



Youth Services Center

Internal Audit

November 2013

# Bernalillo County Internal Audit Youth Services Center

## Executive Summary

### SUMMARY OF PROCEDURES

REDW performed an internal audit over selected areas within the Bernalillo County Youth Services Center. Our internal audit focused on testing internal controls for various Youth Services Center processes including: the resident grievance process, cash collection and remittance, trust fund reconciliations, return of cash to residents, employee hiring and training and, requirements related to the following agreements – Joint Powers, Cost of Care, and Prison Rape Elimination Act (PREA) Grant.

The procedures performed include:

- Obtaining an understanding of the Youth Services Center (YSC) procedures through reading relevant Administrative Instructions and YSC specific policies and procedures, and through interviewing various YSC personnel;
- Testing a sample of quarterly reports submitted to Sandoval County to determine if the information complied with the requirements of the Joint Powers agreement;
- Analyzing and testing a sample of payments related to the Joint Powers and Cost of Care agreements to determine if cost recoveries were accurate, payments were collected or paid timely and in accordance with the agreements;
- Testing a sample of resident grievances to determine if they were properly investigated, documented, and communicated in accordance with policies, procedures and Children Youth and Families Department (CYFD) requirements;
- Testing a sample of daily resident cash collections to determine if there were adequate safeguards in place to ensure cash was appropriately deposited, tracked and recorded;
- Testing a sample of resident releases to determine if property was appropriately documented and returned, if checks issued to residents were accurately calculated and agreed to the Resident Property form related to resident releases;
- Testing a sample of monthly bank reconciliations to determine if the Resident Trust Fund bank reconciliations were performed timely, accurately, and were adequately reviewed;

- Testing a sample of YSC personnel to determine if signed YSC policies and procedures acknowledgment statement was on file and orientation and training was completed prior to beginning duties at YSC. We also examined support for the personnel selected to determine if their background check was completed prior to hire in accordance with state requirements;
- Testing quarterly reports required under the Prison Rape Elimination Act (PREA) grant to determine if the reports and requests for reimbursement were submitted according to the grant requirements;
- Testing reported incidents that occurred after the implementation of YSC PREA Policy to determine if reporting and investigations were in compliance with the updated policy; and,
- Testing monitoring activities implemented as a result of incidents reported and relevant to the PREA grant objectives to determine if they were conducted in accordance with policies and procedures and grant requirements.

## SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

We found areas during the course of the audit where controls were functioning properly and established procedures were followed. All employees tested for training requirements had completed training in accordance with the facility's policies, procedures and state requirements. Additionally, all monitoring activities related to the PREA grant appeared to have identified issues and corrective action had been implemented as needed.

The significant high and moderate risk observations are presented below:

- **Employee Requirements**—Background checks were not always on file to support completion prior to the employee starting duties at YSC. Additionally, evidence to support that employees acknowledged understanding of facility policies and procedures was not always maintained.
- **YSC PREA Policy for Incident Reporting**—Incident reports and other key documentation for alleged sexual misconduct incidents were not always on file.
- **Resident Grievances**—Grievances and related investigations were not adequately documented, and residents were not always informed of the results of the investigation.

\* \* \* \* \*

Further detail of our purpose, objectives, scope, procedures, observations, and recommendations are included in the internal audit report. In that report, management describes the corrective action taken for each observation.

We received excellent cooperation and assistance from the various departments during the course of our interviews and testing. We sincerely appreciate the courtesy extended to our personnel.

*REDW LLC*

Albuquerque, New Mexico  
January 14, 2014

# Bernalillo County Internal Audit Youth Services Center

## Table of Contents

	<u>Page</u>
INTRODUCTION	1
PURPOSE AND OBJECTIVES	1
SCOPE AND PROCEDURES PERFORMED	1
OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES	4

# **Bernalillo County Internal Audit Youth Services Center**

## **Report**

### **INTRODUCTION**

We performed the internal audit services described below solely to assist Bernalillo County in evaluating the internal controls over selected processes within the Youth Services Center. Our services were conducted in accordance with the Consulting Standards issued by the American Institute of Certified Public Accountants, Generally Accepted Government Auditing Standards, and the terms of our contract agreement for internal audit services. Since our procedures were applied to samples of transactions and processes, it is possible that significant issues related to the areas tested may not have been identified.

