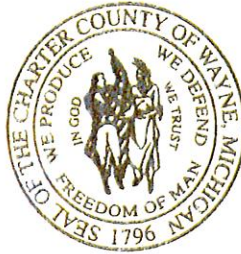


Office of Legislative
Auditor General

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July 15, 2016

FINAL REPORT TRANSMITTAL LETTER

Honorable Wayne County Commissioners:

Enclosed is our final copy of the Office of the Legislative Auditor General's Performance Audit for the Office of Sheriff, Billings for Housing and Maintenance of Inmates. The report is dated June 1, 2016; DAP No. 2016-57-002. The report was accepted by the Audit Committee on June 29, 2016, and formally received by the Wayne County Commission on July 7, 2016.

If you have any questions, concerns, or desire to discuss the report in greater detail, we would be happy to do so at your convenience. The report is intended for your information and should not be used for any other purpose. Copies of all Office of Legislative Auditor General's final reports can be found on our website at: <http://www.waynecounty.com/commission/743.htm>

Marcella Cora, CPA, CIA, CGMA, CICA
Auditor General

REPORT DISTRIBUTION

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Wayne County Executive



County of Wayne, Michigan

Office of the Sheriff

**BILLINGS FOR HOUSING AND
MAINTENANCE OF INMATES**

Performance Audit

June 1, 2016

DAP NO. 2016-57-002

EXECUTIVE SUMMARY

Type of Engagement, Scope, and Methodology

At the request of the Department of Management & Budget, the Office of Legislative Auditor General conducted a performance audit of the Office of Sheriff, Billings for Housing and Maintenance of Inmates. This type of engagement provides an objective analysis to assist management and those charged with governance and oversight. The information provided can help improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action and contribute to public accountability.

Our objectives for this engagement were to: 1) Assess the timeliness of sheriff billings for housing and maintenance of inmates; and, 2) Assess the accuracy of sheriff billings and subsequent collections.

The fieldwork was substantially completed on June 1, 2016, and the scope of our engagement was for the period October 1, 2014 through January 31, 2016. The principal methodology used for this engagement was limited to interviews with key members of management, inquiries, examination of documents, observations, and analytical procedures.

Introduction

The Wayne County Office of Sheriff bills the Michigan Department of Corrections, U.S. Marshals Service, and local units of government for housing and maintenance of their inmates. The billings are prepared by the Sheriff's Office and submitted to Central Accounts Receivable, a unit of Grants and Contract Administration within the Department of Management and Budget who, in turn, invoices the entities.

Summary of Issues

We determined there are seven (7) areas of concern and recommendations to strengthen the controls and processes of the Office of the Sheriff and Central Accounts Receivable for billing the housing and maintenance of inmates. Six (6) of the recommendations are classified as significant deficiencies, which are deemed to be medium risk; and one (1) is considered to be a control deficiency – design, which is classified as relatively low risk. See Appendix C for a definition of the various types of internal control deficiencies.

Areas within the Office of the Sheriff and Central Accounts Receivable we identified that could be strengthened include:

- Submission of billings to Central Accounts Receivable shortly after the billing month ends.
- Enhance processes to ensure that inmates are billed to the correct municipality.
- Municipalities are billed for only the days the inmate is held within the Wayne County Jail.
- Provide clarity when an inmate is held on both a state and local charge.
- Sheriff's office should follow their own billing procedures.
- Increase the communication between Central Accounts Receivable, the Sheriff's Office and various municipalities over billing disputes.
- Increase collection efforts with the City of Detroit for their outstanding receivable balance.

Views of Responsible Officials

We discussed the issues and corresponding recommendations with the Wayne County Office of Sheriff and Central Accounts Receivable officials, as well as the Commission Counsel for the Wayne County Commission. Management's comments for the Office of the Sheriff and Central Accounts Receivable have been included in the attached appendices.

Corrective Action Plan

A Corrective Action Plan (CAP) will be requested approximately 30 days after this report is formally received and filed by the Wayne County Commission. If sufficient corrective action is not taken, a follow-up review may be necessary.

REPORT DETAILS

PURPOSE / OBJECTIVE

At the request of the Department of Management & Budget, the Office of Legislative Auditor General conducted a performance audit of the Office of Sheriff, Billings for Housing and Maintenance of Inmates. This type of engagement provides an objective analysis to assist management and those charged with governance and oversight. The information provided can help improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action and contribute to public accountability.

Our objectives for this engagement were to: 1) Assess the timeliness of sheriff billings for housing and maintenance of inmates; and, 2) Assess the accuracy of sheriff billings and subsequent collections.

SCOPE

We conducted this performance audit in accordance with Generally Accepted Governmental Auditing Standards (GAGAS) issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

The scope of our work primarily covered the period of October 1, 2014 through January 31, 2016. The fieldwork for this engagement was substantially completed on June 1, 2016.

METHODOLOGY

To address the objectives outlined for this engagement and obtain an understanding of the Wayne County Sheriff's Office billing activity we conducted observations, inquiries, analytical procedures, interviewed management officials in both the Sheriff's Office and Central Accounts Receivable (CAR). We performed walkthroughs of the billing activity to gain an understanding on how the data required for the billings is generated and compiled and how the billing information flows to CAR and ultimately, how invoices are generated.

We also conducted telephone interviews with municipalities that were invoiced for the housing of inmates to gain an understanding of their review of the invoices and how a determination is made that an inmate should not have been billed.

