



Commonwealth of Massachusetts
Office of the State Auditor
Suzanne M. Bump

Making government work better

Official Audit Report – May 1, 2018

Hampshire Sheriff's Department

For the period July 1, 2016 through June 30, 2017





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Sheriff Patrick J. Cahillane
Hampshire Sheriff's Department
205 Rocky Hill Road
Northampton, MA 01060

Dear Sheriff Cahillane:

I am pleased to provide this performance audit of the Hampshire Sheriff's Department. This report details the audit objectives, scope, and methodology for the audit period, July 1, 2016 through June 30, 2017. My audit staff discussed the contents of this report with management of the agency.

I would also like to express my appreciation to the Hampshire Sheriff's Department for the cooperation and assistance provided to my staff during the audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "SMBump".

Suzanne M. Bump
Auditor of the Commonwealth

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LIST OF ABBREVIATIONS

COSO	Committee of Sponsoring Organizations of the Treadway Commission
HSD	Hampshire Sheriff's Department
IBF	Inmate Benefit Fund
ICP	internal control plan
MMARS	Massachusetts Management Accounting and Reporting System
OSC	Office of the State Comptroller

EXECUTIVE SUMMARY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor has performed an audit of the Hampshire Sheriff's Department (HSD) for the period July 1, 2016 through June 30, 2017. In this audit, we examined HSD's internal control plans (ICPs), its budget and budgeting practices, and the adequacy of the internal controls it has established over its revenue and expenses. To satisfy our audit objective regarding our ICP review, we extended our audit period through July 21, 2017.

HSD's newly elected Sheriff, who was sworn in on January 4, 2017, requested this transition audit after the retirement of the prior Sheriff, who had served as the Hampshire Sheriff since 1984. Transition audits are typically requested by newly elected officials to obtain an understanding of an organization's financial position and any areas needing corrective action and improvement.

Based on our audit, we have concluded that HSD has established adequate controls and practices in the areas we reviewed that were related to our audit objectives. We did not identify any significant deficiencies in those areas.

OVERVIEW OF AUDITED ENTITY

The Hampshire Sheriff's Department (HSD) was established as a state agency on September 1, 1998 because Hampshire County was abolished as a form of government by Sections 1 and 12 of Chapter 34B of the Massachusetts General Laws. This legislation made the Sheriff an employee of the Commonwealth of Massachusetts; however, the Sheriff remains an elected official with administrative and operational control of the department.

Currently, HSD houses pretrial and sentenced inmates at its jail and house of correction at 205 Rocky Hill Road in Northampton. HSD offers programs to inmates, including vocational, educational, substance use disorder treatment, family preparation and parenting, and mental health programs, as well as a work release program for minimum-security inmates. According to inmate counts provided by HSD officials, as of June 30, 2017 the jail and house of correction housed 237 inmates.

Additionally, HSD has a Civil Process Division at 492 Pleasant Street in Northampton. The Civil Process Division serves legal documents in the county under Sections 11 and 12 of Chapter 37 of the General Laws.

HSD expended \$14,446,516 for operational costs for fiscal year 2017 from its maintenance appropriation.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor has conducted a performance audit of certain activities of the Hampshire Sheriff's Department (HSD) for the period July 1, 2016 through June 30, 2017. To satisfy our audit objective regarding our internal control plan (ICP) review, we extended our audit period through July 21, 2017.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Below is a list of our audit objectives, indicating each question we intended our audit to answer; the conclusion we reached regarding each objective; and, if applicable, where each objective is discussed in the report.

Objective	Conclusion
1. Do HSD's current ICPs contain all eight components of the Committee of Sponsoring Organizations of the Treadway Commission's (COSO's) enterprise risk management framework, as required by the Office of the State Comptroller's (OSC's) Internal Control Guide?	Yes
2. Does HSD have a sufficient budget in place to ensure that its annual appropriation is sufficient to properly fund its operations and inmate services and programs?	Yes; see <u>Other Matters</u>
3. Does the HSD Civil Process Division have adequate controls over its receipt of revenue and disbursement of funds for expenses?	Yes

To achieve our audit objectives, we gained an understanding of the internal control environment related to our audit objectives by reviewing applicable HSD policies and procedures, reviewing laws and regulations, and interviewing HSD management.

Additionally, we performed the procedures described below.

ICPs

We obtained the current ICPs for the jail and house of correction and the Civil Process Division from HSD officials. We also obtained the OSC Internal Control Guide and reviewed the Internal Control Plan Checklist therein. We reviewed each of HSD's ICPs to determine whether they contained all eight components of COSO's enterprise risk management framework.

Budgeting

We obtained the fiscal year 2017 budget request sent by HSD officials to the Legislature, the spending plan created by HSD officials after they received notification of HSD's appropriation amount, and expenditure data for fiscal year 2017 from the Massachusetts Management Accounting and Reporting System (MMARS) database. We compared the budget request, spending plan, and actual appropriation expenditures, noting variances. We also obtained and reviewed fiscal year 2018 MMARS expenditure data for the period July 1, 2017 through August 26, 2017 to ensure that expenditures were charged to the correct fiscal year.

