



# Audit Department

500 S Grand Central Pkwy Ste 5006 • PO Box 551120 • Las Vegas NV 89155-1120  
(702) 455-3269 • Fax (702) 455-3893

Angela M. Darragh, CPA, CFE, CISA, Director

June 25, 2014

Mr. Don Burnette  
Clark County Manager  
500 South Grand Central Parkway, 6th Floor  
Las Vegas, Nevada 89106

Dear Mr. Burnette:

Pursuant to our annual audit plan, we conducted a follow-up audit of the Las Vegas Metropolitan Police Department (LVMPD) House Arrest Program Revenue audit issued January 28, 2013. Our audit procedures consisted of interviewing personnel to determine the status of findings. We obtained supporting documentation and performed detail testing to assess the adequacy of the corrective actions taken. Our last day of fieldwork was February 21, 2014.

Our procedures included performing analysis on users and user access rights. We verified that all users are active employees. We judgmentally selected five deposit records and determined the frequency of deposits, attestation of counts by a second person, and the use of cash receipt reports from the House Arrest computer application. We then performed analyses on accounts receivable balances and reduced fees based on the ability to pay. We judgmentally selected five cases to determine whether accounts receivable balances were accurate and five cases to determine adequacy of documentation on exit of the House Arrest Program. While manual case files hold information, with the exception of ability to pay documentation, the computer application does not have consistent information to verify accounts receivable balances such as exit dates and whether a reduced fee is applied. Customer balances are estimated and either changed or adjusted based on events. Customers are not invoiced. Estimating and changing customer balances leads to inaccurate accounts receivable balances and may increase the risk of theft.

We conducted this performance audit in accordance with generally accepted government auditing standards. 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The auditor's role in follow-up engagements is to compile corrective actions taken from effected Department/Division management, assess whether these responses are adequate or not adequate to correct reported deficiencies, and relay those findings to management. It is the Department/Division management's responsibility to decide if any appropriate actions should be taken in response to reported audit findings. It is also their responsibility to assume the risk of not correcting a reported condition because of cost or other consideration.

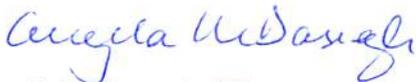
Based on our follow up testing, we found that two of 10 findings were corrected. User access has been restricted to prevent the changing of customer balances and remove excessive access rights. In addition, Standard Operating Procedures have been updated for password administration compliance with LVMPD policies. A generic user account still exists for use by the sergeant in charge of House Arrest. Cash controls need to be strengthened by having two individuals verify and attest to funds prior to placement in the safe and when funds are transferred to the business office for deposit. Deposits should be made prior to the weekend with large deposits made more frequently. Presently, deposits for approximately four to five days of receipts are held in the safe over the weekend with amounts deposited the following week. This process continues to allow a fairly large amount of cash to accumulate in the safe prior to deposit.

House Arrest is presently in the process of addressing corrective action for all other findings. Due to the complex nature of laws affecting House Arrest procedures, the District Attorney's Office is working closely with House Arrest to ensure that processes comply with applicable laws. This includes decisions on application of fees and fee scales, whether accounts receivable balances are valid, collection efforts, payment agreements, and writing off aged receivables.

The House Arrest application used for billing is being upgraded during the month of March 2014. At that time, inefficiencies in cash receipt reporting should be sufficient to eliminate the need for manual cash receipt spreadsheets. We believe that an audit of House Arrest would be appropriate at some point in the future, after upgrades to application are implemented, District Attorney opinions are provided, and procedures are implemented to address compliance with laws and controls over case and cash management.

A draft letter report was provided to the Sheriff. A response provided by the Captain of Detention Services Staff Operations is included. We appreciate the cooperation and assistance provided by the staff of House Arrest.

Sincerely,



Angela M. Darragh, CPA  
Audit Director

# LAS VEGAS METROPOLITAN POLICE DEPARTMENT

## MEMORANDUM

---

**DATE** : 06/20/2014  
**TO** : Angela M. Darragh, Audit Director  
**SUBJECT** : Audit Follow Up

In regards to the follow up, the following items were recommendations listed by the Auditor for corrective action.