Finally, we met with management officials to discuss our findings, obtain their input, and their concurrence and/or disagreement with the report's conclusions, findings and recommendations.

BACKGROUND

Wayne County operates the largest jail system in the State of Michigan, which includes three major facilities. The facilities house pretrial and sentenced felons, misdemeanants, ordinance, and civil Friend of the Court violators as well as U.S. Marshal detainees.

The county houses parolee detainees according to a State of Michigan Statute. The state reimburses Wayne County \$35 per day. Also, the county has an agreement with the U.S. Marshal to house their inmates and the county is reimbursed \$145 per day.

In addition, the State of Michigan has a County Jail Reimbursement Program which began in January 1989 with Public Act of 324 of 1988 for the purpose of reimbursing counties for housing in jails felons who otherwise would have been sentenced to prison. A new public act is enacted every year to authorize the reimbursement for felons meeting the program requirements. The county is eligible for reimbursement for housing a convicted felon for an original sentence, or a violation of probation sentence. The offender's guideline score determines whether the rate reimbursed by the State of Michigan is \$35, \$50, or \$60 per day.

Local Communities – Section 197-2 of the Wayne County Code of Ordinances allows the Sheriff's Office to bill the local community when an inmate is committed to the county jail as a result of charges made under a local ordinance or for failure to pay a civil fine. The rate billed is \$35 per day.

ASSESS THE TIMELINESS OF SHERIFF BILLINGS FOR HOUSING AND MAINTENANCE OF INMATES

Objective No. 1 - Assess the Timeliness of Sheriff Billings for Housing and Maintenance of Inmates.

The Wayne County Sheriff bills the Michigan Department of Corrections, U.S. Marshal Services, and local municipalities (local charges) for housing and maintenance of inmates. As part of the billing process, the Sheriff's Finance Office provides a detailed listing of the billing information (housing and maintenance), by inmate, by entity, to Central Accounts Receivable (CAR) who, in turn, prepares and sends the invoices to the various entities on a monthly basis. For the period of our review, the total amount of billings was over \$7.2 million with the average monthly billing of \$561,661.

Conclusion

Central Accounts Receivable invoices for the housing and maintenance of inmates within a couple of days of receiving the billing information from the Sheriff's Office. However, the Sheriff's Office is not providing the billing information to CAR on a timely basis. In some instances, it was up to almost 90 days after the month end.

Sheriff Billings Not Submitted to Central Accounts Receivable Timely

Condition

We obtained billing information submitted by Sheriff Finance to CAR during the scope period of our engagement and performed an analysis for the service months of October 1, 2014 through September 30, 2015. Based on our review we noted in all instances that the billing information was submitted to CAR past the required time period of 10 days after month end as stated in County Policy #14001 (*Accounts Receivable Billings and Accounting Procedures*). Specifically, we identified the average number of days for Sheriff Finance to submit billing information to CAR was 76 days from the end of the applicable month being billed.

Analysis of Sheriff Billings Service Period: October 1, 2014 - September 30, 2015

| | Average Number of Days to Submit to CAR | Total Amount of Billings | Average Monthly Amount of Billings |
|---|--|--------------------------------|---|
| Local Municipalities | 88 | \$2,647,505 | \$176,300 |
| State of Michigan – Diverted Felons | 67 | 2,484,030 | 207,002 |
| State of Michigan – Parole Detainees | 92 | 71,645 | 5,970 |
| U.S. Marshals | 45 | 2,068,666 | 172,389 |
| Total Billings | 76 | \$7,271,846 | \$561,661 |

Criteria

County Policy #14001, Section IV. (A) Policy Provisions - Billings and Accounting Procedures, User Department Responsibilities states: *"Provide accurate and appropriate billing information to Central Accounts Receivable within ten (10) days of the provision of services." (For the Sheriff, billing information is on a monthly basis.)*

Cause

According to Sheriff Finance management, they have been short staffed during the scope period of our review and this has caused them to fall behind in the timely submission of billings.

Consequences

Delays in providing the billing information to CAR results in the various entities not receiving the invoices for services provided in a timely manner. More importantly, delays in invoicing the customers results in the county not receiving revenue for services rendered. In addition, not providing billing information on a timely basis to CAR could lead to billing errors, which could result in discrepancies not being addressed in a timely manner.

Recommendation #2016-01

We recommend Sheriff Finance management assess their policies and procedures to determine how jail inmate billing information could be completed and submitted to CAR in a timely manner to comply with County Policy #14001.

Views of Responsible Officials

See Appendix A for management's comments.

ASSESS THE ACCURACY OF SHERIFF BILLINGS AND SUBSEQUENT COLLECTIONS

Objective No. 2 - Assess the Accuracy of Sheriff Billings and Subsequent Collections.

As of January 31, 2016 Wayne County Central Accounts Receivable had an open balance of \$1,618,452 in billings for housing and maintenance of inmates. The entire balance was with local municipalities of which \$1,267,280 is from the City of Detroit. Another concern is that of the total open balance amount, \$1,380,522, or 85 percent was over 90 days old. Some of the open balances are for invoices as old as December 2012.