An entrance conference was held on November 6, 2013. Fieldwork also began on November 6, 2013. An exit conference was held on December 16, 2013, and final management responses were received on January 8, 2014.

Although we have included management's responses in our report, we do not take responsibility for the sufficiency of these responses or the effective implementation of any corrective action.

### **PURPOSE AND OBJECTIVES**

Our internal audit focused on evaluating selected processes at the Youth Services Center (YSC) to determine if those processes were in compliance with policies and procedures (P/Ps) and applicable regulations, reflected best practices and sound internal controls. We evaluated the adequacy and reasonableness of the internal controls surrounding processes including: the resident grievance process, cash collection and remittance, trust fund reconciliations, return of cash to residents, employee hiring and training, and requirements related to the following agreements – Joint Powers, Cost of Care, and Prison Rape Elimination Act (PREA) Grant. Annual budgeted expenses for YSC in fiscal year 2013 were approximately \$7 million.

### **SCOPE AND PROCEDURES PERFORMED**

**In order to gain an understanding of the processes and internal controls surrounding the Youth Services Center, we interviewed the following personnel:**

- Craig Sparks, Youth Services Center Director
- Anne Martinez, Youth Services Center Assistant Director
- Lynette Hanks, Financial Specialist
- Jason Ellis, PREA Coordinator

**In order to understand the Youth Services Center’s policies and procedures we read relevant portions of:**

- YSC Policy and Procedure manual;
- New Mexico Association of Counties 8.14.14: New Mexico Juvenile Detention Standards;
- NMSA 33-6: Juvenile Detention Homes;
- Sandoval County Joint Power Agreement;
- Valencia County Cost of Care Agreement;
- Torrance County Cost of Care Agreement; and,
- PREA Grant award letter.

**We performed the following testwork:**

*Required Reports under the Joint Powers Agreement:* We selected the third quarter of FY2013 reporting packet that was presented to Sandoval County and tested that the information reported complied with the requirements of the joint powers agreement.

*Joint Powers Agreement – Cost Recoveries:* We obtained the joint powers agreement with Sandoval County amended June 4, 2009. We obtained supporting documentation for payments received for fiscal year 2013 to determine if the payments made agreed to the terms, payment dates and total amount due according to the agreement.

*Cost of Care Agreements – Cost Recoveries:* We obtained all cost of care agreements in effect from January 1, 2013 to September 30, 2013. We judgmentally selected a sample of three months (33%) and obtained the monthly cost of care payments received from various counties for those months and tested that:

- Amounts invoiced agreed to the eJustice system reports and were accurately calculated based on the cost of care agreements;
- Payment was collected within 30 days subsequent to the billing period or collection efforts were made; and,
- The proper amount was remitted to Sandoval County (70%) within 30 days of quarter end.

*Resident Grievances:* We obtained a listing of all grievances received from January 2012 through October 2013. We selected a sample of 10 grievances (20%) to determine if:

- A complete complaint/grievance hearing form was on file;
- An initial investigation occurred within 24 hours and results were documented;
- The appeal was reviewed by the Assistant Director of Operations if applicable;
- The resident signed the notification acknowledging that he/she was notified of the decision; and,
- The incident was reported to the CYFD if applicable.

*Resident Trust Fund – Daily Cash Collections:* We selected a sample of 21 days from January 1, 2013 through September 30, 2013, based on 90% confidence level (CL) and 10% tolerable deviation (TD). There were only four residents with cash collected over five dollars in the

sample so an additional five days were selected (nine residents total). We tested cash receipts to determine if:

- The amount collected for the day was deposited timely;
- The amount deposited agreed to supporting documentation;
- The resident property forms were signed by the resident and an intake staff member; and,
- The intake money drop verification form was signed and verified by the two YSC staff that performed the drop.

