

2017

Travis County Pretrial Services

**Travis County Auditor's Office
Risk Evaluation & Consulting Division
January 9, 2018**

TRAVIS COUNTY AUDITOR'S
OFFICE

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To: Rudy Perez
Director, Pretrial Services

From: Nicki Riley, CPA
Travis County Auditor

Date: January 9, 2018

Subject: Pretrial Services Updated Risk Assessment and Review

Scheduled as part of our statutory requirements, the Risk Evaluation and Consulting (REC) Division of the Travis County Auditor's Office has completed an updated risk assessment and an examination of Travis County Pretrial Services. We conducted our review in accordance with the applicable statutes governing the County Auditor's Office and those relating to County financial and accounting protocols. The objective of the updated risk assessment was to assist Pretrial Services in identifying potential risks or exposures associated with their business processes, allowing them to implement or adjust internal controls as they deemed necessary.

We began by performing an updated risk assessment focusing on identifying and rating risks that are intrinsic to Pretrial Service's activities and business processes. To a limited extent, we considered the impact of internal controls implemented by management to mitigate these risks. As such, the reported risks represent potential exposures. We are not providing a judgment of how well management is addressing risk; however, in some cases, we may note "areas of concern" that involve a variety of issues, risks, and potential control items.

BACKGROUND

Travis County Pretrial Services was founded in the 1960's and is administered under the authority of the District Judges, with a budget primarily sourced from the General Fund. Pretrial Services oversees the release and supervision of defendants prior to their cases being adjudicated and is also responsible for monitoring and counseling these parties while they await the final disposition of their cases.

SCOPE

Our updated risk assessment covered the operations of Pretrial Services and was limited to the business processes that were in place during the examination period November 1, 2016 to April 30, 2017. All client meetings were held at the Pretrial Services Office. Also, our examination work was based on applying sampling procedures to office records and on verbal and written representations from Pretrial Services staff.

Sampling relates to examining, on a test basis, evidence supporting the amounts and disclosures in the financial records and statements. The use of sampling techniques would not necessarily disclose all matters in this office's records that might be material weaknesses or misstatements. In regard to the written and verbal representations made by Pretrial Services staff, unless otherwise noted in this report, office management maintains that the assertions we relied upon in the examination were correct to the best of their knowledge.

ENGAGEMENT TEAM

Lisa Denton, CFE, Senior Auditor

CLOSING

This report is intended solely for the information and use of Pretrial Services and Commissioners Court. We greatly appreciate the cooperation and assistance received from management and staff during this updated risk assessment and examination. Please contact our office if you have any concerns or questions regarding this report.



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Travis County Auditor

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BACKGROUND INFORMATION

Mission and Objectives

Travis County Pretrial Services is affiliated with the Travis County Adult Probation Department and was established in the late 1960's with the assistance of many local criminal justice groups and organizations. Pretrial Services is a county-funded department under the authority of the District Judges. It assists in the release and supervision of defendants prior to case adjudication while providing counseling and monitoring for these defendants.

The Central Booking Unit interviews defendants in custody to make recommendations to the Court regarding release on personal bond and which conditions, if any, should be required of the defendant if he/she is released. This unit also interviews the defendants to obtain information that will assist the Court in determining indigence eligibility for a court-appointed attorney. By assisting with the release of qualified defendants on personal bond, Pretrial Services provides a cost savings to Travis County by reducing the number of incarcerated individuals while they await trial.

The Case Management Unit provides direct/indirect supervision to defendants by monitoring court dates to ensure the defendant appears in court. This unit also monitors bond conditions to ensure the defendant is in compliance with any conditions placed on the bond. Case Managers connect the defendants with resources in the community that will assist them in maintaining stability. The Case Management Unit monitors the following caseloads:

Family Violence Program

The Family Violence Program is designed to provide personal bond release to defendants charged with family violence related offenses. Defendants are ordered to participate in family violence-related assessment and counseling to assure their return to court and compliance with their release conditions, with an aim to reduce recidivism and re-victimization. These defendants, who are provided with the appropriate level of supervision, assessment, and referral to treatment providers, remain free from custody on personal bond. The purpose of this monitoring is to ensure that defendants are in compliance with family violence bond conditions such as completing an assessment, attending counseling, and/or not contacting the victim.

