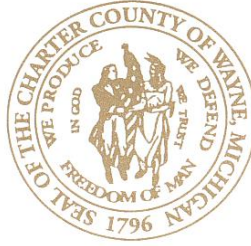


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Auditor General

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December 16, 2021

FINAL REPORT TRANSMITTAL LETTER

Honorable Wayne County Commission:

Enclosed is our final copy of the Office of Legislative Auditor General's Performance Audit Report on the Wayne County Sheriff's Office – Jail Inmate Property. Our report is dated November 19, 2021; DAP No. 2019-57-004. The report was accepted by the Committee on Audit at its meeting held on December 13, 2021 and formally received by the Wayne County Commission on December 16, 2021.

We are pleased to inform you that officials from the Wayne County Sheriff's Office provided their full cooperation. 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. This 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: <https://www.waynecounty.com/elected/commission/oag/legislative-auditor.aspx>.

Sincerely,

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

REPORT DISTRIBUTION

Wayne County Sheriff's Office

Raphael Washington, Wayne County Sheriff
Robert Dunlap, Chief of Jails and Court Operations
Soumaya Harb, Director of Administration
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Jackie Szafranski, Department Administrator 3

Wayne County Management & Budget

Hughey Newsome, Chief Financial Officer
Yogesh Gusani, Deputy Chief Financial Officer
Shauntika Bullard, Director, Grants Compliance and Contract Management

Wayne County Executive

County of Wayne, Michigan

Wayne County Sheriff's Office

JAIL INMATE PROPERTY

Performance Audit

November 19, 2021

DAP No. 2019-57-004

EXECUTIVE SUMMARY

Type of Engagement, Scope, and Methodology

The Wayne County Office of Legislative Auditor General (OAG) conducted a performance audit of inmate property at the Wayne County jails. A performance audit provides an objective analysis, findings and conclusions to assist management and those charged with governance and oversight, with improving program performance and operations, reducing costs, facilitating decision making by parties responsible for overseeing or initiating corrective action, and contributing to public accountability. The information provided in our report can help improve controls and processes performed by those responsible for managing inmate property.

Our objective for this engagement was to assess the control environment and effectiveness of operations and compliance with policies, procedures, laws and regulations governing inmate property.

Our scope for this engagement included processes surrounding the intake, storage and release of inmate property from October 1, 2018 through September 30, 2020; however, in some cases, our scope timeframe was expanded. It should be noted that effective May 5, 2021, due to staffing limitations, the Wayne County Sheriff's Office (WCSO) began the process of transferring Division III inmates to either Division I or II; however, since these transfers occurred following our scope timeframe, our testing was not affected.

Our methodology was designed to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions that are valid, accurate, appropriate, and complete with respect to our audit objective. Our methodology includes questionnaires provided to and completed by the WCSO, interviews with WCSO personnel, review of documentation obtained from the WCSO, analytical procedures and observations. In addition, we obtained access to the New World

Corrections Jail Management System that allowed us to perform detail testing of, among other things, Inmate Property Inventory Reports, Inmate Property Release Reports, Inmate Activity Logs, Daily Booking Activity Reports, and Inmate Statements.

Introduction

The Wayne County Sheriff's Office (WCSO) operates three jail facilities for the detention of inmates charged with offenses awaiting examination or pre-trial, as well as persons sentenced to jail after conviction: Jail Division I (aka the Andrew C. Baird Detention Facility); Jail Division II (aka the Old Wayne County Jail); and Jail Division III (aka the William Dickerson Detention Facility).

The WCSO has instituted policies and procedures for the purpose of safeguarding inmate property. Inmate registry is performed at Jail Divisions I and III, only. Inmates housed at Division II are registered at Division I and transported to Division II. Upon arrival at Jail Division I or III, inmates are registered and booked in the New World Corrections Jail Management System (hereinafter referred to as "JMS"). Personal property (tangibles and currency) on the inmate's person is confiscated, inventoried, and recorded in JMS. Tangible property is stored at the respective jail division and currency is deposited into the Inmate Property Account held by Chase Bank. These processes and related controls are described in greater detail throughout this report.

Summary of Issues

<u>AUDIT OBJECTIVE</u>		
ASSESS THE CONTROL ENVIRONMENT AND EFFECTIVENESS OF OPERATIONS AND COMPLIANCE WITH POLICIES, PROCEDURES, LAWS AND REGULATIONS GOVERNING INMATE PROPERTY		
Issue No.	Issue Identified	Types of Issue
2019-1	Insufficient Record Maintenance – Property Intake and Release (Pg. 7)	Significant Deficiency
2019-2	Lack of Secondary Review Over Daily Deposit Reconciliations (Pg. 9)	Control Deficiency
2019-3.1	Inadequate Monitoring of Blank Check Stock (Pg. 11)	Material Weakness
2019-3.2	Safeguarding of Printed Checks (Pg. 12)	Material Weakness
2019-3.3	Lack of Segregation of Duties – Check Printing and Signing (Pg. 13)	Material Weakness
2019-3.4	Lack of Updated System Access and Check Signing Authorizations (Pg. 14)	Material Weakness

2019-3.5	Gaps in Numerical Check Sequence (Pg. 15)	Material Weakness
2019-3.6	Voided Checks Cleared the Bank (Pg. 16)	Material Weakness
2019-3.7	Duplicate Check Numbers in JMS and Overwriting of Check Fields (Pg. 16)	Material Weakness
2019-4	Lack of Controls Over Bank Reconciliations (Pg. 17)	Material Weakness
2019-5	Non-Compliance with the Michigan Uniform Unclaimed Property Act (Pg. 20)	Material Weakness

Views of Responsible Officials

We shared the results of our audit with WCSO management and provided the above issues and recommendations based on our audit. Management’s comments are incorporated within the report under Views of Responsible Officials.

Corrective Action Plan

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.

