

# **CITY AUDITOR'S OFFICE**



## **AUDIT OF MUNICIPAL COURT House Arrest Unit**

**Report MC005-1819-01**

**July 12, 2018**

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**CITY AUDITOR**

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**AUDIT OF MUNICIPAL COURT**  
**House Arrest Unit**  
**Report MC005-1819-01**

**BACKGROUND**

The Municipal Court's House Arrest Unit supervises offenders sentenced to residential confinement instead of jail. Court Marshals conduct unannounced home and work-site visits while defendants are monitored 24 hours a day by electronic equipment.

In order to qualify for house arrest, an offender must:

- be a misdemeanor offender
- be referred by a judge
- have a residence
- have a working phone
- pay an administrative enrollment fee and daily monitoring fees

The city has a contract with a vendor for providing equipment and services for the monitoring of offenders. The city is invoiced monthly for these services.

Offenders make payments to the city for house arrest equipment and services in-person at the court or over the phone. Payments are processed in the court's case management system.

The House Arrest Program is overseen by the Court Administrator, the Criminal Division Chief, and the Pre-Trial Services Supervisor (Supervisor). A House Arrest Court Specialist manages the daily operations of the House Arrest program.

**OBJECTIVES**

Our objectives in completing this audit were to:

- Evaluate the adequacy of existing documented policies and procedures.
- Determine whether House Arrest payments are being processed in accordance with court and city policies.
- Determine whether management and system controls exist to safeguard against theft and unauthorized changes to House Arrest records.
- Determine whether the house arrest vendor is appropriately charging the city for its services and whether house arrest vendor invoices are being adequately reviewed for accuracy.
- Determine whether unpaid house arrest fees are being adequately monitored.

## **SCOPE AND METHODOLOGY**

The scope of this audit was limited to a review of the operations of the Municipal Court's House Arrest work unit. The scope of the audit did not include a review of the Court Marshals who monitor house arrest offenders. The scope of our work on internal controls was limited to the controls within the context of the audit objectives and the scope of the audit. Testing samples were judgmentally selected from transactions during fiscal year 2017. The last fieldwork date of this audit was May 16, 2018.

Our audit methodology included:

- Review of applicable policies and procedures
- Interviews with staff members and other city employees
- Review and testing of various data, documents, and reports

We conducted this performance audit in accordance with generally accepted government auditing standards except for the requirement for an external peer review every three years. 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 exception to full compliance is because the City Auditor's Office has not yet undergone an external peer review. However, this exception has no effect on the audit or the assurances provided.

## **FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS**

The following conclusions to our audit objectives were noted:

*Objective: Evaluate the adequacy of existing documented policies and procedures*

Documented house arrest reference materials and procedures need to be formalized as court business processes. (See Finding #1)

*Objective: Determine whether House Arrest payments are being processed in accordance with court and city policies.*

House Arrest payments are being processed in accordance with court and city policies; however, additional signage is needed alerting customers of their right to a receipt. (See Finding #2)

*Objective: Determine whether management and system controls exist to safeguard against theft and unauthorized changes to House Arrest records.*

Various management and system controls are in place to safeguard against theft and unauthorized changes to House Arrest records. Additional controls are needed including (1) displaying signage with the number of an employee to contact in case of concerns with the processing of a payment, (2) supervisory review of reports from the court management system of House Arrest transactions

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to identify any unusual trends or irregularities, and (3) installation of a surveillance camera at the House Arrest customer service window. (See Finding #2)

*Objective: Determine whether the house arrest vendor is appropriately charging the city for its services and whether house arrest vendor invoices are being adequately reviewed for accuracy.*

The vendor invoice review process being completed by the Court Specialist needs improvement. (See Finding #4) In addition, the vendor contract for House Arrest services and equipment has not been amended to reflect current pricing for services and equipment. (See Finding #5)

*Objective: Determine whether unpaid house arrest fees are being adequately monitored.*

Improvements are needed in the procedures being followed in the preparation of violation letters. (See Finding #6) Querying and reporting limitations in the current court management system require the Court Specialist to duplicate information already in the court management system on excel spreadsheets to track the status of House Arrest defendants. (See Finding #3)

Further information on these issues is contained in the sections below. While other issues were identified and discussed with management, they were deemed less significant for reporting purposes.

## **1. Incomplete House Arrest Unit Policies and Procedures**

### **Criteria**

Documented procedures formally establish employee accountability, provide orientation and reference material for employees, and document the institutional knowledge of existing staff in case of employee turnover or extended absences.