### **Finding #1**

Collection practices for accounts receivable are not conducted on a formal routine, are not included in standard operating procedures, and are not in compliance with BCC direction for administering delinquent accounts receivable. At June 30, 2012, House Arrest accounting records dating back to FY 2003 {unaudited}, include a significant balance due of nearly \$3.5 million from inmates no longer in the House Arrest program.

### **Recommendation**

Formalize collections practices and routines in standard operating procedures.

Engage the Office of the District Attorney and the Office of the Comptroller to bring delinquent account administration into compliance with BCC direction, including routine reporting of receivables to the Comptroller's Office and determining which significantly delinquent accounts should be removed from County records.

### **Response**

Developed a three step approach;

1. Stop creating aged accounts receivable through establishing a demand date and creating a demand date for funds due to House Arrest upon completion of program. (Completed)
2. Establish a working process with the accounting office of DSD to produce invoices upon termination of HA, access to SAGE accounting software and collections (In progress)
3. Determine a process of collecting the aged receivables prior to the implementation of steps 1 and 2, with the assistance of the DA's Civil Office. (In Progress)

## **Finding #2**

House Arrest allows inmates to submit an application and supporting documentation for reduced rates in order to comply with an ability-to-pay provision included in NRS 211.280. According to NRS, "A prisoner so supervised shall pay toward the (electronic supervision) fees according to his or her ability to pay." The application itself collects data on applicant income, expenses, and living situation. However, the reduced rate scale was not approved by the BCC, and therefore is not compliant with NRS.

### **Recommendation**

Implement standard operating procedures to routinely submit rates (including reduced rates) to the BCC for direction and approval.

Consider adopting a practice for reduced rate determinations that bases approval on the applicant's proof of acceptance into other Clark County or State of NV assistance programs.

### **Response**

The BCC approved the Sliding Scale on 03/05/2014. Annual reviews for Fees and Sliding Scale added to SOP for BCC approval. (Completed)

## **Finding #3**

The current rate structure has not been submitted to the BCC for approval in accordance with NRS 211.280. According to NRS, "The board of county commissioners...shall set an application fee and a daily fee for electronic supervision reasonably commensurate with its cost to the county." Since the rate structure was not submitted to the Board, the BCC has not had the opportunity to provide formal direction on House Arrest program rates, and the rate structure is not in compliance with NRS. House Arrest rates have not changed since at least 2002.

### **Recommendation**

Implement standard operating procedures to routinely submit rates to the BCC for direction and approval.

### **Response**

Prior approval for the \$10 rate was approved on 01/04/1993 BCC, and not as stated in Finding #3, "The board of county commissioners...shall set an application fee and a daily fee for electronic supervision reasonably commensurate with its cost to the county." The rate and fee set in 1993 was commensurate with the cost to the county.

In regards to the rate structure, "Since the rate structure was not submitted to the Board, the BCC has not had the opportunity to provide formal direction on House Arrest program rates, and the rate structure is not in compliance with NRS" The

BCC approved the rate fee of \$12 on 03/05/2014 for the 20% rate increase in 20 years. Along with the sliding scale based upon the 2012 Federal Poverty Guidelines as well as government financial assistance. Annual reviews for Fees and Sliding Scale added to SOP for BCC approval. (Completed)

#### **Finding #4**

Correction Assistants currently overstate active inmates' receivable balances when an inmate is first placed on House Arrest. The current procedure is for the Correction Assistant to estimate the time the inmate will be on house arrest, and then create an invoice for the charges for the entire period. Once an inmate exits House Arrest, the invoice is adjusted to bill for only the days in the program. This practice results in unreliable receivable data for active inmates and often results in the creation of negative invoices to adjust the total amount due downward in the event that an inmate exits House Arrest prior to the original estimate. We tested 15 inmate accounts, and found the balances due were correct upon exit from the program.

#### **Recommendation**

Direct the Correction Assistants to utilize the recurring invoice feature in the accounting application and set up weekly invoices for active inmates. When an inmate exits House Arrest, the recurring feature can be disabled and a final invoice generated.