REPORT DETAILS

PURPOSE/ OBJECTIVE

The Wayne County Office of Legislative Auditor General (OAG) conducted a performance audit of inmate property at the Wayne County jails. This type of engagement provides an objective analysis to assist management and those charged with governance and oversight. The information provided can help improve internal controls and processes by parties with responsibility to oversee or initiate corrective action and contribute to public accountability.

Our objective for this engagement was to assess the control environment and effectiveness of operations and compliance with policies, procedures, laws and regulations governing inmate property.

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 objective. We believe the evidence obtained provides a reasonable basis for our conclusions based on our audit objective.

The testing scope for this engagement includes processes surrounding the intake, storage, and release of inmate property from October 1, 2017 through June 30, 2019; however, in some cases, our scope timeframe was expanded. It should be noted that effective May 5, 2021, due to staffing limitations, the Wayne County Sheriff's Office began the process of transferring Division III inmates to either Division I or II; however, since these transfers occurred following our scope timeframe, our testing was not affected.

METHODOLOGY

To address the objective outlined for this engagement and obtain an understanding of the controls over inmate property, we conducted observations, inquiries, analytical procedures, and interviewed management officials in the Wayne County Sheriff's Office. We performed walkthroughs of activities involving inmate property to gain an understanding of the processes and controls surrounding receipt, tracking and release of said property. Our fieldwork procedures focused on operations at Wayne County Jail Division I and Jail Division III and established

controls over the handling of inmate property. In addition, we obtained access to the New World Corrections Jail Management System that allowed us to perform detail testing of, among other things, Inmate Property Inventory Reports, Inmate Property Release Reports, Inmate Activity Logs, Daily Booking Activity Reports, and Inmate Statements. Finally, we provided a draft of our report to management officials to obtain their input, and their concurrence and/or disagreement with the report's conclusions, issues, and recommendations. Management's views are included throughout this report.

BACKGROUND

The Wayne County Sheriff's Office (WCSO) operates three jail facilities for the detention of inmates charged with offenses awaiting examination or pre-trial, as well as persons sentenced to jail after conviction. The Andrew C. Baird Detention Facility, Jail Division I, houses both male and female inmates who are classified as requiring exceptionally close monitoring and segregation from the general population. Division I inmates are housed in cells; officers monitor via enclosed corner stations. Jail Division II, also known as the Old Wayne County Jail, is a linear supervision jail where officers have little contact with inmates. The Division III Jail (William Dickerson Detention Facility) is a direct supervision type facility where officers supervise all inmates in the housing unit rather than from a locked work station.

Inmate registry is performed at Jail Divisions I and III, only. Inmates housed at Division II are registered at Division I and transported to Division II. Upon arrival at Jail Division I or III, inmates are registered and booked in the New World Corrections Jail Management System (hereinafter referred to as JMS). Personal property (tangibles and currency) on the inmate's person is confiscated, inventoried, and recorded in JMS. Tangible property is stored at the respective jail division and currency is deposited in the Inmate Property Bank Account held by Chase Bank. These processes and related controls are described in greater detail throughout this report.

Potential fraud or abuse could occur as a result of weaknesses in internal controls including inadequate documentation and maintenance of inmate property (currency and clothing).

On May 20, 2019, WXYZ Detroit published an article reporting six WCSO employees facing possible criminal charges after an investigation into property theft and timecard fraud. The article indicated the employees were "alleged to have taken property that belonged to jail inmates that was handed over during the intake process." The article further reported that while the WCSO "was investigating possible theft," they "ran across suspected timecard fraud involving the same employees." The article finalized with the Wayne County Prosecutor's Office (WCPO) looking into whether to bring charges against the WCSO employees. As part of our due diligence, we followed up with the WCPO to obtain an update on the investigation and to determine whether charges have been filed against the six WCSO employees in question. Our discussions with the WCPO revealed that four of the six employees in question were charged with timecard fraud; and that the WCPO was not able to pursue charges related to inmate property theft as intake property

forms and related paper trails were either non-existent or not in order. The lack of an orderly paper trail supports the OAG’s findings on this engagement.

AUDIT OBJECTIVE:

ASSESS THE CONTROL ENVIRONMENT AND EFFECTIVENESS OF OPERATIONS AND COMPLIANCE WITH POLICIES, PROCEDURES, LAWS AND REGULATIONS GOVERNING INMATE PROPERTY

We assessed the Wayne County Sheriff’s Office internal control environment in order to determine whether management developed adequate internal controls over Inmate Property at the Wayne County Jails. Per the Committee on Sponsoring Organizations (COSO) Internal Control Framework, the control environment is the set of standards, processes and structures that provide the basis for carrying out internal controls across the organization,

Conclusion

The Wayne County Sheriff’s Office has written policies and procedures for the handling of inmate property, However, we determined that the policies and procedures were not always being followed or could be enhanced to strengthen the internal control environment to mitigate against risk of loss, theft or misplacement of inmate property.

Insufficient Record Maintenance – Property Intake and Release

The WCSO has instituted policies and procedures to address the confiscation, tracking, storing and release of an inmate’s personal property (Document No. 12.1 for Jail Division I and Document No. 4.1.1 for Jail Division III). Note that inmates housed at Jail Division II are registered at Division I and subsequently transported to Division II housing. The policies and procedures for handling inmate property are substantially the same for both Divisions I and III.

In accordance with policy, upon arrival at the jail, inmates receive a thorough pat down search by the Intake/ Receiving Officer. Personal property on the inmate, including money and tangible property, is confiscated and documented on the Intake Property Receipt form (hereinafter referred to as “Intake Form”) in the presence of the inmate. In the event an inmate arrives at the facility with no property, the Intake/ Receiving Officer indicates as such on the Intake Form. The Intake Form is signed by both the inmate and the Intake/ Receiving Officer. Inmates are required to sign the Intake Form to attest to the accuracy of property obtained from his/her person upon booking. Inmates without property are also required to sign the Intake Form confirming no property was confiscated. Three copies of the Intake Form are generated: one is provided to the inmate; another accompanies the inmate’s property; and a third is placed in the inmate’s confinement file.