### **Condition**

While House Arrest has created a House Arrest Guide with various reference materials (e.g., forms, screenshots, guidelines), these documents have not been formalized into business processes and some are quite old dating back seven to eight years. House Arrest staff created some procedures during the course of the audit, but these procedures have not yet been incorporated into the House Arrest Guide or formalized as House Arrest business processes.

### **Cause**

- House Arrest management has not formalized the House Arrest unit's procedures.

### **Effect**

- Lack of current formalized procedures in case of turnover or extended absences of key personnel.

### **Recommendation**

- 1.1 House Arrest management should create formalized procedures for the House Arrest unit. These procedures should address all aspects of the operations of the unit.

## **2. Additional Controls Needed Over Payment Collections**

### **Criteria**

City Cash Handling Policy FN 302 states "a sign shall be conspicuously displayed giving the customer notice of their right to a receipt."

Payment processing irregularities can be identified through regular supervisory reviews of system transaction reports.

Surveillance cameras enhance security over areas where payments are collected.

### **Condition**

The following deficiencies were identified in the controls over the collection of House Arrest payments:

- No signage alerting customers of their right to a receipt were found at the House Arrest service window. Such signage was found at the municipal court's other customer service windows.
- The signage outside the House Arrest customer service window provides the phone number of the House Arrest Court Specialist who is the primary processor of House Arrest payments. No alternative phone number of an employee independent of the Court Specialist is provided for customers to contact in case of questions or concerns regarding the processing of their payments.
- House Arrest payment transactions are not being regularly reviewed by someone other than the Court Specialist to identify and investigate any unusual trends or irregularities.
- No surveillance camera was found at the House Arrest service window. Other areas in the municipal court where payments are received have surveillance cameras.

### **Cause**

- Incomplete evaluation of payment processing controls at House Arrest customer service window.

### **Effect**

- Potential for inappropriate cash handling practices without detection.

### **Recommendations**

- 2.1 House Arrest management should display signage informing customers of their right to a receipt at the House Arrest customer service window.
- 2.2 House Arrest management should display the phone number of an alternative employee to the Court Specialist for customers to contact in case of concerns about the processing of their payment at the House Arrest customer service window.
- 2.3 House Arrest management should require that regular reviews of House Arrest transaction reports from the court management system be completed to identify and investigate any unusual trends or irregularities. This process should be documented in a business process.
- 2.4 House Arrest management should install a surveillance camera over the House Arrest customer service window.

### **3. Court Management System Limitations**

#### **Criteria**

The input of the same data values into multiple systems creates operational inefficiencies and the potential for inconsistent data.

#### **Condition**

The House Arrest Court Specialist maintains an excel spreadsheet to track the status of House Arrest defendants and for identifying which defendants must be sent payment violation letters. This spreadsheet includes information on each defendant's house arrest equipment, outstanding balance, amounts paid, amounts waived/vacated, etc. This spreadsheet must be regularly updated by the Court Specialist by copying information from the court management system into the spreadsheet. No independent reconciliation of the accuracy and completeness of the spreadsheet against the court management system is completed. House Arrest management has represented that this spreadsheet is necessary due to limitations within the current court management system. The Municipal Court is currently developing a new court management system.

#### **Cause**

- Court management system limitations.

#### **Effect**

- Inefficiencies created through duplication of information already in the court management system within an excel spreadsheet.
- Without a reconciliation of the information within the spreadsheet to the court management system by someone other than the Court Specialist, there is a lack of assurance that the spreadsheet is complete.

#### **Recommendations**

- 3.1 House Arrest management should share the information currently being maintained in an excel spreadsheet by the House Arrest Court Specialist with those involved in the development of the new court management system to identify opportunities for improving the efficiency of the tracking of House Arrest defendants.
- 3.2 House Arrest management should evaluate how the completeness and accuracy of the defendant status spreadsheet could periodically be independently reconciled to the court management system.



#### **4. Improvements Needed in Vendor Invoice Review Process**

##### **Criteria**

Vendor invoices should be reviewed for accuracy prior to payment.

##### **Condition**

A monthly invoice detailing charges for each offender is received by House Arrest from the house arrest equipment and services provider. During fiscal year 2017, this vendor was paid \$218,581 by the city. The Court Specialist reviews the invoice and approves it for payment.