*Resident Trust Fund – Reimbursement of Cash Collected from Residents:* We obtained a listing of residents detained during the period of July 1, 2013 through September 30, 2013. We selected a sample of 20 residents based on 90% CL and 10% TD. We tested that the resident property forms were completed and signed by the resident to indicate that all property was returned upon release. An additional sample of 5 resident discharges that had cash of more than five dollars confiscated upon intake was selected to determine whether the money confiscated was returned to the residents properly via check upon release.

*Resident Trust Fund – Monthly Bank Reconciliations:* We selected the months of March, July, September 2013 bank reconciliations and tested that the general ledger reconciled to the bank statement and trust fund account activity; the reconciliation was performed within 10 days of month end and was reviewed by someone other than the preparer. Additionally, we examined the reconciliations for unusual activity or reconciling items.

*Employee Requirements:* We obtained a listing of all YSC personnel as of October 23, 2013, and selected a sample of 40 employees based on 95% CL and 5% TD. We tested that the following were completed prior to the employee beginning duties:

- A background check through the National Crime Information Center (NCIC) and fingerprinting;
- The employee received orientation; and,
- The employee signed a statement acknowledging facility policies and procedures.

For 10 of the selected employees we obtained the training files and tested for compliance with the training requirements based on the employee's position.

*PREA Grant Testing:* We obtained the PREA grant agreement and tested the compliance requirements listed to ensure supporting documentation was on file and YSC had implemented procedures to correct issues the County was aware of. We obtained all quarterly reports and invoices submitted to the granting agency for reimbursement since inception of the grant on April 1, 2013, to determine if:

- Reports and invoices were submitted timely;
- Supporting documentation was complete with receipts for all expenditures;
- Use of funding was appropriate and allowable;
- Subcontracts exceeding \$100,000 were competitively awarded; and,
- Consultant rates were not in excess of \$450 per day.

*YSC PREA Policy testing:* We obtained supporting documentation for all incidents that met reportable requirements outlined in YSC PREA policy 3.18 and that occurred after the effective date of August 13, 2013, to determine if proper supporting documentation was on file to support that:

- A report of the alleged incident to the Director or designee occurred timely after the incident was initially reported to staff (policy states immediately);
- The incident report was completed and on file;
- The decision made by the Director or designee (Program Manager) whether or not to notify law enforcement was documented;
- The assignment of a victim support person, investigator, and/or referral to medical/mental health services when warranted was documented;
- If incident required preservation of evidence, proper procedures were followed;
- CYFD was notified within 24 hours according to the Abuse Neglect Reporting Protocol if applicable; and,
- The investigation was completed and resolution of outcome was communicated to all parties.

*PREA monitoring testing:* We obtained all manager review forms from January through October 2013 and tested that phone calls were appropriately monitored and documented; and, if resident called an individual that was not approved, appropriate action was taken.

## **OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES**

We identified the following weaknesses relating to the Bernalillo County Youth Services Center's processes:

### ***1) Employee Requirements***

Prior to starting duties, employees are required to receive a criminal background check, sign a statement acknowledging their understanding of facility policies and regulations, and receive training relevant to their position. During our testing of 40 employees we observed:

- Four employees did not receive a criminal background check prior to starting their duties at YSC; and,
- Nine employees had not signed a statement acknowledging their understanding and compliance with facility policies and procedures.

**Risk: High/Moderate**—Failure to ensure that employees had a criminal background check completed prior to hire could have significant impact on the County. Additional legal risk could be incurred if documentation is not maintained to support that employees acknowledge their understanding of facility policies and procedures.

### **Recommendation**

To ensure compliance with Juvenile Detention Standards, YSC should ensure that all active employees have a background check completed and on file. YSC should ensure that all new employees (even transferred employees) have the proper background check completed, as well

as the signed acknowledgement statement prior to starting their duties. This will help protect YSC by ensuring employees were properly hired, trained and understand what is expected of them.