In order to determine the reason for the open balances, we performed a detailed review of the period of October 1, 2014 through September 30, 2015. For the period of our detailed review, the Sheriff's Office billed other units of government \$7,271,846 as shown below:

Sheriff Billings for Housing & Maintenance of Inmates
Service Period: October 1, 2014 - September 30, 2015

| | Total Amount of Billings | Amount Collected | Amount Not Collected |
|---|--------------------------------|---------------------|-------------------------|
| Local Municipalities | \$2,647,505 | \$1,646,967 | \$1,000,538 |
| State of Michigan – Diverted Felons | 2,484,030 | 2,484,030 | 0 |
| State of Michigan – Parole Detainees | 71,645 | 71,645 | 0 |
| U.S. Marshals | 2,068,666 | 2,068,666 | 0 |
| Total Billings | \$7,271,846 | \$6,271,308 | \$1,000,538 |

Of the \$7,271,846 billed, \$4,624,341 or 64 percent was billed to the State of Michigan and U.S. Marshals and was collected in full. However, of the remaining \$2,647,505 that was billed to local municipalities, only \$1,646,967 was actually collected resulting in an open balance of \$1,000,538. The open balance for the period of October 1, 2014 through September 30, 2015 includes \$880,845 for the City of Detroit. The remaining amount, \$119,693 is primarily a result of deductions made by the other local municipalities for disputes on their billings.

In order to determine the validity of the deductions, we obtained and reviewed the documentation submitted by six of the municipalities. We also received additional documentation to support disputes that were not within our scope period, but were available, so we reviewed to determine the validity.

The billing disputes we were provided documentation for represented 148 instances from 10 different municipalities. For these 148 instances, the Sheriff's office billed a total of 2,247 days in the amount of \$78,645. Of this amount, the municipalities disputed \$58,415, or 75 percent of the billings. The \$58,415 represented 1,669 disputed days.

To determine whether the billings were correct or whether the deductions were appropriate, we compared the Sheriff's billing information to the jail system report to determine if release dates were accurate. We reviewed the tether report to determine when inmates were released on tether. We also reviewed documentation from the court systems to determine from which municipality a disputed inmate was actually from.

Conclusion

The billings to the State of Michigan and U.S. Marshals appear accurate based on the amounts paid and there are no outstanding balances for either. However, it does not appear that Sheriff billings to the local municipalities were always accurate based on inmate days of stay. Specifically, we noted that \$47,215 or 60% of these Sheriff invoices were billed in error, and therefore, the deductions were appropriate. In fact, based on these amounts, 80 percent of the municipality's disputes were valid. As shown below:

Amounts OAG Confirmed Were Billed in Error

| Period | Sheriff Billings | | Municipality Disputed | | OAG Confirmed Overbilled Amount | % Overbilled to Sheriff Billings | % Overbilled to Amount Disputed |
|------------------|------------------|-----------------|-----------------------|-----------------|---------------------------------|----------------------------------|---------------------------------|
| | Days | Amounts | Days | Amounts | | | |
| Within Scope | 2,122 | \$74,270 | 1,568 | \$54,880 | \$44,205 | 59% | 81% |
| Outside of Scope | 125 | 4,375 | 101 | 3,535 | 3,010 | 69% | 85% |
| Total | 2,247 | \$78,645 | 1,669 | \$58,415 | \$47,215 | 60% | 81% |

Specifically, based on our review of the supporting documentation provided by several municipalities that was submitted to Central Accounts Receivable, a significant number of the invoices billed for inmates were either billed to the wrong municipalities, billed for days when the inmate was not in the Wayne County Jail because they were either released early, released on bond, or were put on tether and/or in a residential facility. The other issue identified was that some of the municipalities were billed for inmates that were housed on state charges which the municipality is not responsible for. There was also an issue with one municipality where they were disputing when an inmate was housed on both a state and local charge.

In addition, processes over subsequent collections for the local municipalities could be enhanced. Specifically, the City of Detroit has not paid any invoices for our scope period and has an outstanding balance of \$1,267,280 as of January 1, 2016 or for the period of October 2014 through September 2015 of \$880,845. Another municipality had not paid any invoices for the period of June 2015 through September 2015 totaling \$28,035. In addition, Central Accounts Receivable and the Sheriff's Office do not have adequate procedures in place to follow up on deductions from payments to jail billing invoices to determine if the deductions are proper.

Inmates Billed to the Wrong Municipality

Condition

We reviewed billing disputes from six municipalities where a total of 19 inmates were billed to one municipality, when they should have been billed to another. In most cases, these were instances where the municipalities share a court. For the sample we reviewed, the total amount billed to the wrong municipality that was deducted from the billings was \$4,585, of which, \$3,255 was within the scope period. We were able to determine the municipality that should have been billed by comparing the Sheriff's billing information to the detail in the Record of Action within the District Court system. This information is available to the Sheriff Finance officials to verify prior to billing.

Criteria

Section 197.2 of the Wayne County Code of Ordinances establishes a \$35 per-diem rate that shall be billed to the local unit of government for inmates who are committed to the county jail as a result of charges made under a local ordinance or for failure to pay a civil fine.

Cause

According to Sheriff Finance officials, in many instances, when an inmate is brought in, jail registry may input the wrong municipality's police department as the arresting agency. However, there does not appear to be a process in place requiring Sheriff financial officials

review the complete record of action to ensure that the correct municipality is being billed, especially in those instances where a municipality shares a court with another municipality.

Consequences

When the county invoices the wrong municipality, it results in the municipality disputing the bill and deducting the incorrect charges from their payment. These deductions are not credited to the municipality, nor are they rebilled to the correct municipality; thus remaining as outstanding receivable balances. Crediting one municipality and billing the other requires additional time and resources that could be avoided if the additional review process is performed.

