

Internal Audit Department

O R A N G E C O U N T Y
6th Largest County in the USA

INTERNAL CONTROL AUDIT: SHERIFF-CORONER AND HEALTH CARE AGENCY CONTRACT ADMINISTRATION U.S. IMMIGRATION AND CUSTOMS ENFORCEMENT

**Critical
Impact
Audit**

For the Period July 20, 2010
through June 30, 2011

We audited contract administration and billing processes in the Sheriff-Coroner and the Health Care Agency for the U.S. Immigration and Customs Enforcement (ICE) Inter-Government Service Agreement. The five-year term of the ICE Agreement is estimated to generate approximately \$150 million in revenue to the County. During the audit period, the Sheriff-Coroner and Health Care Agency billed approximately \$27.2 million for detention services and prescription medication reimbursement. Revenues are earned based on a fixed rate per unit for detention services and cost reimbursement for prescription medication.

Our audit evaluated internal controls for the ICE billing processes, and we assessed the integrity of contract administration processes to ensure on-going compliance with all ICE performance requirements by utilizing a Business Process Maturity Model.

Our audit found that internal controls and processes in the Sheriff-Coroner and Health Care Agency are adequate and effective to ensure proper billings to ICE. Our assessment of the integrity of contract administration processes found the Sheriff-Coroner and Health Care Agency at the highest level, Stage 5 – Strategically Managed.

We identified **two (2) Control Findings** where controls can be further enhanced in the areas of written policies and procedures and supervisory reviews. The Sheriff-Coroner and Health Care Agency agreed with the findings and recommendations.

AUDIT NO: 1126
REPORT DATE: NOVEMBER 3, 2011

Director: Dr. Peter Hughes, MBA, CPA, CIA
Deputy Director: Eli Littner, CPA, CIA
Senior Audit Manager: Michael Goodwin, CPA, CIA
Audit Manager: Kenneth Wong, CPA, CIA

RISK BASED AUDITING

GAO & IIA Peer Review Compliant – 2001, 2004, 2007, 2010



American Institute of Certified Public Accountants Award to Dr. Peter Hughes as 2010 Outstanding CPA of the Year for Local Government
GRC (Government, Risk & Compliance) Group 2010 Award to IAD as MVP in Risk Management



2009 Association of Certified Fraud Examiners' Hubbard Award to Dr. Peter Hughes for the Most Outstanding Article of the Year – Ethics Pays



2008 Association of Local Government Auditors' Bronze Website Award



2005 Institute of Internal Auditors' Award for Recognition of Commitment to Professional Excellence, Quality, and Outreach

 ORANGE COUNTY BOARD OF SUPERVISORS'
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GAO & IIA Peer Review Compliant - 2001, 2004, 2007, 2010

Providing Facts and Perspectives Countywide

RISK BASED AUDITING

Dr. Peter Hughes **Ph.D., MBA, CPA, CCEP, CITP, CIA, CFE, CFF**
Director Certified Compliance & Ethics Professional (CCEP)
Certified Information Technology Professional (CITP)
Certified Internal Auditor (CIA)
Certified Fraud Examiner (CFE)
Certified in Financial Forensics (CFF)
E-mail: peter.hughes@iad.ocgov.com

Eli Littner **CPA, CIA, CFE, CFS, CISA**
Deputy Director Certified Fraud Specialist (CFS)
Certified Information Systems Auditor (CISA)

Michael Goodwin **CPA, CIA**
Senior Audit Manager

Alan Marcum **MBA, CPA, CIA, CFE**
Senior Audit Manager

Autumn McKinney **CPA, CIA, CISA, CGFM**
Senior Audit Manager Certified Government Financial Manager (CGFM)

Hall of Finance & Records

12 Civic Center Plaza, Room 232
Santa Ana, CA 92701

Phone: (714) 834-5475

Fax: (714) 834-2880

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OC Fraud Hotline (714) 834-3608



Transmittal Letter



Audit No. 1126 **November 3, 2011**

TO: Sandra Hutchens, Sheriff-Coroner
David L. Riley, Director, Health Care Agency

FROM: Dr. Peter Hughes, CPA, Director
Internal Audit Department

SUBJECT: Internal Control Audit:
Sheriff-Coroner and Health Care Agency
Contract Administration - U.S. Immigration
and Customs Enforcement

We have completed an Internal Control Audit of the Sheriff-Coroner and Health Care Agency's Contract Administration for the Agreement with U.S. Immigration and Customs Enforcement for the period July 20, 2010 through June 30, 2011. We performed this audit in accordance with our *FY 2011-12 Audit Plan and Risk Assessment* approved by the Audit Oversight Committee and the Board of Supervisors. Our final report is attached for your review.

Please note we have a structured and rigorous **Follow-Up Audit** process in response to recommendations and suggestions made by the Audit Oversight Committee (AOC) and the Board of Supervisors (BOS). Our **first Follow-Up Audit** will begin at six months from the official release of the report. A copy of all our Follow-Up Audit reports is provided to the BOS as well as to all those individuals indicated on our standard routing distribution list.

The AOC and BOS expect that audit recommendations will typically be implemented within six months and often sooner for significant and higher risk issues. Our **second Follow-Up Audit** will begin at six months from the release of the first Follow-Up Audit report, by which time **all** audit recommendations are expected to be addressed and implemented. At the request of the AOC, we are to bring to their attention any audit recommendations we find still not implemented or mitigated after the second Follow-Up Audit. The AOC requests that such open issues appear on the agenda at their next scheduled meeting for discussion.

We have attached a **Follow-Up Audit Report Form**. Your agency should complete this template as our audit recommendations are implemented. When we perform our first Follow-Up Audit six months from the date of this report, we will need to obtain the completed document to facilitate our review.

Each month I submit an **Audit Status Report** to the BOS where I detail any critical and significant audit findings released in reports during the prior month and the implementation status of audit recommendations as disclosed by our Follow-Up Audits. Accordingly, the results of this audit will be included in a future status report to the BOS.

As always, the Internal Audit Department is available to partner with your staff so that they can successfully implement or mitigate difficult audit recommendations. Please feel free to call me should you wish to discuss any aspect of our audit report or recommendations. Additionally, we will request your department complete a **Customer Survey** of Audit Services. You will receive the survey shortly after the distribution of our final report.

ATTACHMENTS

Other recipients of this report are listed on the **OC Internal Auditor's Report** on page 5.