Intensive Supervision Program

The Supervision Program is designed to provide personal bond release to defendants who have been determined to be at risk or in need of supervision or special assistance, in order to assure their return to court and compliance with release conditions. These defendants, who are provided with the appropriate level of supervision (maximum, medium, or minimum), assessment, and referral to treatment providers, remain free from custody on a personal bond. Frequently, cases will be recommended and approved for personal bond only with the condition of "Supervision" placed on that bond. Defendants who are considered flight-risks, in terms of meeting the general eligibility criteria for personal bond release, are referred to the supervision program. These defendants are required to report regularly to a Pretrial Services Supervision Officer.

Mental Health Program

The Mental Health Program was designed to serve defendants with a documented diagnosis of some mental illness or impairment. The goal is to reduce the number of mentally ill defendants in the jail by ensuring that qualified defendants are released on personal bond and appropriately referred to

mental health resources. Pretrial staff assists mentally ill defendants with managing appointments and court dates and complying with the conditions of pretrial release, which would allow them to safely remain outside of the jail environment while their cases are pending disposition.

Electronic Monitoring Program

Defendants initially denied release on personal bond, who are considered high-risk, charged with a serious crime, and/or have lengthy criminal arrest histories and remain incarcerated may be subsequently placed on Radio-Frequency Electronic Monitoring (RF/EM), Global Positioning System (GPS), or Secure Continuous Remote Alcohol Monitoring (SCRAM) as a condition of release on personal bond. The Electronic Monitoring Program is designed to provide these defendants with the appropriate assistance to assure their return to court and compliance with all release conditions while defendants remain on house-arrest.