Once confiscated, inmate property (personal items and currency) is placed in a property bag (along with a copy of the Intake Form) and held in a locked location until picked up by the Property Officer/ Clerk. The Property Officer/ Clerk separates currency from other property and enters the property in JMS under the inmate's booking number. Once the property is entered into JMS, an Inmate Property Inventory Report (hereinafter referred to the "Property Release Report") is generated. This Property Release Report is a detailed record of all personal property confiscated from the inmate during the intake process. The Property Release Report accompanies the property bag until the property is released.

According to WCSO jail policies and procedures, inmate property may be released to a third party authorized by the inmate, or directly to the inmate at or following the inmate's release from jail. When inmate property is released, the inmate or inmate's authorized third party is required to sign the Property Release Report indicating receipt of their personal property.

To verify adherence to these policies and procedures and test controls over property intake and release, we selected a sample of ten inmates booked and released during our scope timeframe. For each inmate we requested provision of the corresponding Intake Form and Property Release Report. The following findings were noted in our testing:

- Intake Forms and Property Release Reports were provided for seven of the inmates selected for testing. The forms for the remaining three inmates could not be located by WCSO personnel, and as such, were not provided.
- Per our discussion with WCSO personnel, one of the inmates selected for testing was booked with no personal property. According to policy, both the Intake/ Receiving Officer and the inmate are required to sign the Intake Forms indicating that no property was confiscated upon the inmate's arrival at the jail. The Intake Form includes a "No property" checkbox to be used when an inmate is booked with no personal property.
- For one of the inmates sampled, the Intake Form provided was signed by the Intake/ Receiving Officer, but not signed by the inmate; therefore, inmate verification of confiscated property could not be confirmed.
- We noted all but one of the Property Release Reports were signed by the Releasing Officer. WCSO jail policies and procedures do not require the Releasing Officer to sign the Property Release Report upon release of property; however, the form includes designated signature lines for both the officer and inmate to sign. Jail policies and procedures should be modified to include the Releasing Officer's signature.
- We noted variations in the Property Release Reports used upon inmate release. In some cases, an Inmate Property Inventory Report was utilized and other times an Inmate Property Release Report was used. Forms used to document inmate property during the intake and release processes should be consistent amongst divisions and inmates.
- Finally, we noted in some cases, required signatures on the Intake Forms and Property Release Reports were present/obtained in a location other than that designated on the document.

Based on our review, controls related to intake and release record maintenance of inmate property do not appear adequate to mitigate against risk of loss, theft or misplacement of inmate property. Failure to maintain organized files could result in lost property claims against the WCSO.

Furthermore, if sufficient records are not maintained, an accurate inventory of unclaimed inmate property to be escheated cannot be determined.

Recommendation 2019-1: Significant Deficiency

To mitigate the risk related to the controls over intake and release of inmate property, we recommend WCSO management:

- a) Completed intake and release forms should be placed in confinement files in a timely manner to prevent missing documentation. Such records should be readily available upon request of an authorized party.
- b) Policies, procedures, and forms used to document inmate property intake and release should be consistent across jail divisions and consistently adhered to.
- c) Intake and release forms should be signed by both the officer and the inmate; and policies/procedures should reflect as such.
- d) Signatures should be obtained in the proper location of the document to avoid potential confusion or claims.

Views of Responsible Officials:

Command staff has been re-instructed to have completed intake and release forms be placed in confinement files timely.

Lack of Secondary Review Over Daily Deposit Reconciliations

When an inmate is booked into the Wayne County Jail any currency they may possess is confiscated and placed in the property bag along with the inmate's other belongings. When the Property Officer/ Clerk pulls the property bag for processing, cash is separated, counted and the amount keyed into JMS. Inmate funds are linked to the inmate's newly assigned JMS booking number. A Fund Deposit Receipt form is printed from JMS. Both the cash and the Fund Deposit Receipt are placed in an envelope, stapled closed and locked in the property room. Command staff on duty at the end of the night retrieve the cash from the property room and run a Ledger Report from JMS. The amounts on the Ledger Report are compared to the physical cash on hand. If no discrepancies are noted, Command staff approve the funds in JMS, and sign and date the Ledger Report to evidence the reconciliation. All monies and Fund Deposit Receipts are then placed in one bag in a locked safe for retrieval by WCSO Finance ("Finance") the next morning.

In accordance with "WCSO Inmate Property Account Daily Deposit" procedures, each morning, Finance runs a Fund Ledger Balance Report from JMS for the previous day's activity. The Fund Ledger Balance Report is a pdf file that is exported to MS-Excel for modification. The MS-Excel version of the report is modified to delete all non-cash transactions, such as kiosk transactions, leaving only cash transactions. The designated Finance staff and a witness retrieve the cash from the Finance safe. Each envelope is opened, the Fund Deposit Receipt is inspected for sign off by Command and the amount verified against the Fund Ledger Balance Report. A tick mark is placed next to each transaction on the Fund Ledger Balance Report that matches the cash and related Fund

Deposit Receipt. Once all transactions and amounts are matched, the amount of cash and checks are totaled, and the total verified against the Fund Ledger Balance Report. If the totals match, the deposit is considered balanced, and a three-part deposit ticket is prepared: two copies accompany the deposit to the bank and one copy is filed with the deposit paperwork. Cash and checks are placed in a plastic, sealed, tamperproof deposit bag and held in a safe until picked up by the armored car vendor. Once received by the bank, inmate cash is deposited in the Inmate Property Account held by Chase Bank. While WCSO Finance had a witness during the performance of this process, the witness did not perform secondary verification of deposit amounts, and review and sign-off on the reconciliation was not performed by Finance staff independent of the preparer.

We also noted, although not included in the written procedures, Finance personnel run all bills through an Automated Currency Note Counting Machine (“Counting Machine”). Although the machine can detect counterfeit and/or non-currency notes, the machine does not quantify the dollar amount of the currency counted nor does it identify the denomination of bills counted; and therefore, results of the machine count cannot be relied upon to verify the accuracy of the dollar amount being deposited.