Recommendation #2016-02

In order to ensure that inmates are billed to the correct municipality, we recommend the Sheriff's finance office:

- For those inmates billed to the wrong municipality, issue credits for the amount billed in error and ensure the correct municipality is billed.
- In those municipalities that share a court, prior to finalizing the monthly bill, verify in the Register of Action that the correct municipality is being billed.

Views of Responsible Officials

See Appendix A for management's comments.

Inmates Billed When Inmate Was Released Early and/or on Tether

Condition

Of 148 total billing disputes that we reviewed, 112, or 76 percent, were disputed based on the release date of the inmate. We compared the release date on the billing detail provided with the invoice, to the municipality's disputed release date. To determine the valid release date, we compared both dates to the release dates provided in the Inmate Management System (IMS) and the release date listed on the tether report. The tether unit prepares a report showing all the pertinent information for each inmate placed on a tether. The report shows when the tether was placed on the inmate and when taken off. Of these 112 instances, we confirmed that in 70, or 63 percent of the instances, the municipality was correct and in two other instances the municipality was partially correct in that part of the dates disputed were correct.

Of the 70 instances with confirmed early release dates, 67 of those were either released on tether and/or to a residential facility. In most of these instances, the inmate received a final release from the tether which is recorded in the jail management report as the final release date. In most of the instances, the inmate was billed to the municipality from the time the inmate was put on tether to the final release date. The total amount of billings related to inaccurate release dates was \$33,455 for the billing disputes we reviewed.

In the other 40, or 36 percent of the instances where the county was correct in its billing, it appears that the municipality assumed the inmate was released early based on information in the District Court system; when in fact, the inmate may either not have been released or was released at a later date. In other instances, while the municipality was informed of an Administrative Judicial Release (AJR) date or release on bond date, the release may not have taken place on that date.

Criteria

Section 197.2 of the Wayne County Code of Ordinances establishes a \$35 per diem rate that inmates who are committed to the county jail as a result of charges made under a local ordinance or for a failure to pay a civil fine shall be billed to the local unit of government.

The director of the jails is authorized to order an administrative release for inmates in order to reduce crowding in the jail. Many of these inmates are released on a tether and/or to a residential facility.

Cause

We spoke with Sheriff Finance officials who indicated that they are not provided the AJR list that could be used to validate billings. Also, although they have access to the Tether Unit Master Inmate list, they do not use this as part of their daily review process to confirm dates of release. Further, when an inmate is released from the tether program, in most instances, they return to the tether unit located in the jail to have the tether removed and the jail management system shows this as the final release date, which may have led to the inaccurate billing dates. In other instances, municipalities were either misinformed of an administrative release or bond release or the dates posted within the court system were not accurate.

Consequences

Not verifying prior to billing whether an inmate was released early on a tether or for some other reason, results in inaccurate billings, which the municipalities dispute, deducting from their payment the days an inmate was not housed within the Wayne County Jail. These inaccurate billings remain as outstanding receivables, which should be credited to the respective municipalities. Subsequent follow up on the billings requires additional time and resources that could be avoided if the additional review process is performed.

Recommendation #2016-03

In order to ensure that billings are accurate based on actual release dates, we recommend Sheriff Finance officials:

- Compare the inmate billing to the tether report to ensure that inmates are not being billed for being housed in the jail when they were actually released on a tether, and/or to a residential facility.
- For those inmates released on a tether, ensure that the release date from jail corresponds with the date the tether was put on.
- Work with the Director of Jails and Sheriff Finance to determine a process to help ensure that municipalities receive the actual release date for administrative releases. In those instances where we have identified that the municipality's dispute was valid, ensure that a credit is issued to the municipality.
- In those instances where we have identified that the municipality is not correct, ensure that the documentation is provided to the municipality and rebill the municipality for days the inmate was actually housed in the jail.

Views of Responsible Officials

See Appendix A for management's comments.

Municipality Billed for State Charge or Deducted for Concurrent Charge

Condition

Of the 148 total instances of billing disputes that we reviewed, there were 13 instances where the municipality deducted from their payment for inmates that were either billed on state charges or concurrent state and local charges. These 13 instances were from two different municipalities. Specifically, two municipalities disputed and deducted a total of \$1,015 (\$875 and \$140, respectively) from their payments that represented billings for an inmate that was being housed on only a state charge. Ordinance #95-315 allows the inmate to be housed in the county jail at no cost to the committing court unit when charges are under state statute. The one municipality also disputed and deducted from their payment \$7,175 because the inmate was housed on both a local and state charge (concurrent).

Criteria

County Ordinance 95-315 states:

Sec. 197-2. - Per diem rate established.

"Inmates who are committed to the county jail as a result of charges made under state statutes shall be held without cost to the committing court unit. Inmates who are committed as a result of charges made under a local ordinance or for failure to pay a civil fine, shall be billed to the local unit of government under which ordinance the committing court proceeded at a per diem rate of \$35.00. This rate pertains only to units of local government in the county."

Cause

We spoke with Sheriff Finance officials and they indicated that they currently bill the municipalities based on Ordinance No. 95-315. Sheriff Finance officials believe there is a grey area in the ordinance language which some communities interpret that the municipality should not be charged for concurrent charges. In the two instances of state charges, these were merely an error in the billing.

Consequences

The current ordinance language results in some municipalities deducting when an inmate is housed on both local and state charges. The instances where the municipality was billed for only a state charge could result in the municipality deducting from their payment for these charges and ultimately resulted in a receivable balance.