#### **Response**

Currently in progress. Training and procedures still need to be refined, reviewed and confirmed by Accounting and the DA's office. (In progress)

#### **Finding #5**

Cash is currently placed into the House Arrest Sergeant's custody without dual or independent verification of the amount. While we did not find any errors during our testing, we believe this process increases the risk for loss. Correction Assistants collect fees from inmates on a daily basis as inmates visit the Detention Center for routine check-ins. The Correction Assistants drop their cash collections and individual receipts into the House Arrest Sergeant's safe at the end of their shift. While receipts accompany the cash drop, the amount of cash is not counted or attested by a second individual when the cash changes custody. Discrepancies could go unnoticed for up to a week because staff prepares cash for deposit weekly.

#### **Recommendation**

Require that two individuals count cash and provide signatures on count sheets when cash changes custody.

## **Response**

Not implemented due to staffing issues, this procedure would not occur on a regular basis due to limited staffing, schedules, sick and vacation. (Not implemented)

## **Finding #6**

On average in fiscal 2012, over \$11,737 accumulated in the House Arrest Sergeant's safe before being transferred to the business office for deposit into the bank. Two deposits were over \$20,000 prior to transfer. The risk of misappropriation increases when cash is held for a long period of time.

## **Recommendation**

Evaluate whether more frequent deposits can be performed to reduce the amount of cash sitting in the safe.

## **Response**

SOP changed to establish a Thursday weekly deposit. (Completed)

## **Finding #7**

Correction Assistants have view, add, and edit access to a wide variety of system modules, including file backups and event logs. In addition, Correction Assistants receive cash and have the ability to edit receipts in the system if they make an error. This combination of duties and user permissions heightens the risk for error, loss, or misappropriation, since one individual has access to cash and can remove the proof that the cash existed. Because unpaid balances are not sent to collections, there is minimal chance that the error would be caught by the House Arrest client.

Further, the individual responsible for preparing the weekly deposit packages has edit access over system reports, which means system-generated documentation supporting weekly deposits could be edited to conceal a theft.

## **Recommendation**

Update standard operating procedures to bring password administration into compliance with LVMPD password security policy.

Systematically review staff duties against user permissions in the House Arrest accounting system to ensure that duties are appropriately segregated and the appropriate view, add, or edit permission is granted. Duties for issuing a receipt and editing receipting errors should be segregated. Lastly, the individual responsible for preparing weekly deposit packages should have read only access to system reports.

## **Response**

Corrections Assistants access has been reviewed and limited for SAGE access and accounting. Supervisor has the only access to correct errors. Specific password established for Supervisor. Weekly reports require additional user software access, currently in purchase order. (Partially completed)

## **Finding #8**

Currently, no one in the House Arrest unit reviews monthly invoices from the ankle device vendor (Omnalink) to determine that the invoiced amounts for active bracelet days is accurate. We tested billing for 20 inmates and did not find any errors. However, good business practice would be to verify each invoice for accuracy.

## **Recommendation**

Implement procedures to run a report of active House Arrest inmates from the accounting system and agree this data to active devices on monthly Omnilink invoices.

## **Response**

Cross referencing SAGE with Omnilink to reconcile invoice from vendors is not in practice due to invoicing as stated in Finding #4. Further, each individual would need reviewed for that period, as weekly reoccurring would not encompass mid-week billing cycles. (Not implemented)

## **Finding #9**

Password administration over the accounting system is not conducted in accordance with good password security practice and LVMPD password security policy. No standard operating procedures are in place governing password administration in the unit. As a result, system security can be improved. We found one user identified as "admin" (a security risk), and no specified routine to update passwords as required by policy (a security and accountability risk).

## **Recommendation**

Update standard operating procedures to bring password administration into compliance with LVMPD password security policy.

## **Response**

Previously identified as completed as supervisor was given specific user name and rights, also reference Finding #7 (Completed)

## **Finding #10**

Weekly deposit procedures could be made more efficient by utilizing accounting system reports. Currently, the Law Enforcement Support Technician (LEST) prepares a manual schedule of receipt numbers as part of weekly deposit procedures in order to (1) control for missing or void receipts, (2) provide a control total for cash on hand, and (3) provide support for deposit packages and SAP accounting records. The manual process is time consuming.