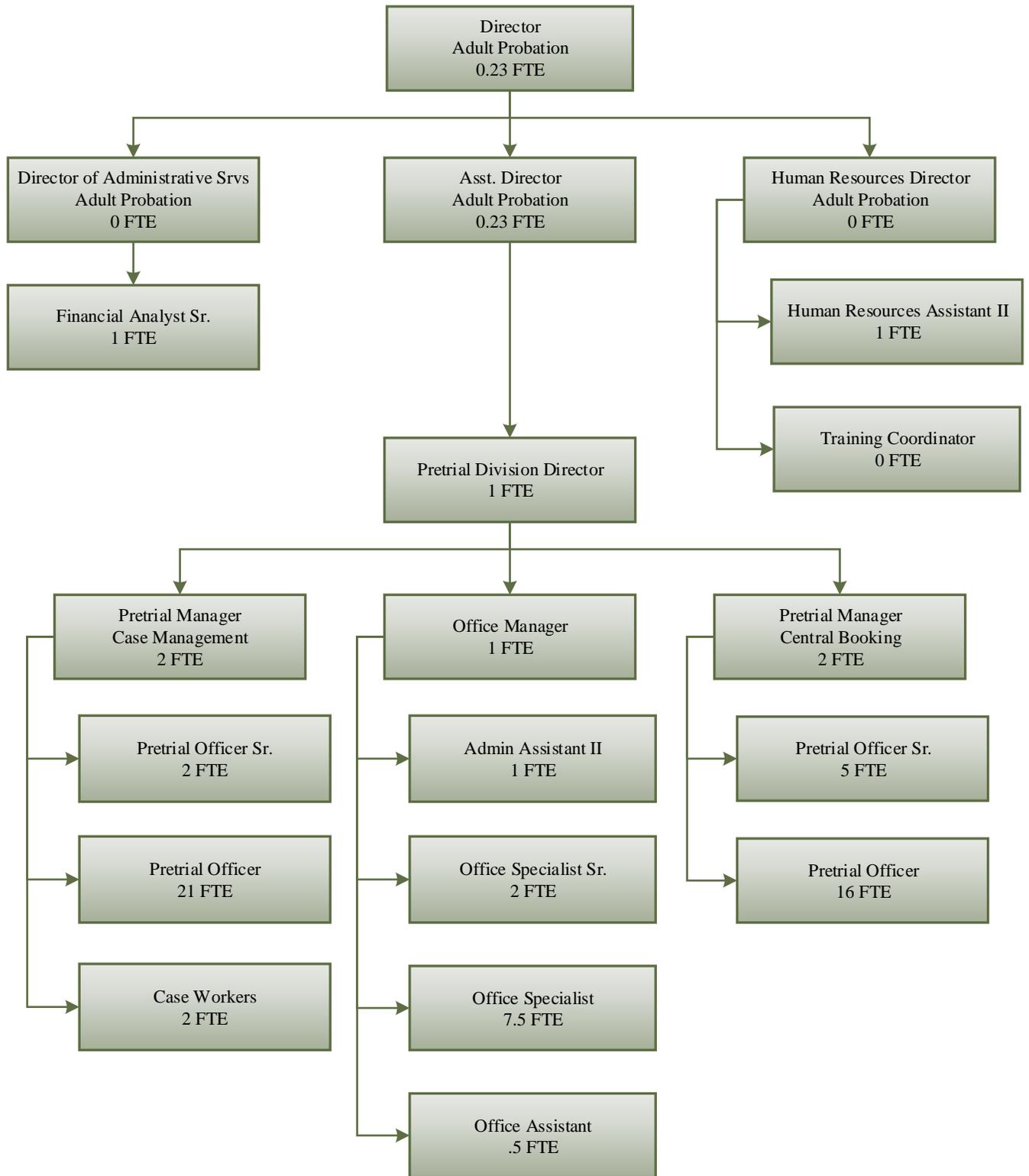
Ignition Interlock (IID) Program

The Ignition Interlock Program has been a requirement of state law since September 1, 1995 for defendants who are arrested on felony alcohol-related charges (e.g. DWI, Intoxication Assault, etc.). Pursuant to Article 17.441 of the Texas Code of Criminal Procedure, Pretrial Services is the agency designated by the Courts to monitor all defendants who are released with ignition interlock device (IID) as a condition of bond. In January 2010, the courts began utilizing a Portable Alcohol Monitoring (PAM) device to assure public safety by monitoring and deterring alcohol use by defendants who are free on bond, but do not have vehicles on which to install the IID. The program monitors the defendant's compliance with all required conditions of bond including their compliance with IID and PAM program rules. The program also provides the appropriate level of direct supervision and/or