### **Management's Response**

- **Criminal Background Check:** The four employees that did not have a record of a criminal background check in the YSC personnel file were all transfers from other County departments. Background checks had been conducted by those departments prior to those employees starting employment with the County, however, background checks are not transferred from one department to another when an employee accepts another position within The County.

Based on this audit, YSC has changed its practice and will run a new criminal background check on County employees that transfer to YSC prior to their employment start date in their new position. The four employees that did not have a criminal background check on file at YSC will also be re-run through the process to ensure a copy of their background check is on file and meets the New Mexico Juvenile Detention Certification standards.

- **Policy and Procedure Acknowledgement Form:** YSC employees participate in 140 hours of New Employee Orientation. This includes review of YSC Policies and Procedures, followed by a signed statement acknowledging their understanding and compliance with YSC policies and procedures.

This practice is administered by the YSC Training Manager, a position that has been held by multiple professionals over the last several years. The current YSC Training Manager moved to a practice of administering policy and procedure *tests*, rather than the referenced form.

This indicator has since been corrected. Effective January 1, 2014, the formal signed statement has been (re)implemented as a standard practice as part of New Employee Orientation.

### **2) YSC PREA Policy for Incident Reporting**

YSC PREA Policy 3.18 effective August 2013 lists certain requirements to be completed for alleged sexual misconduct incidents. We identified the following during our testing of the three incidents that were filed:

- None of the three had the formal incident report on file;
- Two did not have support for the decision of why law enforcement was not contacted;
- One did not have support for assignment of an investigator;
- One did not have support to indicate that CYFD had been notified within 24 hours; and,
- Two incidents did not have documentation of the outcome being communicated to all parties.

**Risk: High/Moderate**—Improper handling of allegations and not maintaining documentation to support proper investigation could result in YSC being held liable for not providing proper care.

### **Recommendation**

An incident report should be completed and maintained for all alleged incidents and include all significant information (including victim information, dates and times of all alleged incidents, support for decisions of whether or not to contact of law enforcement, assignment of investigator

and mental health services, dated notification to CYFD, and documentation that the investigation was completed and resolution of outcome was communicated to all parties).

### **Management's Response**

YSC applied for and was awarded a grant to support the implementation of the federal Prison Rape Elimination Act (PREA) in order to comply with national best practice standards. YSC was awarded this grant in April 2013 and is the lead agency in an effort to get all juvenile detention centers in New Mexico on board with PREA. Partner agencies in this grant are: New Mexico Association of Counties; Children, Youth and Families Department; Chaves County Juvenile Detention Center; Taos County Juvenile Detention Center; and the San Juan County Juvenile Detention Center. This is a one year, nonrecurring grant that expires on March 31, 2014. YSC implemented an aggressive timeline with target completion dates to reach PREA compliance during the term of this grant.

The fact that the REDW audit occurred while our PREA policies, forms, practices, community partnerships, and trainings are still under development means that REDW did not get to audit a complete product. Therefore, findings and/or gaps in our PREA process is to be expected at this time. We appreciate the feedback and we are addressing it as follows:

- **Incident Report:** YSC's PREA Policy will be modified to read: *“Any staff member or volunteer shall immediately notify the shift supervisor and provide a written statement summarizing the allegation. The initial written notification can be made in the form of an email, handwritten statement, typed document, or YSC Critical Incident Report Form. In cases in which the initial statement is provided in a format other than the YSC Critical Incident Report Form, the PREA Coordinator shall ensure the information is transferred to the YSC Critical Incident Form within one business day”*.
- **Law Enforcement Contact:** The two incidents in which law enforcement was not contacted did not meet the criteria (no evidence of criminal activity) for referral to a police agency. YSC acknowledges that we did not have a mechanism developed at the time of the audit to document why law enforcement was not contacted. That has since been addressed as we have developed a PREA Incident Tracking/Summary Form that will allow us to document law enforcement referrals as well as document reasons why some cases were not referred to law enforcement.