Not clarifying in the county ordinance who is responsible when an inmate is housed on both a state and local charge will lead to continued disputes on the jail inmate billings and the possible loss of revenue for the county if the municipality should be billed.

Recommendation #2016-04

- (a) In order to help decrease the amount of billing disputes and more accurately bill the local communities, we recommend the county consider revising Enrolled Ordinance No. 95-315 to include clarification on who is responsible for the inmate housing and maintenance when an inmate is held on concurrent charges.
- (b) In order to reduce errors in the billing, enhance the procedures to ensure that inmates are not billed when held only on state charges.

Views of Responsible Officials

We discussed this issue with Commission Counsel who indicated that the recommendation to amend Section 197-2 of Chapter 197 of the Code of Ordinances will be submitted to the Public Safety Judiciary and Homeland Security Committee for review and recommendation to the Commission.

See Appendix A for additional management comments.

Sheriff's Office Not Following Their Own Procedures

Condition

We reviewed the Sheriff's Finance Office Procedures for Inmate Billings as of February 2016. We compared the written procedures to what Sheriff Finance officials were actually performing. We identified procedures that were supposed to be performed on a daily basis that were not being performed until the end of the month, or later, when billings were actually prepared. Specifically, Sheriff Finance does not print a daily report from the IMS system nor do they determine which inmates booked in that day are eligible to be billed by reconciling jail intake/court paperwork with names on the booking log. These procedures are currently performed at the end of the month or when they begin preparing the detailed billing information to send to Central Accounts Receivable (CAR).

Criteria

Wayne County Sheriff's Office, *Billing Procedures for Inmate Billings* dated February 2016 provides procedures the Sheriff Finance officials should perform for the billing of various services including housing and maintenance of inmates. For local ordinance violators, the procedures include steps that are to be completed on a daily basis and those required to finalize the monthly billings. The daily procedures include:

Daily Procedures

- Print report from IMS
- Collect court paperwork copies from Registry
- Review paperwork & report to determine which inmates booked in that day are eligible to be billed by matching paperwork with names on booking log
- If names have no support, look up in IMS to determine if an ordinance violator, if so, print Inmate History from IMS to use as support
- Enter for each inmate name, booking #, case #, booked date, & community on master spreadsheet
- Separate all supporting paperwork by community & place in organizer

Cause

We discussed these steps with Sheriff Finance officials and they indicated that currently they are not able to complete all the steps as outlined in the procedures, due to staff shortage.

Consequences

Not only are Sheriff Finance officials in violation of their own procedures by not following steps to be performed on a daily basis as outlined in the *Billing Procedures for Inmate Billings*, it also

creates inefficiencies in billing operations, increases the potential for erroneous billing, and also could lead to billings not being submitted to CAR on a timely basis and could ultimately delay the payments of the invoices.

Recommendation #2016-05

We recommend Sheriff Finance officials perform an analysis of their workflow in order to identify ways to improve their processes, and thus, enable them to follow the daily procedures related to jail inmate billings and as outlined in their billing procedure statement.

Views of Responsible Officials

See Appendix A for management's comments.

Lack of Communication To Resolve Outstanding Disputes

Condition

Invoices are sent to the various municipalities by Central Accounts Receivable (CAR) that the Sheriff bills for housing and maintenance of inmates. We noted that several communities submit partial payments for inmate housing and maintenance without any explanation as to the reason for the partial payment. In other instances, where payments are disputed by the various entities and the disputed amounts are deducted from their payments, the municipalities provide documentation as to the reason for the disputes. When the customer provides documentation supporting the disputes, CAR management sends a communication to Sheriff Finance officials requesting them to determine the validity of the disputed amounts.

We obtained and reviewed approximately 32 of these communications sent by CAR management to Sheriff Finance concerning billing disputes for various local communities in Wayne County. In the table below we have listed (8) eight examples of disputed bills out of the total of 32.

| Community | Billing Month | Request Date | Amount Disputed | Total Billed |
|------------------|----------------------|---------------------|------------------------|---------------------|
| Lincoln Park | July 2015 | 1/4/2016 | \$7,105 | \$29,330 |
| Lincoln Park | August 2015 | 1/4/2016 | \$4,935 | \$27,230 |
| Riverview | August 2015 | 11/17/2015 | \$1,190 | \$2,380 |
| Wyandotte | May 2015 | 9/25/2015 | \$2,555 | \$7,280 |
| Lincoln Park | June 2015 | 1/4/2016 | \$7,700 | \$30,590 |
| Lincoln Park | September 2015 | 1/4/2016 | \$5,705 | \$26,565 |
| Southgate | June 2015 | 11/17/2015 | \$1,925 | \$8,750 |
| Wyandotte | April 2015 | 9/25/2015 | \$2,240 | \$4,690 |

Each communication requested a review by Sheriff Finance officials and a reply memo as to the status of the billing dispute be provided back to CAR. Some of these were also second requests with no response. We spoke with CAR management and indicated they rarely receive any communication back from Sheriff Finance officials, and therefore, many of the deductions for the disputes remain unresolved and these amounts remain as outstanding receivables. Many of the outstanding receivables are ultimately written off.

Also, CAR management indicated that after the first communication is sent, there is minimum follow-up by CAR to obtain an explanation of the dispute status from Sheriff Finance.