Civil Process Division Internal Controls

We tested the Civil Process Division's internal controls over the verification of accurate recording and invoicing of services provided and collection of overdue accounts. To test these controls, we obtained a revenue report from the CivilServe¹ information system for the period July 1, 2016 through June 30, 2017. Using statistical sampling, with a confidence level of 95% and a tolerable error rate of 5%, we obtained a random sample of 60 (totaling \$2,876) of the 3,914 revenue transactions from that period (totaling \$190,883). We compared this sample to hardcopy invoices and case files.

We tested the Civil Process Division's internal controls over the verification of accurate recording and depositing of funds received. We tested these controls by obtaining the general ledger detail from HSD's QuickBooks accounting system for the period July 1, 2016 through June 30, 2017. Using a nonstatistical random sample of 25 (totaling \$61,251) of the 102 deposits from that period (totaling \$239,481), we requested and compared the journal entry sheets, the bank deposit slips, and a cash report from the CivilServe system to ensure that all three sources matched.

1. The CivilServe information system is a computer program used by HSD's Civil Process Division. It allows employees to document services performed, calculation and collection of fees, requestors of services, and statuses of documents served.

We tested the Civil Process Division's internal controls over the approval and timeliness of cash disbursements. To test these internal controls, we obtained the general ledger detail from the QuickBooks accounting system, identifying 221 accounts-payable transactions (totaling \$150,582) from the audit period. Using a random nonstatistical sampling method, we selected 25 (totaling \$27,805) of the 221 transactions for testing. We obtained the invoice and check stub for each of the selected transactions and compared them to the supporting expenditure documentation.

Data Reliability Assessment

To gain an understanding of general information system controls in place, we interviewed HSD's information technology personnel. We reviewed certain general information technology controls over the Quicken accounting system, QuickBooks accounting system, and CivilServe system. To determine the reliability of data from the Quicken system, we ran data integrity tests on check registers provided by HSD officials, conducted reconciliations of data, and conducted trace sampling tests by verifying the accuracy of the data from the system using hardcopy invoices provided by HSD officials. To determine the reliability of data from the QuickBooks system, we ran data integrity tests on the check register provided, conducted reconciliations of the data, and conducted trace sampling tests. Additionally, we ran data integrity tests on the reports provided to determine the reliability of data from the CivilServe system. We determined that the data were sufficiently reliable for audit testing.

We used financial data from MMARS detailing HSD's general expenditures from its appropriated funds. Based on our prior assessment of MMARS² and our current comparison of source documentation with MMARS information, we determined that the information obtained from MMARS for our audit period was sufficiently reliable for the purposes of our audit work.

When using nonstatistical sampling methods for testing, we did not project the results of our testing to the population. When our sampling was statistical, we determined that it was not necessary to extrapolate the results of our testing to the entire population.

2. In 2014, the Office of the State Auditor performed a data reliability assessment of MMARS. As part of this assessment, we tested general information technology controls for system design and effectiveness. We tested for accessibility of programs and data as well as system change management policies and procedures for applications, jobs, and infrastructure.

OTHER MATTERS

Funding Concerns

During our audit, we reviewed the Hampshire Sheriff's Department (HSD) budget and budgeting practices for fiscal year 2017. During our review, we determined that HSD had been using an Inmate Benefit Fund (IBF)³ to purchase various types of goods and services, many of which were required by state regulations. For example, county correctional facilities are required to provide inmates with things such as academic and vocational education training and supplies, social services, library services, recreational and leisure activities, religious services, legal assistance services, personal hygiene goods, clothing, and linens and bedding. Officials from HSD's Finance Department told us that HSD had been funding these expenses in this manner for more than a decade.

In fiscal year 2017, the IBF had total revenue of \$272,729; the major sources of revenue were the commissions earned from telephone and commissary contracts. Expenditures from the IBF in fiscal year 2017 totaled \$269,717. Using fiscal year 2017 expenditure data for the IBF provided by HSD officials, we determined that \$156,616, or 58%, was spent on items required by state regulations. The remaining funds were also used for the benefit of inmates, on items such as barbershop supplies, cell phones for minimum-security inmates on work release, inmate wages, notary services, office supplies, postage, snow boots, train/bus fares, and translator services.

HSD officials told us they did not believe they would be able to fund the required goods and services without funds from the IBF. Additionally, we were told that HSD had not included these required goods and services in its annual budget request for a number of years. Instead, HSD expects the IBF revenue to cover these expenses annually. However, because IBF revenue is variable and not guaranteed, sufficient funding may not always be available to pay for required goods and services. Therefore, in our opinion, HSD should consider submitting annual budget requests to the Legislature that include funding for all anticipated required goods and services to ensure that adequate funding is available.

3. In its 2017 Fiscal Accounts Policy, HSD describes IBF as follows: "All moneys received as private donations to the institution, interest money earned minus services charges from the minimum and medium security accounts, telephone and canteen commissions are deposited into this fund. This account is used for the sole purpose of purchasing equipment or services that are to benefit the maximum number of inmates in the facility."