It is important to note that PREA is very broad in scope. Not only are criminal allegations of sexual misconduct part of PREA, so are inappropriate comments that are sexual in nature that may not rise to the level of being considered a criminal act. Therefore, PREA incidents that do not meet any criminal act criteria will not be referred to law enforcement.

- **Assignment of an Investigator:** This has been corrected based on the development of our PREA Incident Tracking/Summary Form, which identifies the person conducting the investigation.
- **CYFD Notification:** Not all PREA incidents require CYFD notification. Our newly created PREA Incident Tracking/Summary Form will be utilized to document CYFD notifications as well as to document reasons why a case may not be referred to CYFD.
- **Outcome of Incidents Being Reported to “all” Parties:** This will be addressed by our YSC PREA workgroup in conjunction with our partners on this grant. Specifically, the Association of Counties attorney that is assisting us with PREA will help determine which agencies and/or individuals have the right to receive notification of the outcome of PREA incidents.

Preserving confidentiality for the victim is critical, therefore our response to this item is deferred at this time but will be completed by the end of the grant cycle.

### **3) Resident Grievances**

The YSC Grievance policy requires the initial investigation of any grievance be completed within 24 hours of the complaint, and the resident to be informed of the results of the investigation. During our testing of 20 grievances, we observed:

- Ten grievances with no date to indicate when the initial investigation occurred. Therefore, we were unable to determine if the initial investigation took place within 24 hours from when the grievance was filed.
- Nineteen grievances with no evidence that the resident was informed of the results of the investigation.

**Risk: Moderate**—Grievances that are not adequately documented may result in exposure to legal risk for negligence; however, based on our testing the issues identified appear to be a lack of follow up documentation after the grievance process has occurred.

### **Recommendation**

YSC should update the policies over this area to require that documentation be maintained to support the various requirements of the policy. Documentation should include dates of the start and completion of grievance investigations as well as signed acknowledgement from the resident that the results of the determination have been communicated to them.

### **Management's Response**

YSC updated the Grievance Policy on December 23, 2013, which addresses the issues identified above. A revised Grievance Form has also been created and implemented which is a more user friendly document with check boxes and other prompts that are designed to reduce errors and omissions of dates and other required responses.

### **4) PREA Grant Compliance Requirements**

The Grant agreement between the Youth Services Center and the National PREA Resource Center includes specific compliance requirements related to reimbursement of expenditures, including allowable travel and meal expenses, and limits on rates paid to consultants. We identified the following during our testing of one reimbursement request submitted to the granting agency:

- No travel receipts were submitted to YCS; therefore, YSC was not able to review and verify expenses were appropriate before requesting reimbursement.
- YSC was overbilled by the contractor by \$161.03 for the period of July 1 to September 30, 2013.
- The consultant rate was in excess of the allowable rate by \$24.66 per day, which totaled \$337.23 overbilled.

**Risk: Low**—Although the amounts determined above are not significant, oversights demonstrate a lack of understanding of the grant agreement compliance requirements which could result in other significant noncompliance. Additionally, if YSC is unable to support that expenditures made were allowable they could be rejected for reimbursement by the granting agency.

## **Recommendation**

YSC should assign someone to gain a thorough understanding of the compliance requirements and monitor activity for compliance. Support for reimbursement requests should be obtained, examined for accuracy and compliance with the grant agreement, submitted with invoices to the granting agency and retained to ensure compliance with the grant agreement. Additionally, consultant's rates included in reimbursement requests to the granting agency should not exceed the allowable maximum of \$450 per day. These requirements should be written into any agreements with consultants. To facilitate the verification of billing rates, the consultant's invoices should include a daily rate and be recalculated by YSC personnel for accuracy.

## **Management's Response**

YSC has assigned a Grants Manager and a Financial Administrator to ensure full and proper oversight of activity and compliance with all requirements. Reimbursement requests and travel receipts are now obtained and scrutinized closely via a multiple-party review process to ensure accuracy prior to submission.

YSC will request that daily Consultant rates be included on future invoices to ensure that billings don't exceed the daily rate of \$450, and these daily rates will be recalculated by YSC Finance Staff as an additional protective measure. The \$450 ceiling will also be indicated in associated Consultant Agreements.