We observed Finance personnel perform the daily deposit reconciliation at Jail Division I. Twenty-six deposits were reconciled on the day of our observation. Of those 26 deposits, only one exception was noted where a physical count of the cash was not performed. In this instance, the Fund Deposit Receipt indicated twenty-five \$20 bills totaling \$500. The bills were bundled together with a sealed currency strap. Finance personnel ran the bills through the Counting Machine, which produced a recorded total of 25 bills. In this instance, Finance personnel did not verify all bills were of the \$20 denomination, but instead relied on the amount noted on the Fund Deposit Receipt and the number of bills recorded by the Counting Machine.

Due to the manual nature of processing daily deposits, the lack of secondary review, verification and sign-off of reconciled deposit amounts could result in inaccurate deposit records both in JMS and the bank. Furthermore, lack of review and verification exposes the WCSO to potential fraud and/ or misappropriation of cash.

Recommendation 2019-2: Control Deficiency

To enhance the control environment and mitigate risks over daily deposit reconciliations, we recommend the WCSO management:

- a) Formalize policies and procedures for the processing of inmate deposits.
- b) Institute a secondary count verification, and secondary review and sign-off on the daily deposit reconciliation.
- c) Update the “WCSO Inmate Property Account Daily Deposit” procedures to include a secondary count verification and secondary review; and include procedures in a formalized policy.
- d) Update the “WCSO Inmate Property Account Daily Deposit” procedures to include the use of the Counting Machine; and include procedures in a formalized policy.

Views of Responsible Officials:

WCSO has instituted a secondary count verification effective January 13, 2020 with the use of a daily deposit tally sheet. Policies & Procedures were updated at that time to include the use of this sheet.

The purchase of a currency counter with counterfeit detection and currency denomination detection including totaling a value of each denomination costs anywhere between \$2,500-\$6,000. These machines are manufactured primarily for industries such as banking, casinos, retail, etc where massive volumes of cash are being handled on a daily basis. The WCSO will start the procurement process for the recommended machine.

The day of this observation, the staff had 26 transactions that needed to be opened & counted. The staff person involved was new to the position. However, it was addressed with the staff immediately to ensure all bills are scrutinized. This is one transaction out of 26 or 3.85%. We think this is an extremely minor incident that was addressed with the staff & doesn't need to be included in this report. We question the purpose of it appearing here.

Inadequate Controls Over Handling, Processing and Monitoring Inmate Release Checks

We performed procedures to test controls over handling, processing, and monitoring inmate release checks, including the maintenance of blank check stock, safeguarding of processed checks, segregation of duties with check printing and signing, and controls around checks issued and the JMS generated check register. An effective system of internal controls requires physical security of cash and checks, as well as segregation of duties to prevent or reduce the occurrence of error and/ or fraud. Based on our testing, controls and segregation of duties surrounding the processing of inmate release checks at the jail divisions are not adequate to prevent misappropriation and fraud, in fact or in appearance. Noted issues are discussed below.

Note that effective September 2020, checks are no longer cut to inmates released from the jail to the street. Inmates released to the street receive a debit card. Once funds are put on a debit card, the inmate's account is zeroed out in JMS. Due to delayed timing in implementation resulting from the COVID-19 pandemic, the OAG was not able to review the controls over the processing of debit cards for released inmates as part of this engagement. The OAG plans to perform a review of the debit card release program in the future.

Inadequate Monitoring of Blank Check Stock

When an inmate is permanently released from jail or transferred to another correctional facility, cash funds confiscated during the intake process are returned to the inmate via issuance of a check. Through inquiry and observation, we noted there are two computers that can print checks: one at Jail Division I and another at Jail Division III. Checks are printed using blank check stock obtained from the Wayne County Treasurer's Office (WCTO). Blank check stock does not have check numbers assigned on the face of the check; however, a stock number is printed on the back of each check. The stock numbers are in numerical order.

Only certified officers from the WCSO can retrieve blank check stock from the WCTO. At the time of distribution of blank check stock, certified officers complete the Blank Laser Check Distribution Form at the WCTO requests. This form includes the check stock control numbers distributed, the requesting division, the certified officer's printed name, signature, and date. The WCTO will only distribute two packs of blank check stock (at 500 checks per pack) at a time. A copy of this form is retained and filed by the WCTO; however, a copy is not retained or requested by the WCSO. Per our discussion with the WCTO, the Sheriff's Office is welcome to a copy of the form.

Best practices for maintaining physical controls over blank check stock, at a minimum, should include the following internal controls: 1) unissued check stock should be kept in a locked location with access limited to select personnel; 2) a check control log should be utilized to account for all blank checks; and 3) a periodic physical inventory of blank check stock reconciled to the check stock control log should be performed by someone lacking access and responsibility for check stock and check issuance. While the WCSO maintains blank check stock in a locked location, blank checks are accessible to various individuals at each jail site, including individuals responsible for printing and signing checks. In addition, the department does not maintain a check control log, nor is a periodic reconciliation performed.

Recommendation 2019-3.1: Material Weakness

To enhance controls over monitoring of blank check stock, we recommend WCSO management:

- a) Create policies and procedures surrounding retrieval, usage, maintenance, and reconciliation of blank check stock obtained from the WCTO.
- b) Upon retrieval of check stock, a copy of the Blank Laser Check Distribution Form should be requested and retained on file for reconciliation purposes.
- c) Access to blank check stock should be limited to a select few individuals.
- d) A check stock log should be maintained, updated, and reconciled, at a minimum when new check stock is obtained from the WCTO.

Views of Responsible Officials:

WCSO will take these recommendations under advisement for now as we evaluate the mechanism to implement them. The OAG should be advised that the blank check stock is now kept in a safe maintained by Finance at Division III. WCSO is diligently working on moving the blank check stock, at Division I, to a safe in the Bond Office. This task will be the responsibility of Finance.