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Sheriff-Coroner and Health Care Agency
Contract Administration
U.S. Immigration and Customs Enforcement Agreement
Audit No. 1126*

For the Period *July 20, 2010 through June 30, 2011*

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OC Internal Auditor's Report



Audit No. 1126

November 3, 2011

TO: Sandra Hutchens, Sheriff-Coroner
David L. Riley, Director, Health Care Agency

FROM: Dr. Peter Hughes, CPA, Director
Internal Audit Department

SUBJECT: Internal Control Audit: Sheriff-Coroner and Health Care Agency
Contract Administration – U.S. Immigration and Customs
Enforcement

Audit Highlight

The Sheriff-Coroner and Health Care Agency provide detention and care for detainees from U.S. Immigration and Customs Enforcement in the County jail system.

Over the five (5) year term of the Inter-Governmental Service Agreement, the contract is estimated to generate approximately \$150 million in revenue to the County. Billings during the 12-month audit period were \$27.2 million.

The Internal Audit Department found the internal controls and processes were adequate. We did identify **two (2) Control Findings** where controls and processes can be enhanced concerning written policies and supervisory reviews.

OBJECTIVES

In accordance with our *FY 2011/2012 Audit Plan and Risk Assessment* approved by the Audit Oversight Committee and Board of Supervisors, we conducted an Internal Control Audit of the Sheriff-Coroner and Health Care Agency's contract administration for the Agreement with U.S. Immigration and Customs Enforcement (ICE). Our audit was conducted in conformance with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing. The objectives of our audit were to:

1. Evaluate internal controls over billing processes for detention and medical services to ensure invoices are prepared accurately, completely and timely in accordance with terms of the ICE Agreement, and that billed amounts are valid and supported with proper documentation.
2. Evaluate processes to ensure on-going compliance with all ICE Agreement requirements, and determining if risks of non-compliance have been identified, monitored, and adequately managed.
3. Determine if ICE contract administration is efficient and effective (e.g., no backlogs, duplication of work, manual processes that could be automated.)

RESULTS

Objective #1: We found internal controls over billing processes are effective to ensure invoices are prepared accurately and completely, and are valid, supported and timely in accordance with terms of the ICE Agreement. We identified two (2) **Control Findings** to enhance existing controls in the areas of written policies and procedures and supervisory reviews.

Objective #2: We utilized a Business Process Maturity Model to evaluate processes to ensure on-going compliance with all ICE Agreement requirements, and determining if risks of non-compliance have been identified, monitored, and adequately managed. We assessed the integrity of contract administration processes for ensuring compliance with contract requirements at the highest level, **Stage 5 - Strategically Managed**, indicating the process has well defined criteria and standards that are clearly documented, adhered to, and communicated. The process has comprehensive performance measures to monitor and ensure consistent and predictable results.

Objective #3: We found the above processes to be efficient and effective with no backlogs, duplication of work or processes that could benefit from automation.



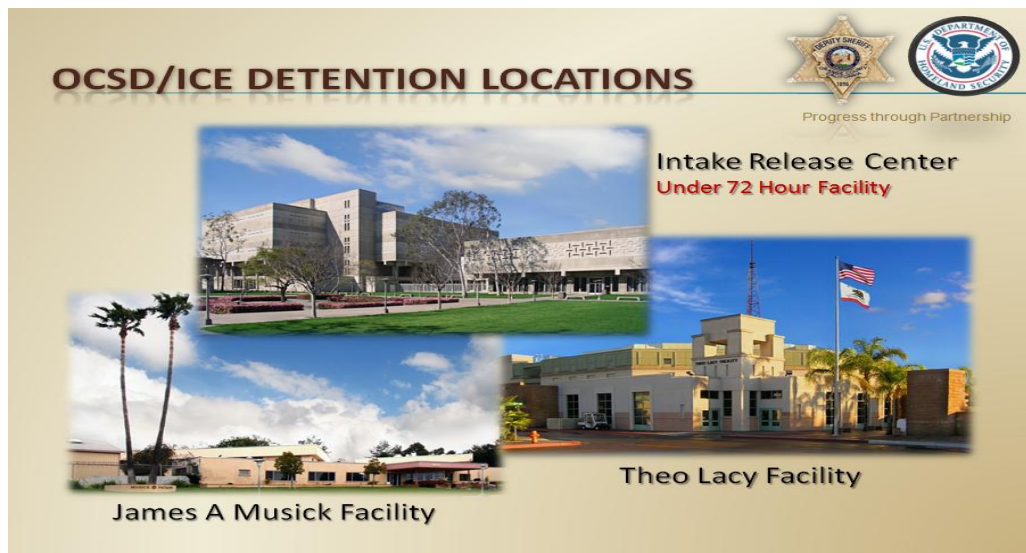
The following table summarizes our findings and recommendations for this audit. See further discussion in the *Detailed Findings, Recommendations and Management Responses* section of this report. See *Attachment A* for a description of Report Item Classifications.

Finding No.	Finding Classification - (see Attachment A)	Finding and Page No. in Audit Report	Recommendation	Concurrence by Management?
1.	Control Finding	Policies and procedures for invoicing detention services and prescription medicine reimbursement need enhancement (see pgs. 6-7).	Sheriff-Coroner and Health Care Agency enhance policies and procedures to be followed for the invoicing process.	Yes
2.	Control Finding	Supervisory review procedures for prescription medicine reimbursement do not describe specific steps to ensure billed items comply with the contract agreement (see pg. 7).	Health Care Agency strengthen its internal review process to ensure claimed costs for prescription medicine reimbursement comply with the agreement.	Yes

BACKGROUND

The mission of the Sheriff-Coroner is to protect the residents of Orange County and provide exceptional law enforcement services with leadership, integrity and respect. Within the Sheriff-Coroner, Custody Operations and Court Services Command operates the jail system housing inmates and detainees from Immigration and Customs Enforcement. The Sheriff-Coroner's Administrative Services Command provides financial support for the department.

The Health Care Agency's (HCA) mission is in partnership with the community to protect and promote the health and safety of individuals and families in Orange County through assessment and planning, prevention and education, and treatment and care. Within HCA, Correctional Health Services provides health care services to inmates in the jails for whom the County, by law, has responsibility. HCA Accounting is an Auditor-Controller Satellite Accounting Operation and is responsible for providing accounting support/services in accordance with the needs of HCA.





Inter-Governmental Service Agreement with ICE

The County entered in an Inter-Governmental Service Agreement (IGSA) with U.S. Immigration and Customs Enforcement (ICE) on July 20, 2010 for detention and care of ICE detainees in the County jail system. During the 12-month audit period, the Sheriff-Coroner and Health Care Agency **billed \$27.2 million** for detention services and prescription medication reimbursement. Over its five (5) year term, this agreement is estimated generate approximately **\$150 million in revenue**.