special assistance needed to ensure the defendant's return to court and community safety and can provide referral to treatment providers as needed while the defendant remains free from custody on bond.

Pretrial Intervention Program (PIP)

The Pretrial Intervention Program is an effort to screen, assess, refer, and provide case management assistance to defendants arrested for felony drug offenses who may be eligible for probation, have indicators of a substance abuse problem, and are indigent. The first component of this program is the substance abuse assessment, which assesses the treatment needs of the defendant and refers the defendant to the appropriate outside agencies for substance abuse treatment. The second component is case management, which monitors the defendant's progress in treatment and compliance with bond conditions.

Pretrial Services Organizational Chart

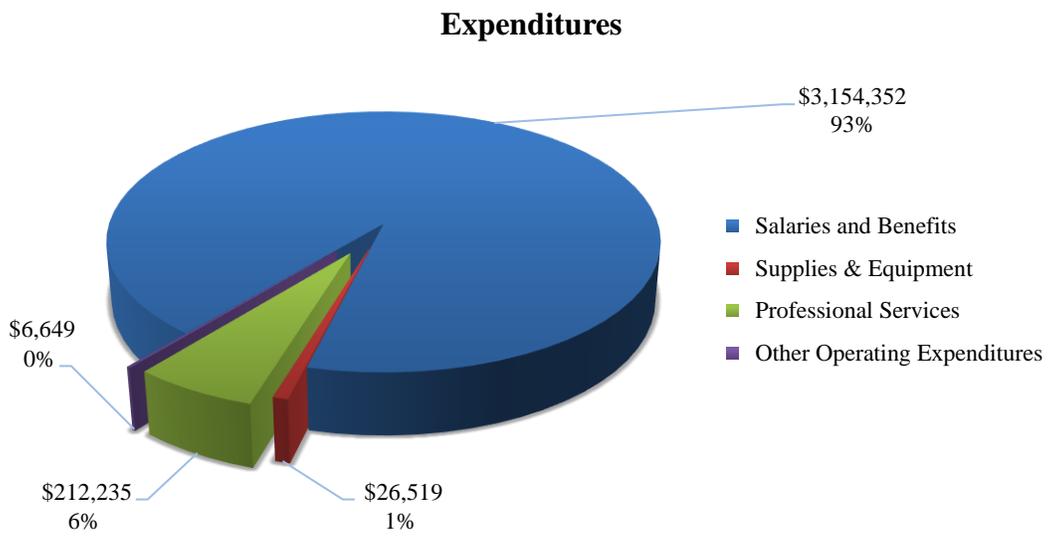
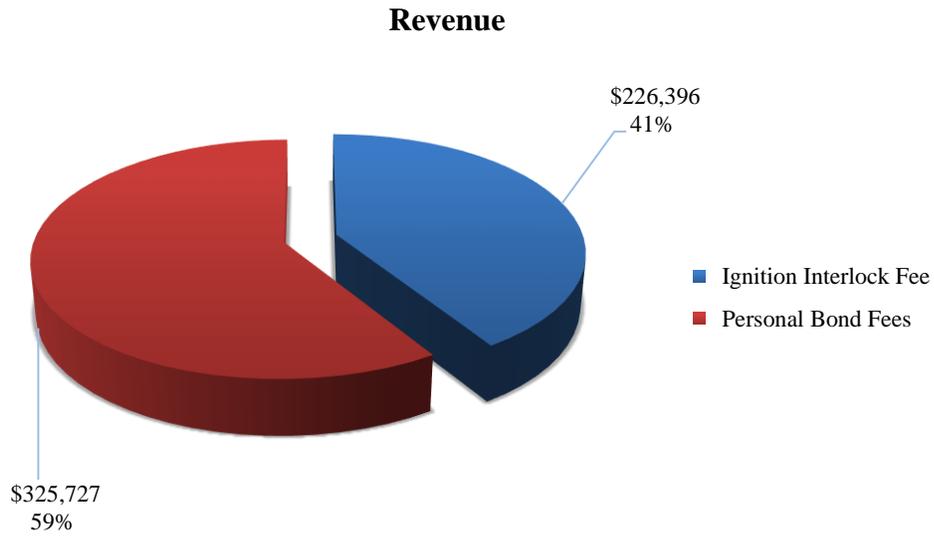