Safeguarding of Printed Checks

Just as blank check stock should be safeguarded, so should printed checks awaiting pickup. During our walkthrough at Jail Division I, we observed three printed and signed checks unsecured in the property room; two were pinned to a bulletin board and another lying on the property room countertop. These checks were written to inmates scheduled for transfer and pick up by the

Michigan Department of Corrections. Physical security over printed checks should be emphasized and checks should not be signed prior to release to ensure misappropriation or fraud does not occur.

Recommendation 2019-3.2: Material Weakness

The OAG provides the following recommendations regarding the safeguarding of printed checks:

- a) Printed checks should be held in a locked location with access to limited personnel.
- b) Printed checks should only be signed upon release rather than when printed.

Views of Responsible Officials:

Issuance of checks will be the responsibility of the finance staff. Finance staff does safeguard the checks in a lockbox at Division III. The finance staff is in the process of taking this function from officers and will safeguard the checks and limited access will be given.

Lack of Segregation of Duties – Check Printing and Signing

Our testing procedures included a review of segregation of duties between WCSO personnel authorized to print checks and WCSO personnel authorized to sign checks. As part of our testing procedures, we obtained the following documents: 1) a list of jail personnel with access to print checks from JMS (titled “Authorized Check Print Staff”), and 2) the 2020 Chase Bank Signature Card detailing individuals authorized to sign checks. We noted 63 individuals were authorized to sign checks printed from JMS; and of the 63 authorized to sign, 59 of the same had access to print checks from JMS.

Best practices state that the number of check signers should be kept at a minimum and individuals with check signing authority should not have check printing duties. This practice is a clear lack of segregation of duties and could potentially lead to fraud and/ or misappropriation.

Recommendation 2019-3.3: Material Weakness

The OAG provides the following recommendations regarding segregation of duties for check printing and signing:

- a) The number of individuals with authorization to sign printed checks should be limited to a select few personnel.
- b) Check printing and signing duties should be segregated such that no one individual is responsible for performing both functions.

Views of Responsible Officials:

The list of signers has been reduced by issuing debit cards to inmates. The list of signers will be, further, by assigning this task to finance staff.

Lack of Updated System Access and Check Signing Authorizations

To further test segregation of duties and proper granting of access and authorizations, OAG staff performed procedures to verify all 63 authorized signers were active employees assigned to one of the jails. We requested Wayne County HR/Personnel provide the following for each authorized signer: 1) current employment status (i.e., active, retired, resigned/terminated), 2) department assigned and start date of assignment, and 3) former last name (if applicable). We reviewed the information provided by HR/Personnel and noted the following:

- Two of the authorized signers resigned from the County: one on 12/9/2019 and another on 1/29/2020; neither had access to JMS removed and both were authorized check signers on the 2020 Chase Bank Signature Card.
- Two of the authorized signers retired from the County: one on 10/1/2019 and another on 12/1/2019; neither had access to JMS removed and both were authorized check signers on the 2020 Chase Bank Signature Card.
- A married couple, one assigned to Jail Division I and the other to Jail Division III, each have access to print and sign checks generated from JMS.
- Six WCSO personnel with the ability and authorization to print and sign checks do not appear to be assigned to work at one of the jail divisions based on the department assignment during the scope of our engagement. WCSO personnel from the following departments were noted as authorized to print and sign checks generated from JMS:
 - WCSO Municipal Support Enforcement
 - WCSO Secondary Roads
 - HHVS Violent Crimes Joint Task Force
 - HHVS Juvenile & Youth Services Community Intervention
 - WCSO Drug Enforcement Unit
 - WCSO Court Services (FMHJ)

We selected a sample of twenty checks written from the JMS system and requested copies of the front and back of each check. We reviewed each check to verify 1) those who printed the checks from JMS were authorized; 2) individuals who signed checks were listed on the 2020 Chase Bank Signature Card; 3) checks were not signed and printed by the same individual; and 4) each check had two authorizing signatures. Our tests revealed the following issues:

- Seven of the checks were printed by a user not on the list of Authorized Check Print Staff.
- Five of the checks were signed by the same person who printed the check.
- One check was missing a second authorizing signature.
- Seventeen of the checks were signed by individuals not listed as an authorized signer on the 2020 Chase Bank Signature Card. A majority of these exceptions were the same individuals investigated by the Wayne County Prosecutor's Office for suspected theft.

Recommendation 2019-3.4: Material Weakness

The OAG provides the following recommendations regarding system access and check signing authorizations:

- a) Access to JMS and check signing authority should be immediately removed for individuals no longer employed by the County.
- b) Access to JMS and check signing authority should be removed for individuals no longer assigned to work at the jail divisions.
- c) In accordance with best practices, a review of JMS access and check signing authority should be reviewed on a quarterly basis, at a minimum, and updated accordingly.

Views of Responsible Officials:

WCSO Finance will work with Sheriff's Office IT staff to implement these recommendations.

Gaps in Numerical Check Sequence

OAG staff selected JMS generated check registers for the months of October 2019 and March 2020 and reviewed for gaps in numerical check sequence. For October 2019, the OAG determined nine check numbers were absent from the numerical sequence. For March 2020, sixteen absences were identified. OAG staff requested support/ explanation for the instances identified. WCSO Finance does not maintain documentation or support for each gap in sequence, and as a result specific reasons for each instance could only be speculated upon. According to WCSO Finance, during the check printing process, if a withdrawal transaction is interrupted due to connectivity issues or said transaction is not saved, that check number is lost and will not be reissued for the next user attempting to open a withdrawal transaction; thus, resulting in a gap in the numerical check sequence.

While the identified cause of the numerical check sequence gaps is proposed to serve as a security measure, the creation of gaps in the check sequence records results in data that does not allow for appropriate monitoring of the released funds and/or check status, making month end reconciliation processes cumbersome and difficult, and exposing the WCSO to significant risk of potential check fraud and/or misappropriation of inmate funds, in appearance or in fact.