ICE detainees are individuals detained under the authority of the Immigration and Nationality Act and are held in custody to assure their presence throughout the administrative hearing process and possible removal from the United States pursuant to an order by the federal government. ICE detainees do not have criminal charges pending. Most ICE detainees are former inmates who, at the time of their arrest, were unable to provide proof of their citizenship or legal residency. Once the ICE detainees have completed their sentence, the local jurisdiction turns them over to ICE to begin the administrative process to determine their citizenship status.

The IGSA that we audited provided for a total of **838 beds** to be used for ICE detainees, with 472 at the Theo Lacy Facility in Orange and 366 at the James A. Musick Facility in Irvine. An amendment to the IGSA effective May 16, 2011, modified the contract terms to make available a total of 838 beds for ICE detainees to be used for 728 male and 110 female ICE detainees at either the Theo Lacy Facility or the James A. Musick Facility. The Sheriff-Coroner Department operates the ICE housing areas and provides all security and operational duties. HCA provides medical and mental health services to detainees housed within the Orange County Jail System. ICE staff monitors the treatment of detainees, conducts the deportation process and performs administrative duties.

The federal government pays the County a fixed **per diem rate of \$118** per detainee housed in the Orange County jail system. Of this amount, **\$23.85 is allocated to HCA** for medical and mental health services. The balance of funding received will be allocated to the Sheriff-Coroner for security and housing services. In addition, fixed hourly transportation escort/guard rates and transportation mileage rates are included in the proposed IGSA. For prescription drugs, the federal government will reimburse the County the actual cost of the prescription drugs on a monthly basis. The County and ICE will monitor the actual cost utilization for prescription medications, and if costs are projected to exceed the amount specified in the IGSA (\$720,000 per year), the County will request a modification of the amount. The **funding commitments totaled \$32.7 million** during the audit period. The County is required to submit a monthly itemized invoice within the first ten working days of the month following the calendar month when it provided the services. The Sheriff-Coroner's Automated Jail System (AJS) provides the data which supports the billings for ICE detention services.

Performance Based National Detention Standards

The County is required to house ICE detainees and perform related detention services in accordance with the 2008 edition of ICE Performance Based National Detention Standards (PBNDS) with the exception of the Intake and Release Center where housing is limited to less than 72 hours. ICE inspectors conduct periodic inspections of the Theo Lacy Facility and James A. Musick Facility to assure compliance with the ICE PBNDS.

The Quality Assurance Surveillance Plan for the ICE Office of Detention and Removal indicates that an acceptable quality level is the minimum level of quality that is accepted by ICE in order to meet the PBNDS. In the event of non-compliance with the ICE Agreement, ICE may withhold an amount of the monthly invoice payment pending correction of a performance deficiency. Funds withheld from payment are recoverable if ICE confirms resolution/correction. Funds may be deducted from a monthly invoice for an egregious act or event, or if the same deficiency continues to occur. The County will be notified immediately if such a situation occurs. ICE will determine the amount of the deduction. Amounts deducted are not recoverable.



In addition, “as part of its agreement with the Government (ICE), the service provider (County) is required to develop, implement, and maintain a Quality Control Plan that illustrates the methods it will use to review its performance to ensure it conforms to the performance requirements. Such reviews are performed by the service provider in order to validate its operations, and assure the Government that the services meet the performance standards.”

MOU with the City of Orange

As part of the ICE Agreement, the County entered into a Memorandum of Understanding (MOU) with the City of Orange regarding the accommodation of ICE detainees at the Theo Lacy Facility. The City of Orange receives 1.5% of the ICE revenue received at the Theo Lacy Facility per day per inmate up to a ceiling of \$340,000 per year; up to \$10,000 per fiscal year for costs in using the Sheriff-Coroner firing range located in the City of Orange; and for use of crime lab services and helicopter services in the City of Orange.

SCOPE AND METHODOLOGY

Our audit evaluated internal controls and processes over the invoicing and ensuring compliance with the terms of the agreement with ICE for the period July 20, 2010 through June 30, 2011. Our methodology included inquiry, auditor observation and testing of relevant documents.

1. We **tested four (4) months of billings** for ICE detention and medical services (October 2010, and March, April, and June 2011) to determine if the invoices were prepared accurately, completely and timely in accordance with terms of the ICE Agreement, and that billed amounts were valid and supported with proper documentation. We traced and agreed amounts from supporting documents to the monthly invoices for both the Sheriff-Coroner and HCA.
2. We used a **Business Process Maturity Model** to assess the Sheriff-Coroner's and HCA's processes to ensure on-going compliance with all ICE Agreement requirements, and if risks of non-compliance have been identified, monitored, and adequately managed. We identified six process components to determine the maturity life cycle of these processes.

SCOPE EXCLUSIONS

Our audit did not include a review of system controls over the Sheriff-Coroner's Automated Jail System or of the Health Care Agency's information systems used for administering, recording and reporting correctional medical services to the County jails.

Management's Responsibilities for Internal Controls

In accordance with the Auditor-Controller's County Accounting Manual Section S-2 *Internal Control Systems*: “All County departments/agencies shall maintain effective internal control systems as an integral part of their management practices. This is because management has primary responsibility for establishing and maintaining the internal control system. All levels of management must be involved in assessing and strengthening internal controls.” Control systems shall be continuously evaluated by Management and weaknesses, when detected, must be promptly corrected. The criteria for evaluating an entity's internal control structure is the Committee of Sponsoring Organizations (COSO) control framework. Our Internal Control Audit enhances and complements, but does not substitute for the Sheriff-Coroner's and Health Care Agency's continuing emphasis on control activities and self-assessment of control risks.



Inherent Limitations in Any System of Internal Control

Because of inherent limitations in any system of internal controls, errors or irregularities may nevertheless occur and not be detected. Specific examples of limitations include, but are not limited to, resource constraints, unintentional errors, management override, circumvention by collusion, and poor judgment. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate. Accordingly, our audit would not necessarily disclose all weaknesses in Sheriff-Coroner's and Health Care Agency's operating procedures, accounting practices, and compliance with County policy.

Acknowledgment

We appreciate the courtesy extended to us by Sheriff-Coroner and Health Care Agency personnel during our audit. If we can be of further assistance, please contact me directly; or Eli Littner, Deputy Director at 834-5899; or Michael Goodwin, Senior Audit Manager at 834-6066.