As of April 2017

Pretrial Services positions listed with 0 FTE are funded by the Adult Probation Department.

Fiscal Year 2017 Financial Data

During the six month ended April 30, 2017, the Travis County Pretrial Services received \$325,727 in personal bond fees and \$226,396 in ignition interlock fees. Salaries and Benefits represented approximately 93 percent of the expenditures which totaled \$3,154,352. The details for their revenue and expenditures are provided below in graph form.



RISK ASSESSMENT SUMMARY

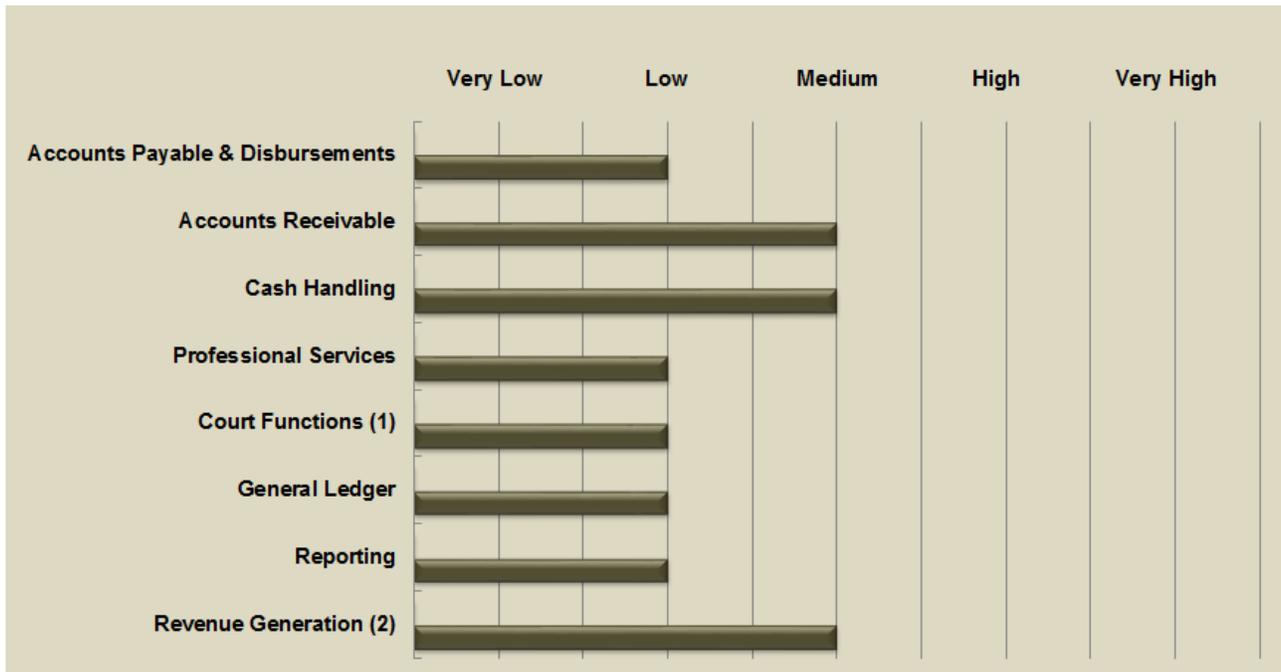
Business Processes

A business process can be defined as a group of interrelated activities or tasks that are initiated to accomplish a specific organizational goal. In the context of a risk assessment performed by REC, business processes include the basic activities used to support financial operations such as cash handling, accounts payable, contract management, etc. Business processes in place at Pretrial Services include the following:

- Accounts Payable & Disbursements
- Accounts Receivable
- Cash Handling
- Court Functions
- General Ledger
- Professional Services
- Reporting
- Revenue Generation

Graph 1 – Risk Profile by Business Process

To provide visibility into the business processes which pose the greatest risk to Pretrial Services, we present the results in graph form below:



Although most of the business processes included in the above graph are self-explanatory, we have included the following additional information:

- (1) Court Functions – includes supervising and monitoring participants on the various caseloads, entering updated information into the applicable court system, preparing and maintaining the supporting documentation for case files, and securing confidential/sensitive information.
- (2) Revenue Generation – includes assessing, entering, and adjusting personal bond and ignition interlock device fees.

The following are the primary risk areas/control objectives for Pretrial Services:

1. Disbursements should be properly prepared, accounted for, and approved to help prevent misappropriation or incorrect distributions of funds.
2. Delinquent accounts should be monitored to ensure collection efforts are sufficient, thereby preventing a loss of County revenue.
3. Collections should be properly tracked, reviewed, and accounted for to prevent loss or misappropriation.
4. Sufficient cash handling and bank reconciliation controls should be implemented and maintained in order to safeguard funds from loss or misappropriation.
5. Fees entered into the system should be periodically reviewed to ensure agreement with defendants' contracts, as well as to verify clients are not being over/under charged.
6. Invoices to third-party vendors for services should be properly reviewed to reduce the risk of pricing errors, charges for services not performed, or charges for services that are not in adherence with contract terms.

Functional Areas Risk Profiles

Accounts Payable

Disbursements processed by Financial Services include fees remitted to the Travis County Treasurer, unclaimed funds due to the State Comptroller and County Treasurer, and refunds for overpayments. Fees due to the County Treasurer are remitted via ACH on a daily basis and Financial Services initiates the applicable entry in the SAP system. Unclaimed funds that are eligible to be escheated are remitted annually to the State Comptroller and County Treasurer. For overpayments, Pretrial Services mails a letter to the defendant requesting updated address information. Refund checks for these overpayments are disbursed when the defendant returns the Pretrial Services refund letter indicating a current address.

Accounts Receivable

Defendants are assessed personal bond and ignition interlock device fees. Personal bond fees are to be paid within seven days of jail release. Defendants released on personal bond with the condition of ignition interlock device are assessed a monthly fee as long as the device is installed. If payments are outstanding, collection efforts include:

- Reminder letters being mailed 10 days after jail release
- Pretrial Officers monitoring the defendant's unpaid balances for personal bonds with supervision
- Defendants with final disposition of their case reporting to Financial Services to research outstanding balances
- Reminder letters being sent to defendants upon closure of the monthly ignition interlock device (MIID).

Cash Handling

Pretrial Services collects personal bond and ignition interlock device fees in the form of cash, checks, money orders, and credit cards. These collections are posted in the FACTS System and system-generated receipts are issued in sequential order. Financial Services prepares the deposit, franks the money orders/cashier's checks, and reconciles the deposit of collections to the applicable bank account. Franking is the process of scanning/digitizing the money orders/cashier's checks into electronic drafts. The Office Manager is responsible for voiding receipts when necessary.

Court Functions

The Court Functions include supervising and monitoring defendants, entering updated information into the applicable court system, preparing and maintaining the supporting documentation for case files, and securing confidential/sensitive information.