The following deficiencies were noted in the invoice review and reconciliation process and documented procedures:

- The Court Specialist's review of the monthly invoice is insufficient to identify all types of billing errors. The focus of the review is primarily on verifying the accuracy of the house arrest days served against information within the court management system.
- Documentation outlining the invoice reconciliation process to be performed by the Court Specialist only requires reconciling the number of house arrest days served (identified on the invoice) to the court management system. Additional items on the invoice that should be reviewed for accuracy include the following:
  - Accuracy of services and equipment charges for individual offenders
  - Agreement of charges to contractual terms (see finding #5)
  - Accuracy of line item totals
  - Accuracy of charges for equipment not directly overseen by House Arrest
- While a process has been implemented for documenting invoice discrepancies and resolving the differences with the vendor, this process has not been documented in a formal procedure.
- While the Supervisor is made aware of the vendor invoices, no supervisory review process following the Court Specialist's review of the invoices has been formalized and documented.
- While recent improvements have been made in the format of the electronic vendor invoice, additional changes are needed to make the data more accessible for review and reconciliation.

##### **Cause**

- Incomplete documented procedures for completion of the monthly review and reconciliation of the vendor invoice.
- Electronic vendor invoice data not easily accessible for review and reconciliation.

##### **Effect**

- Potential for inaccurate charges from vendor without detection.

## **Recommendations**

- 4.1 House Arrest management should document and implement improved procedures to be performed by the Court Specialist for reviewing the completeness and accuracy of the vendor invoice.
- 4.2 House Arrest management should document the process for tracking invoice discrepancies and resolving the differences with the vendor.
- 4.3 House Arrest management should document and implement the supervisory review procedures to be performed following the review of the invoice by the Court Specialist.
- 4.4 House Arrest management should formalize the vendor invoice review procedures as a House Arrest business process.
- 4.5 House Arrest management should continue working with the vendor and the city's Purchasing and Contracts division to obtain their electronic invoice in a format that is more easily accessible for review and reconciliation.

## **5. Current Service and Equipment Pricing Not Reflected in Contract**

### **Criteria**

Pricing for services and equipment being charged by a vendor should be reflected in the current contract.

### **Condition**

The city entered into a Mutual Use Contract on July 30, 2014 with a vendor to provide house arrest services and equipment. The amounts currently being charged by the vendor for these services and equipment have changed since entering into this contract and the contract has not been amended to reflect these changes. In addition, new house arrest monitoring equipment has become available since entering into the contract.

### **Cause**

- House Arrest management has not yet requested that the vendor contract be amended to accurately reflect the current pricing for the services and equipment.

### **Effect**

- Lack of evidence that House Arrest management and the vendor have agreed to the current pricing for services and equipment.
- Appropriateness of charges by vendor cannot be confirmed against contract.

## **Recommendation**

- 5.1 House Arrest management should work with the vendor and the city's Purchasing and Contracts division in amending the Mutual Use Contract to reflect current pricing for services and equipment.

## **6. Improvements Needed in Violation Letter Preparation Procedures**

### **Criteria**

Documented procedures formally establish employee accountability, provide orientation and reference material for employees, and document the institutional knowledge of existing staff in case of employee turnover or extended absences.

### **Condition**

House Arrest participants sign an agreement prior to entering into the house arrest program. The participant agrees to the following financial obligation:

*“Financial Obligations: You shall pay a \$100 enrollment fee prior to orientation. You shall pay a supervision fee of \$12 per day at least every two weeks, or \$100 per month or the total balance prior to device being removed. Failure to pay supervision fees or any other fines, fees or restitution as ordered by the court on an approved schedule is a violation.”*

Beginning in 2017, the Court Specialist began sending out monthly violation letters to House Arrest participants who have not complied with their financial obligations. The process was outlined by the Court Specialist in a document titled “HA Fee Letter Process”. The violation letter sent to defendants states the following:

*“Be advised that you are in violation of a condition of your House Arrest Agreement. Rule #13 of your Supervised Release Rules and Agreement states: Financial Obligations: You shall pay \$100 enrollment fee prior to orientation. You shall pay a supervision fee of \$12 per day at least every two weeks, or by the last day of supervision. Failure to pay supervision fees or any other fines, fees, or restitution as ordered by the court on an approved schedule is a violation.”*

The following deficiencies were noted with the documented procedure and violation letter preparation process:

#### *Documented Procedure*

- The House Arrest violation letter preparation procedure has not yet been formalized as a business process.
- The House Arrest violation letter preparation procedure does not address how bad addresses identified from returned mail should be handled.