Attachments

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

Members, Board of Supervisors
Members, Audit Oversight Committee
John Scott, Undersheriff
Michael James, Assistant Sheriff, Sheriff-Coroner/Custody Operations & Court Services
Stephen Kea, Commander, Sheriff-Coroner/Custody Operations & Court Services
Christopher Wilson, Lieutenant, Sheriff-Coroner/ICE Program
Candice Aubuchon, Manager, Sheriff-Coroner/ICE Program
Rick Dostal, Executive Director, Sheriff-Coroner/Administrative Services
Jane Reyes, Senior Director, Sheriff-Coroner/Administrative Services
Noma Crook-Williams, Assistant Director, Sheriff-Coroner/Financial & Administrative Services
Tricia Bello, Contracts Manager, Sheriff-Coroner/Financial & Administrative Services
Sharon Tabata, Financial Officer, Sheriff-Coroner/Financial & Administrative Services
Jeffrey Franzen, Manager, Sheriff-Coroner/Financial Operations
Nasrin Soliman, Manager, Sheriff-Coroner/Audit and Revenue
Jeff Nagel, Ph.D., Deputy Agency Director/Chief Compliance Officer, HCA/Administration
Kathryn Wild, Agency Director, HCA/Correctional Health Services
Kimberly Pearson, Chief of Operations, HCA/Correctional Health Services
Erenia Perry, Director of Pharmacy, HCA/Correctional Health Services
Dee Dee Franks, Manager, HCA/Program Support – Medical & Correctional Services
David E. Sundstrom, Auditor-Controller
Shaun Skelly, Chief Deputy Auditor-Controller
Kimberly Engelby, Manager, HCA/Accounting
Howard Thomas, Manager, HCA/Accounting Claiming and Financial Reporting
Foreperson, Grand Jury
Darlene J. Bloom, Clerk of the Board of Supervisors



Objective #1: Evaluate internal controls over billing processes for detention and medical services to ensure invoices are prepared accurately, completely and timely in accordance with terms of the ICE Agreement, and that billed amounts are valid and supported with proper documentation.

To accomplish this objective, we tested four (4) monthly invoices (October 2010; March, April and June, 2011) totaling **\$13.8 million for detention services** and **\$194,742 in prescription reimbursement**. We verified that the invoices were mathematically accurate, complete and were submitted timely per ICE Agreement requirements. We were able to trace amounts on the invoices to supporting documentation with no exceptions noted. Based on our testing, we found internal controls are in place and adequate to ensure invoices for ICE detention and prescription reimbursement are accurate, complete, timely, and billed amounts are valid and supported. Although we found no exceptions in our testing, we noted there is an opportunity to enhance the existing written policies and procedures for preparing monthly ICE invoices, as discussed below:

Finding No. 1 – Enhancing Written Procedures for Invoice Preparation (Control Finding)

Our audit found that both the Sheriff-Coroner and HCA had written procedures for compiling supporting documents and preparing monthly invoices for detention services and prescription drug reimbursement. However, we noted the procedures could be enhanced to provide additional guidance for preparing the monthly invoices.

In the Sheriff-Coroner Financial/Administrative Services Division, the Manager of Financial Operations is solely responsible for compiling supporting documents and preparing the monthly invoice for ICE detention services. We were provided the desk procedures for preparing the monthly invoices. These procedures provide very basic guidelines and could be enhanced so that another employee could perform this task. HCA Accounting Services also provided us with written policy and procedures for invoicing ICE prescription drugs. We believe that written policies and procedures should be enhanced, for the Sheriff-Coroner and HCA as noted in parentheses, to address the following:

1. Reference to the billing requirements and fixed rates in the Standard Intergovernmental Service Agreement (IGSA) between ICE and the County (Sheriff-Coroner).
2. Executing queries of the Automated Jail System for activity reports (Sheriff-Coroner).
3. Management review of billings prior to submission (Sheriff-Coroner and HCA).
4. Billing adjustments (Sheriff-Coroner).
5. Overpayments or underpayments (Sheriff-Coroner).
6. Reconciliation of billed and paid amounts (Sheriff-Coroner).

Policies and procedures help minimize variation and promote quality through consistent implementation of a process, reduced work effort, and improved comparability and credibility, especially if there are temporary or permanent personnel changes. Also, written procedures minimize opportunities for miscommunication and can address quality control concerns.

Recommendation No. 1

The Sheriff-Coroner and Health Care Agency enhance their written policies and procedures for preparing the monthly invoices for ICE detention services and prescription drug reimbursement.

Sheriff-Coroner Management Response

Concur. The Sheriff-Coroner Department has updated the current ICE Billing Process policies and procedures for invoicing detention services which addresses the following:



1. Reference to the billing requirements and fixed rates in the Standard Intergovernmental Services Agreement (IGSA) between U.S. Immigration and Customs Enforcement (ICE) and the County (Sheriff-Coroner).
2. Executing queries of the Automated Jail System for activity reports.
3. Management review of billings prior to submission.
4. Billing Adjustments.
5. Overpayment or underpayments.
6. Reconciliation of billing and paid amounts.

Health Care Agency Management Response

HCA **concurs** with the finding and will enhance the billing procedures to address the areas noted in the auditor's report. The revised procedures will be completed by April 26, 2012.

Finding No. 2 – Supervisory Reviews of Invoices for Prescription Drugs (Control Finding)

HCA prepares a detailed report of prescription drugs issued to ICE detainees to support the monthly invoices for prescription medication reimbursement. The detailed report shows the reporting period, detainee identification, medication number, medication name, doctor's name, drug quantity, cost per dose, and price of the doses during the billing period. Our audit noted that HCA had the following billing discrepancies that were detected by ICE after the billings were submitted:

1. The original invoice for August 2010 totaling \$8,013 included over-the-counter medication not eligible for reimbursement. A credit memorandum was issued for \$188.
2. The original invoice for October 2010 totaling \$39,857 included routine medical supplies as well as incorrect costs for prescription medication. A credit memorandum was issued for \$9,367.
3. The original invoice for April 2011 totaling \$58,861 included incorrect costs for prescription medication. A revised invoice was reduced by \$1,352.

The above errors should have been detected by HCA through additional supervisory review of the report prior to submitting the billings for prescription medications. We did note that the June 2011 invoice for totaling \$49,151 did not have any incorrect costs noted because HCA enhanced its review process.

Because the detailed report of issued drugs serves as support for prescription reimbursement, the review of the report should ensure that claimed amounts are in compliance with the agreement. Our review of HCA's procedures for preparing the detailed report of issued drugs disclosed that an in-charge Pharmacist is responsible for approving the data. However, the review and approval procedures did not describe specific steps to ensure billed items comply with the agreement. To ensure compliance with the agreement, the review of the data should include an assessment that over-the-counter medication and medical supplies are not claimed. In addition, the reviewer and date of the review should be documented on the report.