General Ledger

On a monthly basis, a lead staff member reconciles the general ledger accounts to supporting records and posts necessary journal entries. This business process also includes bank reconciliations. The bank account is reconciled on a daily basis to verify that all funds collected and disbursed per the office accounting records were actually received and paid by the bank (and vice versa), as well as to facilitate the correction of any discrepancies. A lead staff member performs month-end bank reconciliations in order to verify the daily reconciliations are accurate, to ensure discrepancies have been timely corrected, and to help prepare the financial statements.

Professional Services

Pretrial Services contracts with third-party vendors to provide services for drug and alcohol screening, drug impairment detection equipment, electronic monitoring devices, and language interpretation. Each vendor provides a monthly invoice, which includes a detailed list of all services provided and the rate at which those services have been billed. The Office Manager and Financial Analyst Sr. are responsible for reviewing all third-party vendor invoices each month to verify the contractual agreement for services and the allowable rate. Once the invoice is approved, Financial Services also reviews the invoice to verify days of service, service rates, and the overall balance due. A shopping cart is created in the SAP System for the invoice, and the supporting documentation for the payment request is attached to the cart.

Reporting

Financial Services reviews system generated reports, which support the financial statements, to identify errors that should be corrected, accruals and prepayments that should be made, and trends that should be highlighted. When complete, the financial statements are approved and provided to the County Auditor's Office.

Revenue Generation

The Revenue Generation process at Pretrial Services includes assessing, entering, and adjusting personal bond and ignition interlock device fees. A personal bond fee of \$40 is assessed for each personal bond (\$1,500 or greater) granted. For bonds less than \$1,500, the personal bond fee is \$20. Personal bonds granted with a condition of ignition interlock device (IID) are assessed a fee of 3% of the bond up to a maximum of \$300. If a defendant is released with the condition to install the ignition interlock device, a "contract" is set up in FACTS, which triggers the system to automatically assess a \$10 monthly monitoring fee.

PRETRIAL SERVICES STATUS OF PRIOR EXAMINATION FINDINGS

During our previous risk assessment and examination of Pretrial Services (Examination Report #13-15 issued on March 13, 2014), we noted findings concerning the bank reconciliation protocols and accounting for refunds payable. The following section details these items, with an update on the current status of each:

1. Bank Reconciliation Protocols

During the previous examination, we noted issues with bank reconciliations not being signed or dated by the preparer, as well as no documentary evidence that the reconciliations were reviewed by management. Bank reconciliations are one of the most important internal controls over funds. The reconciliation process allows accounting personnel and management to verify that all funds collected and disbursed per the office accounting records were received/paid by the bank. This helps ensure the accuracy of the cash balance and safeguard County funds from loss or misappropriation. By signing and dating the bank reconciliations upon completion, the preparer expresses accountability for the reconciliation and documents the timeliness with which it was completed. Documented supervisory review of the bank reconciliations documents management's verification that these schedules are properly prepared and reconciling items are reasonable.

Prior Management Response:

Pretrial Services reviewed the prior report and responded with an action plan implementing changes to rectify the bank reconciliation preparation and management review concerns. This action plan included the preparer signing and dating all completed bank reconciliations, and ensuring that all monthly bank reconciliations are reviewed and signed by the reviewer.

Current Status – Bank Reconciliation Protocols

While updating the prior process documentation, we noted that the Pretrial Services' operating and credit card accounts are reconciled daily and bank reconciliations are performed monthly. We reviewed the Pretrial Services' operating and credit card accounts bank reconciliations for the current examination period November 1, 2016 to April 30, 2017. Based on the testwork performed, we noted that the operating and credit card accounts bank reconciliations appeared to be clerically accurate, properly supported, and timely reconciled with the preparer and reviewer's signatures and dates.

2. Accounting for Refunds Payable

During the previous examination, we noted Pretrial Services personnel created an accounting entry in both the office financial records and in FACTS when an overpayment was discovered on a defendant's case. FACTS recognized this entry as the issuance of a refund check to the defendant; however, no actual refund check was created with the entry. Instead, a refund letter was sent to the defendant informing them that an overage existed and how to claim their funds. A refund check was not issued until the defendant properly claimed the refund. As a result of this procedure, the cash and refunds payable accounts were both understated by the amount of undisbursed refunds improperly recorded.

Prior Management Response:

Pretrial Services reviewed the prior report and responded with an action plan implementing changes to correct the FACTS entries and the understatement of the cash and refunds payable accounts issue.

This action plan included properly recording refunds in FACTS only when the refund check is written and issued to the defendant.