Criteria

Wayne County's Department of Management & Budget Policy #14001, ***Accounts Receivable Billing and Accounting Procedures***, dated September 12, 2011 requires user departments to respond to all written customer inquiries or Central Accounts Receivable requests for adjustments, within 14 business days. The policy also requires Central Accounts Receivable to follow up with user departments on any receivables that have not been collected to see if the receivable should be removed from the books. Further, the policy requires Central Accounts Receivable to timely respond to customer inquiries and/or refer customers to the appropriate user department for resolution.

Cause

We spoke with both Sheriff Finance and Central Accounts Receivable officials and they both agreed that not enough communication between them is taking place to address the billing disputes on a timely basis.

Consequences

Not having adequate follow up communication between the Sheriff Finance officials and CAR results in deductions for billing disputes from the communities not being resolved and ultimately leads to the disputed amounts remaining as outstanding receivables.

Recommendation #2016-06

In order to ensure that the accounts receivable billing disputes are addressed in a timely manner, we encourage the Department of Management & Budget, Central Accounts Receivable and Sheriff Finance to do the following:

- (a) Sheriff Finance officials ensure that all communications provided by CAR are reviewed and the validity of the billing disputes are properly communicated back in a written memo;
- (b) When the disputes are valid, Sheriff officials should notify Central Accounts Receivable to issue a credit memo and ensure the credit is applied to the open receivable balance;
- (c) When the disputes are not valid, Sheriff officials should provide the adequate documentation to the municipality supporting the billing;
- (d) Central Accounts Receivable officials send follow-up communications to Sheriff Finance when responses are not received to communications.

Views of Responsible Officials

See Appendices A and B for management's comments.

Enhance Collection Efforts for the City of Detroit

Condition

Of the \$1,618,452 outstanding receivable balance for housing and maintenance of inmates, as of January 31, 2016, the City of Detroit represents \$1,267,280 or 70 percent. These outstanding billings go back as far as June 2013.

Criteria

County Ordinance 95-315 states:

Sec. 197-2. - Per diem rate established.

"Inmates who are committed to the county jail as a result of charges made under state statutes shall be held without cost to the committing court unit. Inmates who are committed as a result of charges made under a local ordinance or for failure to pay a civil fine, shall be billed to the local unit of government under which ordinance the committing court proceeded at a per diem rate of \$35.00. This rate pertains only to units of local government in the county."

Cause

We spoke with CAR officials who indicated they have been working with Corporation Counsel to resolve this issue since there are outstanding matters tied into the city's recent bankruptcy filing. CAR officials further explained that the intent is to identify a global resolution for all receivables.

Consequences

Not enhancing collection efforts with the City of Detroit could result in loss of revenue of over \$1.2 million for the county.

Recommendation #2016-07

We recommend the county enhance their collection efforts with the City of Detroit to collect the outstanding invoices for housing and maintenance of inmates.

Views of Responsible Officials

See Appendix B for management's comments.

OAG OVERALL CONCLUSION

Central Accounts Receivable bills over \$7.2 million each year for the housing and maintenance of inmates. As a result, controls need to be in place to ensure that the billings are timely, accurate and the subsequent collections are received and outstanding receivables are followed up on and disputes resolved. When billings are not accurate, time and efficiencies are wasted on collections that will never be received.

In this economic climate it is imperative that all parties including the Central Accounts Receivable, user department, and municipalities work together to reduce the amount of inaccurate billings and ensure timely collections of receivables.

There are seven (7) findings and recommendations related to this audit report. Six (6) of the recommendations are classified as significant deficiencies, which are deemed to be medium risk; and one (1) is considered to be a control deficiency – design, which is classified as relatively low risk.

We discussed the issues and corresponding recommendations with the Wayne County Office of Sheriff and Central Accounts Receivable officials, as well as the Commission Counsel for the Wayne County Commission. Management's comments for the Office of the Sheriff and Central Accounts Receivable have been included in the attached appendices.

A Corrective Action Plan will be requested approximately 30 days after this report is formally received and filed by the Wayne County Commission. If sufficient corrective action is not taken, a follow-up review may be necessary.

This report is intended solely for the information and use of the Wayne County Office of Sheriff and Department of Management & Budget and the Wayne County Commission and is not intended to be and should not be used by another other than these specified parties. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

Sincerely,

A handwritten signature in cursive script that reads "Marcella Cora".

Marcella Cora, CPA, CIA, CICA, CGMA
Auditor General

Appendix A

Views of Responsible Officials (Sheriff Finance)

BENNY N. NAPOLEON

Wayne County Sheriff



OFFICE OF THE SHERIFF

4747 WOODWARD AVE. • DETROIT, MI 48201
TEL: (313) 224-2222 • FAX: (313) 224-2367

June 9, 2016

Ms. Marcella Cora
Wayne County Auditor General
500 Griswold, Room 844
Detroit, MI 48226

Dear Ms. Cora,

Enclosed is the Wayne County Sheriff's Office response to the Auditor General's audit of Billings for Housing & Maintenance of Inmates DAP No 2016-57-002.

If you need any further information regarding this response, please contact me by e-mail or at 313-702-6181, or Jackie Szafranski at 313-875-7005.

Sincerely,

A handwritten signature in black ink, appearing to read "Jerome D. Pokorney".

Jerome Pokorney
Director of Finance
Wayne County Sheriff's Office

"Safer communities through effective, professional law enforcement."