Recommendation 2019-3.5: Material Weakness

The OAG provides the following recommendations regarding the issuance of check numbers in numerical sequence:

- a) Immediate action should be taken to eliminate or greatly reduce instances in which numerical check sequence gaps are created as a result of not saving withdrawal transactions in JMS.
- b) Furthermore, when numerical check sequence gaps are identified, support and explanations for each instance should be documented, maintained, and referred to during the bank reconciliation process.

Views of Responsible Officials:

This is a system flaw in JMS. Most often when a transaction isn't saved, it's because JMS goes into an error mode where the transaction can't be completed & the computer locks on that screen.

A user must exit out of the whole module and start over again to be able to complete the transaction. It's not a matter of a user just not saving it. WCSO IT staff will consult with Tyler to determine what they can do to remedy this error.

Voided Checks Cleared the Bank

In conjunction with reviewing controls over cash reconciliations, OAG staff noted numerous instances in which an inmate release check was identified as voided on the JMS check register but cleared the bank; and in some cases, voided checks cleared the bank in different amounts than noted on the check register. OAG staff selected a sample of 20 checks that were voided and subsequently cleared the bank. We requested WCSO Finance provide explanations for the identified discrepancies; however, the specific reason for each instance could only be speculated upon by WCSO personnel. In some instances, the check number was transposed by the bank and the voided check in question cleared the bank in a different amount. In other cases, a check was voided in error and a subsequent check reissued; however, the voided check cleared the bank. The occurrence of such discrepancies exposes the WCSO to significant risk of check fraud and/ or misappropriation of inmate funds, in fact or in appearance. Such practices also create difficulties in reconciling cash accounts.

Best practices state that voided checks should be permanently defaced so that no one can present the check to the bank at a later date. Furthermore, voided check numbers should never be reused.

Recommendation 2019-3.6: Material Weakness

We recommend the WCSO institute processes and controls to prevent the reuse of voided check numbers.

Views of Responsible Officials:

WCSO began issuing debit cards to inmates being released in September 2020. This has decreased the number of checks being issued significantly, thereby decreasing the number of voided checks as well. Finance will implement a set of Procedures that will not allow the reuse of check number. Finance staff will work with Sheriff's Office IT and Tyler to ensure that duplicate check numbers are not accepted by the software system.

Duplicate Check Numbers in JMS and Overwriting of Check Fields

In our testing, we also noted duplicate check numbers on the JMS check register. The identified duplications appear to be the result of check numbers being manually overwritten in JMS. This practice has resulted in numerous duplicate check numbers that cannot be consistently reconciled to the monthly bank statement. The volume of instances paired with discussion with WCSO personnel suggests that the check number fields are being manipulated on a regular basis.

The ability to overwrite the check number field in JMS exposes the WCSO to significant risk of fraud. This coupled with the lack of segregation of duties in check printing and signing could result in collusion amongst WCSO employees. Furthermore, the ability to conduct an accurate

reconciliation of the inmate accounts is considerably reduced due to the lack of clarity in the check record(s).

Recommendation 2019-3.7: Material Weakness

We recommend the WCSO work with the JMS vendor (Tyler Technologies) to modify the system to prevent manipulation of the check number field.

Views of Responsible Officials:

WCSO will meet with Tyler to determine how they can remedy this issue.

Lack of Controls Over Bank Reconciliations

We noted that controls over the bank reconciliations could be enhanced. Specifically, there is no reconciliation to the cash balances in JMS nor is there timely preparation of the bank reconciliations.

Lack of Reconciliation to Cash Balances in JMS

All inmate funds are deposited and maintained in the Inmate Property Account with Chase Bank. Best practices state that internally recorded cash transactions should be reconciled to bank activity on a monthly basis with review performed by someone other than the preparer. OAG staff obtained a copy of the September 2019 bank reconciliation (prepared by the WCTO) along with supporting documentation, including the bank statement, outstanding checks, and other reconciling items for purposes of verifying the accuracy of the reconciliation and existence of related support. With a formal bank reconciliation, the bank balance per the bank statement should be reconciled to the cash balance in the system where transactions are recorded. Reconciling differences generally include deposits in transit, outstanding checks, and bank or book adjustments. Our review noted that while a reconciliation is being performed, it is not agreed to a cash balance in JMS.

This finding is consistent with that noted by Plante Moran during the 2019 and 2020 fiscal year end audits. As part of their audit procedures, Plante Moran performed an analysis of the inmate cash account at September 30, 2019. Their analysis revealed a potentially inadequate amount of cash on hand to cover outstanding obligations payable to current and released inmates. Following is a summary of Plante Moran's analysis and explanation thereof.

All amounts as of September 30, 2019	
Inmate property bank account balance	\$1,513,536
Less current obligations:	
Inmate balances in JMS	(\$589,476)
Uncashed checks	(\$1,245,901)
Total obligations	(\$1,835,377)
Potential cash shortage	(\$321,841)

The inmate property bank account balance represents the amount of funds held at Chase Bank on September 30, 2019. This amount is pulled directly from the September 2019 bank statement. Current obligations, totaling \$1,835,377, consist of inmate balances in JMS for current inmates (\$589,476) and uncashed checks written to those inmates released prior to September 30, 2019 (\$1,245,901). Total obligations exceed cash on hand by \$321,841, indicating a potential cash shortage.

The lack of reconciliation of bank activity to cash balances in JMS increases the risk of misappropriation and/ or fraud, in fact and/ or in appearance.

With Plante Moran’s FY 2020 recommendation, the WCSO responded stating that a process for reconciling activity was developed and implemented in October 2020. OAG staff reviewed reconciliations prepared by WCSO Finance post September 30, 2020 and noted bank balances are not agreed to JMS cash balances in the reconciliation.

Lack of Timely Preparation of Bank Reconciliations

Prior to September 2020, cash reconciliation activity was performed by the WCTO. WCSO Finance took over reconciliation duties effective September 2020; however, per discussion with the WCTO in April 2021, a formal transition has not yet taken place and WCSO Finance had failed to send copies of cash reconciliations to the WCTO. As provided by State law, under guidance of the State Treasury Department, county treasurers represent the custodian of all county funds. As such, it is prudent that the WCTO receive and maintain copies of bank reconciliations prepared by WCSO Finance.