Recommendation No. 2

Health Care Agency strengthen its internal review process to ensure claimed costs for prescription medicine reimbursement comply with the ICE Agreement.

Health Care Agency Management Response

HCA **concurs** with the finding and will enhance procedures to strengthen the internal review process to ensure claimed costs for prescriptions medicine reimbursement is in compliance with the ICE Agreement. The revised procedures will be completed by April 26, 2012.

Detailed Results, Findings, Recommendations and Management Responses



Objective #2: Evaluate processes to ensure on-going compliance with all ICE Agreement requirements, and determining if risks of non-compliance have been identified, monitored, and adequately managed.

For this objective, we utilized a **Business Process Maturity Model** to evaluate processes to ensure compliance with all requirements of the ICE Agreement.

Background

The Process Maturity Model is based on the Capability Maturity Model (CMM) developed by the Carnegie Mellon University's Software Engineering Institute. CMM is a tool used to assess process maturity for information technology and system development. The Business Process Maturity Model (BPMM) is a similar tool used to assess process maturity in non-IT processes to help identify where the current processes are in their maturity life cycle and identify where enhancements are needed to attain higher levels of process maturity. Like CMM, it defines and measures stages of business process development. These business processes typically progress through **five distinct stages of maturity** over their life cycle. The first stage describes a process in its infancy and the fifth and final stage describes a process that is fully matured, robust, responsive, flexible, adaptable, and collaborative. Some business processes may even regress from higher levels of maturity and slide downward due to management inattention, lack of awareness, or inadequate resources. The BPMM identifies and defines the following five stages of business process maturity:

Stage 1: Initializing
A Stage 1 process has little, if any, defined or documented standards, criteria or guidelines. Standards that are established are typically vague and general in nature and allow considerable latitude in interpretation. Performance measures are not used nor is the process tracked, monitored or actively managed. Consequently, the outcomes tend to be viewed by users as ad hoc, sporadic and subjective in nature with user frustration usually running high.
Stage 2: Repeatable
A Stage 2 process has standards and criteria that are partially defined, documented and communicated. Standards have some degree of specificity and enables users to predict somewhat the outcomes. Routines exist more than defined processes. The absence of clear objective criteria still contributes to some users' confusion, frustration, and dissatisfaction.
Stage 3: Stabilized
A Stage 3 process has objective standards and criteria that are becoming well defined, documented and communicated. Management is aware of performance measures and uses them to encourage consistent, predictable, and equitable outcomes. Users are adhering to guidance and their perceptions of the process tend to be favorable.
Stage 4: Actively Managed
A Stage 4 process has well defined criteria and standards that are clearly documented, adhered to and communicated. The process has well defined and comprehensive performance measures to monitor and ensure consistent and predictable results. User satisfaction is generally high.
Stage 5: Strategically Managed
A Stage 5 process has all the components of a Stage 4 process. The key difference is the built-in capacity to improve the services on an on-going basis. Process performance is regularly and routinely analyzed to identify bottlenecks and defects and to determine their root causes. Changes in process are well thought out. Steering or advisory committees provide on-going oversight that balance competing and conflicting objectives. Processes are transparent, well-defined, supported, and where appropriate formal and objective "appeal" processes exist and provide balanced and timely resolution of conflicts.

Detailed Results, Findings, Recommendations and Management Responses



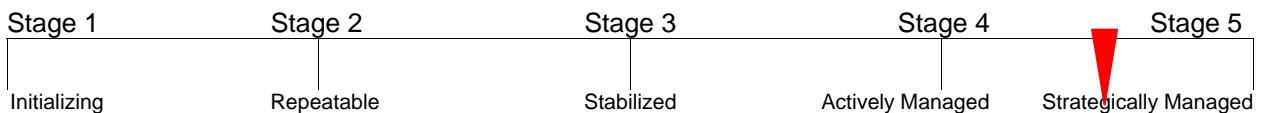
Process Components

The following are the process components we used to perform our BPMM of the ICE Agreement:

1. **Standards** – Determine if there are standards and guidelines for ICE detention and medical care services and evaluate whether the standards are clearly articulated, defined and objective, and are periodically assessed or measured. Evaluate if the standards are communicated to personnel and if they are applied consistently across detention and medical care services.
2. **Policies and Procedures** - Review the adequacy and level of detail in the ICE detention and medical care service policies and procedures. Evaluate how well the steps are defined; and how effectively the policies and procedures are applied consistently across the detainee population. Review how well the roles and responsibilities of the various parties are defined.
3. **Tracking and Documentation** - Assess the process for tracking and documenting the quality and quantity of ICE detention and medical care services provided, including performing quality control self assessments, and documentation of training conducted.
4. **Responsiveness** - Examine how responsive the Sheriff-Coroner and HCA are to the needs of ICE; how helpful and accessible personnel are in addressing concerns from ICE (e.g. notification of billing discrepancies and audit findings); and how responsive is the current process in fulfilling compliance with the ICE contract agreement.
5. **Training** - Examine training materials and programs provided to employees involved with the ICE contract to determine the completeness and currency of the training.
6. **Compliance** - Review how continuing compliance is ensured with current standards required in the ICE Agreement. This should include risk management for assessing where the risk of non-compliance could occur and steps taken to address those risks.

Results Achieved – We assessed the contract administration processes in the Sheriff-Coroner and Health Care Agency to ensure compliance with all requirements of the ICE Agreement at the highest level, **Stage 5 – Strategically Managed**, indicating the process has well defined criteria and standards that are clearly documented, adhered to, and communicated. The process has comprehensive performance measures to ensure consistent and predictable results. During our evaluation of the above process components, the following was noted:

PROCESS MATURITY



Observations - The following discusses our observations of the above process components for the Sheriff-Coroner's and Health Care Agency's contract administration of the ICE Agreement:

1. **Standards** – Determine if there are standards and guidelines for ICE detention and medical care services and evaluate whether the standards are clearly articulated, defined and objective, and are periodically assessed or measured. Evaluate if the standards are communicated to personnel and if they are applied consistently across detention and medical care services.



Observations

We found that standards and guidelines exist for ICE detention services. The standards are provided in the ICE Agreement as *Performance Based National Detention Standards* for housing detainees. The Sheriff-Coroner communicates these standards and requirements to personnel through training courses for new and existing personnel and accessible electronic files with policies and procedures. In addition, ICE inspectors conduct periodic inspections of the facilities to assure compliance with the standards. It was noted that all three jail facilities received "Acceptable" ratings for the annual site inspection in October and November 2010. The criteria for the annual site inspections were the ICE *Performance Based National Detention Standards*. In addition, a Quality Control Plan was established by the Sheriff-Coroner based on the standards and was approved by ICE.