Current Status – Accounting for Refunds Payable

We reviewed Pretrial Services' disbursements for the current examination period November 1, 2016 to April 30, 2017. There were 62 refund checks totaling \$3,131.10 issued during the period, and we randomly selected 34 (55%) refund checks totaling \$1,576 (50%) for detailed testing. Based on the testwork performed, it appears all refund checks were properly recorded in FACTS at the time the refund check was written.

3. Unclaimed Property

We reviewed Pretrial Services' disbursements during the previous examination, noting that outstanding refund checks over three years old were not regularly transferred to the State Comptroller and County Treasurer. The Texas Property Code requires that property with a value of over \$100 that has gone unclaimed for over three years be remitted to the State Comptroller and items of \$100 or less be remitted to the County Treasurer's Office.

Prior Management Response:

Pretrial Services reviewed the prior report and responded with an action plan implementing changes to revise the transfer of unclaimed property to the State of Texas and/or County Treasurer. This action plan included timely transferring unclaimed property over three years old to the applicable party thereby ensuring compliance with statute.

Current Status – Unclaimed Property

We reviewed and updated Pretrial Services' procedures for transferring unclaimed property to the State Comptroller and County Treasurer. The office is currently in compliance with statute and is properly remitting unclaimed property over three years old to the State Comptroller and County Treasurer on an annual basis.

PRETRIAL SERVICES CURRENT AREAS OF CONCERN

1. Cash Handling

Incompatible Duties

Strong internal controls are important in reducing the risk of loss or theft of County assets, including funds on hand. This includes ensuring that employees are not able to perform “incompatible duties” which could allow them to both misappropriate County assets and to conceal this act. When we documented the cash handling processes for Pretrial Services, we noted that the Office Specialist Sr. has access to retrieve items from the drop box, receipt payments, and waive fees at a location that also accepts cash. This employee is also responsible for reviewing and reconciling the clerks’ tills and preparing the bank deposit.

Mail Log

Another method of misappropriating funds without detection is the theft of funds received in the mail. The risk of this occurring can be mitigated by requiring that two employees are present when the incoming mail is opened and logged. Also, the employee who opens the mail should not have the ability to receipt collections. Finally, an independent review of the mail log should be performed to verify that all mail payments are deposited.

At the Pretrial Services Office, mail processing is rotated between the Office Specialist positions. One Office Specialist opens the mail and records each item on the mail log, and a second Office Specialist posts the payments to FACTS. These Office Specialists also have access to the financial software and the ability to receipt funds in the system. We also noted that while the Office Specialist is processing the mail, he/she is actively working the front window and is continuously interrupted by clients. This results in the mail, including collections in the mail, being placed to the side until they can be processed. This could cause mail collections to be placed in the wrong stack and sent with the regular office mail to the staff’s inboxes. Finally, we noted the checks received in the mail are not stamped with a restrictive endorsement until they have been posted in the financial system.

2. Accounts Receivable

The Pretrial Services’ GASB 34 report for April 2017, reflects outstanding receivable balances totaling \$4,754,972, and many of these receivables are over three years old. Collectability for these fees diminishes with time, so much of these receivable balance is likely uncollectible. We reviewed the personal bond, ignition interlock device (IID), and monthly ignition interlock (MIID) fees receivable balances for the current examination period November 1, 2016 to April 30, 2017. A breakdown of the fee populations, our samples, and the collection rate for each fee type is provided below:

Fee Type	Population Totals		Sample Totals				
	No. of Items	Total Assessed	No. of Items	% of Pop.	Sampled Assessment	Total Collected	% of Sample
Personal Bond Fees	6,003	\$ 224,777	36	1%	\$ 1,380	\$ 140	10%
Ignition Interlock Fees	632	109,003	32	5%	6,645	1,532	23%
Monthly IID Fees	1,224	63,387	35	3%	1,440	530	37%
Totals	7,859	\$ 397,167	103	1%	\$ 9,465	\$ 2,202	23%

Based on the testwork performed, all applicable supporting documents, including copies of the personal bond and the signed IID contract, were properly maintained by the office. We also noted that all sampled items were properly and timely assessed; however, the collection rate for these fees was 10% for personal bond fees, 23% for IID fees, and 37% for MIID fees. We noted that Pretrial Services' collection efforts include mailing reminder letters to the defendant 10 days after release, assigning supervision staff to pursue defendants' open balances, and researching defendants' outstanding balances upon removal of a monitoring device or final disposition of their case.