WAYNE COUNTY SHERIFF'S OFFICE
AUDITOR GENERAL'S OFFICE
BILLINGS FOR HOUSING AND MAINTENANCE OF INMATES
Performance Audit
June 1, 2016

Wayne County Sheriff's Office
Views of the Responsible Officials

Recommendation 2016-01 - Assess the Timeliness of Sheriff Billings for Housing and Maintenance of Inmates
The Sheriff Finance team has been reduced from 20 to 7 staff, a reduction of 65%. Of the remaining 7 FTEs, only 3 have the knowledge and expertise to process jail billings. These individuals do more than jail billings. Other responsibilities include daily deposits, processing of bonds, materials management, inmate account oversight, Commissary services, financial reporting, budget activity and inventory activity.

While it is a common theme throughout the County that staff have significantly been reduced, the 65% reduction in staff have directly impacted the timeliness of the inmate billings.

The Auditor General's (AG) Office states the Wayne County Sheriff's Office (WCSO) should follow "County Policy #14001" which requires accurate billings be submitted within 10 days of provision of services. They recommend WCSO should explore ways to comply with this policy. Management concurs with this recommendation however it could only be implemented if additional finance staff were hired to complete the work on a timely basis. Management has authorized overtime for all billing staff in order to complete the billings on a more-timely basis however the 10- day provision of service is not possible without additional staff. Finally, U.S. Marshal rules will not provide for meeting the 10-day billing requirement (see below).

Community Billings- 600 - 700 inmates billed each month.
There are approximately 4,000 court documents per month that have to be examined to determine which inmates can be properly billed to the local communities. Of this 4,000, it translates into a billing of an average of 600-700 people billed each month.

Diverted Felon Billing- 175-200 inmates billed each month.
This is a highly analytical billing due to the complexities required in the State of Michigan statute to determine if a person is billable. There are approximately 200 court documents plus 60 spreadsheets with potential diverted felon inmates that need to be reviewed to generate a monthly billing that is compiled into 9 different spreadsheets for each type of diverted felon billing dictated in the State statute.

US Marshal's Billing- 100-200 inmates billed per month.
The WCSO's agreement with the U.S. Marshals (USM) requires a certain amount of reconciliation before a formal bill can be issued. This can be from days to weeks depending on how fast the USM responds based on their staffing levels. We have made the request for timeliness in the past from the USM, they are however not generally timely. Given the contract provides for the reconciliation process the 10-day requirement cannot apply.

Parole Detainee Billings- 50-100 inmates billed per month.
The Jail inmate data requires a review of 300 inmates per month to determine eligibility for billing as the State of Michigan statute has stringent requirements that require a detailed evaluation of each potential person.

Inmate billings are a complicated process that requires analytical analysis. It is not as simple as a purchase of a widget at a certain price and then submit an invoice. Furthermore, while the Sheriff's Office will strive to meet the 10-day requirement there will continue to be exceptions based on staffing challenges, contractual language, state and federal rules and standards.

Response to Objective No. 2 - Assess the Accuracy of Sheriff Billings and Subsequent Collections.

The Audit period was October 1, 2014 to January 31, 2016. During that period of time 191,407 days were billed in the amount of \$7,271,846. Of that amount, the Audit found \$47,215 or 2,247 jail bed days in dispute which is 1.17%. Although the Sheriff's Office has a goal of 0% disputed days, it is laudable that the percentage in dispute is so low.

The issue of collections is the responsibility of Management and Budget. If the dollars are not collected or written off, it results in the need for additional general fund support as the revenue identified in the Jails budget cannot be received.

Recommendation 2016-02 Inmates Billed to the Wrong Municipality

Inmates billed to the wrong municipality were minimal given the volume of billings. Only 0.17% or \$4,585 of the \$2,647,505 total amount billed, were billed to the wrong municipality. The Sheriff's Office strives for a 0% error and will review procedures to reduce this problem. The AG's Office offers 2 recommendations which the WCSO is already doing and has been doing for several years. Often time mistakes are still made when no court paperwork is provided to the Finance staff. When this happened, the Finance staff had to rely on information in the IMS database which was entered incorrectly during the booking process. The WCSO has met with command staff since the start of this audit to discuss & achieve better ways of getting correct booking information in IMS/JMS and to the Finance staff.

Recommendation 2016-03 Inmates Billed When Inmate Was Released Early and/or on Tether

The inmates billed when inmate was released early and/or on tether was identified as an issue. Only 148 total billing disputes represent only 2.5 % of the total billings. Additionally, those disputes in which the municipality was correct represent only 1.2% of the total billings. Although the goal is 0% errors, with the limited staff and analysis required for each billing, these rates of 2.5% and 1.2% are very low. The AG's office offers 4 recommendations of which WCSO is already doing 3 of them. The 4th recommendation regarding creating a process to get the actual release date of AJR released inmates to communities is one we will explore with the Director of Jails.

Recommendation 2016-04 Municipality Billed for State Charges or Deducted for Concurrent Charge

There were only 13 instances where the municipality deducted payments for inmates either billed on state charges or concurrent state and local charges. The total deduction was \$1,015. During that period the total municipal billing was \$2,647,505 or 0.03% of the total billing. This is a very tiny fraction of the billing but one in which the goal would be 0%.