HCA Correctional Health Services also uses the requirements provided in the ICE *Performance Based National Detention Standards* in respect to correctional medical care services. The ICE requirements for health care are communicated through training courses for new and existing personnel. In addition, the periodic facility inspections by ICE consider health care performance standards. It was noted that all three jail facilities received "Acceptable" ratings for the annual site inspection in October and November 2010.

Conclusion

There are established standards and guidelines for ICE detention and medical care services that are clearly articulated, defined and objective, and are periodically assessed and measured.

- 2. Policies and Procedures** – Review the adequacy and level of detail in the ICE detention and medical care service policies and procedures. Evaluate how well the steps are defined; and how effectively the policies and procedures are applied consistently across the detainee population. Review how well the roles and responsibilities of the various parties are defined.

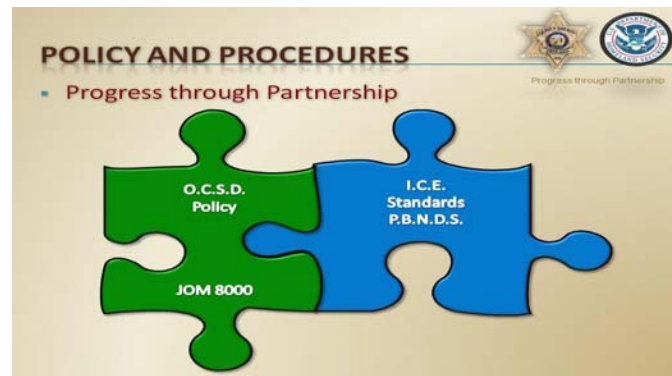
Observations

We found that Sheriff-Coroner personnel in the Custody Operations and Court Services Command have electronic access to the department's *Jail Operations Manual*. A separate section in the *Jail Operations Manual* addresses ICE performance requirements. The procedures provide an adequate level of detail for the ICE program and Agreement. In addition, the Financial/Administrative Services Division has documented procedures for preparing the monthly invoices for ICE detention services. The Sheriff-Coroner also prepared a Quality Control Plan (QCP) to review performance and ensure compliance with performance standards. The QCP describes the methods and frequency to assess their performance and adherence to the ICE Agreement. It was further noted that the Sheriff-Coroner monitors performance standards, documents the results, and retains the data on file.

We found that HCA Correctional Health Services maintains a policies and procedures manual that personnel have electronic access to. The policies and procedures apply to all patients housed in the County's jail facilities, including ICE detainees. The policies and procedures are detailed and descriptive concerning correctional medical services. HCA also has documented procedures for preparing monthly invoices for ICE prescription medication reimbursement.

Conclusion

There are documented policies and procedures in the Sheriff-Coroner and HCA for detention services and prescription medications. As discussed under Objective #1, written policies and procedures and supervisory reviews should be enhanced (see [Finding Nos. 1 and 2](#)).



- Tracking and Documentation** – Assess the process for tracking and documenting the quality and quantity of ICE detention and medical care services provided, including performing quality control self assessments, and documentation of training conducted.

Observations

We found that the Sheriff-Coroner prepares a monthly statistical Key Indicators report from the department's Automated Jail System (AJS). AJS is used to record, process, and report various aspects of jail operations and it provides the data for preparing monthly ICE invoices and statistical reports. The monthly report contains identified key indicators and is submitted to ICE. Our testing of the monthly billings for ICE detention and correctional medical services found that there is adequate documentation maintained to support the accuracy and completeness of the billings. In addition, the Sheriff-Coroner utilizes a Quality Control Plan (QCP) to review performance and ensure compliance with performance standards. The QCP describes the methods and frequency to assess performance. We found that the Sheriff-Coroner monitors performance standards, documents results and retains the data on file in an electronic server.

We found that HCA Correctional Health Services provides the status of ICE patients to the Field Medical Coordinator for the ICE Health Services Corps on a routine and frequent basis. Additionally, we found that HCA Correctional Health Services has a Quality Improvement Committee of management and supervisors within each health discipline. The committee meets at least quarterly to assess, monitor and improve the quality of health care provided to all correctional health patients, both inmates and ICE detainees. We found that the committee maintained minutes on file for each of their meetings.

Conclusion

There are processes in place to ensure adequate tracking and documentation of the quality and quantity of ICE detention and medical care services provided. The results are reported in monthly statistical/key indicators reports that are submitted to ICE for review.

- Responsiveness** – Examine how responsive the Sheriff-Coroner and HCA are to the needs of ICE; how helpful and accessible personnel are in addressing concerns from ICE (e.g. notification of billing discrepancies and issues resulting from annual inspections); and how responsive is the current process in fulfilling compliance with the ICE contract agreement.

Observations

We observed that the Sheriff-Coroner sends a roster of detainees to ICE on a daily basis for purposes of reporting. In addition, the Sheriff-Coroner provides ICE with statistical data of key indicators on a monthly basis.



To administer and ensure compliance with requirements of the ICE Agreement, a **staff of eight full-time Sheriff-Coroner personnel** is assigned at the jail facilities. An Administrative Lieutenant leads three Sergeants, one Administrative Manager, and three Sheriff Deputies. If any questions arise from the monthly ICE billings for detention services, ICE contacts the Sheriff-Coroner's Financial Operations. Actions are taken to ensure the issue is corrected and not repeated by communicating the issue to appropriate staff and through follow-up.

In addition, the Sheriff-Coroner's staff communicates on a frequent basis with the ICE **Contracting Officer's Technical Representative (COTR)** and ICE Detention Services Manager. The COTR is responsible for monitoring the progress in fulfilling the technical requirements specific to the ICE Agreement. We contacted the COTR who indicated the County's ICE program was satisfying the contractual requirements and there was adequate communication occurring between the County and ICE.

We found that HCA Correctional Health Services provides the status of ICE patients to the Field Medical Coordinator for the ICE Health Services Corps on a routine and frequent basis. In addition, we noted that HCA Correctional Health Services was responsive by taking actions to correct items invoiced for medical prescription reimbursements brought to the attention by ICE.

Conclusion

The Sheriff-Coroner and HCA have processes and communications in place to ensure responsiveness with ICE to address issues brought to their attention concerning compliance with the ICE Agreement.