*Violation Letter Preparation*

- The violation letters are not required to be prepared and mailed consistently at the same time each month. The internal procedure states that they are prepared “as time permits” and that “there is no set date to get them completed although it is preferred to try to send them out at the beginning of each month.”
- Violation letters are held back from being sent to defendants for a variety of reasons outlined in the procedure. The justification by the Court Specialist for not sending out a violation letter to a defendant is not subject to supervisory review and no requirement for a supervisory review is noted in the internal procedure.
- The internal procedure states that violation letters are sent to “defendants that have not made a payment within the last three weeks or who have not called to explain why they will not be able to pay for that month.” The procedure does not specify from what day of the month to measure the last three weeks.
- Information on which defendants should be sent violation letters is not readily accessible from a report from the court management system. Instead, the Court Specialist must look up the status of each House Arrest defendant to evaluate whether a letter should be sent. This information is copied into an excel spreadsheet. (see Finding #3)

*Violation Letter Content*

- The violation letter has a digital signature of the House Arrest Court Specialist rather than the signature of a member of court management as would be expected with official correspondence of the court.
- The violation letter only identifies the Court Specialist’s phone number as a contact. Without a second contact phone number of an employee independent of the Court Specialist for complaints or challenges to balances due the court, there is an increased opportunity for financial indiscretions by the Court Specialist without detection.
- Differences were noted between the verbiage in the participation agreement and the monthly violation letter. The participation agreement identifies the option of paying \$100 per month while the violation letter does not. The violation letter states that the supervision fee can be paid every two weeks or by the last day of supervision while the participation agreement requires the supervision fee be paid every two weeks.

**Cause**

- House Arrest management has not fully developed and documented the procedures for preparing the violation letters.
- Reporting limitations in the current court management system.

**Effect**

- Incomplete documented procedures.
- Inadequate supervisory review of violation letter preparation.
- Inefficient process for identifying which defendants should receive violation letters.

### **Recommendations**

- 6.1 House Arrest management should more fully develop and implement procedures for preparing violation letters by addressing the issues identified within this audit finding. This procedure should be formalized as a House Arrest business process.
- 6.2 House Arrest management should document and implement supervisory review and approval procedures over the violation letter preparation procedures.
- 6.3 House Arrest management should evaluate the adequacy of the current violation letter and ensure the verbiage coincides with that of the participation agreement. Management should consider including the digital signature of a member of court management on the violation letter rather than that of the Court Specialist and adding the phone number of an employee independent of the Court Specialist for receiving customer complaints regarding House Arrest payments.
- 6.4 House Arrest management should evaluate whether any court management system reports could be created to more efficiently identify defendants who should receive violation letters.

## MANAGEMENT RESPONSES

### 1. Incomplete House Arrest Unit Policies and Procedures

- 1.1 House Arrest management should create formalized procedures for the House Arrest unit. These procedures should address all aspects of the operations of the unit.

**Management Action Plan:** Policy and procedures to be created/edited as needed to address and correct findings.

**Estimated Date of Completion:** 01/31/2019

### 2. Additional Controls Needed Over Payment Collections

- 2.1 House Arrest management should display signage informing customers of their right to a receipt at the House Arrest customer service window.

**Management Action Plan:** Signage meeting the descriptions in the findings has been posted, consistent with other signage in the Municipal Court payment areas.

**Estimated Date of Completion:** 05/01/2018

- 2.2 House Arrest management should display the phone number of an alternative employee to the Court Specialist for customers to contact in case of concerns about the processing of their payment at the House Arrest customer service window.

**Management Action Plan:** Las Vegas Municipal Court main phone number of 702-382-6878 is displayed for the customers at the window. Signage meeting the descriptions in the findings has been posted.

**Estimated Date of Completion:** 06/21/2018

- 2.3 House Arrest management should require that regular reviews of House Arrest transaction reports from the court management system be completed to identify and investigate any unusual trends or irregularities. This process should be documented in a business process.

**Management Action Plan :** Process will be implemented and documented in the policy and procedures described in response to 1.1 above.

**Estimated Date of Completion:** 01/31/2019

- 2.4 House Arrest management should install a surveillance camera over the House Arrest customer service window.

**Management Action Plan:** The camera has been installed.

**Estimated Date of Completion:** 01/01/2017

### **3. Court Management System Limitations**

- 3.1 House Arrest management should share the information currently being maintained in an excel spreadsheet by the House Arrest Court Specialist with those involved in the development of the new court management system to identify opportunities for improving the efficiency of the tracking of House Arrest defendants.