### **Recommendation**

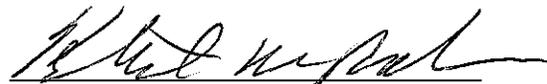
Obtain system-generated reports available in the accounting system, such as the cash receipts journal report or the audit report.

Use these reports to (1) control for missing or void receipts, (2) provide a control total for cash on hand, and (3) provide support for deposit packages and SAP accounting records.

### **Response**

Reports generated by SAGE can be generated for the time period, i.e. day, week, etc. However, due to schedules and staffing such a report would only be useful for the LEST for the weekly deposits. Currently there are not enough user license agreements for the LEST to generate this on demand for her reports. Extra license are currently in progress of being purchased as well as development for procedures to reconcile the weekly deposit, as listed in Finding #7.

Respectfully Submitted,



Herbert Baker, Captain  
Detention Services – Staff Operations

**LAS VEGAS METROPOLITAN POLICE DEPARTMENT  
HOUSE ARREST PROGRAM REVENUE FOLLOW UP AUDIT  
Findings, Recommendations, and Corrective Actions Status  
As of February 21, 2014**



**AUDIT DEPARTMENT**  
Angela Darragh, CPA, CFE, CISA, CHC  
Director

**Original Report Issuance Date: January 28, 2013**

Finding	Recommendation(s)	Corrective Actions Status
<b>5 - Cash Controls Can Be Strengthened (MEDIUM)</b>		
<p>Cash is currently placed into the House Arrest Sergeant’s custody without dual or independent verification of the amount. While we did not find any errors during our testing, we believe this process increases the risk for loss. Correction Assistants collect fees from inmates on a daily basis as inmates visit the Detention Center for routine check-ins. The Correction Assistants drop their cash collections and individual receipts into the House Arrest Sergeant’s safe at the end of their shift. While receipts accompany the cash drop, the amount of cash is not counted or attested by a second individual when the cash changes custody. Discrepancies could go unnoticed for up to a week because staff prepares cash for deposit weekly.</p>	<p>Require that two individuals count cash and provide signatures on count sheets when cash changes custody.</p>	<p><b>Not Implemented.</b> House Arrest revised deposit procedures. However, these procedures do not include having a person verify and attest to the drop of funds and when the funds are transferred to the business office.</p> <p><b>Response: This procedure would not occur on a regular basis due to limited staffing, schedules, sick and vacation.</b></p>
<b>6 - Deposit Frequency Should be Increased (MEDIUM)</b>		
<p>On average in fiscal 2012, over \$11,737 accumulated in the House Arrest Sergeant’s safe before being transferred to the business office for deposit into the bank. Two deposits were over \$20,000 prior to transfer. The risk of misappropriation increases when cash is held for a long period of time.</p>	<p>Evaluate whether more frequent deposits can be performed to reduce the amount of cash sitting in the safe.</p>	<p><b>Not Implemented.</b> House Arrest has changed procedures to make deposits on a weekly basis in order to minimize deposited amounts. However, deposits for approximately 5 days of receipts are accumulated, ranging from \$11,147 to \$9,007, and held over the weekend in the safe. Since large amounts are still held prior to deposit and over the weekend in the safe, we do not consider this finding as addressed.</p> <p><b>Response: SOP changed to establish a Thursday weekly deposit.</b></p>