5. **Training** – Examine training materials and programs provided to employees involved with the ICE contract to determine the completeness and currency of the training.

Observations

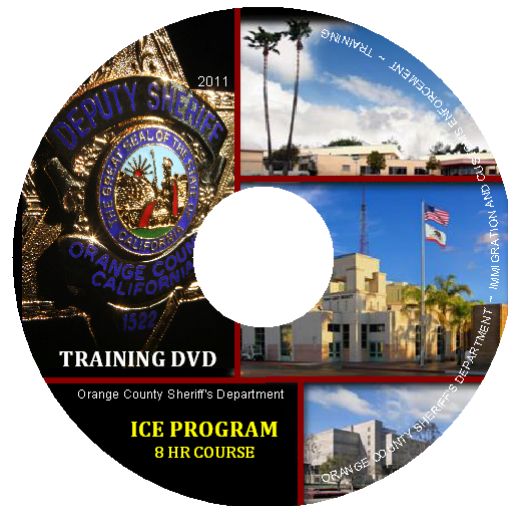
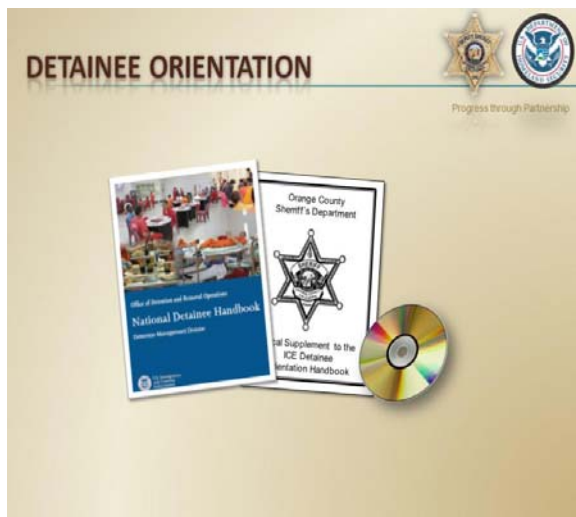
We found that training is provided to Sheriff-Coroner personnel with ICE detention duties. We observed that course curriculum is specific to the needs for newly assigned personnel, experienced personnel, and supervisors. We observed documentation of ICE training that was conducted from April to June 2011, and that sign-in sheets for the ICE training courses are maintained.

It was noted that training is provided to new and experienced HCA Correctional Health Medical Services personnel. We observed that orientation training includes a discussion on the ICE *Performance Based National Detention Standards*. It was further noted that sign-in sheets are maintained on file to evidence attendance.

Conclusion

Both the Sheriff-Coroner and HCA provide ICE training courses that include an overview of ICE *Performance Based National Detention Standards* to help ensure compliance with the standards.

Detailed Results, Findings, Recommendations and Management Responses



6. **Compliance** – Review how continuing compliance is ensured with current standards required in the ICE contract agreement. This should include risk management of where the risk of non-compliance could occur and steps taken for assessing those risks.

Observations

We found that the Sheriff-Coroner prepared a Quality Control Plan (QCP) with the methods used to review performance and ensure compliance with performance standards. ICE received and approved both versions of the Sheriff-Coroner's QCP. To ensure adherence to the QCP and ICE standards, a staff of eight full-time personnel at the jail facilities is responsible for providing administrative management and monitoring compliance for ICE. Actions are taken to ensure the issue is corrected and not repeated by communicating the issue to appropriate staff and through follow-up. It was further noted that the Sheriff-Coroner monitors performance standards, documents results and retains the data on file in an electronic server. In addition, it was noted that all three detention facilities received an **"Acceptable" compliance rating from ICE** for the annual site inspections in October and November 2010.

We found that HCA Correctional Health Services has a Quality Improvement Committee of management and supervisors within each health discipline. The committee met at least quarterly to assess, monitor and improve the quality of health care provided to all correctional health patients, both inmates and ICE detainees. HCA Correctional Medical Services is cognizant of the ICE health care requirements and addresses each component in its internal policies and procedures. In addition, all three detention facilities received an "Acceptable" compliance rating from ICE for the annual site inspections that included health care performance requirements.

Overall Conclusion

Based upon the work performed and results achieved, the specific activities are defined and scheduled to ensure compliance with performance requirements and quality improvement. There are established performance standards that are regularly assessed internally by the Sheriff-Coroner, the Health Care Agency, and externally by ICE. Policies and procedures are in place for the ICE program and for billing ICE for detention services and prescription medication reimbursement. These policies and procedures can be enhanced to provide additional guidance for the ICE billing process. The Sheriff-Coroner and HCA have a Quality Control Plan and related committees to ensure on-going compliance with requirements of the ICE Agreement.

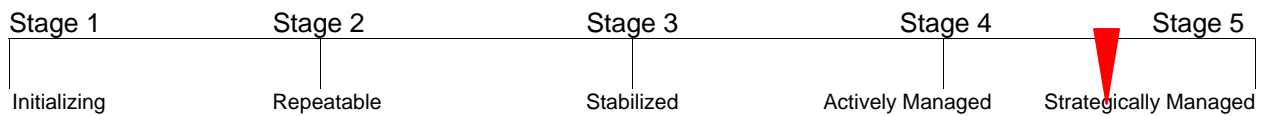
Detailed Results, Findings, Recommendations and Management Responses



Both departments have regular communications with ICE via the COTR. They are responsive to correcting any errors in their monthly billings. The Sheriff-Coroner has a team of eight full-time staff dedicated to administering the ICE Agreement.

As such, we have assessed the Sheriff-Coroner and the HCA processes for administering and ensuring compliance with the ICE Agreement at the highest level, **Stage 5 - Strategically Managed**.

PROCESS MATURITY



Objective #3: Determine if the contract administration processes are efficient and effective (e.g., no significant backlogs, duplication of work, or manual processes that could be automated).

During the course of our audit, we found no backlogs, duplication of work, or processes that could benefit from automation pertaining to the Sheriff-Coroner and HCA's billing and contract administration processes for the ICE Agreement.

As such, we have no findings and recommendations under this objective.



ATTACHMENT A: Report Item Classifications

For purposes of reporting our audit observations and recommendations, we will classify audit report items into three distinct categories:

- ▶ **Critical Control Weaknesses:**
Audit findings or a combination of Significant Control Weaknesses that represent serious exceptions to the audit objective(s), policy and/or business goals. Management is expected to address Critical Control Weaknesses brought to their attention immediately.
- ▶ **Significant Control Weaknesses:**
Audit findings or a combination of Control Findings that represent a significant deficiency in the design or operation of internal controls. Significant Control Weaknesses require prompt corrective actions.
- ▶ **Control Findings:**
Audit findings concerning internal controls, compliance issues, or efficiency/effectiveness issues that require management's corrective action to implement or enhance processes and internal controls. Control Findings are expected to be addressed within our follow-up process of six months, but no later than twelve months.