As a result of the perceived lack of communication between WCSO Finance and the WCTO, we requested the WCSO provide cash reconciliations for September 2020 through March 2021. After much follow up, reconciliations were provided in mid-April 2021. The timeline of events is noted below:

- December 2020 – OAG staff requested the September 2020 cash reconciliation; WCSO Finance indicated the reconciliation would be available within a week.
- Early January 2021 – OAG staff requested reconciliations for September through October 2020. WCSO Finance indicated reconciliations would be received by January 20, 2021.

- Early April 2021 – OAG staff requested reconciliations from September 2020 through February 2021. All reconciliations were received mid-April 2021.

Based on the multiple communication requests with WCSO Finance, cash reconciliations do not appear to be performed in a timely basis. The State of Michigan’s Accounting Procedures Manual provides best practices for internal controls over bank and investment accounts. The manual states that all cash accounts should be reconciled to their respective bank statements monthly by an individual not responsible for the actual physical handling of cash.

Recommendation 2019-4: Material Weakness

The OAG provides the following recommendations regarding bank reconciliations:

- a) WCSO Finance should initiate a formal transition plan with WCTO to prevent monthly bank reconciliation activity from falling behind.
- b) Furthermore, the OAG recommends WCSO Finance implement a process to perform bank reconciliations in a timely manner, following receipt of the bank statement.
- c) Finally, reconciliations should reconcile bank activity per the bank statement to cash balances in JMS.

Views of Responsible Officials:

Recommendations a & b are essentially the same thing just worded differently. As of the issuance of this report, all bank reconciliations are current through Oct. 2021 & have been sent to WCTO. WCSO recently took the bank reconciliation over from WCTO as they were behind in getting it reconciled. In addition to WCSO being affected by coronavirus & other medical issues, we have been extremely short of accounting staff the past year and a half which has made it extremely difficult to stay current with these. However, as noted above the reconciliations are current through Oct. 2021 with the addition of a replacement staff person.

Recommendation c, JMS was purchased to manage inmate and not to be a finance software. It was never intended to be a finance record. Reconciling to cash balances in JMS, this would be extremely difficult due to the large volume of transactions created & received every day. GTL uploads transactions every 15 mins directly into inmate accounts, so cash balances are changing every 15 mins at a minimum. This is in addition to Canteen/Commissary transactions being uploaded during the day and checks/debit cards being generated throughout the 24 hour day period. Additionally, bank activity doesn’t always record on the same day funds are received. There is a lag time between when cash is received, entered in JMS, & sent to the bank. This makes it exceedingly & inordinately difficult to even determine a cash balance.

The Sheriff’s Office disagrees with the external auditor for using JMS as a finance software. The purpose of JMS is to strictly manage inmates.

Non-Compliance with the Michigan Uniform Unclaimed Property Act

The WCSO Jail Divisions I and III maintain policies and procedures for handling unclaimed inmate property following an inmate's release (No. 12.8 for Division I and No. 4.1.7 for Division III). The policies are similar in substance and state the following:

- Unclaimed property of inmates may be escheated and disposed of pursuant to Wayne County Enrolled Ordinance No. 95-40.
- Unclaimed property will be considered abandoned and disposed of after six months from final discharge; after which time the property will be subject to escheatment and auction.
- Unclaimed property suspected of having a value greater than \$250 will be appraised. Gold and/ or diamond jewelry will be appraised.
- Subsequent to the auction, the final sale price of each item on the inventory record will be maintained in accordance with the approved records retention schedule.
- The inmate's name and inmate booking number, when known, should correspond with the item being sold on the master auction list.

Our testing included procedures to verify unclaimed inmate property is being handled in accordance with State of Michigan legislation.

Unclaimed property in the State of Michigan is governed by the Michigan Uniform Unclaimed Property Act (Public Act 29 of 1995). Public Act 29 of 1995 requires every business or government agency holding unclaimed property belonging to someone whose last known address is in Michigan to annually report said unclaimed property to the State of Michigan. Public Act 29 of 1995 goes on to state that property held by a court, government agency, or governmental subdivision that remains unclaimed by the owner for more than one year after becoming payable or distributable is presumed abandoned.

WCSO policies were written to comply with Section 185.2.(c) of Wayne County Enrolled Ordinance No. 95-40. Section 185.2.(c) of the Ordinance is excerpted below:

- (c) The sheriff's department shall handle abandoned property in the manner required by Act No. 273 of the Public Acts of Michigan of 1987 (MCL 434.21 et seq., MSA 18.718(1) et seq.), that is:
- (1) Classify and when required, inventory the property by both a public general description and a confidential detailed description.
 - (2) Safekeep the property and make reasonable efforts to find and notify the owner to claim it.
 - (3) If unclaimed within six months, make reasonable efforts to find and notify the finder of the property of his or her right to claim it. An employee of the county may not, however, be deemed to be a finder if the property is found while performing his or her duties.
 - (4) If the finder cannot be found, or does not want the property, do as follows:
 - a. Retain the property for use by the sheriff's department or other county agency;
 - b. Sell the property at a public auction and deposit the proceeds to a separate account in the county general fund, which shall be appropriated as needed for capital needs in the department of origin; or
 - c. Release the property to a charitable organization as defined by section 2 of Act No. 169 of the Public Acts of Michigan of 1975 (MCL 400.272, MSA 3.240(2)).

(Ord. No. 95-40, § 3, eff. 2-13-95)

Section 185-2.(c) of Ordinance 95-40 states “the sheriff’s department shall handle abandoned property in the manner required by Michigan Public Act No. 273 of 1987 (“Lost Property”). The OAG reviewed Public Act No. 273 of 1987, noting the Act appears to relate to lost property that has been found and delivered “to a law enforcement agency in the jurisdiction where the property is found”. Certain requirements under Act No. 273 of 1987 are not consistent with those specified under the Uniform Unclaimed Property Act (UUPA). UUPA requires governmental agencies to hold unclaimed property for a year; after which time items are to be escheated to the State of Michigan. WCSO policies indicate items are held for six months and then disposed of or sold at auction. WCSO policies do not address escheatment of inmate property to the State of Michigan.