The AG's office discusses a few communities that refuse to pay any charges if an inmate has any combination of state & local charges. WCSO bills for local charges only. However, these certain communities, Southgate & Wyandotte, will not pay if the inmate has state & local charges. The recommendations are that the County change Ordinance 95-315 to clarify the language to eliminate these disputes & the WCSO enhance procedures to eliminate billings on inmates with state charges. For the first recommendation, this is something the WCSO agrees with. It is not, however, something we can do. This requires action by the Wayne County Commission to update the language of this ordinance. We've made several attempts over the years to get this language clarified, however, the Commission has never acted on these attempts. For the second recommendation, WCSO has over the years employed a process of continued improvement using a variety of available resources to eliminate billing errors. As a result, an inmate with state charges exclusively is never billed.

Recommendation 2016-05 Sheriff's Office Not Following Their Own Procedures.

As stated under Objective 1, the Sheriff Finance team has been reduced from 20 to 7 staff, a reduction of 65%. Of the remaining 7 FTEs, only 3 have the knowledge and expertise to process jail billings. These individuals do more than jail billings. Other responsibilities include daily deposits, processing of bonds, materials management, inmate account oversight, Commissary services, financial reporting, budget activity and inventory activity.

The AG's Office recommends WCSO staff find better ways to work in order to follow their own written procedures. A new jail management software (JMS) was installed the last weekend in May, 2016, which will necessitate the review of the procedures and processes for inmate billings to ensure compliance with the procedures.

Recommendation 2016-06 Lack of Communication to Resolve Outstanding Disputes

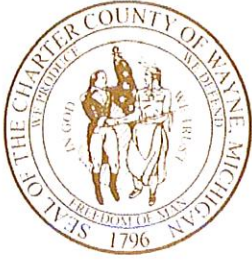
The AG's Office states there is insufficient communication between WCSO & Accounts Receivable regarding disputed cases coming from communities. Upon reading this issue, it was noted there are 4 recommendations in it. Recommendations A & B are currently being done. We agree with recommendation D. Recommendation C will have to be discussed with Accounts Receivable as to who is most appropriate to send this information. This discussion needs to take place to ensure everyone is in agreement as to who will communicate with the communities. Additionally, upon reading this issue, WCSO had a brief communication with Accounts Receivable to discuss it. The result of this discussion is that we will each keep a log of all communication with each other to substantiate that we are communicating. It needs to be noted, however, that the Accounts Receivable staff has suffered the same decimation as WCSO staff. Where they at one time had over 10 staff, they now have only 2.5 staff (One is part-time shared with another department.) to do their functions for the entire County. It is thought, at this point in Wayne County's financial condition, that both departments give more priority to generating tens, or hundreds, of thousands of dollars of revenue over resolving disputes that are in the hundreds or less.

Recommendation 2016-07 Enhance Collection Efforts for the City of Detroit

The Sheriff's Office agrees Management & Budget should enhance collection efforts. All revenue not collected results in an increase need for general fund dollars to offset the revenue loss.

Appendix B

Views of Responsible Officials (M&B - CAR)



Warren C. Evans
Wayne County Executive

June 6, 2016

Marcella Cora, Auditor General
County of Wayne
500 Griswold, 8th Floor
Detroit, MI 48226

RE: Charter County of Wayne, Michigan
DAP 2016-57-002 Sheriff Jail Billings and Collections Issues Report

Dear Auditor General Cora:

Management & Budget is submitting its views on ISS.2 and ISS.7.

ISS.2 Lack of Communication between Sheriff Finance and M&B Central Accounts Receivable

Central Accounts Receivable (CAR) will review documentation received from customers related to disputed bills and provide this information to Sheriff Finance officials.

On a monthly basis, Central Accounts Receivable will review all communications that were previously sent to Sheriff Finance to determine if any correspondence has been received back. If not, Central Accounts Receivable will send a follow-up notification to Sheriff Finance officials. Additionally, CAR will schedule an every other month meeting to follow up on the outstanding billing/disputed items.

ISS.7 Outstanding Receivables for City of Detroit

Management & Budget (M&B) officials are working with Corporation Counsel to address the outstanding receivable issues which are tied into the City of Detroit's recent bankruptcy filing. The intent is to identify global resolutions for all receivables.

If you should have any questions concerning this report you may contact me at (313) 224-5219.

Sincerely,

Mathieu J Dubé
Deputy Chief Financial Officer

DEPARTMENT OF MANAGEMENT AND BUDGET
500 GRISWOLD, 20TH FLOOR, DETROIT, MICHIGAN 48226 • (313) 224-0420 • www.waynecounty.com



Appendix C

Definition of Internal Control Deficiencies

Control Deficiency (low risk)

A control deficiency exists when the internal control design or operation does not allow management or employees, in the normal course of performing their assigned functions, to prevent, detect or correct errors in assertions made by management on a timely basis. A deficiency in design exists when (1) a control necessary to meet the control objective is missing or (2) an existing control is not properly designed so that, even if the control operates as designed, the control objective is not met.

A deficiency in operation exists when a properly designed control does not operate as intended, or when the person(s) performing the control does not possess the necessary authority or qualifications to perform the control effectively.

Significant Deficiency (medium risk)

A matter that, in the auditor's judgment, represents either an opportunity for improvement or significant deficiency in management's ability to operate a program or department in an effective and efficient manner. A significant deficiency in internal control, or combination of deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process or report data reliably in accordance with applicable criteria or framework such that it is more than a remote likelihood that a misstatement of the subject matter that is more than inconsequential will not be prevented or detected.

Material Weakness Deficiency (high risk)

A significant deficiency that could impair the ability of management to operate the department in an effective and efficient manner and/or affect the judgment of an interested person concerning the effectiveness and efficiency of the department. A significant or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of subject matter will not be prevented or detected.