Finding	Recommendation(s)	Corrective Actions Status
<b>8 - Invoices Need Verification (MEDIUM)</b>		
<p>Currently, no one in the House Arrest unit reviews monthly invoices from the ankle device vendor (Omnalink) to determine that the invoiced amounts for active bracelet days is accurate. We tested billing for 20 inmates and did not find any errors. However, good business practice would be to verify each invoice for accuracy.</p>	<p>Implement procedures to run a report of active House Arrest inmates from the accounting system and agree this data to active devices on monthly Omnalink invoices.</p>	<p><b>Not Implemented.</b> House Arrest is in the process of upgrading the computer application to be completed March 2014. However, we were not able to determine whether a report to verify invoices will be available at that time.</p> <p><b>Response: Cross referencing SAGE with Omnalink to reconcile invoice from vendors is not in practice due to invoicing procedures. Further, each individual would need to be reviewed for that period, as weekly reoccurring would not encompass mid-week billing cycles.</b></p>
<b>10 - Weekly Deposit Efficiency Can Be Improved (LOW)</b>		
<p>Weekly deposit procedures could be made more efficient by utilizing accounting system reports. Currently, the Law Enforcement Support Technician (LEST) prepares a manual schedule of receipt numbers as part of weekly deposit procedures in order to (1) control for missing or void receipts, (2) provide a control total for cash on hand, and (3) provide support for deposit packages and SAP accounting records. The manual process is time consuming.</p>	<p>Obtain system-generated reports available in the accounting system, such as the cash receipts journal report or the audit report.</p> <p>Use these reports to (1) control for missing or void receipts, (2) provide a control total for cash on hand, and (3) provide support for deposit packages and SAP accounting records.</p>	<p><b>Not Implemented.</b> House Arrest is in the process of upgrading the computer application to be completed March 2014. However, we were not able to determine whether a report to verify invoices will be available at that time.</p> <p><b>Response: Reports generated by SAGE can be generated for the time period, i.e. day, week, etc. However, due to schedules and staffing such a report would only be useful for the LEST for the weekly deposits. Currently there are not enough user license agreements for the LEST to generate this on demand for her reports. Extra license are currently in progress of being purchased.</b></p>
<b>1 - Accounts Receivable Require Additional Attention (HIGH)</b>		
<p>Collection practices for accounts receivable are not conducted on a formal routine, are not included in standard operating procedures, and are not in compliance with BCC direction for administering delinquent accounts receivable. At June 30, 2012, House Arrest accounting records dating back to FY 2003 (unaudited), include a significant balance due of nearly \$3.5 million from inmates no longer in the House Arrest program.</p>	<p>Formalize collections practices and routines in standard operating procedures.</p> <p>Engage the Office of the District Attorney and the Office of the Comptroller to bring delinquent account administration into compliance with BCC direction, including routine reporting of receivables to the Comptroller's Office and determining which significantly delinquent accounts should be removed from County records.</p>	<p><b>Corrective action is in progress.</b> Due to the complex nature of laws affecting House Arrest procedures, the District Attorney's Office is working closely with House Arrest to ensure that processes reflect adequate compliance with laws. This includes decisions on application of fees and fee scales, whether accounts receivable balances are valid, collection efforts, payment agreements, and writing off aged receivables.</p>

