our report dated August 30, 2011, we were unable to express an opinion on the financial statements due to a scope limitation regarding insufficient audit evidence.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Sheriff's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of its internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. As described in the accompanying Schedule of Findings and Recommendations we identified certain deficiencies that we consider to be material weaknesses. Findings **2009.1**, **2009.2** and **2009.3** are considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance as to whether the Sheriff's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing and opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are reported in the accompanying Schedule of Findings and Recommendations.

The Sheriff's response to the findings identified in our engagement is described in the accompanying Schedule of Findings and Recommendations. We did not audit the Sheriff's response and, accordingly, we express no opinion on it.

This report is intended for the information of the Sheriff's management and for filing with the State of California Department of Corrections and Rehabilitation. However, this report is a matter of public record and its distribution is not limited.



Robert W. Geis, CPA
Auditor-Controller
August 30, 2011

**Santa Barbara County Sheriff's Office
California Department of Corrections and Rehabilitation
Agreement No. C06.444**

**Schedule of Findings and Recommendations
For the Period, February 1, 2007 through June 30, 2009**

Finding No. 2009.1 – Charges Under Contract Terms and Conditions

The Sheriff's Office contracted with an external agency to provide services under the grant program. The agreement specified that services would include housing, counseling, drug testing, and vocational training for \$650,980. The breakdown between contracted services and those invoiced during February 1, 2007 through June 30, 2009 is shown below:

	<u>Contracted</u>	<u>Invoiced</u>	<u>Over/(Under)</u>
Housing	\$ 203,280	\$ 235,159	\$ 31,879
Counseling	239,580	58,577	(181,003)
Drug Testing	87,120	9,205	(77,915)
Vocational Training	121,000	-	(121,000)
Administrative Fee	-	59,227	59,227
Professional Services	-	2,884	2,884
Case Management Salaries	-	281,700	281,700
Total	<u>\$ 650,980</u>	<u>\$ 646,752</u>	<u>\$ (4,228)</u>

We noted instances where amounts paid to the external agency were not specified in the terms and conditions of the agreement. Specifically, a 10% administrative fee of \$59,227 was paid to the external agency, and case management salary payments of \$281,700 were made for three of the external agency's employees. We were unable to allocate these costs to other services described in the agreement.

Payments for services made outside of contract terms and conditions may be unallowable.

Recommendation: We recommend that the Sheriff's Office monitor agreements with external agencies to ensure that amounts paid are within the agreement's terms and conditions and/or modify if necessary.

Views of Responsible Officials:

Agree with this finding on monitoring the contracts with service providers in accordance with grant requirements. It is incumbent on the external agency as well as the Sheriff's Office to comply with contractual terms and grant requirements. This grant was a new program by CDCR for funding reentry services. The Sheriff's Office contracted with Good Samaritan, who provided the services but did not bill to grant specifics. Case management salaries were used towards vocational training and other required services not specifically billed. In this case there was insufficient staffing to monitor the external agency and ensure that the documentation requirements of the grant were met. Since the completion of this grant, the Sheriff's Office has filled a vacant Accountant III position that provides the oversight for contract and grant management. In addition, subsequent to the completion of this program, the Sheriff's Office was awarded a two year, \$3 million grant by CDCR to operate two Day Reporting Centers. The combination of the Sheriff staff and the service provider hired to implement this program, Community Solutions, Inc., should ensure compliance with grant and contract terms and conditions.

Finding No. 2009.2 – Supporting Documentation for Participant Records

The contract between CDCR and the Sheriff's Office requires that the following participant data be tracked and maintained:

- CDCR number
- Demographic, socioeconomic and criminogenic data
- Names of assessment instruments and baseline data
- Appropriate case management data designed for follow up
- Date participant is assessed, referred and shows up for service
- Program participation attendance records
- Monthly follow-up data detailing participant progress
- Program data on successful or unsuccessful discharge status

According to the contract, appropriate case management data should include name of case manager, date manager assigned, follow-up dates, status on entry, and end of month status for ongoing treatments or terminations. Program participation data should include daily, weekly, and monthly attendance records, hours of treatment, and outcome/performance measures specific to each program, both on the individual and the cohort level, should also be maintained.

The external agency providing services to the Sheriff's Office did not maintain certain documentation listed above. Monitoring was not performed by the Sheriff's Office to ensure that services were adequately documented. Without adequate supporting documentation, amounts could be paid for services that did not occur.

In our sample size of 69 billing transactions, we noted:

- 6 instances where the case file could not be located for the participant and information to support the billing transaction could not be obtained.
- 19 instances where coordinator (case manager) meeting sheets were not retained and/or prepared for participants.
- 25 instances where the discharge summary form was not retained in the case file.
- 13 instances where supporting documentation listed above to substantiate the billing transaction could not be obtained.
- 6 instances, amounting to \$1,860, where services were billed and paid, but not rendered. For example, the participant's attendance records showed that the participant did not stay at the facility during the period billed. This amount has been included in the schedule as a recommended disallowance.

The 19 instances where supporting information, as specified above, was not obtained were not included as questioned costs by the auditor.

Recommendation: We recommend that the Sheriff's Office monitor agreements with external agencies to ensure that adequate documentation is accumulated and retained.

Views of Responsible Officials:

Agree with this finding of deficiency in record keeping as is evident from the audit details and subsequent follow up review performed. This should have been prevented with adequate oversight by the Sheriff's Office. Future and current contracts should allocate resources to perform financial as well as contract requirement oversight.

The dollar amount from this finding has been included in the schedule as a recommended disallowance. There was an adjustment on the final claim for \$1,665 due to contract cost limit. This should be offset if an overcharge is assessed requiring an award reimbursement for disallowance.

Finding No. 2009.3 – Supporting Documentation for Payroll Charges

Payroll reports and other supporting documentation for salary charges were not readily available at the external agency. The agency's Controller recreated this supporting documentation which varied from amounts originally claimed by \$6,259. This amount is included in the schedule as a recommended disallowance.

Recommendation: The Sheriff's Office should require actual payroll reports as supporting documentation for payment of invoice instead of paying from Excel spreadsheets.

Views of Responsible Officials:

Agree with finding as it relates to requiring source documentation in support of invoices. While spreadsheets facilitate the completion of the documentation process, acquisition of source documents and retention in a file cannot be substituted.

As noted in Finding #1, the lack of a professional accountant on staff to support this grant contributed to insufficient oversight that would have identified the lack of supporting documentation that should have been provided by the external agency. The filling of a vacant Accountant position in the Sheriff's Office has, for the most part, eliminated the lack of documentation in support of grants and provided real-time grant management as the programs proceed.