ATTACHMENT B: Sheriff-Coroner Management Response



SHERIFF-CORONER DEPARTMENT
COUNTY OF ORANGE
CALIFORNIA

SANDRA HUTCHENS
SHERIFF-CORONER

November 2, 2011

Dr. Peter Hughes, CPA
Director of Internal Audit
Hall of Finance & Records
12 Civic Center Plaza, Room 232
Santa Ana, CA 92701

Subject: Internal Control Audit: Sheriff Coroner and HCA Contract Administration
U.S. Immigration and Customs Enforcement (ICE) Response

Dear Dr. Peter Hughes:

We are providing this letter in response to the Internal Control Audit No. 1126, U.S. Immigration and Customs Enforcement (ICE) for the period of July 20, 2010 through June 30, 2011. The audit resulted in one finding for the Sheriff-Coroner. The finding, recommendations, and Sheriff-Coroner response is noted below:

Finding No. 1 – Enhancing Written Procedures for Invoice Preparation (Control Finding)

Our audit found that both the Sheriff-Coroner and HCA had written procedures for compiling supporting documents and preparing monthly invoices for detention services and prescriptions drug reimbursement. However, we noted the procedures could be enhanced to provide additional guidance for preparing the monthly invoices.

Recommendation No. 1:

The Sheriff-Coroner and Health Care Agency enhance their written policies and procedures for preparing the monthly invoices for ICE detention services and prescription drug reimbursement.

Sheriff-Coroner's Response:

Concur. The Sheriff-Coroner Department has updated the current ICE Billing Process policies and procedures for invoicing detention services which addresses the following:

1. Reference to the billing requirements and fixed rates in the Standard Intergovernmental Services Agreement (IGSA) between U.S. Immigration and Customs Enforcement (ICE) and the County (Sheriff-Coroner).
2. Executing queries of the Automated Jail System for activity reports.
3. Management review of billings prior to submission.
4. Billing adjustments.
5. Overpayments or underpayments.
6. Reconciliation of billed and paid amounts.

320 N. FLOWER STREET, SUITE 108, SANTA ANA, CA 92703 (714) 834-6670 FAX (714) 834-6697

*Integrity without compromise. Service above self. Professionalism in the performance of duty.
Vigilance in safeguarding our community*



ATTACHMENT B: Sheriff-Coroner Management Response (continued)

-Page 2-
Dr. Peter Hughes, CPA
Director of Internal Audit
November 2, 2011

We appreciate the time taken by you and your staff to make recommendations which will help us to improve our process. The ICE contract is important for the County and we want to ensure that we comply with the necessary requirements. Thanks for the professionalism of the staff that conducted the audit and ensured the viability of the contract and the processes that support it.

If you have any questions, please contact me or Senior Director Jane Reyes, Administrative Services Command at (714) 834-6680.

Sincerely,

Sandra Hutchens
Sheriff-Coroner

- c: Executive Director, Rick Dostal Administrative Services Command
Senior Director, Jane Reyes Administrative Services Command
Noma M. Crook-Williams, Assistant Director, Financial/Administrative Services Division
Tricia Bello, Contract Manager, Financial/Administrative Services Division
Sharon Tabata, Financial Officer, Financial/Administrative Services Division
Jeff Franzen, Financial Operations Manager, Financial/Administrative Services Division
Nasrin Soliman, Audit Manager, Financial/Administrative Services Division
Michael Goodwin, Senior Audit Manager, OC Internal Audit
Kenneth Wong, Audit Manager, OC Internal Audit



ATTACHMENT B: Health Care Agency Management Responses



*Excellence
Integrity
Service*

COUNTY OF ORANGE HEALTH CARE AGENCY

OFFICE OF THE DIRECTOR

DAVID L. RILEY
DIRECTOR

BOB WILSON
ASSISTANT DIRECTOR

MAILING ADDRESS:
405 W. 5th STREET, 7th FLOOR
SANTA ANA, CA 92701

TELEPHONE: (714) 834-6021
FAX: (714) 834-3660
E-MAIL: driley@ochca.com

October 28, 2011

TO: Dr. Peter Hughes, CPA, Director
Internal Audit Department

SUBJECT: Internal Control Audit #1126: Contract Administration:
Immigration and Customs Enforcement – Health Care Agency Responses

The Health Care Agency has received the Internal Control Audit on the contract administration of the Immigration and Customs Enforcement (ICE) program for the period of July 20, 2010 through June 30, 2011. As requested, below summarizes the two (2) control findings and responses from the Health Care Agency Management. The additional response for the control finding as noted in the report will be addressed by the Sheriff-Coroner's Department in a separate correspondence.

Finding 1 – Enhancing Written Procedures for Invoice Preparation

Recommendation No. 1:

The Sheriff-Coroner and Health Care Agency enhance their written policies and procedures for preparing the monthly invoices for ICE detention services and prescription drug reimbursement.

Health Care Agency Management Response:

HCA concurs with the finding and will enhance the billing procedures to address the areas noted in the auditor's report. The revised procedures will be completed by April 26, 2012.

Finding 2 – Supervisory Reviews of Invoices for Prescription Drugs

Recommendation No. 2:

Health Care Agency strengthen its internal review process to ensure claimed costs for prescription medicine reimbursement comply with the ICE Agreement.



ATTACHMENT B: Health Care Agency Management Responses (continued)


Internal Control Audit: HCA Contract Administration of ICE - Responses
October 28, 2011
Page 2 of 2

Health Care Agency Management Response:

HCA concurs with the finding and will enhance procedures to strengthen the internal review process to ensure claimed costs for prescriptions medicine reimbursement is in compliance with the ICE Agreement. The revised procedures will be completed by April 26, 2012.

HCA appreciates the collaborative approach taken by Internal Audit in the finalizing of the report and in providing assistance in understanding the findings noted. Should you have any further questions, please contact Jeff Nagel, Deputy Agency Director, Finance and Administrative Services, at 714-834-5150.

Thank you.



for David L. Riley, Director

DLR:ke

Attachment

cc: Thomas G. Mauk, County Executive Officer
Bob Wilson, Assistant Director, Health Care Agency
Jeff Nagel, Deputy Agency Director, F&AS, Health Care Agency
Kim Engelby, HCA Accounting Manager