**Management Action Plan:** The information has been shared with the eCourt development/configuration team for incorporation of the ability to record the information within the eCourt system upon implementation.

**Estimated Date of Completion:** 06/19/2018

- 3.2 House Arrest management should evaluate how the completeness and accuracy of the defendant status spreadsheet could periodically be independently reconciled to the court management system.

**Management Action Plan:** An Evaluation was completed and it was determined a quality control review can be initiated once a month. The information has been shared with the eCourt development/configuration team for automation.

**Estimated Date of Completion:** 06/19/2018

### **4. Improvements Needed in Vendor Invoice Review Process**

- 4.1 House Arrest management should document and implement improved procedures to be performed by the Court Specialist for reviewing the completeness and accuracy of the vendor invoice.

**Management Action Plan:** Policy and procedures to be created/edited as needed to address and correct findings.

**Estimated Date of Completion:** 01/31/2019

- 4.2 House Arrest management should document the process for tracking invoice discrepancies and resolving the differences with the vendor.

**Management Action Plan:** Policy and procedures to be created/edited as needed to address and correct findings.

**Estimated Date of Completion:** 01/31/2019

- 4.3 House Arrest management should document and implement the supervisory review procedures to be performed following the review of the invoice by the Court Specialist.

**Management Action Plan:** Policy and procedures to be created/edited as needed to address and correct findings.

**Estimated Date of Completion:** 01/31/2019

- 4.4 House Arrest management should formalize the vendor invoice review procedures as a House Arrest business process.

**Management Action Plan:** Policy and procedures to be created/edited as needed to address and correct findings.

**Estimated Date of Completion:** 01/31/2019

- 4.5 House Arrest management should continue working with the vendor and the city's Purchasing and Contracts division to obtain their electronic invoice in a format that is more easily accessible for review and reconciliation.

**Management Action Plan:** The issue has been addressed with the vendor (TCS) who has provided the invoice in Excel. There will be continued dialogue with the vendor to discuss further changes to the electronic invoice that can assist with the reconciliation process.

**Estimated Date of Completion:** 02/01/2018

## **5. Current Service and Equipment Pricing Not Reflected in Contract**

- 5.1 House Arrest management should work with the vendor and the city's Purchasing and Contracts division in amending the Mutual Use Contract to reflect current pricing for services and equipment.

**Management Action Plan:** House Arrest has been working with the Total Court Services (TCS) and the City's Purchasing and Contracts Division. The current TCS contract is being reviewed by the Purchasing and Contracts Division and Municipal Court to determine what changes are needed to reflect current prices, policies and procedures.

**Estimated Date of Completion:** 03/31/2018



## **6. Improvements Needed in Violation Letter Preparation Procedures**

- 6.1 House Arrest management should more fully develop and implement procedures for preparing violation letters by addressing the issues identified within this audit finding. This procedure should be formalized as a House Arrest business process.

**Management Action Plan:** Policy and procedures to be created/edited as needed to address and correct findings.

**Estimated Date of Completion:** 01/31/2019

- 6.2 House Arrest management should document and implement supervisory review and approval procedures over the violation letter preparation procedures.

**Management Action Plan:** Policy and procedures to be created/edited as needed to address and correct findings.

**Estimated Date of Completion:** 01/31/2019

- 6.3 House Arrest management should evaluate the adequacy of the current violation letter and ensure the verbiage coincides with that of the participation agreement. Management should consider including the digital signature of a member of court management on the violation letter rather than that of the Court Specialist and adding the phone number of an employee independent of the Court Specialist for receiving customer complaints regarding House Arrest payments.

**Management Action Plan:** House Arrest has evaluated the adequacy of the current delinquency letter and ensured the verbiage coincides with that of the participant's agreement. After careful consideration of the recommendation for a digital signature of a member of court management, the decision is to keep the House Arrest Court Specialist signature on the form due to the HA Court Specialist being the first point of contact. However, an addition of the main phone number of 702-382-6878 will be added to the letter for receiving customer complaints regarding House Arrest payments or any concerns that may need to be escalated.

**Estimated Date of Completion:** 06/21/2018

- 6.4 House Arrest management should evaluate whether any court management system reports could be created to more efficiently identify defendants who should receive violation letters.

**Management Action Plan:** Once the eCourt goes live, there will be a mechanism to automate the identification of defendants requiring the delinquency letter.

**Estimated Date of Completion:** 07/31/2019