OAG staff obtained a copy of the September 30, 2020 bank reconciliation and noted uncashed checks written in fiscal year 2018 and prior totaling \$946,468.13. In accordance with UUPA, this amount should be evaluated for escheatment to the State of Michigan.

Section 25 of the Uniform Unclaimed Property Act addresses certain fines and penalties for failure to pay or deliver property to the State of Michigan within the prescribed timeframe. Interest is charged at a monthly rate of 1 percentage point above the adjusted prime rate per annum per month on the property or value of the property from the date the property should have been paid or delivered. Lack of escheatment to the State of Michigan could expose the County to significant fines and penalties.

This finding is consistent with lack of escheatment County-wide, as noted by Plante Moran in fiscal years ended September 30, 2018, 2019 and 2020.

Recommendation 2019-5: Material Weakness

The OAG provides the following recommendations regarding unclaimed inmate property:

- a) WCSO Finance should develop policies and procedures to handle unclaimed inmate property in accordance with the Michigan Uniform Unclaimed Property Act (Public Act 29 of 1995).
- b) WCSO Finance should perform an analysis of outstanding checks to determine the amount of funds requiring escheatment to the State of Michigan.

Views of Responsible Officials:

It must be clarified the Plante Moran audit referenced in the final sentence above applies to the annual Wayne County audit of the County as a whole, not specifically WCSO. This finding has been cited to M & B primarily who have yet to address it. Additionally, a distinction needs to be made between types of property being discussed. The property being noted in the Lost Property Act & County Ordinance refers to actual tangible property. The property noted in the Unclaimed Property Act refers to primarily monetary items, which many of which are intangible. WCSO distinction is this “property” is defined as clothing, jewelry, phone, wallet, etc. that belongs to an inmate. Funds are defined as cash, money orders, checks, etc. that belong to the inmate. While the OAG seems to want to dovetail the two into one general policy, we think that action would be incorrect. Since the County ordinance regarding lost property was established in 1995 & hasn’t been update since, it would be prudent to review it and make revisions to address both lost property brought in the public and tangible property an inmate leaves behind at one of the jails. From there, WCSO policies could be update for handling tangible property left behind by inmates. We think the OAG should separate this topic into 2 findings, one addressing tangible property & one addressing funds/intangible property. Combining these muddies the waters & creates confusion for the reader.

WCSO is awaiting the County as a whole to establish an escheatment policy for the disposition of abandoned inmate funds. As this was cited in the Wayne County audit conducted by Plante Moran referenced above , we think it’s best to have the County establish a countywide escheatment policy to ensure consistency across all departments. We don’t want to have a standalone policy that may conflict with the rest of the County.

DIFFICULTIES ENCOUNTERED DURING THE ENGAGEMENT

Aside from delays resulting from the COVID-19 pandemic, several factors during the engagement resulted in unexpected time spent by OAG staff testing inmate release checks. As part of our standard bank reconciliation testing procedures, we obtain a list of checks written against the bank account (aka, the check register). We review the check register to ensure there are no identified gaps in numerical check sequence and/or duplicate check numbers. We also select a sample of

voided checks and compare those to the bank statement to ensure voided checks did not clear the bank.

As we began to perform our standard testing procedures on the inmate property bank account reconciliation, the original check register provided to us had a significant number of missing check numbers, duplicate check numbers and voided checks; some of which cleared the bank; and in some cases, in different amounts. After much follow up with the WCSO, it was discovered that we were provided a check register, created internally by WCSO personnel using ad hoc reporting with incorrect parameters. After this discovery, a revised check register was provided.

OAG staff were subsequently granted access to the JMS system and from there we were able to run a complete check register directly from JMS to re-perform our testing. As a result of the number of discrepancies originally noted, we queried all checks written in JMS from implementation inception (May 2016) to September 30, 2020.

On the JMS-generated check register, we noted more than 600 missing check numbers, over 150 duplicate check numbers, and more than 60 voided checks that cleared the bank. We performed match functions to determine which checks on the check register cleared the bank and which cleared checks were not on the check register. These match functions allowed us to research discrepancies we noted in our testing.

OAG staff spent a significant amount of time researching the exceptions identified during fieldwork to reach conclusions. Since Positive Pay is used to monitor inmate property account activity, it is likely the bank caught these discrepancies and followed up with WCSO Finance for clarity. As a result, the bank statements showed a significant number of check reversals and bank adjustments ultimately correcting found errors. While Positive Pay is a great tool for fraud prevention, it does not negate the need for strong controls internally and a strong control environment. It was noted that in many instances what appeared to be duplicate and voided checks that cleared the bank, were actually check numbers listed on the bank statement that were transposed or reused; and not the actual check number as listed on the check register.

We recommend WCSO Finance work with Chase Bank to determine how inaccurate information comes to be displayed on the bank statement.

OAG OVERALL CONCLUSION

As a result of our performance audit, we noted instances where the internal control environment will need to be strengthened, including but not limited to the following areas: record maintenance of intake and release forms; secondary review of daily deposit reconciliations; handling, processing, and monitoring of inmate release checks; controls over bank reconciliations; and compliance with escheatment reporting under the Michigan Uniform Unclaimed Property Act.

There were 11 findings and 28 recommendations made to strengthen controls and processes over the Wayne County Sheriff's Office handling of inmate property. Nine of the findings are deemed material weaknesses, which are classified as high risk; one finding is considered a significant deficiency with medium risk; and one is considered a control deficiency, which is classified as low risk.

We provided the Wayne County Sheriff's Office with a copy of our report. Management agreed in principle to all recommendations.

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 Sheriff's Office 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 black ink that reads "Marcella Cora". The signature is written in a cursive, flowing style.

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

Appendix A

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 affect(s) 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.