By the next Quarterly Billing Cycle of January 31, 2014, YSC will credit the invoice to adjust for the \$161.03 of overbilling noted by this audit.

## **5) Resident Trust Fund**

YSC has established a Resident Trust Fund for all cash confiscated from residents in excess of five dollars. The confiscated cash is to be deposited within 24 hours and the trust fund account is to be reconciled monthly. During our testing of nine deposits and three monthly reconciliations, we identified the following:

- For five of nine deposits made to the Resident Trust Fund, the amount collected was not deposited until several days after the cash was confiscated from the resident;
- The bank reconciliations did not contain a date of completion, nor did they indicate who prepared the reconciliation. Therefore, we were unable to verify that the reconciliation was performed within 10 days of month end or whether the reconciliation was reviewed by someone other than the preparer.

Upon the release of a resident, YSC is to return all property to the resident and a check should be issued to return money confiscated upon intake. The resident is required to sign the Resident Property form to acknowledge receipt of all property.

- For two of twenty-five resident releases tested, the resident did not sign the Resident Property Form to confirm that property was received upon release. Based on further testwork, it appears that the resident's property was properly returned.

**Risk: Low**—If YSC does not deposit confiscated cash timely and does not properly track and return the confiscated cash, there may be a risk of loss of resident funds; however, in most cases it appears that cash collected from residents is not significant and was eventually deposited.

## **Recommendation**

YSC should establish a process to ensure that deposits are completed within 24 hours. The monthly reconciliations should include the preparer and reviewer signature and the dates each were completed. Additionally, the process to ensure the Resident Property Form is signed by the resident upon release should be re-evaluated and additional training provided to employees if needed.

## **Management's Response**

Resident Fund deposits are done by administrative personnel whom are relatively new to YSC. YSC acknowledges deposit delays during this time of their transition into their new roles, and has since established a process which ensures that deposits occur on every business day.

YSC has also revised its Resident Fund Reconciliation Sheet so that it includes a signature/date line for the preparer and reviewer.

Regarding the Resident Property Form, please note that a Resident's release is not delayed due to delayed funds release which may infrequently occur for reasons such as unavailability of authorized Signors. In such cases, the youth and parent/guardian are provided alternatives to secure shortly after the youth is released.

Finally, the Financial Administrator charged with oversight of The Resident Fund conducted an internal training with relevant YSC staff to review and ensure compliance with the YSC Resident Fund Protocol.

## **6) *Reporting required by the Joint Powers Agreement***

YSC is required to issue a quarterly written report to Sandoval County detailing the progress of the YSC including populations, expenses, projected expenses, and any items of potential legal or fiscal impact. During our testing of one report, we determined that the report submitted did not contain all of the required information on actual or projected expenses.

Additionally, YSC is required to submit an annual budget to Sandoval County and this has not been done for a number of years.

**Risk: Low**—If YSC does not include the required information there may be a risk of either delay or denial of funding; however, the areas identified are not significant to the overall information presented.

## **Recommendation**

Quarterly reports should include actual and projected expenses and an annual budget should be submitted as stated in the agreement. Alternatively, the agreement could be modified to exclude these requirements.

## **Management's Response**

YSC holds positive and productive relations with Sandoval County. By the next quarter, YSC will draft, amend, and route for execution its Joint Powers of Agreement to state that an annual budget only needs to be submitted if there is a change to the existing budget. As well, YSC will submit actual and projected expenses on all future reports.

\* \* \* \* \*

This report is intended for the information and use of Bernalillo County management, the audit committee, members of the Board of Commissioners of Bernalillo County and others within the organization. However, this report is a matter of public record, and once accepted its distribution is not limited.

We discussed and resolved other minor observations with management and received excellent cooperation and assistance from the various departments during the course of our interviews and testing. We sincerely appreciate the courtesy extended to our personnel.

*REDW LLC*

Albuquerque, New Mexico  
January 14, 2014