Finding	Recommendation(s)	Corrective Actions Status
<b>2 - Reduced Rate Administration Needs BCC Approval, Consistency, Simplification (HIGH)</b>		
<p>House Arrest allows inmates to submit an application and supporting documentation for reduced rates in order to comply with an ability-to-pay provision included in NRS 211.280. According to NRS, "A prisoner so supervised shall pay toward the (electronic supervision) fees according to his or her ability to pay." The application itself collects data on applicant income, expenses, and living situation. However, the reduced rate scale was not approved by the BCC, and therefore is not compliant with NRS.</p>	<p>Implement standard operating procedures to routinely submit rates (including reduced rates) to the BCC for direction and approval.</p> <p>Consider adopting a practice for reduced rate determinations that bases approval on the applicant's proof of acceptance into other Clark County or State of NV assistance programs.</p>	<p><b>Corrective action is in progress.</b> Due to the complex nature of laws affecting House Arrest procedures, the District Attorney's Office is working closely with House Arrest to ensure that processes reflect adequate compliance with laws. This includes decisions on application of fees and fee scales, whether accounts receivable balances are valid, collection efforts, payment agreements, and writing off aged receivables.</p>
<b>3 - Standard Rates Need BCC Approval (HIGH)</b>		
<p>The current rate structure has not been submitted to the BCC for approval in accordance with NRS 211.280. According to NRS, "The board of county commissioners...shall set an application fee and a daily fee for electronic supervision reasonably commensurate with its cost to the county." Since the rate structure was not submitted to the Board, the BCC has not had the opportunity to provide formal direction on House Arrest program rates, and the rate structure is not in compliance with NRS. House Arrest rates have not changed since at least 2002.</p>	<p>Implement standard operating procedures to routinely submit rates to the BCC for direction and approval.</p>	<p><b>Corrective action is in progress.</b> Due to the complex nature of laws affecting House Arrest procedures, the District Attorney's Office is working closely with House Arrest to ensure that processes reflect adequate compliance with laws. This includes decisions on application of fees and fee scales, whether accounts receivable balances are valid, collection efforts, payment agreements, and writing off aged receivables.</p>
<b>4 - Inaccurate Receivables for Active Inmates (HIGH)</b>		
<p>Correction Assistants currently overstate active inmates' receivable balances when an inmate is first placed on House Arrest. The current procedure is for the Correction Assistant to estimate the time the inmate will be on house arrest, and then create an invoice for the charges for the entire period. Once an inmate exits House Arrest, the invoice is adjusted to bill for only the days in the program. This practice results in unreliable receivable data for active inmates and often results in the creation of negative invoices to adjust the total amount due downward in the event that an inmate exits House Arrest prior to the original estimate. We tested 15 inmate accounts, and found the balances due were correct upon exit from the program.</p>	<p>Direct the Correction Assistants to utilize the recurring invoice feature in the accounting application and set up weekly invoices for active inmates. When an inmate exits House Arrest, the recurring feature can be disabled and a final invoice generated.</p>	<p><b>Corrective action is in progress.</b> While the issue of the accounts receivable balance is being addressed by the District Attorney, House Arrest has not currently taken corrective action on resolving overstated active inmates' receivable balances. House Arrest is waiting for the completion of the upgrade of their computer application and the District Attorney's opinion prior to making changes.</p>

Finding	Recommendation(s)	Corrective Actions Status
<b>7 - Accounting System User Permissions Should be Reviewed (MEDIUM)</b>		
<p>Correction Assistants have view, add, and edit access to a wide variety of system modules, including file backups and event logs. In addition, Correction Assistants receive cash and have the ability to edit receipts in the system if they make an error. This combination of duties and user permissions heightens the risk for error, loss, or misappropriation, since one individual has access to cash and can remove the proof that the cash existed. Because unpaid balances are not sent to collections, there is minimal chance that the error would be caught by the House Arrest client.</p> <p>Further, the individual responsible for preparing the weekly deposit packages has edit access over system reports, which means system-generated documentation supporting weekly deposits could be edited to conceal a theft.</p>	<p>Update standard operating procedures to bring password administration into compliance with LVMPD password security policy.</p> <p>Systematically review staff duties against user permissions in the House Arrest accounting system to ensure that duties are appropriately segregated and the appropriate view, add, or edit permission is granted. Duties for issuing a receipt and editing receipting errors should be segregated. Lastly, the individual responsible for preparing weekly deposit packages should have read only access to system reports.</p>	<p><b>Implemented.</b> Corrective action was taken on restricting user access. Unnecessary access was restricted such as for back-ups, sync with outlook, jobs, time and expense tickets, running year-end wizard, import/export, full access on company information, online backup/restore, SDK data access, and data verification . Access to critical areas that could cause substantial errors and lead to theft included access to un-post, change accounting periods, change system date, restore, and purge transactions was also restricted for all users except the Sergeant. A generic user account still exists for use by the Sergeant in charge of House Arrest.</p>
<b>9 - Accounting System Password Administration Does Not Follow Policy (LOW)</b>		
<p>Password administration over the accounting system is not conducted in accordance with good password security practice and LVMPD password security policy. No standard operating procedures are in place governing password administration in the unit. As a result, system security can be improved. We found one user identified as "admin" (a security risk), and no specified routine to update passwords as required by policy (a security and accountability risk).</p>	<p>Update standard operating procedures to bring password administration into compliance with LVMPD password security policy.</p>	<p><b>Fully Implemented.</b> Standard operating procedures were updated to comply with Las Vegas Metropolitan Police password security policy.</p>